

# Meeting the Challenges of Check 21 Data Management



Financial institutions are now faced with the challenge of efficiently managing a much more complicated, blended payments environment in which transaction data may be stored in a variety of forms and in multiple systems and repositories.

Designed to provide a single repository for all information related to every payment transaction, ATF is poised to address several critical information management challenges introduced by Check 21 and image exchange. For example:

1. ATF creates an extendable and open database for all payment and payment-related transactions.
2. It allows each transaction to retain “cradle-to-grave” data so that investigators can see the initial processing of the transaction, as well as all subsequent processes such as returns, adjustments and fraud.
3. It provides an enterprise-wide index for unstructured documents related to each transaction, such as document images.

## Image Exchange and Electronic Cash Letter Tracking

The fundamental change precipitated by Check 21 is the exchange of substitute checks or electronic cash letters in addition to (or in lieu of) paper cash letters. ATF plays a crucial role today in managing transaction information related to incoming and outgoing cash letters.

For example, the system tracks all information related to capturing incoming paper items that are processed by reader/sorters such as MICR data, entry numbers, tracer numbers, document types, reject status, corrected status and adjusted status. Information related to outgoing cash letters is also tracked. This information might include MICR data, endpoints, cash letters, kill bundles, return item disposition files, and various attributes about the cash letters. With image exchange there will be no incoming paper items or outgoing paper cash letters. However, the

need to track cash letter information for the purposes of cash letter reconstructions, searches by endpoints, item research, and other functions is still required.

Without the paper audit trail, where will the information to support these activities come from? The answer is Carreker's All Transactions File. ATF will track electronic cash letter data just as it tracks the equivalent paper-based data. In addition, ATF will store and manage new data fields from an electronic cash letter, typically ANSI X9.37, and bulk data transmissions in ANSI X9.90 format that have been created to specifically support image exchange.

A database containing information relevant to the image exchange process is even more critical in a world where the paper has ceased to exist. Managing image exchange exception processing in this new paperless environment is a fundamental challenge addressed by ATF.

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## IRD Status Management

Processing Image Replacement Documents (IRDs) presents a new operational challenge that banks have not faced before. Whether a bank is receiving the IRD or creating it, there must be some way to distinguish an IRD from a regular check, and to distinguish different types of IRDs from one another. The different IRD types could include forward presentment IRDs and return IRDs.

Moreover, the ability to track the trail of paper checks being converted to IRDs is very important. It is possible that a physical document may be converted to an IRD, an image may be converted to an IRD, one IRD may be converted to another IRD or an IRD may be converted to an image of an IRD.

There may also be IRDs with MICR data and those without. It is critical for the reconverting bank that created the IRD to be identified and tracked, since the reconverting bank is liable for the quality of the IRD. Being able to track this confusing trail of conversions is important to maintaining the integrity of the presentment process and supporting downstream consumer research and re-credit activities. ATF can be used to accomplish all of this.

The entire customer statement process may also be affected by the IRD process. If bank customers continue to demand receipt of check enclosures, they would be forced to receive an IRD enclosure in many cases.

Since IRDs may vary in size and weight, the entire statement rendering process may need to change. Supporting this change requires the

ability to distinguish IRDs from physical checks — and ATF will meet this need.

Probably the most important issue related to IRDs is how a bank will ensure that more than one copy of an IRD is not created for a single payment transaction. The ideal way to do this is to maintain a persistent record of whether an official IRD has already been created. Every process that creates an IRD should be required to gain the necessary assurance that one has not already been created.

ATF is a persistent transaction database that can be used to retain the additional information indicating the previous creation of an IRD. It can also be used to track when, where, how and who created the IRD. As a result, ATF becomes a critical tool for mitigating the risk of double posting from two IRDs representing the same item.

## Enterprise Image Index

ATF has the unique ability to locate documents that are related to a payment transaction, but are not created and stored in a form that is conducive to residing in the ATF database itself. Such documents include check images or potentially other unstructured data, and they may be stored in various repositories. ATF can identify the document or documents associated with a payment transaction and point to the actual storage location of the document so it can be retrieved. The pointer may be a specific image repository identifier and image key, or a URL to a server where the document resides. Documents that reside outside of the bank's premises, such as shared archives or archives at another bank, may also be indexed through the ATF.

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How does this relate to Check 21? In a Check 21 world, check images will reside in a number of different locations. They may reside at the collecting bank and need to be retrieved by the paying bank; they may reside in a shared archive service; they may reside in transient image storage on the way to an archive; or they may reside in an onsite archive. Regardless, an organization that wishes to retrieve an image will need a way to locate it.

ATF can serve this critical need as well, by acting as a global indexing system for locating check images across many organizations participating in image exchange or simply needing to locate check images across multiple local repositories.

## Tracking Image Quality Status

As Check 21 and image exchange drive image quality to the forefront, the industry needs an automated mechanism to validate image quality and track the status assigned to the images. Carreker recently introduced Image Inspector™ to identify image quality exceptions, both on the send and receive side of an image exchange transaction. Once an exception is identified, the images of questionable quality are flagged for research and enhancement.

ATF again provides an ideal solution, by retaining the image quality status flag throughout the life of an image. ATF can retain information about the quality of an image and whether or not the check was rescanned to replace the original image. This information will be useful for track-

ing common sources of poor quality images and for identifying how image quality issues can relate to other downstream problems associated with poor image quality.

## Payment Transaction Audit Trail

In an image exchange environment, a check may be converted between paper and electronics many times on the way to becoming a posted or returned item. For example, a paper check payment may become an image when it is scanned at the collecting bank, and converted to an IRD to be presented to a non-image paying bank. It is possible for an IRD to be scanned and converted to an image or used to create another IRD. A remitted check at a lockbox location could be converted to an image and exchanged directly to the paying bank, or an alternative ACH transaction may be created. These examples serve to highlight the problem of tracing a check through its various conversions.

ATF provides an audit trail throughout the life of a check — from original capture, through presentation and return. Check 21 will introduce an accelerated blended payments environment with checks represented by paper, images, IRDs, microfilm or electronic checks, and ATF can effectively manage this environment.

ATF will enable financial institutions to bring structure to the complex and potentially chaotic environment of a post-Check 21 world.

