

Fed Establishes Leadership in Check 21 Readiness

At Core of FedImageSM
Execution, Carreker
Corporation's Expertise
and Technology

"With the success of FedImage, we now have a national, interoperable image archive and retrieval system.

"As a result, we have boosted the efficiency of our internal operations, and we can now deliver added value to our customers."

"When Check 21 takes effect on October 28, we will have state-of-the-art image, substitute check creation, and electronic check clearing services available for our customers," comments Steve Whitney, senior vice president, Federal Reserve Bank of Boston.

Whitney is referring to the Federal Reserve's large-scale commitment to preparations for the day the Check Clearing for the 21st Century Act (Check 21) takes effect. On that day – October 28, 2004 – the law becomes effective and banks must, at a minimum, accept substitute checks in place of original checks.

Besides his day-to-day responsibilities at the Boston bank, Whitney has Systemwide Check 21 customer responsibilities as part of the Fed's comprehensive Check 21 strategy. (See page 2 sidebar, "Check 21 and the Federal Reserve.")

Says Whitney, "In a way, our preparation for what has come to be known as Check 21 began in 2000 with a project managed by the Federal Reserve Bank of Boston. We were responsible for converting all Fed offices to a standard FedImageSM platform

using image archive technology developed by *Carreker Corporation*. Thanks to the dedicated efforts of many team members at the Fed and *Carreker*, we completed the project in May of 2003, after converting 34 offices in just 34 weeks."

As a result of the FedImage project, by the first quarter of 2004, all of the Fed offices had converted all of their customers.

"With the success of FedImage, we now have a national, interoperable image archive and retrieval system. As a result, we have boosted the efficiency of our internal operations, and we can now deliver added value to our customers," confirms Whitney.

He elaborates on the scope of the FedImage accomplishment by citing some of the pre-FedImage challenges: "Before we adopted the FedImage platform, we had 43 offices offering image services on 39 different capture/archive/delivery systems. Commercial banks who wanted to retrieve images had to approach each Reserve Bank, and it was likely that the images retrieved would be in different formats. Delivery and transmission capabilities were limited, so once we retrieved an image, we would have to use physical media to deliver it to customers. FedImage allows us to retrieve images from one location, and transmit it through frame relay or Internet transmission."

Whitney is particularly pleased with the Fed's FedImage Gateway functionality. Using technology developed and installed by *Carreker*, a financial institution can connect its home banking system to the

Federal Reserve/Carreker Relationship

- Image Archive Software
- FedImage Implementation Services
- Image Access/Reporting Software
- Image Match Processing Software
- Architectural and Design Consulting

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FedImage archive, enabling its staff and customers to retrieve images directly. He says, "The demand for Gateway functionality continues to grow among financial institutions who experience demand for timely information from their retail and corporate customers."

Whitney is not pausing long to celebrate the FedImage success. He sees FedImage as a backbone for the Fed's Check 21 strategy, and recognizes that a number of additional initiatives must be accomplished if they are to be ready for Check 21.

"FedImage becomes the foundation for additional functionality," says Whitney. "Sending and receiving images, creating substitute checks, indexing images with additional data for image exchange, image-based returns. These are just a few of the capabilities that we see as necessary for Check 21 leadership."

The Federal Reserve's leadership role is essential in keeping industry sights focused on the value trained on the potential of Check 21. With FedImage as its image foundation, the Federal Reserve is positioned to assist financial institutions to meet the short-term and long-term requirements of Check 21.

Check 21 and the Federal Reserve

(Excerpted from Preparing for Check 21, December 2003, Federal Reserve Financial Services)

The Federal Reserve is excited about the near- and long-term potential of Check 21. This new legislation will spur the use of new technologies that will improve the efficiency and reduce the cost of the nation's check collection system and result in better services to bank customers for years to come.

Benefits of Check 21

- More choices – By leveraging technology to take full advantage of electronic check collection and return capabilities, banks can offer an alternative to today's paper-based system.
- Increased efficiencies – By reengineering their infrastructure with electronics, banks can expedite the collection or return of checks, streamline internal processes, reduce operating costs and realize greater efficiencies.
- Greater innovation – By providing innovative new services, banks can broaden their deposit options or extend deposit cutoff hours.

Federal Reserve's Readiness for Check 21

The Federal Reserve is committed to providing high-quality check services to meet the changing needs of financial institutions, particularly in preparation for Check 21. Initiatives include:

- Upgrading Platforms and Technologies
- Leading Development of Standards

New Check 21 Products

To accommodate Check 21, the Reserve Banks will introduce a suite of services to offer customers more options than ever before:

- Forward and Return Image Cash Letters
- Image Cash Letter Delivery

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