



3710 Rawlins Street
Suite 1075
Dallas, TX 75219
214.273.3200
www.eccho.org

JANUARY 2011 Operations Meeting Update

ECCHO RULES UPDATE

New to ECCHO

Bank of the West

Bank of Hawaii

SOCACHA

TACHA

Western Union Financial

Wisconsin CU Shared Svc Ctr

Working on potential Rules changes for next Ops Meeting:

Retransmission of file –

Members are discussing the idea of relieving duplicate liability to the sending bank when a receiving bank requests a re-transmission.

Dispute resolution – there is an ECCHO procedure available for arbitrating disputes. As of now, it remains untested. Members are discussing how to make the process more usable—perhaps by lowering the dispute amount which is currently \$50,000. There are also plans to add a Q&A section to address typical dispute issues.

Other topics to be worked on:

- Returning bank hierarchy
- Other return issues
- New subcommittee for industry trends

Contact your Sponsoring Organization to provide input to the Industry Trends, Rules, or Returns & Adjustments Subcommittees.

NCPC is coming!
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Next ECCHO Ops Meeting will be held on May 11, 2011 in Charlotte, NC

The Ops Committee of the ECCHO membership met on January 12 in Fort Lauderdale. More than 80 people participated in the meeting. With the input of the membership, the ECCHO Rules are always evolving to meet the demands of the check image environment. First, subcommittees meet via phone to hammer out potential changes, and how to accomplish them equitably. These discussions lead to recommendations for Rules changes which are debated at the triannual Ops meetings. If the changes are accepted by the Ops Committee then they proceed to the Board for final approval.

The following changes will be recommended to the Board as a result of the January meeting:

- **Not allowing BOFD to disclaim RCC adjustment claim** – the BOFD cannot disclaim an RCC adjustment claim by stating that the customer authorized the creation of the RCC.
- **TIFF tags** – Rule and commentary were updated to eliminate wording regarding TIFF standard variants. TIFF tags can only be changed to conform to the standard. New wording will read, "If the TIFF tags associated with an Electronic Image, received by a Receiving Bank under the Rules, are non-compliant with the TIFF standard for Image Exchange the Receiving Bank may at its option reformat the TIFF tag(s) to comply with the TIFF standard for Image Exchange."
- **Duplicates** – commentary was added to clarify the duplicate warranty. The new commentary added states, "As a general matter, the fact that there are different indorsements reflected on the back of the two Electronic Images or in the electronic indorsement records of the check images is not in itself determinative of whether or not the two Electronic Images arose from different paper checks."

For more information on ECCHO Rules, please contact your Sponsoring Organization or Jenny Johnson at jjohnson@eccho.org or 770.452.0961.

DUPLICATES

Since the implementation of Check 21, duplicates have been an issue. Initially, the problem revolved around paper—in the form of IRDs, then moved to system issues, but now the industry is seeing more duplicates from remote deposit capture (RDC).

As RDC duplicates increase, the school of thought on adjusting duplicates continues to evolve. Creating an adjustment makes sense when the problem is caused within the banking system. But with RDC, the duplicates are generally created by customers, therefore it may be better to return these items. A returned item is more likely to get to the customer faster, when funds may still be available.

Warranties

There is a warranty regarding duplicates under ECCHO Rules, OC3, and Reg CC. The ECCHO Rules warranty is intended to protect the Receiving Bank regardless of the form of duplicate item (e.g., physical check, electronic image, or IRD.)

In Scenario One, a customer creates an RDC deposit to one bank and deposits the physical check in another bank. Both BOFDs warrant to Paying Bank C, therefore Paying Bank C can go back to either BOFD. It is interesting to note that being the second to present does not affect the warranty in this case.

Is there a basis for claim between the two BOFDs? ECCHO Rules do not address claims between the BOFDs because there was no image exchange between them and thus, no warranty was made.

In order to mitigate the risk associated with RDC duplicates, banks should follow Know Your Customer and FFIEC guidance, and establish teller procedures to examine checks for stale dated or already franked/indorsed. Utilizing technology for duplicate detection can also diminish risk. For more on duplicates, please see a new white paper to <http://www.eccho.org/documents/WhitePaperDup011711.doc>

ECCHO recently conducted a webinar for more than 200 participants on duplicates. Stay tuned for more ECCHO webinars on hot topics.

Scenario One: Two BOFDs—Both Make Warranties

