



Financial Services Policy Committee

Federal Reserve System

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Federal Reserve Banks Stress Importance of Image-Enabling Practices as Adoption Grows

Minneapolis, May 23, 2006— As adoption of image-clearing services accelerates, the Federal Reserve Banks are stressing the importance of compliance with standards and policies that enable electronic clearing. In particular, the Reserve Banks point to the importance of proper deposit of items in carrier documents.

In May 2004, the Banks announced that they would not accept items in carrier documents in high-speed forward and return cash letters. This includes carriers containing photocopies in lieu, notices in lieu of return, and foreign or mutilated items. Over the past two years, Reserve Banks have worked to educate customers about the policy as problems were encountered. As adoption of FedReceiptSM image presentment services continues to expand, Reserve Banks are image capturing a significant number of checks for clearing or presentment through Check-21 enabled services; and the number is growing weekly. Early experiences have shown that items deposited in carrier documents are disrupting the downstream processing of image presentments.

“In order for Reserve Banks to offer image-clearing services with a high quality service level, carrier documents must be processed separately,” says Bob Price, Retail Payments Office senior vice president with responsibility for the operational implementation of the Reserve Banks’ Check 21 initiative. “Images of items in carriers do not meet readability standards, which prevents conversion to substitute checks.”

Items in carrier documents must be deposited in separately sorted forward or return cash letters. Depositors who include these types of items in high-speed forward and return cash letters will assume all Check 21 liability for losses as outlined in Operating Circular 3, Collection of Cash Items and Returned Checks.

“The tremendous collaboration taking place across the industry is key to enabling greater adoption of imaging,” commented Fred Herr, Retail Payments Office senior vice president. “The success of the industry’s transition to electronic check clearing depends on the support of those who are engaged in imaging, as well those who are still processing paper.”

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