

BP FEDERAL CREDIT UNION
Expedited Funds Availability Policy

The intent of this Board of Directors approved policy is to comply with all sections of the Federal Reserve Board's Regulation CC which implements the Expedited Funds Availability Act. Regulation CC establishes time limits for holds on deposits by check, cash, and wire transfer. Additionally, they establish rules regarding the prompt collection and return of checks through the banking system.

BP Federal Credit Union acknowledges that administrative enforcement of the regulation is governed by NCUA.

Definitions for this Regulation are found in Appendix A.

Your Ability to Withdraw Funds

Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash, and we will use the funds to pay checks that you have written.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before posted closing time on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after the posted closing time or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

Longer Delays May Apply

In some cases, we will not make all the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the second business day after the day of your deposit.

Regulation CC (the Expedited Funds Availability Act) adopted a method for making inflationary adjustments to the dollar amounts in Regulation CC every five years pursuant to the Dodd-Frank Act. The adjustments include, for example, an increase in the large dollar exception amount from \$5,000 to \$5,525. The first adjustments will be effective July 1, 2020. Adjustments to the dollar amounts will always be zero or upward, never downward, and would be rounded to the nearest multiple of \$25.

Effective July 1, 2020, the first \$225 of your deposits may be available on the first business day. If we are not going to make all the funds from your deposit available on the first business day, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we

receive your deposit. If you will need the funds from a deposit right away, you should ask us when the funds will be available.

Special rules apply to cash withdrawals from local check deposits. The depository bank is allowed to extend the availability schedule for cash or similar withdrawals by one day. If it does, a customer must also be allowed to withdraw \$450 of the deposited funds (or the maximum amount that may be withdrawn from an ATM, but not more than \$450) no later than 5:00 p.m. on the day the funds would have ordinarily become available for check withdrawals, that is, the second business day after the deposit. This is in addition to the \$225 that must be made available on the business day following deposit. The remainder of the deposited funds would be available for cash withdrawal on the following, third business day.

In addition, funds you deposit by check may be delayed for a longer period, available on the 7th business day under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than \$5,525 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.
- Extension of schedule by one business day for certain deposits in Alaska, Hawaii, Puerto Rico, and US Virgin Islands.
- Evidence suggests forgery or fraud.
- Extensions of schedule by one business day for check deposited on or payable at or through a paying bank not located in the same state as the depository bank.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the seventh business day after the day of your deposit.

Notice of Hold

If the credit union decides to impose a case-by-case hold, the notice must be given at the time of deposit unless the deposit is not made in person to a credit union employee or unless the institution decides after the deposit is made to delay availability of the funds. If the notice is not given at the time of deposit, it must be sent by the next business day after the day of deposit. If for some reason the credit union fails to deliver notice at the time of the transaction, the credit union will refund any return check fees or overdraft fees assessed. The notice will include:

- Statement that the credit union is holding the funds;
- Reason for the hold;
- Member's name and account number;
- Date and amount of deposit; and
- Date the funds will be available.
- Statement of how to obtain a refund of retained share draft fees or overdraft fees if the notice is not given at the time of the transaction, and share draft is paid.

Notice may be delivered by fax or e-mail if the member agrees to receive such information in this manner and if it can be downloaded and printed.

“Reasonable” Additional Holds

By regulation, the credit union may exercise their authority to place reasonable holds. There are six exceptions to the general availability rules that are explained here. A credit union can extend the time period it will hold a check “by a reasonable period of time”. The Commentary defines “reasonable time” as one extra business day for cashier’s, teller’s, certified checks, and “on us” checks otherwise subject to next day availability, five (5) extra business days for checks subject to second business day availability (meaning up to 7-day-holds), and six (6) extra business days for checks deposited in nonproprietary ATMs (which would provide the possibility of holding checks deposited into nonproprietary ATMs the longest possible hold period of 11 days). To extend a hold beyond the dates the Fed has laid out in this section of the Expedited Funds Availability Act, “the burden is placed on the credit union to establish that a longer period is reasonable.”

Certain Check Deposits

The following are generally made available the next business day after the day of deposit unless there is an exception:

- US Treasury checks deposited into the payee’s account.
- The following types of checks deposited *in person* to an employee and deposited into the payee’s account: U.S. Postal Service money orders; checks drawn on a Federal Reserve Bank or a Federal Home Loan Bank; checks drawn by a state or local government in the same state as the financial institution; or cashier’s checks, certified checks, or teller checks.
- “On us” items, where a check drawn on the credit union is deposited in a transaction account of the credit union.

Electronic Payments

Funds received for deposit in an account by an electronic payment (wire transfer or ACH credit) shall be made available for withdrawal the next business day after the day of receipt. An electronic check is treated the same as original paper check. An electronic payment is considered received when the credit union receives both the payment in finally collected funds and also receives information on the account and amount to be credited.

However, a pre-authorized direct deposit must be available the same day the funds are collected.

Schedule of Dollar Amounts Will be Adjusted Every Five Years

The effective date for these changes is July 1, 2020. With respect to the second adjustment, which would be effective July 1, 2025, and the third adjustment, which would be effective July 1, 2030, the CFPB and the Federal Reserve Board anticipate publishing the adjustments in the first half of the year preceding the effective dates (i.e., 2024 and 2029).

Electronic Check Warranties

The transferring financial institution warrants that check images accurately represent information on the front and back of the original check. The warranty affirms that there is no duplicate payment of the electronic check.

Under Expedited Funds Availability, the Credit Union Has Authority To

- Shorten the withdrawal time periods allowed under Expedited Funds Availability Act hold periods.
- Accept or reject a check for deposit.
- Revoke a settlement made by the credit union or charge back the member's account.
- Open or not open its facilities and branches at its discretion.
- Limit the cash withdrawals on any one day from accounts if the limitation is:
 - 1) not dependent on the length of time funds have been deposited;
 - 2) applied without discrimination to all members; and
 - 3) related to security requirements.
- For non-consumer accounts, use a sample of deposits to calculate availability if, on average, availability is as prompt as Expedited Funds Availability Act requirements.

Funds that are to be made available on a business day must be available by the later of 9:00 a.m. local time or when the credit union's teller facilities are available for member withdrawals.

Special Rules for New Accounts

If you are a new member, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,525 of a day's total deposits of cashier's, certified, teller's, travelers, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example:

- the checks must be payable to you (and you may have to use a special deposit slip). The excess over \$5,525 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,525 will not be available until the second business day after the day of your deposit.
- Funds from all other check deposits will be available on the 9th business day after the day of your deposit.

Disclosures

Disclosures shall be made clearly and conspicuously in writing in a form the member may keep. However, the credit union may provide the disclosures in an electronic format that displays text and is in a form the member may keep or retain and agrees to such means of disclosure.

- The disclosures must be grouped together and separated from other unrelated information.
- Credit Union will post its availability policy at a conspicuous place in every location where deposits are accepted
- The disclosure shall state and summarize the credit union's funds availability policy.
- The disclosure shall be given to the member prior to account opening.
- The credit union will provide a copy of its funds availability policy to any member who requests a copy.
- The disclosure shall describe categories of deposits or checks for which the credit union delays availability of funds.
- The disclosure shall describe the credit union's business days and the time a deposit is considered to be received.
- The disclosure shall describe any exceptions that may be invoked as well as when the funds will generally be available. It shall state that the credit union will provide a notice to the member if an exception hold is invoked.
- If the credit union makes funds available from deposits at non-proprietary ATMs, the disclosure must describe how a member can differentiate between a proprietary and a non-proprietary ATM. At this time the credit union does not allow deposit to be made through ATMs.
- The credit union may make funds available sooner than required by Regulation CC, the credit union may provide for longer delays on a case-by-case basis by providing the following information in its initial disclosure:
 - 1.) a statement that the time for availability of deposits may be extended in some cases and the latest time that funds will be available for withdrawal,
 - 2.) a statement that the credit union will notify the member if funds will be held for longer time periods, and
 - 3.) a statement that members should ask if they need to know when a particular deposit will be available.

Additional Compliance Requirements

- In the event BP Federal Credit Union uses deposit slips, they shall contain a statement that funds may not be available for immediate withdrawal.
- BP Federal Credit Union shall post notices at each location where member deposits are received that sets forth the time periods applicable to availability of funds deposited in an account.
- Upon request, BP Federal Credit Union shall provide any person with their specific availability disclosure.

- Before changing its availability policy, BP Federal Credit Union shall provide a notice of change to all affected account holders at least 30 days prior to the change. If the change expedites the availability of funds, notice may be given within 30 days after the change takes place.
- Funds are considered deposited at BP Federal Credit Union when:
 - Received at a staffed facility.
 - Received by the credit union if mailed.
 - Removed from a night depository box.
 - Deposits made after credit union is closed or after cut-off are considered received on the next business day.

It is the policy of BP Federal Credit Union to comply with Subpart C, Substitute Checks of the Expedited Funds Availability Act as it relates to:

- Paying Bank’s Responsibility for Return of Checks, Return of Checks: A “paying credit union” that decides not to pay a check, must return the check in an expeditious manner under either the “two-day” time frame.
- Expeditious Return Requirement. The expeditious returns requirement, or “two-day test,” modify when checks must return to the depository bank. The new time is 2 p.m. This applies to both paper and electronic checks. There is also a protection from liability for the paying bank if the depository bank does not return the check by “commercially reasonable means.”
- Depository Bank’s Responsibility for Returned Checks, Acceptance of Returned Checks: A depository bank should accept returned checks and written notices of nonpayment:
- Notice of Nonpayment, Requirement: This applies to both paper and electronic checks. Under the new rule, the receipt deadline is earlier at 2 p.m., and the threshold is higher at \$5,000.
- Warranties, Warranties: Each paying or returning institution that transfers a returned check and receives a settlement or other consideration for it, warrants to the transferee returning institution, to any subsequent returning institution, to the depository institution, and to the owner of the check the meet certain criteria.

Transfer and Presentment Warranties with Respect to a Remotely Created Check:

A financial institution that transfers or presents a remotely created check and receives a settlement or other consideration warrants to the transferee institution, any collecting institution, and the paying institution that the person on whose account the remotely created check is drawn authorized the issuance of the check in the amount stated on the check and authorized payment to the payee stated on the check.

- Indemnity for Duplicate Payment from Remote Deposit Capture (RDC). This new indemnity protects a depository bank that received as unpaid a paper check deposit after the check was previously deposited by RDC at another depository bank. Under this indemnity, the depository bank accepting the original paper check is able to recover a loss from the depository bank receiving the item through RDC.
- New Indemnities for Electronically Created Items (ECIs). ECIs are “check-like” items created in electronic form (never existed in paper form). ECIs are not electronic checks as currently defined by Reg CC, and therefore, not subject to other provisions of Reg CC. The new indemnity *does* cover losses from the ECIs, as it was never a paper check. Additionally, indemnification exists for an ECI that was unauthorized, as well as for a bank that pays a previously paid ECI.
- Substitute Check for ATM Deposits. When a depository bank rejects a deposit submitted from an ATM and returns a substitute check back, the depository bank warrants and indemnifies the check under the new Reg CC.
- Indorsements, Indorsement Standards. Financial institutions are required to use a standard form of indorsement when indorsing checks during the forward-collection and return process. The standard provides for indorsements by all collecting and returning banks, with unique requirements for depository institutions. These standards are designed to facilitate faster handling of returned checks and the identification of the depository institution. The standards include requirements for the location, content, and ink color of the indorsement.
- Financial institutions are required to use a standard form of indorsement when indorsing checks during the forward-collection and return process.
- Presentment and Issuance of Checks, Payable-through and Payable-at Checks: A check payable at or through a paying institution is considered drawn on that institution.
- Variation by Agreement,
The effect of the provisions of Subpart C may be varied by agreement, except that no agreement may disclaim the responsibility of an institution for its own lack of good faith or failure to exercise ordinary care or can limit the measure of damages for such lack of care or failure. The parties may agree upon the standards by which such responsibility is to be measured so long as the standards are not manifestly unreasonable.
- Liability, Standard of Care, Liability, Measure of Damages: All institutions must exercise ordinary care and act in good faith in complying with the requirements of this subpart. An institution that fails to exercise ordinary care or act in good faith may be liable to the depository institution, the depository institution’s customer or member, the owner of the check, or another party to the check. The measure of damages for failure to exercise ordinary care is the amount of the loss incurred, up to the amount of the check, reduced by the amount of the loss that party would have incurred even if the institution had exercised ordinary care.

It is the policy of BP Federal Credit Union to comply with Subpart D, Substitute Checks of the Expedited Funds Availability Act as it relates to:

- General Provisions Governing Substitute Checks,
- Legal Equivalence of an original check,
- Substitute Check Warranties,
- Substitute Check Indemnity Claim,
- Expedited Re-credit for Consumers,
- Expedited Re-credit for Financial Institutions,
- Consumer Awareness, disclosure, and distribution of Substitute Check Policy
- Mode of Delivery of Information,
- Relation to Other Law,
- Variation by Agreement,

Failure to Comply with the Regulation

BP Federal Credit Union shall comply with the Civil Liability and Record Retention, of the Expedited Funds Availability Act and is aware of the following liability for:

- Actual damages.
- Additional amounts of not less than \$225 or more than \$1,100
- Class Action damages of not more than \$525,000 or 1 percent of the institution's net worth, whichever is less.
- Records and other evidence of compliance shall be retained for at least two years.
- An institution must keep records until a final disposition if notified of an investigation or enforcement proceeding involving records relating to funds availability.

Administrative Enforcement covers compliance with Regulation CC is enforced by the NCUA for federal credit unions and federally insured state-chartered credit unions.

BP Federal Credit Union as well as all other institutions understands the importance of exercising ordinary care and acting in good faith in complying with Standard of Care, Liability and Measure of Damages. If any institution fails to exercise ordinary care or act in good faith may be liable to the depository institution, the depository institution's customer or member, the owner of the check, or another party to the check. The measure of damages for failure to exercise ordinary care is the amount of the loss incurred, up to the amount of the check, reduced by the amount of the loss that party would have incurred even if the institution had exercised ordinary care.

Record Retention:

Records and other evidence of compliance with the Expedited Funds Availability Act shall be retained for at least two years.

APPENDIX A DEFINITIONS

Available for Withdrawal

1. Under this definition, when funds become available for withdrawal, the funds may be put to all uses for which the customer may use actually and finally collected funds in the customer's account under the customer's account agreement with the bank. Examples of such uses include payment of checks drawn on the account, certification of checks, electronic payments, and cash withdrawals. Funds are available for these uses notwithstanding provisions of other law that may restrict the use of uncollected funds (e.g., 18 U.S.C. 1004; 12 U.S.C. 331).

2. If a bank makes funds available to a customer for a specific purpose (such as paying checks that would otherwise overdraw the customer's account and be returned for insufficient funds) before the funds must be made available under the bank's policy or this regulation, it may nevertheless apply a hold consistent with this regulation to those funds for other purposes (such as cash withdrawals). For purposes of this regulation, funds are considered available for withdrawal even though they are being held by the bank to satisfy an obligation of the customer other than the customer's potential liability for the return of the check. For example, a bank does not violate its obligations under this subpart by holding funds to satisfy a garnishment, tax levy, or court order restricting disbursements from the account; or to satisfy the customer's liability arising from the certification of a check, sale of a cashier's or teller's check, guaranty or acceptance of a check, or similar transaction to be debited from the customer's account.

Bank means-- For purposes of subparts C of this part and, in connection therewith, this subpart A, the term bank also includes any person engaged in the business of banking, as well as a Federal Reserve Bank, a Federal Home Loan Bank, and a state or unit of general local government to the extent that the state or unit of general local government acts as a paying bank.

(1) An insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or a bank that is eligible to apply to become an insured bank under section 5 of that Act (12 U.S.C. 1815);

(2) A mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(3) A savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(4) An insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or a credit union that is eligible to make application to become an insured credit union under section 201 of that Act (12 U.S.C. 1781);

(5) A member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422);

(6) A savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) that is an insured depository institution as defined in section 3 of that Act

(12 U.S.C. 1813(c)(2)) or that is eligible to apply to become an insured depository institution under section 5 of that Act (12 U.S.C. 1815); or

(7) An agency or a branch of a foreign bank as defined in section 1(b) of the International Banking Act (12 U.S.C. 3101).

For purposes of subpart C and D of this part and, in connection therewith, this subpart A, the term bank also includes any person engaged in the business of banking, as well as a Federal Reserve Bank, a Federal Home Loan Bank, and a state or unit of general local government to the extent that the state or unit of general local government acts as a paying bank.

Note: For purposes of subpart D of this part and, in connection therewith, this subpart A, bank also includes the Treasury of the United States or the United States Postal Service to the extent that the Treasury or the Postal Service acts as a paying bank.

Cashier's check means a check that is--

- (1) Drawn on a bank;
- (2) Signed by an officer or employee of the bank on behalf of the bank as drawer;
- (3) A direct obligation of the bank; and
- (4) Provided to a customer of the bank or acquired from the bank for remittance purposes.

Certified check means a check with respect to which the drawee bank certifies by signature on the check of an officer or other authorized employee of the bank that--

- (1) The signature of the drawer on the check is genuine; and
- (ii) The bank has set aside funds that--
 - (A) Are equal to the amount of the check, and
 - (B) Will be used to pay the check; or
- (2) The bank will pay the check upon presentment.

Check means--

- (1) A negotiable demand draft drawn on or payable through or at an office of a bank;
- (2) A negotiable demand draft drawn on a Federal Reserve Bank or a Federal Home Loan Bank;
- (3) A negotiable demand draft drawn on the Treasury of the United States;
- (4) A demand draft drawn on a state government or unit of general local government that is not payable through or at a bank;
- (5) A United States Postal Service money order; or
- (6) A traveler's check drawn on or payable through or at a bank. The term check does not include a noncash item or an item payable in a medium other than United States money. A draft may be a check even though it is described on its face by another term, such as money order. For purposes of subpart C, and in connection therewith, subpart A, of this part, the term check also includes a demand draft of the type described above that is nonnegotiable and
- (7) The term check includes an original check and a substitute check.

Check processing region means the geographical area served by an office of a Federal Reserve Bank for purposes of its check processing activities.

Consumer account means any account used primarily for personal, family, or household purposes.

Depository bank means the first bank to which a check is transferred even though it is also the paying bank or the payee. A check deposited in an account is deemed to be transferred to the bank holding the account into which the check is deposited, even though the check is physically received and indorsed first by another bank.

Electronic payment means a wire transfer or an ACH credit transfer.

Forward collection means the process by which a bank sends a check on a cash basis to a collecting bank for settlement or to the paying bank for payment.

Local check means a check payable by or at a local paying bank, or a check payable by a nonbank payor and payable through a local paying bank.

Local paying bank means a paying bank that is located in the same check-processing region as the physical location of the branch, contractual branch, or proprietary ATM of the depository bank in which that check was deposited.

Merger transaction means--

- (1) A merger or consolidation of two or more banks; or
- (2) The transfer of substantially all the assets of one or more banks or branches to another bank in consideration of the assumption by the acquiring bank of substantially all the liabilities of the transferring banks, including the deposit liabilities.

Noncash item means an item that would otherwise be a check, except that--

- (1) A passbook, certificate, or other document is attached;
- (2) It is accompanied by special instructions, such as a request for special advice of payment or dishonor;
- (3) It consists of more than a single thickness of paper, except a check that qualifies for handling by automated check processing equipment; or
- (4) It has not been preprinted or post-encoded in magnetic ink with the routing number of the paying bank.

Nonlocal check means a check payable by, though, or at a nonlocal paying bank.

Nonlocal paying bank means a paying bank that is not a local paying bank with respect to the depository bank.

Nonproprietary ATM means an ATM that is not a proprietary ATM.

Paying bank means--

- (1) The bank by which a check is payable, unless the check is payable at another bank and is sent to the other bank for payment or collection;

- (2) The bank at which a check is payable and to which it is sent for payment or collection;
- (3) The Federal Reserve Bank or Federal Home Loan Bank by which a check is payable;
- (4) The bank through which a check is payable and to which it is sent for payment or collection, if the check is not payable by a bank; or
- (5) The state or unit of general local government on which a check is drawn and to which it is sent for payment or collection.

For purposes of subparts C and D, and in connection therewith, subpart A, paying bank includes the bank through which a check is payable and to which the check is sent for payment or collection, regardless of whether the check is payable by another bank, and the bank whose routing number appears on a check in fractional or magnetic form and to which the check is sent for payment or collection.

Note: For purposes of subpart D of this part and, in connection therewith, this subpart A, paying bank also includes the Treasury of the United States or the United States Postal Service for a check that is payable by that entity and that is sent to that entity for payment or collection.

Proprietary ATM means an ATM that is--

- (1) Owned or operated by, or operated exclusively for, the depository bank;
- (2) Located on the premises (including the outside wall) of the depository bank; or
- (3) Located within 50 feet of the premises of the depository bank, and not identified as being owned or operated by another entity. If more than one bank meets the owned or operated criterion of paragraph (aa) (1) of this section, the ATM is considered proprietary to the bank that operates it.

Qualified returned check means a returned check that is prepared for automated return to the depository bank by placing the check in a carrier envelope or placing a strip on the check and encoding the strip or envelope in magnetic ink. A qualified returned check need not contain other elements of a check drawn on the depository bank, such as the name of the depository bank.

(cc) **Returning bank** means a bank (other than the paying or depository bank) handling a returned check or notice in lieu of return. A returning bank is also a collecting bank for purposes of UCC 4-202(b).

Routing number means--

- (1) The number printed on the face of a check in fractional form or in nine-digit form; or
- (2) The number in a bank's indorsement in fractional or nine-digit form.

Routing number means--

- (1) The number printed on the face of a check in fractional form or in nine-digit form;
- (2) The number in a bank's indorsement in fractional or nine-digit form; or
- (3) For purposes of subpart C and subpart D, the bank-identification number contained in an electronic check or electronic returned check.

Similarly situated bank means a bank of similar size, located in the same community, and with similar check handling activities as the paying bank or returning bank.

State means a state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands. For purposes of subpart D of this part and, in connection therewith, this subpart A, state also means Guam, American Samoa, the Trust Territory of the Pacific Islands, the Northern Mariana Islands, and any other territory of the United States.

Teller's check means a check provided to a customer of a bank or acquired from a bank for remittance purposes, that is drawn by the bank, and drawn on another bank or payable through or at a bank.

Traveler's check means an instrument for the payment of money that--

- (1) Is drawn on or payable through or at a bank;
- (2) Is designated on its face by the term traveler's check or by any substantially similar term or is commonly known and marketed as a traveler's check by a corporation or bank that is an issuer of traveler's checks;
- (3) Provides for a specimen signature of the purchaser to be completed at the time of purchase; and
- (4) Provides for a countersignature of the purchaser to be completed at the time of negotiation.

Uniform Commercial Code, Code, or U.C.C. means the Uniform Commercial Code as adopted in a state.

United States means the states, including the District of Columbia, the U.S. Virgin Islands, and Puerto Rico.

Unit of general local government means any city, county, parish, town, township, village, or other general purpose political subdivision of a state. The term does not include special purpose units of government, such as school districts or water districts.

Wire transfer means an unconditional order to a bank to pay a fixed or determinable amount of money to a beneficiary upon receipt or on a day stated in the order, which is transmitted by electronic or other means through Fedwire, the Clearing House Interbank Payments System, other similar network, between banks, or on the books of a bank. Wire transfer does not include an electronic fund transfer as defined in section 903(6) of the Electronic Fund Transfer Act (15 U.S.C. 1693a (6)).

Fedwire has the same meaning as that set forth in Sec. 210.26(e) of this chapter.

Good faith means honesty in fact and observance of reasonable commercial standards of fair dealing.

Interest compensation means an amount of money calculated at the average of the Federal Funds rates published by the Federal Reserve Bank of New York for each of the days for which interest compensation is payable, divided by 360. The Federal Funds rate for any day on which a published rate is not available is the same as the published rate for the last preceding day for which there is a published rate.

Contractual branch, with respect to a bank, means a branch of another bank that accepts a deposit on behalf of the first bank.

Claimant bank means a bank that submits a claim for a recredit for a substitute check to an indemnifying bank under §229.55.

Collecting bank means any bank handling a check for forward collection, except the paying bank.

Consumer means a natural person who—

- (1) With respect to a check handled for forward collection, draws the check on a consumer account; or
- (2) With respect to a check handled for return, deposits the check into or cashes the check against a consumer account.

Customer means a person having an account with a bank.

Indemnifying bank means a bank that provides an indemnity under § 229.53 with respect to a substitute check.

Indemnifying bank. Indemnifying bank means—

- (1) For the purposes of § 229.34, a bank that provides an indemnity under § 229.34 with respect to remote deposit capture or an electronically created item, or
- (2) For the purposes of § 229.53, a bank that provides an indemnity under § 229.53 with respect to a substitute check.

Magnetic ink character recognition line and MICR line mean the numbers, which may include the routing number, account number, check number, check amount, and other information, that are printed near the bottom of a check in magnetic ink in accordance with American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (hereinafter ANS X9.13) for an original check and American National Standard Specifications for an Image Replacement Document – IRD, X9.100-140 (hereinafter ANS X9.100-140) for a substitute check (unless the Board by rule or order determines that different standards apply).

Magnetic ink character recognition line and MICR line mean the numbers, which may include the routing number, account number, check number, check amount, and other information, that are (unless the Board by rule or order determines that different standards apply)—

- (1) Printed near the bottom of a check in magnetic ink in accordance with American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (hereinafter ANS X9.13) for an original check and American National Standard Specifications for an Image Replacement Document— IRD, X9.100-140 (hereinafter ANS X9.100-140) for a substitute check, or
- (2) For purposes of subpart C and subpart D, contained in a record specified for MICR line data in an electronic check or electronic returned check in accordance with American

National Standard Specifications for Electronic Exchange of Check Image Data—
Domestic, X9.100-187 (hereinafter ANS X9.100—187).

Original check means the first paper check issued with respect to a particular payment transaction.

Paper or electronic representation of a substitute check means any copy of, or information related to a substitute check that a bank handles for forward collection or return, charges to a customer's account, or provides to a person as a record of a check payment made by the person.

Person means a natural person, corporation, unincorporated company, partnership, government unit or instrumentality, trust, or any other entity or organization.

Reconverting bank means—

- (1) The bank that creates a substitute check; or
- (2) With respect to a substitute check that was created by a person that is not a bank, the first bank that transfers, presents, or returns that substitute check or, in lieu thereof, the first paper or electronic representation of that substitute check.

Substitute check means a paper reproduction of an original check that—

- (1) Contains an image of the front and back of the original check;
- (2) Bears a MICR line that, except as provided under ANS X9.100-140 (unless the Board by rule or order determines that a different standard applies), contains all the information appearing on the MICR line of the original check at the time that the original check was line before an image of the original check was captured;
- (3) Conforms in paper stock, dimension, and otherwise with ANS X9.100-140 (unless the Board by rule or order determines that a different standard applies); and
- (4) Is suitable for automated processing in the same manner as the original check.

A **sufficient copy** is a copy of an original check that accurately represents all the information on the front and back of the original check as of the time the original check was truncated or is otherwise sufficient to determine whether a claim is valid.

A **copy of an original check** means any paper reproduction of an original check, including a paper printout of an electronic image of the original check, a photocopy of the original check, or a substitute check.

A copy of an original check means—

- (i) Any paper reproduction of an original check, including a paper printout of an electronic image of the check, a photocopy of the original check, or a substitute check; or
- (ii) Any electronic reproduction of a check that a recipient has agreed to receive from the sender instead of a paper reproduction.

A **sufficient copy** is a copy of an original check that accurately represents all the information on the front and back of the original check as of the time the original check was truncated or is otherwise sufficient to determine whether a claim is valid.

Transfer and consideration. The terms transfer and consideration have the meanings set forth in the Uniform Commercial Code and in addition, for purposes of subpart D—

(1) The term transfer with respect to a substitute check or a paper or electronic representation of a substitute check means delivery of the substitute check or other representation of the substitute check by a bank to a person other than a bank; and

(2) A bank that transfers a substitute check or a paper or electronic representation of a substitute check directly to a person other than a bank has received consideration for the substitute check or other paper or electronic representation of the substitute check if it has charged, or has the right to charge, the person's account or otherwise has received value for the original check, a substitute check, or a representation of the original check or substitute check.

Truncate means to remove an original check from the forward collection or return process and send to a recipient, in lieu of such original check, a substitute check or, by agreement, information relating to the original check (including data taken from the-MICR line of the original check or an electronic image of the original check), whether with or without the subsequent delivery of the original check.

Truncating bank means—

(1) The bank that truncates the original check; or

(2) If a person other than a bank truncates the original check, the first bank that transfers, presents, or returns, in lieu of such original check, a substitute check or, by agreement with the recipient, information relating to the original check (including data taken from the MICR line of the original check or an electronic image of the original check), whether with or without the subsequent delivery of the original check.

Remotely created check means a check that is not created by the paying bank and that does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn. For purposes of this definition, "account" means an account as defined in paragraph (a) of this section as well as a credit or other arrangement that allows a person to draw checks that are payable by, though, or at a bank.

Electronic check and electronic returned check mean an electronic image of, and electronic information derived from, a paper check or paper returned check, respectively, that—

(1) Is sent to a receiving bank pursuant to an agreement between the sender and the receiving bank; and

(2) Conforms with ANS X9.100-187, unless the Board by rule or order determines that a different standard applies or the parties otherwise agree.

Electronically-created item means an electronic image that has all the attributes of an electronic check or electronic returned check but was created electronically and not derived from a paper check.