



Financial Services Policy Committee

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FEDERAL RESERVE ANNOUNCES 'FRAMEWORK' FOR IMAGE TECHNOLOGY

Boston, MA, September 25, 2001--- The Federal Reserve announced today the availability of an educational document to guide depository institutions using image technology to improve the check return process by accelerating the flow of information back to collecting institutions and their customers. The document, developed in collaboration with the private sector, represents the completion of a significant step in a series of cooperative near-term initiatives the Federal Reserve System has been pursuing to identify and address barriers to greater use of electronic check presentment in the United States.

Entitled, "A Framework for Exchanging Image Returns," the document was developed by the FRB/Industry Image Returns Task Force which includes representatives from a national cross-section of small to large-sized banks, industry organizations and associations, Reserve Banks and Board of Governors staff. (A list of participating organizations is attached.) The Task Force was established by the Federal Reserve System's national Retail Payments Office specifically to identify and evaluate ways to improve the check return process.

"The Task Force, with its diverse industry representation, has thought carefully about the many details involved in implementing image returns, in both the current environment and for the foreseeable future," said Patrick Barron, first vice president and director of the Federal Reserve System's national Retail Payments Office. "For institutions interested in pursuing image returns, this document provides pertinent information and perspective to the process."

The focus on returns acknowledges a growing awareness among payments system participants of the critical link between improving the check return process with electronics and the ability to achieve more widespread use of electronic check presentment. The current paper-based check collection and return system is costly, labor-intensive and increasingly subject to fraud. Focusing efforts on improving the return side with electronics has the potential to offer

greater initial benefits and more complete implementation of the collection process, given the higher risk of loss associated with return items and the relatively smaller volumes involved. (The volume of return checks is approximately one percent of forward check volume.)

The primary purpose of the paper, which documents the results of the Task Force's work to establish a framework for exchanging return items, is to provide technical, operational and legal information to educate and guide institutions interested in exchanging image returns. The document also summarizes the results of qualitative research undertaken in 1999 and 2000 with key stakeholders about image returns, provides information about the experience gained in tests of concept using image returns, and presents the results of a recent cost benefit analysis that shows how different participants might be affected in an image return process. Given the complexity of the subject, the document is intended to provide general guidance based on the collective knowledge and experience of the Task Force.

The Fed has been working on a number of fronts to understand and prepare for the continuing evolution of the payments systems. Accordingly, the Fed is identifying strategies for enhancing the long-term efficiency of the retail payment system, identifying barriers to innovation and surmounting them when doing so is in the public interest, monitoring market developments, and conducting workshops in conjunction with the private sector to discuss and further the above initiatives. In a complementary effort, staff at the Federal Reserve Board of Governors are working with the financial industry on a potential legislative initiative, known as the Check Truncation Act, to improve the check payments system. The proposed legislation offers important benefits for the return environment. If passed, such legislation could be a significant enabler for broad-based industry use of an image return process over the longer term.

To obtain a copy of [“A Framework for Exchanging Image Returns”](#) visit the Financial Services Internet site at www.frbervices.org or call Thomas L. Lavelle at (617) 973-3647.



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FRB/Industry Image Returns Task Force List of Participating Organizations

American Bankers Association (ABA)
Association for Financial Technology (AFT)
Bank of America
Bank One
Bankers Information Technology Secretariat (BITS)
Chase Manhattan Bank/Chase Texas
Citigroup
Comerica Bank
Credit Union National Association (CUNA)
EasCorp
ECCHO
Federal Reserve Bank
Federal Reserve Board
First Interstate Bank
First Union
Fleet Boston
Grundy National Bank
Independent Community Bankers of America (ICBA)
INTRUST Bank
Midwest Independent Bank
National Automated Clearinghouse Association (NACHA)
New York Clearinghouse Association/SVPCo
Southwest Corporate Credit Union
SunTrust Bank
Stillwater National Bank
Wachovia Bank/Silas Technologies

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