



# *Getting Traction:* Eliminating the Final Barriers to Check Image Exchange

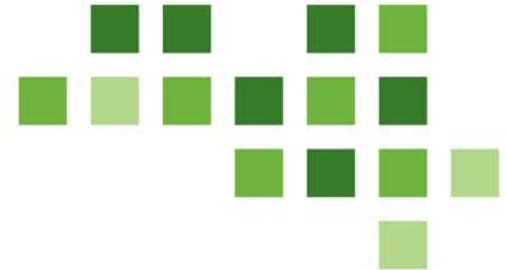
## Banker Panel

Brian Egan – The Federal Reserve Banks

Marie B. LaQuerre – Bank of America

David Rathke – Frost Bank

Larry Taft – Midwest Independent Bank





## i3G Background

**“The US Check System has had over 50 years to be tweaked and perfected. The check image system – just four.”**

*Fred Herr, SVP Retail Payments Office, Federal Reserve Bank*

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# i3G Background

**Purpose:** Remedy “exceptions” processing that are nagging the industry

**Goal:** Quickly address large percentage of exceptions with few changes:

- Best practice recommendations
- Better intra-communications among industry players
- Influence on industry organizations (rules and standards) to execute solutions

**Members:** Small, diverse cross section of industry participants

Bank of America

Federal Reserve

Midwest Independent Bank (ICBA)

Southwest Corporate Federal Credit Union

Wells Fargo

North American Banking Company

JP Morgan Chase

Frost Bank

US Bank

Sterling Savings

# i3G Engagement Model with Industry



## Getting to Interoperability

- Influence
- Speed to solution
- Reasonableness (“80/20 Rule”)
- Diverse perspectives
- Establish best practices
- Communicate



## **“Last Mile” Exceptions Issues – Round 1**

- Proper Use of BOFD endorsement records
  - Duplicate file presentment handling
  - Standardized approach to TIFF Tag use
  - MICR Line requirements for imaged Items
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# BOFD Endorsement Records

**The Problem:** Slow and costly returns process. Negative customer impact.

- Industry needs standard endorsement and handling practices related to record 26/electronic BOFD.

**The Approach for Resolution:**

- Encourage sender to electronically populate BOFD records whenever possible
  - Establish a hierarchy paying banks must follow when returning an item received in an ICL
  - Requirement to use returns process if electronically populated BOFD records.
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# BOFD Endorsement Records

## Detailed Recommendations/Actions

- Sending Bank must electronically populate BOFD record (Type 26 record) whenever possible
    - Sending Bank warrants e-BOFD data is accurate (see ECCHO rules)
  - Establish procedures for returning bank to follow when e-BOFD is unavailable
    - BOFD endorsement on image
    - Oldest electronic subsequent endorsement (Type 28 record)
    - Source of receipt
  - Banks electronically populating BOFD record may not handle items returned to them as “Not Our Item”
  - ECCHO rules supporting this process adopted Dec 2008
  - FRB Operating Circular 3 changes in process
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# Duplicate Presentment Handling

**The Problem:** Duplicates will never be completely eliminated

➤ **Industry needs a standard approach for duplicate handling that minimizes customer impact and provides a consistent way to quickly resolving duplicate events.**

**The Approach for Resolution:**

- Encourage duplicate checking on transit and on-us items
  - Discourage use of return channels to resolve duplicate incidents
  - Create a duplicate event notification system for the industry
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# Duplicate Presentment Handling

## Detailed Recommendations/Actions

- Remove minimum adjustment amounts for duplicates
  - Provide immediate credit entry to all duplicate adjustment requests within 90 days of cash letter date
  - Establish standard format for providing information to resolve duplicate incidents
  - Institute a Duplicate Notification System
  - Implement small pilot (Single Source/Large Incident)
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# TIFF Tag Use (Tagged Image File Format)

**The Problem:** Interoperability challenges and technical barrier to image exchange.

- Industry needs a shared TIFF Tag standard and an approach to dealing with non standard tags.

**The Approach for Resolution:**

- Clarify use of “variants” described in ANSI TIFF standard
- Revise ANSI TIFF standard to reflect industry practices
- Establish education program aimed at vendors outlining technical requirements for TIFF
- Recommend ‘sunrise’ date for enforcing compliance with TIFF standard

*TIFF: A file format for storing [images](#) . It contains the instructions on how to open and read the image contained in the file. TIFF formats are widely supported by image-manipulation applications.*

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# TIFF Tag Use

## Detailed Recommendations/Actions

- Endorsed use of ANSI TIFF standard without variants
  - Submit new work item to ANSI for updating the TIFF standard
  - Begin education program aimed at vendors outlining technical requirements for TIFF
    - Heavy focus on RDC vendors
  - Defined standard industry practice for interrogating TIFF tags
  - Establish a ‘sunrise’ date for enforcing compliance with TIFF standard based on industry compliance
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# MICR Line Requirements for Imaged Items

**The Problem:** Paying bank burden in dealing with disparate practices of MICR line population

■ **Industry needs standard approach on MICR fields required for image exchange and/or providing data in non-required MICR fields.**

## **The Direction: Movement towards alternate solution**

- Major concern with MICR revolves around expansion of RDC usage
  - Paying institutions support 'perfect' MICR
  - Collecting institutions support 'best effort' MICR
  - Issue currently being discussed at SVPCO operations group
  - ECCHO operations committee working on rules to support exchange of imperfect MICR by agreement
    - Better define partial, imperfect and full MICR
    - Warrants best efforts made
    - Use of \* for known digits that can't be read
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## Up Next: Round II of Exception Issues

- Image returns (incoming monetary returns)
  - Clearing of non-imageable checks
  - Electronic adjustments
  - Image integrity
  - Others?
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**For more information...**

- [www.i3Ggroup.com](http://www.i3Ggroup.com)





# Questions

