

## **ECCHO RULE CHANGES – NOVEMBER 2009**

- **Section I – Definitions**
  - Added new definitions and associated Commentary
    - Adjustment Claim
    - Adjustment Provider
    - Group Adjustment Claim
    - Imperfect Image Item
- **Section XII – Adjustment Claims – Replaced previous Section XII with this new Section XII and associated Commentary**
  - May make claim under this section
    - Type of adjustment listed in Matrix
    - Made to other member and
    - Arises out of forward or return under ECCHO rules
    - Or arises from exchange not subject to ECCHO rules, but members have agreed to adjust under this section
  - May make claim directly or through Provider
  - Rules do not require members to use these rules
  - Each member responsible to determine to
    - Bring claim under rules
    - Return
    - Represent
    - Make claim through other channel
    - Make claim under applicable law or rules or other forum or court
  - Nothing in Rules alters Member's obligation under UCC, Reg CC, or Rules
  - Nothing in Rules limits Member to bring action in another forum or court to resolve dispute or claim
  - Members comply with requirements in Matrix for
    - Time period
    - Dollar amount limitations
  - Except for Group Adjustment each claim relates to only one Image or return
  - Calculation of days – first day is day after day of receipt
  - Documentation shall include information as set forth in Matrix
  - Documentation may be sent a number of ways
  - Documentation can include Electronic Image or Electronic/Image Return by sending
    - Image
    - Substitute Check
    - Print-out, photocopy or other physical representation of item
  - Member to notify sending Member of receipt by end of next banking day of receipt of claim
  - Notice in format and manner as agreed or established by provider
  - Notice does not constitute agreement to claim or to make final settlement
  - Members agree to process for settlement
    - If claim through provider, settlement of provider used
  - Timing for settlement shall apply unless Members agree otherwise

- “With entry” shall settle by close of banking day following banking day claim was received
- “Without entry” settlement shall occur
  - Upon agreement of members or
  - Time period for settlement of claim established by provider
- Member may reject or initiate claim to reverse settlement
  - Did not comply with Rules or Matrix
  - Claim not relate to item handled by Member
  - Claim was duplicate of another claim
  - Member previously initiated claim relating to same matter
  - Member has not established factual basis for claim
- Settlement of claim does not limit member to
  - Subsequently reject claim in accordance with Rules
  - Bring action against Member making claim
- Member not entitled to make claim for interest or other compensation under Rules
- If provider agreement allows for compensation Member may make compensation claim through provider
- At its option, member may make compensation claim under law or other rules
- If member reject claims or initiates reverse claim, it shall provide notification of reason for rejection
  - Provide notice by close of banking day following day on which claim was rejected
  - Notice may be made by various methods
- Rules do not establish liability for members with respect to claim
- Liability determined by applicable law and rules
- Failure to comply with this section does not constitute breach of any ECCHO warranty
- Nothing in section impose liability or responsibility on provider
- Members may enter into agreement with provider to address operational and process details
- Provider may establish effective date of this section
- Provider may map adjustment types in Matrix to different adjustment types
- Except for operational and process variations, this section governs over provider agreement

▪ **Section XV – Image Exchange and Return of Imperfect Image Items – New Section**

- Sending Bank may send to Receiving Bank Imperfect Image for forward exchange, presentment and return
- Certain aspects of ECCHO rules varied for these items
  - Some rules Members use reasonable efforts to comply’
  - Other rules are not applicable to these items
- For rules that do apply, an Imperfect Image item and related MICR line information is “Electronic Image” and “Presentment Notice” and “Electronic/Image Return” under rules
- Member shall include all As Read MICR information from MICR line of check that is readable from item
- Imperfect Image must be identified as established by banks or exchange
  - Member may flag item even if it did not cause imperfect item

- Flagging not admission of responsibility
    - May be item or file level
      - Through applicable industry standards and guidelines
  - Timing and requirements of presentment same as other items
    - Not dependent on ability to view, read or process item
  - Regardless of whether Imperfect Image item is item under code or check under Reg CC, Paying Bank shall make timely return
    - Use return hierarchy
    - May return for any reason
  - May make warranty or other claim in accordance with adjustment procedures or rules
  - May not represent returned item, if it was returned for reason that item is imperfect
  - Rules for returns under Section XX shall apply
  - May create substitute check but is solely responsible for loss because it does not meet Check 21 requirements
  - Member warrants that they are complying with this section of rules
    - Receiving member or customer will not incur loss from payment, return or receipt of item
  - Breach of this warranty treated as breach of warranty under Section XIX(L) and XX(J) and subject to indemnification
    - Broad indemnification to protect receiving member or customer
- **Section XIX(E) – Electronic Image – Indorsements**
  - If Sending Bank receives image containing electronic indorsement(s) it must include indorsement(s) when sending to Receiving Bank
  - Commentary
    - Purpose of rule to ensure complete indorsement chain in subsequent exchange, and assist in return routing
    - Rule does not establish document retention
    - Document retention requirements established under applicable law or bank policy
    - Does not impose requirements on Paying Bank to maintain indorsement information
    - Does not require to send prior indorsements if insufficient space as technical or operational matter
- **Section XX(C) – Electronic/Image Returns – Eligibility for Electronic/Image Return**
  - To meet requirements for a Fully Qualified Item the Returning Member may at its option
    - Return modified MICR line information to correct a read error or omission in one or more fields of MICR line information from Related Physical Check, or
    - Return same electronic MICR line as MICR line that was received in forward exchange
  - Commentary
    - Clarify terms, "fully qualified item" and "qualified return check" since they sound alike
    - Clarify when Paying Bank has to send fully qualified item

- Member may decide to modify MICR line it received to correct an error or omission in data
- Can return item
  - Containing corrected MICR line information
  - Or (b) same MICR line information as was received
- Cannot return modified MICR line for other reasons
- Cannot modify by putting characters not used in normal posting (such as all “1”s or “9”s in particular fields)
- This rule is a variation from industry standards
- **Section XX(G) – Electronic/Image Returns – Electronic Message Return in Lieu of Related Physical Check**
  - Changed section to apply to Electronic Message Return rather than Electronic/Image Return
- **Exhibit II – Adjustment Matrix**
  - Added new Adjustment Matrix as Exhibit referenced in Section XII – Adjustment Claims