



## March, 2018

Dear CU PolicyPro Client,

Our quarterly policy update is ready!

For your reading pleasure, there have been regulatory changes made to the Mortgage Servicing policies (as we mentioned in last month's newsletter), ACH policies related to phase 3 of the same day ACH rules becoming effective, some additional revisions to the BSA Policy to further comply with the new customer/member due diligence (CDD) requirements for legal entities and last, but certainly not least, changes to the Funds Availability and Remote Deposit Capture Policies related to the Regulation CC amendments that become effective on July 1, 2018. See the "Content Update" section below for more information.

As a reminder, while we try to provide credit unions with materials ahead of regulatory effective dates so they have time to customize and obtain Board approval, it's important to note that those policies should NOT be implemented until the actual compliance effective date of the regulation (unless of course compliance is permitted earlier, such as the CDD requirements).

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## Monthly OPS Notes Release: Regulation CC Amendments

The Federal Reserve Board published substantial [amendments to Regulation CC](#) that become effective on July 1, 2018. The amendments impacted subparts A (General), C (Collection of Checks) and D (Substitute Checks), essentially modifying current check collection and return requirements to reflect the electronic environment. These changes also apply to existing (and a few new) check warranties and indemnities to checks that are collected and returned electronically and to electronically-created items. There were no changes made to subpart B that outlines the Availability of Funds and Disclosure of Funds Availability Policies.

Because of the substantial amendments to Regulation CC, we took this as an opportunity to revise Policy 2400 – Funds Availability, to remove the content related to the collection of checks and substitute check provisions governed under the other subparts of the regulation. To capture those substantial revisions, we created Policy 2401 – Collection of Checks to provide credit unions with a resource to develop compliant procedures or to adopt this new policy if they

previously relied on the content covering the collection of checks and substitute checks within Policy 2400. While there are requirements to have a Funds Availability Policy disclosure for members, there aren't specific policy requirements for the provisions in subparts C and D. However, credit unions are still required to comply with the provisions. Therefore, credit unions should have some type of procedure in place to ensure compliance -and that was our intent in creating Policy 2401.

## Content FAQs

**Question: Our credit union offers mobile remote deposit capture, what do these new amendments mean for us?**

**Answer:** The amendments provide certain indemnity provisions related to checks deposited via RDC (remote deposit capture). If your credit union accepts checks for deposit via that method, you indemnify (guarantee against loss) the depository bank that accepts the original check for deposit for losses that result from that check already being paid. HOWEVER, a depository bank CANNOT make a claim if the original check it deposited had a restrictive indorsement inconsistent with the means of deposit.

Therefore, if your credit union requires your members who deposit via RDC to include "for mobile deposit only at ABC Credit Union" or some type of similar restrictive indorsement and another depository bank accepts that deposit and incurs a loss, they cannot make an indemnity claim.

Within the commentary of the amendments, the credit union also has the ability via their agreements with the member to allocate liability for losses incurred from any subsequent deposits of the original check the credit union accepted via RDC, back to the member!

In summary, the best protection for credit unions accepting deposits through RDC is to require a restrictive indorsement and to include language in their agreement regarding the allocation of liability back to the member in cases of subsequent check deposits.

- On the flip side of that, the credit union should develop procedures and processes to exercise caution when a member attempts to deposit an original check in a branch or in the ATM that contains a restrictive indorsement, such as "for mobile deposit only at ABC Credit Union." If you were the depository credit union, you have no ability to make an indemnity claim against ABC Credit Union (in this case) if you incur a loss because the check was already presented for payment and contained the restrictive indorsement.

## Content Update – 2018.1

We are pleased to announce the March 2018 content updates for the CU PolicyPro Manual - Update Version 2018.1.

This update includes **ten policy updates and one new procedure (Policy 2401 - Collection of Checks Procedure - this content was previously found in Policy 2400). A full listing of the updated policies can be found in the "[Update Overview](#)" document.**

The tracked changes version of each update can be found in the Resources Area of CU PolicyPro (under the "Updates" tab). It is important to note that when updates are made to the Model Policies Manual, these updates do not automatically go into your CU Policies Manual. We do not want to take the chance of overwriting your content, or putting in content that may not apply to your credit union.

[Visit our support site](#) for more information on the next steps necessary to incorporate the updates into your own policies. If you have any questions, please contact our support team at [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

## Questions?

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, or if you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

Thanks and have a great weekend!