



# A Guide to 2018 Reg CC & ECCHO Rules Updates

Presentation to  
ECCHO Members  
March 28, 2018

# DISCLAIMER

The information contained herein has been prepared for general informational purposes only and is not offered as and does not constitute legal advice or legal opinions. You should not act or rely on any information contained herein without first seeking the advice of your legal counsel.

Unless otherwise specified, the ECCHO Rules referred to in this presentation are in Final Draft Rules form as of March 23, 2018. The Final Draft Rules await recommendation by the Operations Committee and approval by the Business Committee. Therefore, there may be changes to the Draft Rules prior to implementation on July 1, 2018.

Similarly, the version of Regulation CC that is referred to in this presentation is the amended Regulation CC with effective date of July 1, 2018 (unless otherwise stated).

Comments are those of the speaker and not necessarily those of The Clearing House or the ECCHO membership.

*Due to time constraints, this presentation does not cover all of amended Reg CC changes or ECCHO Draft Rules.*



# Agenda

- Background on Reg CC and ECCHO Rules Changes
- Summary of Key Reg CC Changes & Related Changes to ECCHO Rules:
  - Electronic Checks/Returned Checks
  - Warranties for Electronic Checks
  - Expeditious Return Requirements
  - RDC Indemnity
  - ECI Indemnity
- Other (Non-Reg CC) Changes to ECCHO Rules
- Relationship of Reg J/OC#3 and ECCHO Rules



# Level-setting Acronyms & Terms

- ANSI X9 – Payments-related standards group
- BOFD – bank of first deposit
- BOFD A – the first bank of first deposit in an RDC duplicate presentment scenario
- BOFD B – the second bank of first deposit in an RDC duplicate presentment scenario
- ECI – electronically created item (not an electronic check)
- ECI Indemnity – new in Reg CC to protect against ECIs—which are not checks
- MICR – Magnetic Ink Character Recognition
- Paper Deposit Bank – bank accepting paper check for deposit in RDC indemnity scenario
- Reg CC – Regulation CC
- RDC – remote deposit capture
- RDC Bank – bank truncating check via remote deposit in RDC indemnity scenario
- RDC Indemnity – new in Reg CC to provide protection in certain conditions for depository bank that accepted deposit of paper check and then experienced a loss
- RFC – request for comment
- UCC – Uniform Commercial Code



# Background & Timeline for Reg CC and ECCHO Rules Changes



# Why Change Reg CC?

- To encourage transition to fully-electronic check payment system by:
  - Encouraging remaining hold-outs to accept electronic returns
  - Acknowledging only one Fed processing region therefore all returns are local for expeditious return requirements
  - Recognizing and defining image exchange within Subpart C of Reg CC (electronic check & electronic returned check)
  - Defining ECIs and providing some level of protection for banks that receive them
  - Providing some level of protection against RDC duplicate losses



# Timeline of Reg CC Change Process

- Fed issued Requests for Comment on changes to Reg CC in 2011 and 2014
  - Group response by ECCHO, ABA, The Clearing House, Financial Services Roundtable and ICBA
- Fed amending Subparts C and D of Regulation CC
- Final Rule was issued on May 31, 2017
- Takes effect on July 1, 2018
- Link to Reg CC Final Rule & other information
  - <https://www.eccho.org/eccho-sb-memo>



# Why Change ECCHO Rules

- **Reason 1: Conform ECCHO Rules to new defined terms in Reg CC**
  - Goal is to use common defined terms between ECCHO Rules and Reg CC, to the extent possible
  - For example: Using new defined terms “electronic check” and “electronic returned check”
- **Reason 2: Remove or revise ECCHO Rules in light of Reg CC’s direct application to check image exchange**
  - Goal is to rely on new Reg CC provisions where possible
  - For example: ECCHO Rules will rely on new Reg CC electronic check warranties
- **Reason 3: Remove ECCHO commentary and rules that relate to legacy image products**
  - While not dictated by Reg CC amendments, this rule revision process is a good opportunity to update some outdated sections of rules/commentary
  - For example: Removed ECCHO Rule that supported “message only” (no image) return





# Timeline of ECCHO Rules Change Process

- **April 2018**
  - Distribute ECCHO Rules Final Draft to Operations Committee for review
- **May 2018**
  - Discuss ECCHO Rules Final Draft at Operations Committee meeting in May
  - Seek Operations Committee's approval to take ECCHO Rules Final Draft to Business Committee
- **June 2018**
  - Operations Committee will bring ECCHO Rules change recommendations to Business Committee for approval at June meeting
- **July 1, 2018**
  - Effective date for Reg CC and ECCHO Rules changes



# Role of Agreements/Rules Going Forward

- Reg CC applies directly to electronic check exchange between banks
- Reg CC defers to interbank rules/agreements to establish many of the terms:
  - Where/how/when electronic checks are delivered
  - Whether banks will act as intermediary banks for exchange/return
  - Exceptions and variations to Reg CC rules (example: as-read MICR)
  - Eligibility rules for checks (example: ECIs are not eligible)
  - Limits on presentments (ECCHO: 3 presentments / Fed OC3: 2 presentments)
  - Terms for dealing with exceptions and adjustments (ECCHO Adjustment Matrix)
- Legal Framework going forward after July 1, 2018:
  - Subpart C of Reg CC applies directly to interbank electronic check exchange
  - Interbank rules/agreements address electronic check exchange requirements/details
  - Interbank rules/agreements apply UCC to electronic checks in interbank exchange
  - Check 21 Act supports substitute checks
  - UCC and Bank/customer agreements address RDC deposit/payment/customer relationship



# Summary of Key Reg CC Changes and Related Updates to ECCHO Rules

## New Electronic Check Definition



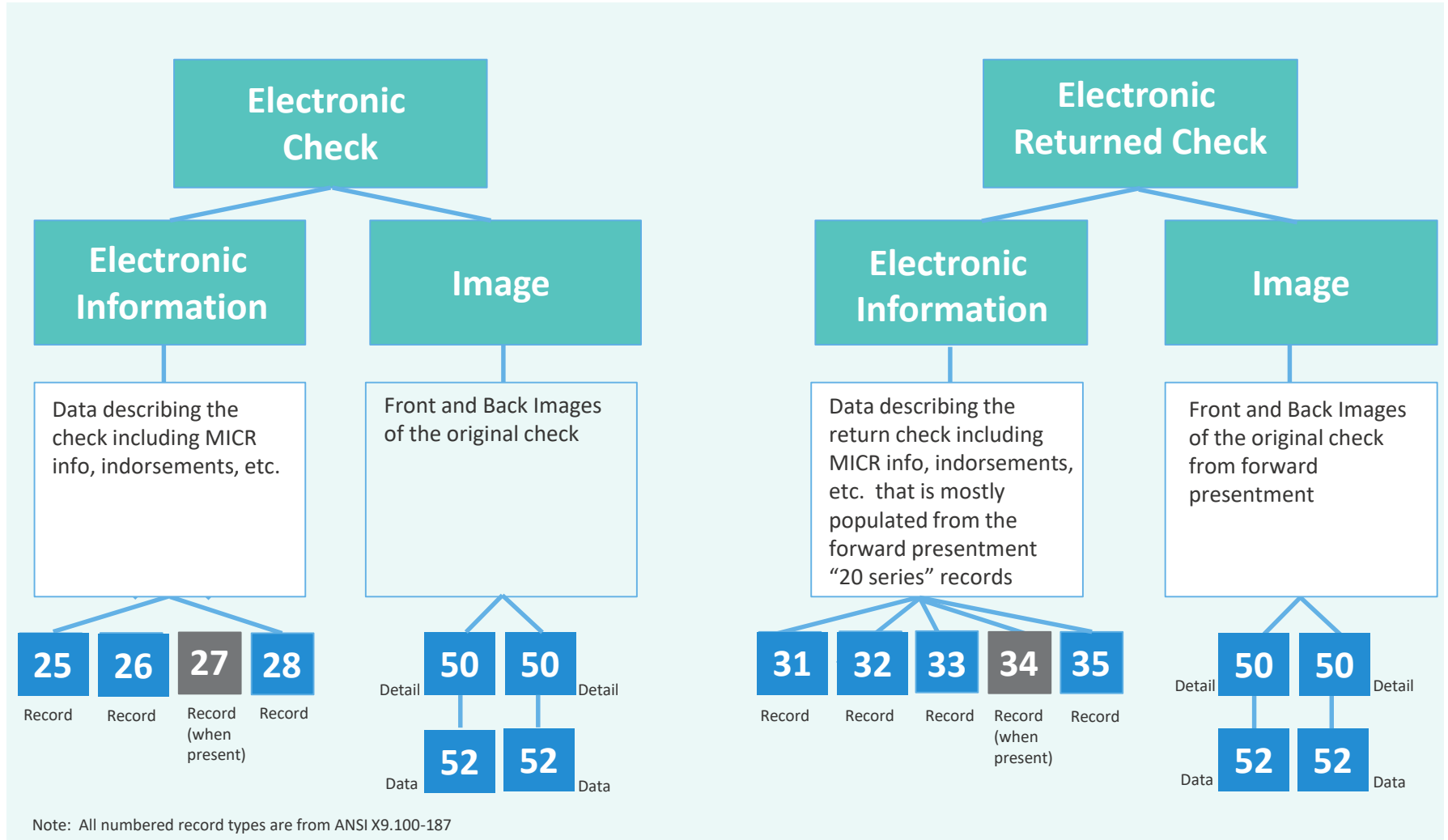
# Reg CC: Electronic Check Acknowledged & Defined

- Current Reg CC does not acknowledge electronic check image exchange
- Current electronic check image exchange relies upon:
  - Interbank rules (ECCHO/Reg J/OC3) to address image exchange requirements
  - Interbank rules to apply current Reg CC and UCC electronic checks in interbank exchange
  - Check 21 Act to support substitute checks (if necessary)
  - UCC and Bank/customer agreements to address customer relationship
- Under amended Reg CC: Electronic check/returned check defined in (229.2(ggg))
- Reg CC treats electronic check same as paper checks for all purposes under Subpart C of Reg CC unless otherwise specified
- Reg CC will apply to all electronic checks as a matter of law
- Check image and information/MICR data for the electronic check must be “derived” from paper check



# New: Electronic Check/Electronic Returned Check 229.2(ggg)

*“means an electronic image of, and electronic information derived from, a paper check or paper returned check, respectively, that— (1) is sent to a receiving bank pursuant to an agreement between the sender and the receiving bank; and (2) conforms with ANS X9.100-187, unless the Board by rule or order determines that a different standard applies or the parties otherwise agree.”*



Note: All numbered record types are from ANSI X9.100-187



# ECCHO Rules: New Defined Terms / Application of Reg CC

- Revised ECCHO Rules defines terms to align to defined terms in Reg CC
  - Examples: use of “Electronic Check” and “Electronic Information” instead of Electronic Image and Presentment Notice
- Added new commentary in Section XIX(C) to explain that ECIs are not eligible for exchange under ECCHO Rules
  - No change to ECCHO eligibility rule that requires paper check origination
- Revised provision in Section XIX(F) (*Status of Electronic Checks*) and Section XX(E) (*Status of Electronic Returned Checks*) that previously applied Reg CC to electronic check exchange
  - Subparts A and C of Reg CC will apply to electronic check exchange as matter of law
  - Added new commentary to explain Reg CC application to check image exchange



# ECCHO Rules: Defined Terms / Application of Reg CC (cont.)

- Removed Section XX(F)(5) and (6) (*Return of Electronic Returned Checks*) that required BOFD to return check/image or notice to customer
  - Notice to depositing customer addressed in Reg CC



# Summary of Key Reg CC Changes and Related Updates to ECCHO Rules

## Electronic Check Warranties





# New Electronic Check Warranties under Reg CC

- Each bank that transfers or presents an electronic check/returned check warrants: (229.34(a))
  - i. Image accurately represents front and back of original check at time of truncation, and contains accurate record of all MICR line information required for substitute check and amount of check, and
  - ii. No person/bank asked to make payment on check it has already paid
- Warranties are made to all in the collection/presentation/return chain including banks/drawer and depositing customers
  - ECCHO image exchange warranties only extended to banks
- Must receive settlement/consideration to make the warranty



# ECCHO Rules: Changes to Electronic Check Warranties

- ECCHO Rules will not vary Reg CC Electronic Check/Returned Check warranties
- All exchanges and returns of Electronic Checks under ECCHO Rules will be subject to the Reg CC Electronic Check/Returned Check warranties as a matter of law
- ECCHO will remove from current ECCHO Rules the interbank warranties under Section XIX(L) and XX(J) relating to quality of image/MICR data and no duplication
  - ECCHO Rules will rely on the similar warranties for Electronic Checks under Reg CC
  - Added commentary to ECCHO Rules to explain relationship of ECCHO Rules to new Reg CC warranties
  - Retained in ECCHO Rules, as informational guidance, commentary on duplicate payment warranty in context of HIDC scenarios
  - Added new commentary, as informational guidance, to address the image quality warranty under Reg CC as applied to security features contained in paper checks



# Summary of Key Reg CC Changes and Related Updates to ECCHO Rules

**Expeditious Return  
Notice of Non-payment  
Notice in Lieu**

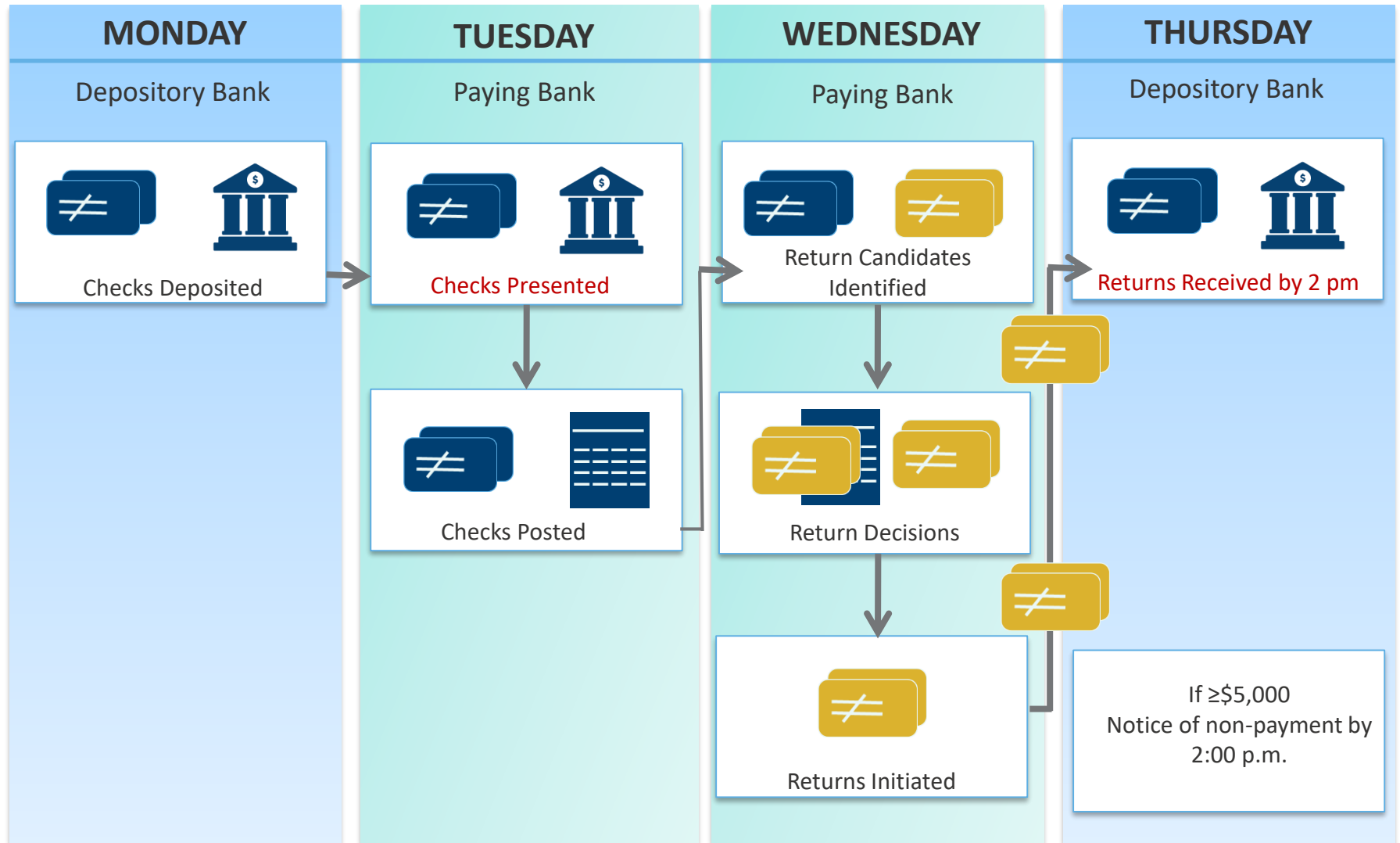


# Expeditious Return Changes

- Requires all electronic and paper returned checks to satisfy modified version of current “two-day test” for expeditious return (229.31(b))
  - Paper and electronic checks must be returned to depository bank (i.e., BOFD) such that check would normally be received by depository bank no later than 2:00 p.m. (depository bank local time) on second business day following banking day on which check was presented to paying bank
    - Previously was 4:00 p.m.
    - New Commentary: To determine “normally” paying bank may rely on returning bank’s return deadlines and availability schedules for electronic return
- ECCHO Rules will not vary new expeditious return timeframes
  - ECCHO Rules will vary Reg CC Section 229.31(e) requirement for return reason to appear on “front” of electronic check
  - ECCHO Rules XX(D)(8) continues current variance of Reg CC Section 229.31(a)(2)(d) requirement for notification to returnee bank if returning bank cannot determine BOFD



# Expeditious Return Deadlines



# Expeditious Return Rule: New Liability Protection

- No liability for failure of expeditious return for certain non-electronic return arrangements (Section 229.33(a))
  - Paying/returning bank liable to depositary bank for failing to meet expeditious return requirement only if depositary bank has arrangements for return of checks to depositary bank electronically by “commercially reasonable means.”
    - Does not require direct return arrangement
    - Burden of proof on depositary bank
- Liability approach encourages depositary bank to accept electronic return checks
- ECCHO Rules will not vary this new Reg CC liability approach for failure of expeditious return



# Notice of Non-Payment

- Changes to Notice of non-payment requirements: (229.31(c))
  - Increases dollar threshold to \$5,000 (previously \$2,500)
  - Time for receipt by depositary bank 2:00 p.m. (previously 4:00 p.m.) depositary bank local time
  - New exception for paying bank from notice requirement if depositary bank is unidentifiable
  - Change in content requirements for notice – see next slide
- Reg CC maintains current obligation on paying bank to use indicator to note information of “uncertain” accuracy
- ECCHO Rules will not vary this Reg CC notice of non-payment requirement



# Content of Notice of Non-Payment

Current Requirement	Amended Reg CC Requirement <i>(to the extent available to the Paying Bank)</i>
	Information contained in MICR line as received by paying bank
<b>No Change</b>	
<ul style="list-style-type: none"> <li>Other information that may be useful – Depository names and routing number</li> </ul>	<ul style="list-style-type: none"> <li>Bank name and routing number associated with indorsement of depository bank</li> </ul>
<ul style="list-style-type: none"> <li>Trace number associated with indorsement of depository bank</li> </ul>	<ul style="list-style-type: none"> <li>Trace or sequence number associated with indorsement of depository bank</li> </ul>
<ul style="list-style-type: none"> <li>Name of the Payee(s)</li> </ul>	<ul style="list-style-type: none"> <li>Name of Payee(s)</li> </ul>
<ul style="list-style-type: none"> <li>Amount</li> </ul>	<ul style="list-style-type: none"> <li>Amount</li> </ul>
<ul style="list-style-type: none"> <li>Date of indorsement of depository bank</li> </ul>	<ul style="list-style-type: none"> <li>Date of indorsement of depository bank</li> </ul>
<ul style="list-style-type: none"> <li>Reason for non-payment</li> </ul>	<ul style="list-style-type: none"> <li>Reason for non-payment</li> </ul>
<b>No Longer Required</b>	
<ul style="list-style-type: none"> <li>Name and routing number of paying bank</li> </ul>	
<ul style="list-style-type: none"> <li>Account number of customer of depository bank</li> </ul>	
<ul style="list-style-type: none"> <li>Branch name or number of depository bank from indorsement</li> </ul>	





# Notice in Lieu

- Amended Reg CC retains Notice in Lieu of Return (229.31(f))
  - Only if check is unavailable for return
  - New Commentary: Notice in lieu of return is permitted only when a bank does not have sufficient electronic information/image to create a substitute check
- ECCHO Rules will not vary the Reg CC notice in lieu of return requirement



# Summary of Key Reg CC Changes and Related Updates to ECCHO Rules

## RDC Indemnity



# RDC Indemnity (229.34(f))

- New indemnity under Reg CC
- Indemnity protects second depository bank that received deposit of paper check that was returned unpaid because check previously deposited at another depository bank using RDC service
- RDC bank's potential liability arises when it permits customer to truncate check and deposit image
  - Customer retains original check and may intentionally or mistakenly deposit paper check in another bank
- Paying bank's duplicate item decisioning process remains unchanged



# Conditions for RDC Indemnity

- RDC bank is truncating bank because it accepts deposit of electronic image/information related to original check
- RDC bank does not receive original check
- RDC bank receives settlement/consideration for electronic check/substitute check related to original check
- RDC bank does not receive “return” of check unpaid
- Paper deposit bank must receive original paper check for deposit
- Original paper check must not have a restrictive indorsement inconsistent with the paper deposit
- Paper deposit bank incurred a loss due to duplicate

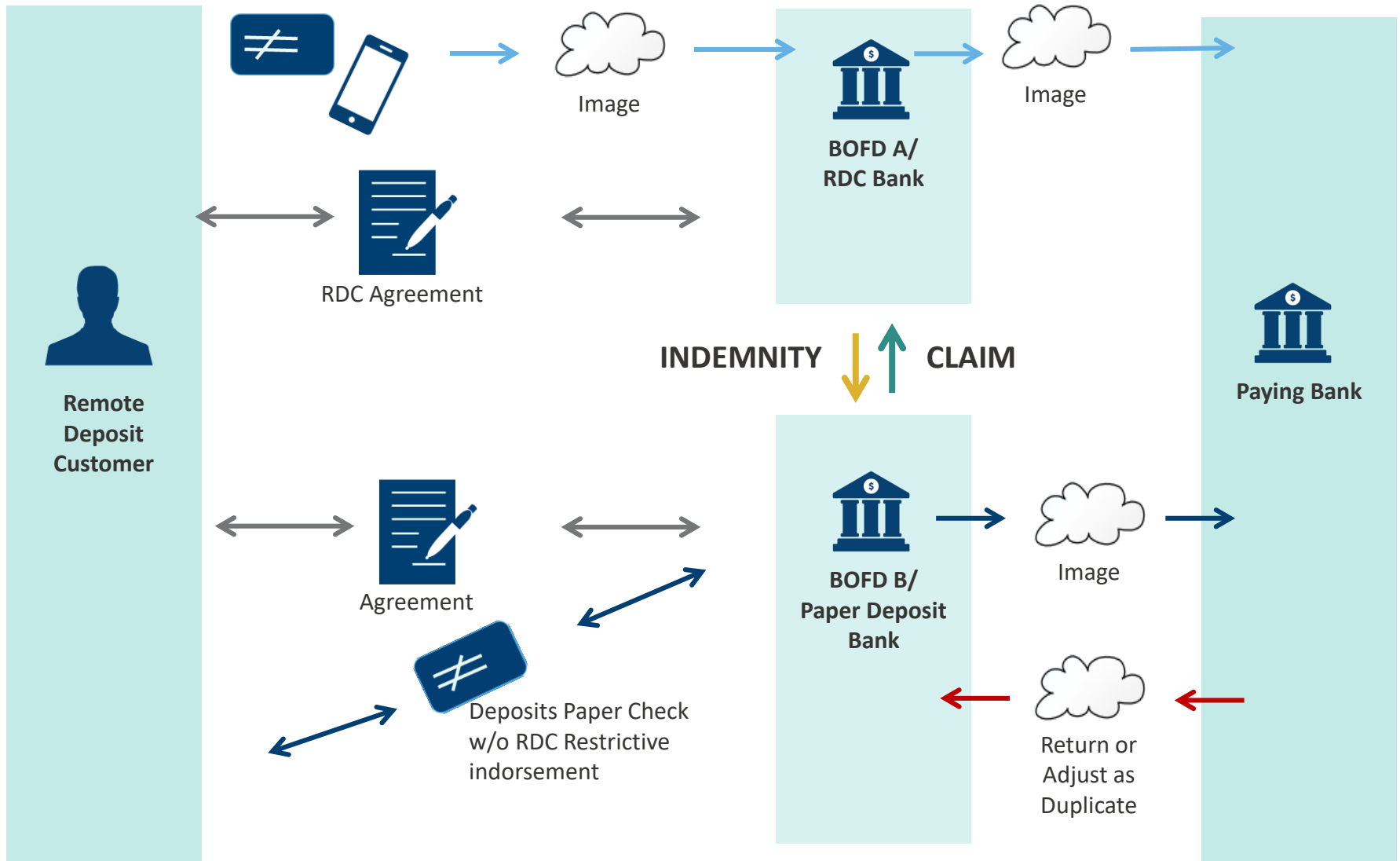


# RDC Indemnity Rule Text (229.34(f))

- 1) *The indemnity described in paragraph (f)(2) of this section is provided by a depositary bank that—*
  - i. *Is a truncating bank under § 229.2(eee)(2) because it accepts deposit of an electronic image or other electronic information related to an original check;*
  - ii. *Does not receive the original check;*
  - iii. *Receives settlement or other consideration for an electronic check or substitute check related to the original check; and*
  - iv. *Does not receive a return of the check unpaid.*
  
- 2) *A bank described in paragraph (f)(1) of this section shall indemnify, as set forth in § 229.34(i), a depositary bank that accepts the original check for deposit for losses incurred by that depositary bank if the loss is due to the check having already been paid.*
  
- 3) *A depositary bank may not make an indemnity claim under paragraph (f)(2) of this section if the original check it accepted for deposit bore a restrictive indorsement inconsistent with the means of deposit.*



# RDC Indemnity: Indemnity and Claim

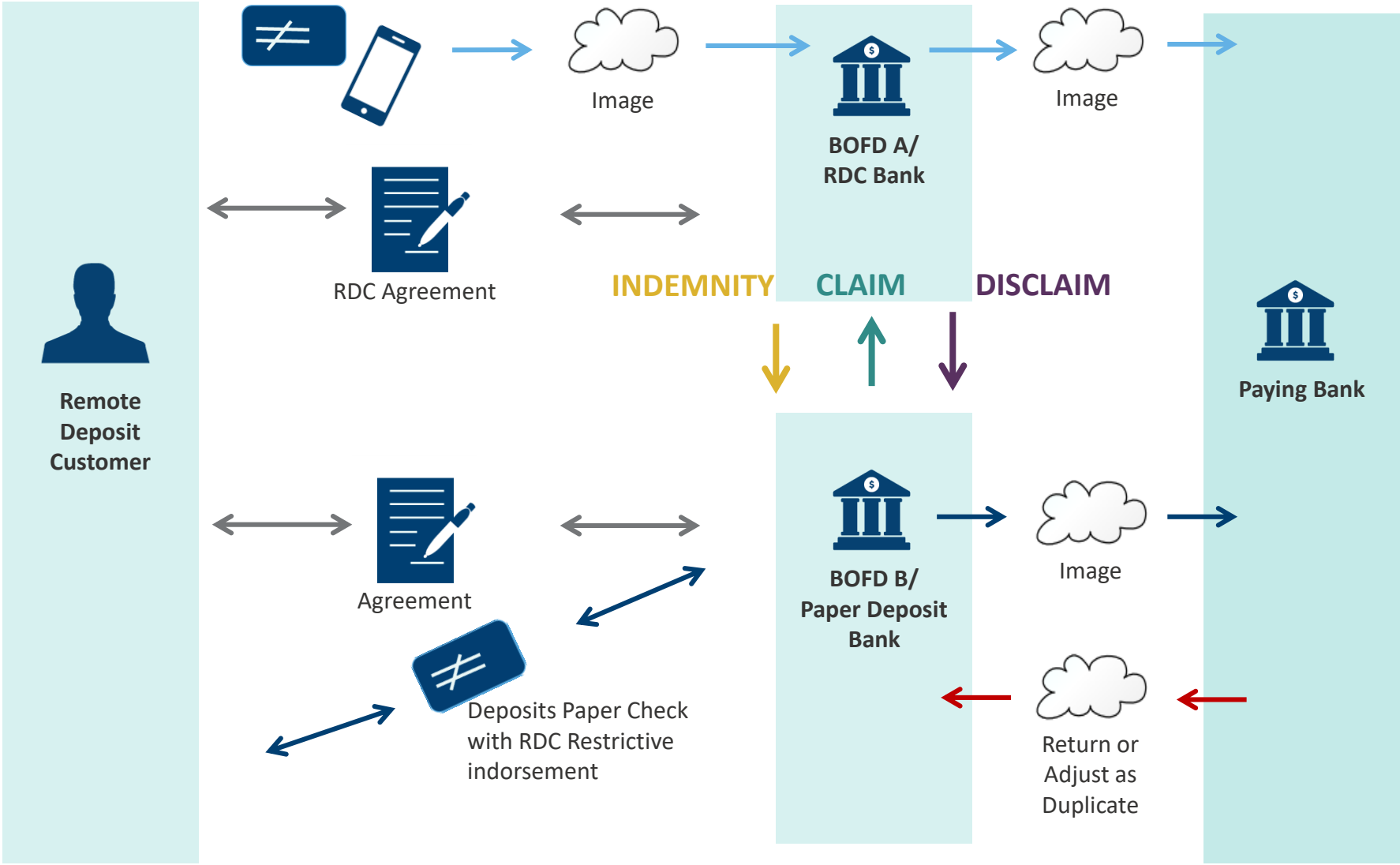


# RDC Indemnity: Making a Claim

- Paper Deposit bank can make a claim against RDC bank that permitted customer to truncate (subject to terms/conditions on previous slides)
  - Claim can be made to any one RDC bank, even if multiple RDC banks
- Amended Reg CC does not provide instruction on how banks are to make interbank RDC indemnity claims
- Amended Reg CC does not address how the indemnified bank can identify the RDC bank
  - If Paper Deposit bank receives adjustment, RDC bank information may be present in the source field
- Not effective until July 1, 2018 (no backlog items accepted)

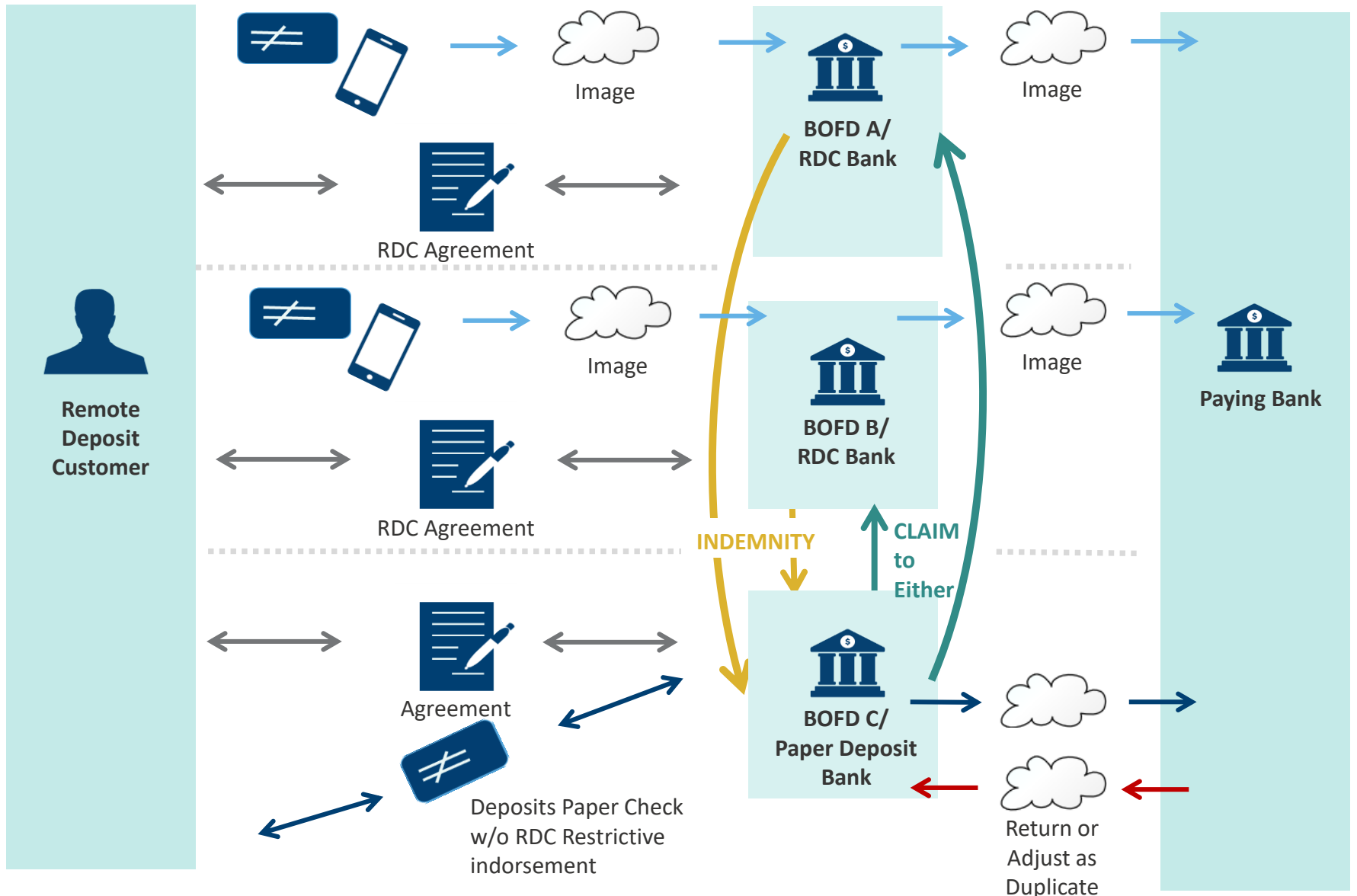


# RDC Indemnity: Restrictive Indorsement Disclaim





# RDC Indemnity: Multiple Bank Scenario



# Issues Not Considered in RDC Indemnity Rule

- Depositing customer relationship covered by agreement
- Paying Bank – BOFD relationships
  - Does not alter protection to Paying Bank under duplicate payment warranty
  - Does not alter Paying Bank duplicate decisioning (i.e., to return/adjust, to which BOFD)
- Non-duplication problems with check deposited via RDC, such as missing indorsement or altered item
- Liability between two RDC Banks (if multiple duplicates scenario)
- ECI deposits (Electronically Created Items are not considered checks under Reg CC)



# RDC Indemnity: Amount of Liability

- Amount of loss up to the amount of settlement
- Plus interest and expenses (including costs & reasonable attorney's fees)
- No consequential damages
- Comparative negligence defense available to RDC bank



# ECCHO Rules: Approach to RDC Indemnity

- ECCHO Rules will not vary RDC indemnity as set forth in Reg CC
  - All Electronic Checks exchanged under ECCHO Rules will be subject to Reg CC RDC Indemnity as a matter of law
- ECCHO Rules will utilize WIC adjustment reason for making a claim within an automated adjustment system. Paper Deposit bank may attach Sample RDC Indemnity Claim letter to provide additional information required for this claim.
- Members may make manual claims using the Sample RDC Indemnity Claim letter
- ECCHO Member Paper Deposit bank may choose to contact Paying bank to request information on RDC bank via: phone, email, fax, Source of Receipt adjustment reason
- ECCHO will assess whether future Rules changes are necessary based on industry information regarding RDC indemnity claims (such as volumes and trends)



# Summary of Key Reg CC Changes and Related Updates to ECCHO Rules

## ECI Indemnity



# ECI Background & Definition

- Background on ECIs in the check system
- New defined term “Electronically Created Item”
  - Electronic image/information that has check attributes
  - But this image/information was not derived from paper check
  - ECI does not qualify as “check” or “Electronic Check” under Reg CC
  - *Defined at Section 229.2(hhh)*
- Defined term “ECI” is used in Reg CC only for new ECI indemnity
- Reg CC does **not** create legal status for ECI as “check” under:
  - UCC
  - Reg CC
  - Check image exchange rules
  - Account agreement
- ECI may be subject to other non-check laws (such as Regulation E)



# ECI Indemnity

- New ECI indemnity is in Section 229.34(g) of Reg CC
- ECI indemnity is provided by any bank that transfers an ECI to another bank – applies to BOFD, collecting and presenting banks
- Indemnity protects ECI transferee bank from certain losses
- Transferor bank indemnifies transferee bank from losses arising from:
  - Unauthorized item
  - Duplicate payment
  - ECI not derived from paper check
- Loss recovery limited to amount of settlement plus interest and expenses of indemnified bank



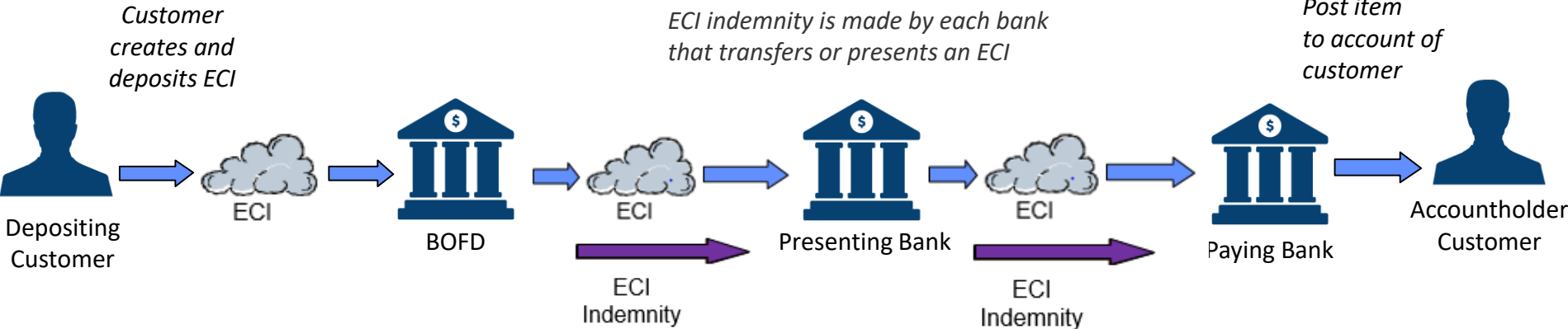
# Scope of ECI Indemnity

- ECI Indemnity is for ECIs only—not check, electronic check/returned check, IRD
  - Does not provide specific return reason code for ECI—can return as ineligible item
  - Does not require expeditious return of ECIs since they are not checks
  - Does not provide adjustments process
- ECI Indemnity is inter-bank only
- Leaves questions of eligibility/governance of ECIs to rules sets or agreements (e.g., ECCHO, OC3, clearing house, bilateral, etc.)





# ECI Indemnity Flow



# Examples of ECIs (from Reg CC Commentary)

- Corporate customer electronically creates an image that looks like an image of corporate customer's paper checks and emails the image to the payee
- Consumer uses a smart-phone application to electronically create and send check-like image to payee
- Consumer provides his/her account information to utility which then uses information to create and deposit ECI with its bank to obtain consumer payment



# ECCHO Rules: Approach to ECI Indemnity

- ECCHO will not vary ECI indemnity as set forth in Reg CC
  - Any ECI exchanged under ECCHO Rules will be subject to Reg CC ECI Indemnity as a matter of law
  - ECIs also are not eligible for exchange under ECCHO Rules
    - Exchange of ECI is also a violation of ECCHO Rules compliance warranty under Section XIX(L)(1)
- ECCHO adjustment matrix is not adopting unique adjustment reason for ECIs at this time
  - Banks will use their own manual indemnity claim letters
- ECCHO will watch and learn to determine actions post July 1 implementation
  - ECIs are difficult to identify—there will be a learning process



# Additional Reg CC Changes



# Changes to Indorsement Obligation

- Revisions to Section 229.35
- Indorsement requirements now apply directly to Electronic Checks
- Eliminates Appendix D – Indorsement, Reconverting-Bank Identification and Truncation Bank Identification Standards
- Refers to X9 industry standards for indorsement for:
  - paper check (X9.100-111)
  - substitute check (X9.100-140)
  - electronic check (X9.100-187)
- Approach to ECCHO Rules changes in Section XIX(E)(1) (*Indorsement of Electronic Check*)
  - ECCHO Rules have been revised to eliminate separate indorsement requirement
  - Indorsement obligations for electronic checks imposed directly under Reg CC



# Substitute Check from Rejected Deposit

- Background on handling of deposits rejected by depository bank before transfer to paying bank
- Reg CC revises Sections 229.52(a)(2) and 229.53(a)(2)
- Bank that rejects check submitted for deposit (i.e. at an ATM) may provide a substitute check back to its customer
- Bank makes Check 21 warranties and indemnification, regardless of whether bank received consideration for substitute check from customer
- This substitute check is legal equivalent of original deposited check
- There is no ECCHO Rules change associated with this amended Reg CC change



# Additional Return Issue: Refer to Maker

- Fed proposed elimination of refer to maker return reason
- Amended Reg CC makes suggestions for appropriate use of refer to maker
- Paying Bank should not use refer to maker for duplicates
- May be appropriate to use refer to maker when drawer with positive pay arrangement instructs Paying bank to return check
- There is no ECCHO Rules change associated with this amended Reg CC change



# Other (Non-Reg CC Related) Changes to ECCHO Rules





# Removed/Revised Outdated ECCHO Rules

- ECCHO is making a number of changes to the ECCHO Rules that are unrelated to Reg CC amendments in order to:
  - Improve readability of a few current provisions
  - Remove provisions that relate to technology/exchange options that are not used by ECCHO Members
- Examples of ECCHO Rules changes in this category are:
- Changed text in Section XX(D)(5) and (7) to refer to indorsements as “visible” on back of check Image, and not “printed” on back of check Image
  - Term “visible” is more appropriate than “printed”
- Changed time period for informational adjustment reason in Section XII to reference time period in Adjustment Matrix (e.g., changed Source of Receipt to accommodate faster response time from Paying bank on RDC source request)



# Removed/Revised Outdated ECCHO Rules (cont.)

- Removed indemnity in Section XIX(D)(2) that addressed delay in presenting bank sending image file after sending information file
  - Working Group indicated that this indemnity is not necessary in current exchange models
- Removed rules in Section XX(G) relating to electronic message (not image) return.
  - Working Group indicated that this return option was not used any longer
- Removed model customer agreement text from Exhibits
- Removed rules and commentary in Section XIX(G) and other sections that referred to physical transport of check images, such as by tape and CD-ROM
  - Working Group indicated that these exchange methods are not used anymore
- Made non-material layout changes, such as new headings, to improve readability of various rules



# Understanding ECCHO Rules Changes in comparison to Proposed Regulation J (For Reserve Bank Exchanges)



# Relationship of Reg J/OC#3 and ECCHO Rules

- Exchanges through Reserve Banks are governed by:
  - Reg CC
  - Reg J
  - Operating Circular #3
  - Bank’s service agreement with Reserve Bank
- Exchanges through private networks, clearing houses and bilateral agreements, are governed by:
  - Reg CC
  - ECCHO Rules
  - Business Practices Agreement or Bilateral Exchange Agreement (if applicable)
  - Network/clearing house rules (if applicable)
- Fed proposed amendments to Regulation J to address amended Reg CC
  - Published in Federal Register on March 15, 2018



# Relationship of Reg J/OC#3 and ECCHO and Rules

- Proposed Reg J takes similar approach to ECCHO Rules in addressing relationship to Reg CC
  - Reg J will rely on Reg CC for Electronic Check interbank warranties
- RPO is anticipated to issue revised Operating Circular #3 prior to July 1, 2018
- The chart on next two pages compares Electronic Check rules approach under:
  - ECCHO Rules – For Private Sector Exchange
  - Reg J/OC#3 – For Reserve Bank Exchanges
- The next chart is provided for informational purposes. Banks should review full text of Final Reg J and OC#3



# Comparison of Reg J and ECCHO Approach to Conformance with Reg CC Changes

	Final Amended Reg CC (Effective July 1, 2018)	Draft Amendments to ECCHO Rules* (Anticipated Effective Date of July 1, 2018)	Proposed Amendments to Reg. J** (Anticipated Effective Date of July 1, 2018)	Operating Circular #3***
Includes definitions of Electronic Check/Electronic Returned Checks	Yes	Relies on Reg CC definition	Relies on Reg CC definition	N/A
Applies Reg CC as a matter of law to Electronic Checks/Electronic Returned Checks	Yes	Relies on Reg CC	Relies on Reg CC	N/A
Applies UCC to Electronic Checks	No	Yes	Yes	N/A
Imposes warranties for Electronic Checks/Electronic Returned Checks (image quality/no duplication)	Yes	Relies on Reg CC	Relies on Reg CC	N/A
Establishes Rules for Eligible Items	No	Yes	No	Yes
Prohibits Exchange of ECIs	As a matter of law, Reg CC does not apply to ECIs (Except for ECI Indemnity)	Yes Requires that Electronic Check come from paper check	Excludes ECIs from Reg J coverage	Yes Requires that electronic item come from paper check
Imposes warranties for eligible items for image exchange	No	Yes	No	Yes
Establishes time and location for presentment of Electronic Checks	No	Yes	No	Yes
Establishes adjustment requirements, codes and timing for Electronic Checks/Electronic Returned Checks	No	Yes	No	Yes
Imposes RDC Indemnity	Yes	No Relies on Reg CC	No Relies on Reg CC	No Relies on Reg CC
Imposes ECI Indemnity	Yes	No Relies on Reg CC	No Relies on Reg CC	No Relies on Reg CC



# Important Notes for Above Chart

\*Draft ECCHO Rules in proposed form. ECCHO Business Committee may make changes when adopting in final.

\*\*Reg J is in proposed form. Federal Reserve Board may make changes when released in final.

\*\*\* The RPO has not yet released its update to Operating Circular #3 for 2018. This column is based on current Operating Circular #3.



# Questions?

