

CUSTOMER RETURNS

Codes and Descriptions

A	NSF – insufficient funds	J	Indorsement Irregular	U	Unusable Image
B	UCF – uncollected funds hold	K	Signature(s) Missing	W	Cannot determine amount
C	Stop Payment – a stop payment is on the item	L	Signature(s) Irregular, Suspected Forgery	X	Refer to ilage – return reason is contained within the image of the item
D	Closed Account – account is closed	M	Non-Cash Item (non negotiable)	Y	Not Authorized RCC
E	UTLA – unable to locate account	N	Altered/Fictitious Item/Suspected Counterfeit/Counterfeit	Z	Branch/Account Sold (Wrong Bank)
F	Frozen/Blocked Account – account has restrictions placed by customer or bank	Q	Not Authorized RCC	3	Refer to Maker
G	Stale Dated – more than 6 months old	R	Branch/Account Sold (Wrong Bank)	4	Item cannot be re-presented
H	Post Dated – date is in the future	S	Refer to Maker	5	Forged and Counterfeit Warranty
I	Indorsement Missing	T	Item cannot be re-presented	6	Image Missing

ADMINISTRATIVE RETURNS

I	Image Missing	V	Image Fails Security Check	3	Warranty Breach (includes Rule 8 & 9 claims)
Q	Ineligible Item	Y	Duplicate Presentment	4	RCC Warranty Breach (Rule 8)
T	Item cannot be re-presented	1	Does not conform with ANSI X9.100-181	5	Forged and Counterfeit Warranty Breach (Rule 9)
U	Unusable Image	2	Does not conform to Industry's Universal Companion Document	6	Retired/Ineligible Routing Number

RULES AND REGULATIONS

- Agreements
- ACH Rules (when converting)
- Applicable State Laws
- Bank Secrecy Act / AML
- Check 21 Act
- Contract Law
- ECCHO Rules
- Mobile Guidance
- Operating Circulars (OC3, OC 5)
- OFAC
- Regulation CC
- Regulation J
- Regulatory Guidance

BENEFITS

- Customer does not have to come to the financial institution
- Customers can bank with financial institutions outside of their local area
- Customers with multiple locations across the country can consolidate their deposits with one account
- Customer can make deposits 24 hours a day

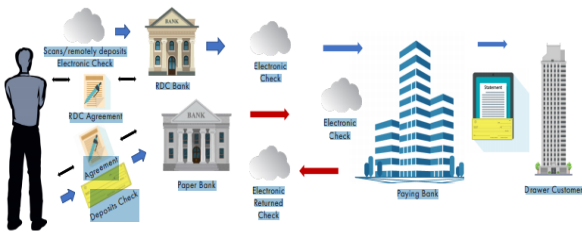
ADDITIONAL RESOURCES

FFIEC
https://www.ffiec.gov/pdf/pr/11409_rdc_guidance

OFAC
www.treasury.gov/ofac

Federal Reserve Bank
www.frb services.org

FFIEC Mobile Financial Services Guidance3
www.ffiec.gov/press/PDF/FFIEC_booklet_Appendix_E_Mobile_Financial_Services.PDF



PaymentsFirst Member Support

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DEFINITIONS AND RDC TERMINOLOGY

- **CAR/LAR** — CAR, Courtesy Amount Recognition, contains the amount of the check in numeric form; LAR, Legal Amount Recognition, field contains the amount of the check in written form
- **Converting Bank** — The financial institution that has truncated the original check or substitute check converted it into a digital image Preferred term: Truncating Bank
- **Franking** — A message printed across the item to indicate on the check that it has been electronically presented and is void
- **ICL — Image Cash Letter** — Electronic file containing check images
- **ICLR — Image Cash Letter Return** — Electronic file contains returned check images
- **ICR — Intelligent Character Recognition** — Process by which scanning software interprets information on a deposit item and converts to electronic data
- **IRD — Image Replacement Document** — Substitute Check — paper reproduction of the original check, must meet requirements
- **Negotiable Instrument** — Written order signed by the maker, unconditional promise to pay a fixed sum
- **Payee** — The recipient of funds from a check
- **Payer** — The party making a payment by check
- **Paying Bank** — Financial institution that pays the check
- **Reconverting Bank** — Financial institution that creates a substitute check
- **Restrictive Indorsements** — Limits the use of the check resulting in a check that is no longer a negotiable instrument and cannot be passed from the stated payee to a third-party, must be placed on the physical item (not a system spray) within the indorsement area on back of check; limits liability for institutions accepting deposits

RDC RISK

Primary Types of Risk				
Operational	Fraud	Systemic	Compliance	Credit
<ul style="list-style-type: none"> • Altered or delayed • Unintentional error • Risks at customer locations • Missing indorsements 	<ul style="list-style-type: none"> • Misdirected funds with fraudulent intent • Misappropriated funds with fraudulent intent • Synthetic Identity • Altered or forged • Duplicate presentment (intentional) 	<ul style="list-style-type: none"> • One participant is unable to settle its commitments causing other participants to fail 	<ul style="list-style-type: none"> • Failure to comply, knowingly or inadvertently, with payment system rules, regulations, U.S. law, state law, and/or internal policies and procedures 	<ul style="list-style-type: none"> • Unable to provide funds for settlement, provisional credit, settlement does occur for several days, returns

Ancillary Risks

A consequence or by-product of not managing credit, operational, fraud, systemic, or compliance risks

Cross-Channel	Movement of fraudulent or illegal payment transactions from one payment channel to another	Counterparty	Risk to each party of a contract that the counterparty will not live up to its contractual obligations
Third-Party	Use of third-parties reduces management's direct control, does not relieve liability	Reputational	Negative publicity, business practices, consumer expectations, ability to meet regulatory and consumer protection obligations
Transaction	Possible loss, dependent on channel – transaction type, foreign currency/exchange rate, high-risk, methods used	Liquidity	Possibility that earnings or capital will be negatively affected by an institution's inability to meet its obligations when due
Strategic	Associated with financial institution's mission and future business plans – new services, emerging technology, market expansion, lack of planning, risk assessments	Legal	Failure to enact appropriate policies, procedures, or controls to ensure conformance with laws, regulations, contractual arrangement, legally binding agreements, etc.

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