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Federal Reserve Banks Announce Check 21 Validation Changes in Test Environment

Based on customer demand and evolving standards within the check clearing industry, the Federal Reserve is making changes to Check 21 validation practices, typically referred to as “edit rules”. These changes will align the Federal Reserve Check 21 deposit requirements with the practices outlined in the Universal Companion Document (UCD) developed by the CheckImage Collaborative. The CheckImage Collaborative, initiated by the Electronic Check Clearing House Organization (ECCHO) and the Federal Reserve’s Retail Payments Office (RPO), is comprised of representatives of trade and financial organizations from across the country. The group was formed in early 2005 to identify and share information on check image clearing that will help financial institutions understand and successfully implement image exchange. More information on the CheckImage Collaborative and the May 19, 2008 press release announcing the UCD are available at: <http://www.checkimagecentral.org>

The new validation rules will provide many benefits to Check 21 customers, but they may also require some participants to make changes to their image exchange software platforms. As organizations become compliant with the new standards, participants should experience a reduction in exceptions and non-posting items due to tighter data requirements for image cash letter files.

Beginning September 1, 2008, the Federal Reserve’s Pre-Production test environment will be updated to align with the UCD and mirror future Federal Reserve production image cash letter (ICL) validation routines. The test environment will allow Check 21 customers to make changes and test compliance with the UCD, with all results appearing on file acknowledgement Accept/Reject notices. Federal Reserve Check 21 Implementation Managers will work closely with new and existing customers to facilitate adoption of the new validation practices, and it is expected all customers will be able to test changes and achieve compliance before year end 2008. As all industry participants move toward adoption of the standards and practices identified in the UCD, the Federal Reserve will monitor test results and industry adoption to ensure all participants are prepared prior to establishing a Production implementation date. All customers will be provided notice of the Production implementation date well in advance.

In addition to support of the UCD, the Federal Reserve is working with industry participants on a standard approach to TIFF Tag use. Once this approach is solidified, the Federal Reserve expects to initiate steps to adopt TIFF Tag validation as well. The Federal Reserve will communicate any actions regarding TIFF Tag use well in advance of moving any validation routines into Production.

We appreciate your cooperation and support of this initiative to enable the entire check clearing industry to become more efficient. For further information, please contact your Check 21 Implementation Manager or Check 21 Customer Support at (800) 762-0713.