



POP, ARC and BOC— A Comparison

Many businesses are now converting paper checks to ACH debits to decrease costs and increase operating efficiencies. Once a check is converted, it is processed through the ACH network, the same network used for millions of secure payments every day. Understanding how check conversion works and how each type differs will help *ODFIs*, *RDFIs*, and *Originators* educate customers in advance and answer questions they may have.

Within the ACH environment, converted checks have a unique identifier code called a standard entry class code that distinguishes them from other ACH transactions. The following matrix provides a high-level comparison of some of the similarities and differences between point-of-purchase (POP) conversion, accounts receivable conversion (ARC), and back office conversion (BOC.) **To capture the full differences between these check conversion types, ACH participants should consult the *NACHA Operating Rules*.**

	POP	ARC	BOC
<i>Date of Introduction</i>	Since September 1999	Since March 2002	March 16, 2007
<i>How It Works</i>	Checks converted at a cash register, voided and returned to customer	Checks mailed to pay a bill or deposited into payment drop box	Checks presented at store or manned bill payment location; converted later in the "back office"
<i>Notification</i>	<i>Receiver</i> notified of conversion via voided check and signed receipt; must be provided opt-out option	<i>Receiver</i> notified of conversion via notice/biller insert prior to each payment; must be provided opt-out option	<i>Receiver</i> notified of conversion via sign at checkout/receipt message; must be provided opt-out option
<i>Source Document</i>	No copy required; check returned to customer at register	Reproducible, legible image, microfilm, or copy of check front required	Reproducible, legible image, microfilm, or copy of check front required
<i>Retention</i>	Consumer retains voided check as long as desired	ODFI retains copy of source document for two years from settlement date	Originator retains copy of source document for two years from settlement date
<i>Eligibility</i>	Checks > \$25,000 or containing auxiliary on-us field are ineligible for conversion	Checks > \$25,000 or containing auxiliary on-us field are ineligible for conversion	Checks > \$25,000 or containing auxiliary on-us field are ineligible for conversion
<i>Authorization</i>	Authorization receipt signed during purchase	Mailed or deposited check considered authorization; notification by <i>Originator</i> required prior to payment	Check presentment considered authorization; notification by <i>Originator</i> required by posted sign/similar receipt
<i>Presentments</i>	Three presentments allowed	Three presentments allowed	Three presentments allowed
<i>Return Fees</i>	Return fee can be charged with separate authorization	Return fee can be charged with separate authorization	Return fee can be charged with separate authorization

	POP	ARC	BOC
<i>Return Reason Codes</i>	Return reason codes: Unauthorized – R10 Stop payment – R08 (w/in 2 days, prior to posting) Stop payment/ACH – No extended time Source doc presented for payment – R37 Improper source doc – R39 (w/in 2 business days) or R10 (after 2 business days)	Return reason codes: Unauthorized – R10 Stop payment – R08 (w/in 2 days, prior to posting) Stop payment on source doc – R38 (w/in 60 days of settlement) Source doc presented for payment – R37 Improper source doc – R39 (w/in 2 business days) or R10 (after 2 business days)	Return reason codes: Unauthorized – R10 Stop payment/source – R08 (w/in 2 days, prior to posting) Stop payment/ACH – R38 (w/in 60 days of settlement) Source doc presented for payment – R37 Improper source doc – R39 (within 2 business days) or R10 (after 2 business days) Improper source doc – R39 (w/in 2 business days) or R10 (after 2 business days)
<i>Benefits</i>	Benefits: <ul style="list-style-type: none"> • reduced processing costs • greater efficiency • expedited returns • one-day availability • reduced transportation costs • low per-item costs • increased corporate/consumer goodwill • simplified reconciliation • improved customer information flow • lower incidence of fraud 	Benefits: <ul style="list-style-type: none"> • reduced processing costs • low up-front and per-item costs • virtually no exception handling costs • greater efficiency • expedited returns • one-day availability • simplified reconciliation 	Benefits: <ul style="list-style-type: none"> • reduced processing/deposit costs • low up-front and per-item costs • greater efficiency • items can be converted in back office • quicker access to funds • expedited returns; reduced losses from returns • best clearing option • improves collections/cash management • reduces implementation barriers • expanded market potential • reduced transportation costs • simplified reconciliation