

Seeing double? We're focusing on solutions

It is safe to say that the transformation from a paper-based check collection system to one based on image clearing has occurred at a stunning pace. With the implementation of our Check 21-enabled product suite just four years ago, the Federal Reserve Banks have seen deposit volumes shift from *100 percent paper* in 2004 to over *85 percent image* in 2008. Moreover, image presentments now account for over 55 percent of all presentments. The goal of end-to-end image-based check collection is clearly in sight.

As with the adoption of any new technology, the rapid movement to an image-based check collection system has not been without its share of growing pains. While many of these have been resolved, the issue that continues to linger is the presence and detection of duplicate items.

The costs to handle these items, as well as the customer impact of double posting, have prompted all industry participants, including the Federal Reserve Banks, to focus on what can be done to minimize these situations.

How duplicates occur

The “opportunity” to create a duplicate item can arise at any number of stops along the clearing chain, making problem resolution more difficult. As image volume increases — due to more industry participants embracing image clearing and financial institutions deploying remote capture applications — the likelihood of duplicates increases. Some common and not-so-common sources of duplicates include:

- Items appearing in the same file two (or more) times
- Items deposited in two different files
- Items deposited in an ICL, as well as original paper

As remote deposit capture becomes more prevalent, financial institutions are also seeing situations where a depositing customer mistakenly deposits an item through multiple channels — perhaps as an image and as an original paper item. Frequently, there are multiple financial institutions involved, making detection extremely difficult.

For example, a customer may deposit an item as an image with one institution and as a paper item with another institution. In this type of situation, it is not until items are posted by the paying bank that a duplicate is identified.

There are also situations when technical or software problems at a depositing bank or the Federal Reserve may result in files being introduced into the system multiple times. When this occurs at a financial institution, it usually

results in duplicate items being sent for collection. When this occurs at the Federal Reserve, it results in duplicate items to paying banks.

Regardless of where a duplicate is created, there is widespread agreement that better tools must be developed and implemented to detect these duplicate items before customers are impacted.

Steps to reduce duplicates

Financial institutions and the Reserve Banks continue to evaluate solutions. Many institutions have begun to integrate their check and ACH systems to minimize the chance that an item will be posted twice to a customer's account. In addition, financial institutions are increasingly adopting duplicate detection systems to match items across payments channels, as well as look for duplicates in transit and on-us work.

The Reserve Banks are focusing current evaluation efforts on three critical areas by:

1. Strengthening our ability to reduce the number of technical failures or software problems that may result in duplicate files or items
2. Introducing new tools to identify suspected duplicate items after technical or software problems have occurred
3. Enhancing our ability to detect duplicate items

Despite the best efforts of all involved in the collection process, duplicate items will remain a problem for the foreseeable future. As a result, it is especially critical for financial institutions to implement robust detection software to minimize the burden on paying banks. The Reserve Banks will continue to contact paying banks when we've caused the duplicate items, and we will work with paying banks, when possible, in situations where a depositor causes a large number of duplicate items.

The Federal Reserve Banks appreciate your business. We will continue efforts to reduce duplicate items and we encourage your organization's cooperation in this industry effort. For more information about our Check 21-enabled services, visit FRBservices.org/check. Please direct questions regarding duplicate items identified by your organization to the Check Adjustments Customer Support Center, which can be found via My FedDirectory.