

i3G recommended solutions for “last mile” exception issues



Proper use of Bank of First Deposit (BOFD) endorsement records

The group’s first issue item, BOFD endorsement records, warrants attention due to the current slow and costly returns process and subsequent negative impact this can have on customers. i3G’s recommended solutions are to encourage senders to electronically populate the BOFD records (Type 26 record) whenever possible, establish a hierarchy that paying banks must follow when returning an item received in an image cash letter (ICL) and establish a new requirement to use a returns process if BOFD records are electronically populated. The hierarchy has been established and adopted as a rule by ECCHO in December 2008 and the Federal Reserve is considering changes to Operating Circular 3 to reflect the agreed upon hierarchy as well.

Duplicate file presentment handling

The second issue, duplicate presentment handling, was brought forth at TransPay with the group’s contention that while duplicates will never be completely eliminated, the industry needs a standard approach for duplicate handling. This approach should work to minimize customer impact and provide a consistent way to quickly resolve duplicate events. Next steps towards reaching a resolution are to encourage duplicate checking on transit and on-us items, discourage use of return channels to resolve duplicate incidents and create a duplicate event notification system for the industry. The Duplicate Notification System is currently in pilot among several i3G participant banks.

Standardize the approach to *Tagged Image File Format (TIFF) Tag use*

A third issue promoting interoperability challenges and technical barriers for image exchange is a lack of industry-shared standards for TIFF Tag use as well as non-standard tags. i3G proposes that financial institutions clarify the use of “variants” described in American National Standards Institute (ANSI) TIFF standard, revise ANSI TIFF standard to reflect industry practices, establish education programs aimed at vendors outlining the technical requirements for TIFF and enforce a “sunrise” date for compliance with the new TIFF standard.

MICR Line requirements for imaged items

A final paying bank burden concerns dealing with a lack of a standard approach for MICR line population on MICR fields required for image exchange and/or providing data in non-required MICR fields. i3G suggests the way toward an aligned exceptions handling process is through an alternate solution for MICR line population. The major identifiable concern with MICR surrounds the expansion of remote deposit capture (RDC) usage. While paying institutions support “perfect” MICR, collecting institutions support “best effort” MICR. This issue, currently being discussed at SVPCO Image Payments Network, is being addressed by the Electronic Check Clearing House Organization (ECCHO) operations committee that is crafting rules to support exchange of imperfect MICR by agreement. Specific solutions involve better defining partial, imperfect and full MICR, warranting best efforts made, and using a “*” for known digits that can’t be read.

The next round of issues the group will address are:

- Image returns (incoming monetary returns)
- Clearing of non-imageable checks
- Electronic adjustments
- Image integrity

Please visit [i3G’s linkedin group page](#) for more information.