



The Bankers' Bank of Kentucky

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The Correspondent

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Changes Continue At The Federal Reserve Bank

The Fed continues to make changes in many areas including communications platforms, Check 21 item processing and image quality standards, TT&L processing with the Treasury, and the handling of the remaining paper check volume. Below are some highlights and how they may impact you.

FedWire is in the process of getting an upgrade. The goal is for domestic wire transfers to have more of the fields that are currently found on international networks, thus allowing more accurate cross-system traffic. Currently, many important elements get "lost in translation" since the SWIFT network has many more possible data fields than FedWire. If you have FedLine Advantage, you are already aware of these changes. Our Dataline system will have any updates needed to be compliant with new formats.

Imaged checks are nearing the last few steps toward a full-image check clearing system. Fed is aggressively working with partial-image banks to get Day 2 processing image-capable, usually the last items a bank has that are still paper. Fed is also moving from the X9.37 image standard to the more appropriate X9.100-187 to promote better validation of image files between software providers' platforms and fewer rejected items in the transfer stream. The Uniform Companion Document has been created by Fed for the various image software providers to use for this standardization. Information can be found on Fed's website www.frb services.org. BBKY's RapidClear product will soon be compliant with the transfer of files in the new image standard.

Treasury's Financial Management Service has a proposed rule to eliminate use of paper coupons for federal tax payments. The proposal would take effect January 1, 2011, and would require businesses to submit their tax payments electronically. Many businesses already utilize electronic means or telephone submission for various tax payments. This initiative would move ALL businesses to non-paper payment of taxes. The proposed rule can be found at www.regulations.gov under IRS REG-153340-09. If this proposal proceeds as planned, the submission of TT&L Advices of Credit on Dataline will end on Jan. 3rd.

Remaining paper check deposits are now processed entirely at the FRB Cleveland office. It is critical that any institution submitting paper checks follow Fed's Standard Packaging Procedures including use of correct cash letter forms, proper packaging for UPS/FedEx/USPS, rubber banding bundles *over* 20 items, stapling bundles *under* 20 items, and the elimination of paper clips, tape, or sticky notes on items. Cash letter forms can be found and created at www.frb services.org by clicking Forms, Check Services, and then Cash Letter Forms. Incorrect Cash Letter forms, incorrect packaging, or incorrect addressing to Cleveland could result in delays in processing and/or higher fees.

IN THE NEWS...



ACH Audit and Risk Assessment

December is fast approaching, as is the deadline for the completion of your annual ACH audit. The audit can be done in-house or by an outside auditor. Complete audit requirements can always be found in the NACHA ACH Rulebook in Appendix 8.

A new requirement as of June 18 of this year is the completion of an ACH Risk Assessment. While NACHA prescribes that each financial institution completes a formal risk assessment of its ACH operations, no new guidelines are listed in the Rules. The assessment should be in line with your regulator's existing outline or by the FFIEC guideline. The assessment should then drive your operational and origination policies and your daily procedures. Be ready! Your auditor will be asking for a copy of your risk assessment and policies as a part of the annual audit.

Checks Drawn On Canadian Banks

You may have customers who deposit checks drawn on Canadian banks. Some of these checks can be cleared through normal means while others have to be handled outside of the image cash letter system. Canadian banks with a US branch and an ABA number printed in the MICR line are valid items for image cash letters and should present no problem to you. Other checks that do NOT have a 9-digit ABA number in the MICR line must be cleared by other methods.

In the past weeks we have come across several items that appear to be valid US items but are returned to the depositing bank as "Item Ineligible" or "Item Not Eligible". All of these items were drawn on The Royal Bank of Canada and have an account number starting with a "9". We have been told that RBC has retired this series and that account holders have been given new account numbers. Apparently, some are reluctant to get rid of their old check stock.

If you have a deposited check that is drawn on RBC, make sure that it has their ABA number in the MICR line and that the account does NOT start with a "9" before you image it for clearing. If the check does contain a "9" account number, your depositor will have to get a replacement check with the new account number or have the funds sent to them via other payment method.

BBKY offers clearing of Canadian and other foreign items that are not valid for image cash letter settlement. Items can be sent as a foreign cash letter or for collection. There are significant differences in fees and settlement time for these two methods. If you have a question about one of these items and your options for clearing, please call us at 800-248-3229 and ask for Velta Riddle.

Holiday Currency Ordering

Fed has announced two one-week periods where you can order new bills for your customers' gift giving needs. The weeks are October 29-November 4 and December 3-9. Fed requires that you submit two different orders: one for your "regular" currency and coin and the other for your new currency. Other specifics can be found on Fed's website, www.frb services.org, in the "Latest News" section on the homepage.

Welcome!

Cash Letter Clearing

Town & Country Bank, Bardstown, KY

BBKY Birthdays and Anniversaries For July-September

Happy Birthday...

Amanda Ronca	Aron Hill
Butch White	Carol Brewer
Dede Johnson	Janice Smoot
Robyn Holt	Sara Hughes

Happy Anniversary...

Ashley Ronca	3 years of service
Aron Hill	4 years of service
Christina Harrod	9 years of service
Dan Hughes	12 years of service
Carol Brewer	13 years of service
John Clark	22 years of service

Helpful Fax Numbers

Operations: 502-695-0638

Wire Room: 502-848-5739

Loan Dept.: 502-695-8273

Administration: 502-695-0221

BBKY Mortgage

Phone: 877-390-3204

Fax: 502-859-3204



Did You Know...

...that Dataline has a full suite of ACH capabilities including file delivery, Originator risk monitoring, and complete "from scratch" file origination including IAT?

Most of our in-house processing banks already enjoy the advantages of the many sorting features available when their incoming ACH file is delivered via Dataline. Many customer banks also have elected to have an information file, or "Z" file, delivered on Dataline in addition to the "live" file that goes to their processor in order to take advantage of these features. Having the file on Dataline allows a user to search for a specific item, derive returns using a simple wizard, derive Notifications of Change (NOC's), and to view all incoming returns/NOC's/IAT's with the click of a button.

Originator Risk Management is an a-la-carte module that is integrated into the basic ACH File Management screen. This module tracks your Originators' use of their daily exposure limit in real-time at import of the file, not after it has been transmitted to the ACH Operator, giving the bank the ability to make quicker decisions on limit violations and potential risk. Errors can be corrected by your business customer or exceptions can be made so that the entries still post on the desired effective day with no delay.

The Templates feature allows banks to create most any ACH transaction needed, from FR-ETA tax payments to automated transfers such as loan payments or recurring customer transfers. Dataline also has the ability to originate International ACH Transactions (IAT) for beneficiaries outside of the United States.

And of course, Dataline's OFAC scanning and archiving capabilities can be used with any incoming or outgoing ACH file, providing you an extra level of security and oversight to support your BSA/AML program.