

**THE CLEARING HOUSE
IMAGE EXCHANGE NETWORK
OPERATING RULES**

Effective July 1, 2018

Modifications indicated herein are to the ECCHO Rules dated July 1, 2018.

THE CLEARING HOUSE IMAGE EXCHANGE NETWORK OPERATING RULES

The Clearing House Image Exchange Network Operating Rules¹ (the “Network Rules” or the “SVPCO Network Rules”) govern the image exchange services offered by The Clearing House Payments Company, L.L.C. These Network Rules incorporate and include all provisions of The Electronic Check Clearing House Organization Operating Rules (“ECCHO Rules”), including definitions, except to the extent the ECCHO Rules are modified herein. The Network Rules also contain provisions that are not included in the ECCHO Rules but apply to the image exchange services offered through the Clearing House Image Exchange Network. In the event of any conflict or inconsistency between a provision of these Network Rules and the ECCHO Rules, the provision of these Network Rules shall govern. Modifications to the ECCHO Rules reflected herein apply specifically to Participants in their use of The Clearing House’s image exchange services. The Commentary to the ECCHO Rules shall apply with respect to these Network Rules insofar as it applies to provisions of the ECCHO Rules that form a part of these Network Rules.

The following tables provide an overview of the modifications to the ECCHO Rules as those rules are incorporated into these Network Rules.

¹ The Clearing House Image Exchange Network Operating Rules were previously known as the CHECCS Operating Rules.

Provisions Entirely Deleted from the ECCHO Rules for Purposes of these Network Rules

Section	Deleted Provision
Section II: Rules	II(D) through II(I)
Section IX: Obligation of Organization; Clearing House	XI(A)
Section XII: Adjustment Claims	XII(B) through XII(I)
Section XIV: Dispute Resolution Procedures	Complete section
Section XVIII: Exchange of Images of Canadian Items	Complete section
Section XIX: Electronic Images	XIX(K)(2), XIX(K)(3), XIX(K)(6), XIX(K)(7)

Provisions Replaced in the ECCHO Rules for Purposes of these Network Rules

Section	Replaced Provision
Section I: Definitions	I(B), I(QQ), I(BBB)
Section II: Rules	II(B), II(C)
Section III: Items Eligible for Exchange and Routing Information; Deadlines; Repairs	III(B)
Section VI: Settlement	VI(A)
Section XI: Obligations of Organization; Clearing House	XI(A)
Section XII: Adjustment Claims	XII(A)
Section XIII: Amendments	Complete section
Section XVII: Transmission of Images of Saving Bonds for Redemption by Us Treasury Department	XVII(A)(1)
Section XIX: Electronic Image	XIX(O)(2), XIX(O)(12)

Provisions Additional to the ECCHO Rules

Section		New Provision
Section I:	Definitions	I(A-1) through I(A-36)
Section II:	Rules	II(A-1), II(J) through II(M)
Section VI:	Settlement and Adjustment	VI(B), VI(C)
Section IX:	Data Security Electronic Image Information	IX(F)
Section X:	Data Confidentiality	X(B)
Section XVII:	Transmission of Images of Saving Bonds for Redemption by US Treasury Department	XVII(H)
Section XIX	Electronic Image	XIX(G)(3-A), Comment to XIX(H)(1)
Section XXI:	The Clearing House Service Level Requirements and Quality Management Criteria; Customer Information Security	Complete section
Section XXII:	Audit Rights and Vendor Management	Complete section
Schedule A	Information-Security Standards and Requirements	Complete schedule
Schedule B	Supplemental Image Format Requirements and Procedures	Complete schedule
Exhibits VI	Electronic Image Quality Standards	Paragraph: “Supplemental Quality Standards”
Appendix 1	The Clearing House Online Adjustment Requirements	Complete appendix

SECTION I. - Definitions.

The following subsections are added to Section I of the ECCHO Rules for purposes of these Network Rules:

I(A-1) Adjustment Settlement File. An instruction from The Clearing House to the Processing Reserve Bank containing the Multilateral Adjustment Balance of each Participant that is a member of the Online Adjustments Settlement Arrangement.

I(A-2) The Clearing House. The Clearing House Payments Company L.L.C.

I(A-3) The Clearing House Image Exchange Network or Network. The technical systems operated by The Clearing House that (i) Participants use to exchange Electronic Checks, Electronic Returned Checks, and adjustments directly with other Participants and non-Participants and (ii) The Clearing House uses to obtain settlement and other information related to Participants' exchange of Electronic Checks, Electronic Returned Checks, and adjustments.

I(A-4) The Clearing House Image Exchange Network Operating Rules or Network Rules. The ECCHO Rules as modified herein by The Clearing House.

I(A-5) The Clearing House Settlement System. An automated system provided by The Clearing House that enables Participants to transmit settlement information to The Clearing House in order for The Clearing House to transmit Settlement Files to the Processing Reserve Bank.

I(A-6) Confidential Information. Any and all information that (i) is marked with a "confidential" or "proprietary" legend, or comparable legend; (ii) is disclosed orally or visually and is identified as confidential at the time of disclosure and confirmed in writing within a reasonable time; or (iii) a reasonable person would deem confidential under the context of the disclosure or due to the nature of the information; provided that, "Confidential Information" shall not include information to the extent that the recipient of such information can demonstrate by written documentation or other tangible record (i) is publicly available (other than through

breach by the recipient of a confidentiality obligation to the discloser); (ii) was received from a third-party source without obligation of confidentiality by the recipient and without breach by the third-party of a duty of confidentiality to the discloser; or (iii) was in the possession of the recipient at the time of the disclosure, or was independently developed by the recipient without reference to the discloser's Confidential Information.

I(A-7) Debtor Participant. A Participant with a debit Multilateral Balance on a Settlement File.

I(A-8) Defaulting Participant. A Settler that does not settle for its own debit Multilateral Balance or the debit Multilateral Balance of another Participant for which the Settler has agreed to settle.

I(A-9) ECCHO Rules. The Electronic Check Clearing House Organization Operating Rules and Commentary, in its most current form, before modification herein by The Clearing House.

I(A-10) Image Settlement Arrangement. An arrangement by which Participants in the Network have designated The Clearing House as Settlement Agent under Operating Circular 12 to deliver Image Settlement Files to the Processing Reserve Bank in order to settle the Multilateral Image Settlement Balances that result from the clearing activities of the Participants over the Network.

I(A-11) Image Settlement File. An instruction from The Clearing House to the Processing Reserve Bank containing the Multilateral Image Settlement Balance of each Participant that is a member of the applicable Settlement Arrangement.

I(A-12) Membership Rules. The Clearing House Image Exchange Network Rules of Membership.

I(A-13) Multilateral Adjustment Balance. With respect to Participants who use the Online Adjustments Service to exchange adjustments with each other, a Participant's Multilateral Adjustment Balance is (i) the total dollar amount of debit adjustments delivered by a Participant to all other Participants ("debit adjustments delivered"), plus (ii) the total dollar amount of credit adjustments received by a Participant from all other Participants ("credit adjustments received"),

minus (iii) the total dollar amount of debit adjustments received by the Participant from all other Participants (“debit adjustments received”), and minus (iv) the total dollar amount of credit adjustments delivered by the Participant to all other Participants (“credit adjustments delivered”), on a given Settlement Day, as transmitted to The Clearing House Settlement System and as shown on a settlement statement as determined under these Network Rules. If the total dollar amount of a Participant’s debit adjustments delivered plus credit adjustments received exceeds the total dollar amount of the Participant’s debit adjustments received plus credit adjustments delivered, the Participant will have a credit Multilateral Adjustment Balance. Conversely, if the total dollar amount of a Participant’s debit adjustments delivered plus credit adjustments received is less than the total dollar amount of the Participant’s debit adjustments received plus credit adjustments delivered, the Participant will have a debit Multilateral Adjustment Balance.

I(A-14) Multilateral Balance. Either a Multilateral Adjustment Balance or a Multilateral Image Settlement Balance, as applicable.

I(A-15) Multilateral Image Settlement Balance. A Participant’s Multilateral Image Settlement Balance is the total dollar amount, as transmitted to The Clearing House Settlement System, of Electronic Checks and Electronic Returned Checks delivered by a Participant to all other Participants minus the total dollar amount of Electronic Checks and Electronic Returned Checks/ received by the Participant from the other Participants, up to a specified time listed on a Settlement Schedule on a given Settlement Day, as shown on a settlement statement as determined or adjusted under these Network Rules. If the total dollar amount of Electronic Checks and Electronic Returned Checks delivered by a Participant to other Participants exceeds the total dollar amount of Electronic Checks and Electronic Returned Checks it received from other Participants, the Participant will have a credit Multilateral Settlement Balance. Conversely, if the total dollar amount of Electronic Checks and Electronic Returned delivered by a Participant to other Participants is less than the total dollar amount of Electronic Checks and Electronic Returned Checks it received from other Participants, the Participant will have a debit Multilateral Image Settlement Balance.

I(A-16) Network Site Matrix. A list of deadlines, functional specifications, and other details related to the Network.

I(A-17) Network Usage. The Network Usage of a Participant means the total dollar amount of physical items identified in Electronic Checks and Electronic Returned Checks that the Participant sends or receives, directly or via a third-party agent, through the Network, plus the total dollar amount of Electronic Checks and Electronic Returned Checks that it sends or receives, directly or via a third party agent, to other Participants using the Network that are settled under these Network Rules.

I(A-18) Non-Participant. A “depository institution” (as defined in §19(b) of the Federal Reserve Act, 12 U.S.C. §461(b)) that is not a Participant.

I(A-19) Online Adjustments Service. The web-based system provided by The Clearing House to Participants to facilitate their exchange and settlement of adjustments.

I(A-20) Online Adjustment Settlement Arrangement. An arrangement by which Participants in the Online Adjustments Service have designated The Clearing House as Settlement Agent under Operating Circular 12 to deliver Adjustment Settlement Files to the Processing Reserve Bank in order to settle the Multilateral Adjustment Balances that result from the clearing activities of the Participants.

I(A-21) Operating Circular 12. Federal Reserve Bank Operating Circular No. 12.

I(A-22) Participant. A “depository institution” (as defined in §19(b) of the Federal Reserve Act, 12 U.S.C. §461(b)) that has signed the Participant Agreement and Indemnity and has been accepted by The Clearing House as a participant in the Network.

I(A-24) Participant Agreement and Indemnity. The agreement each Participant is required to execute, as provided in The Clearing House Image Exchange Rules of Membership, to participate in the Network.

I(A-25) Personal Information. Transmitted Customer Data and any other sensitive or personal information or other term as defined in applicable federal or state laws or regulations or in applicable rules.

I(A-26) Processing Reserve Bank. The Reserve Bank responsible for accepting the Settlement File from the Settlement Agent and processing it in accordance with Operating Circular 12.

I(A-27) Reserve Bank. The Federal Reserve Bank of New York or another Federal Reserve Bank.

I(A-28) Service. The services related to the Network and described in any agreement under the Network Rules governing a Participant's use of or participation in the Network.

I(A-29) Settlement Agent. An entity authorized to act on behalf of Settlers under Operating Circular 12.

I(A-30) Settlement Arrangement. The Image Settlement Arrangement, Online Adjustment Settlement Arrangement or both, as applicable.

I(A-31) Settlement Day. A "Business Day" as defined in Rule I(I) of these Network Rules.

I(A-32) Settlement File. As applicable, an Image Settlement File, an Adjustment Settlement File or both.

I(A-33) Settlement Schedule. A schedule issued by The Clearing House that lists the processing times and transmission deadlines for settlement information and Settlement Files.

I(A-34) Settler. A Participant that has established an account with a Reserve Bank and settles its own Multilateral Balance, settles Multilateral Balances for the account of another Participant, or both.

Subsection I(B) does not apply to the Network, and is replaced by the following:

I(B) Adjustment Claim. A claim for an adjustment made under Section XII of these Network Rules.

Subsection I(BBB) does not apply to the Network, and is replaced by the following:

I(BBB) Rules. The Network Rules, as amended from time to time.

SECTION II. - Rules.

Section II(A-1) of the ECCHO Rules is supplemented by the following for purposes of these Network Rules:

II(A-1(a)) Application of Network Rules. The Network Rules, which incorporate the ECCHO Rules as modified herein, govern, as applicable: (i) the Network and (ii) settlement of balances related to services provided through the Network.

Sections II(B) and II(C) of the ECCHO Rules do not apply to the Network and are replaced by the following for purposes of these Network Rules:

II(B) Nature of the Network Rules. The Network Rules are clearinghouse rules as contemplated by Section 4-103 of the Code and Section 229.37 of Regulation CC, are intended to supplement and vary the effect of provisions of the Code and Regulation CC, and shall bind each person interested in an Item exchanged pursuant to these Network Rules whether or not that person has specifically assented to these Network Rules. Each Participant agrees to be bound by these Network Rules.

II(C) Participation in the Network.

(1) Each Participant is authorized to: (i) receive Electronic Checks, and Electronic Returned Checks directly from other Participants using the Network in accordance with Sections XIX and XX; and (ii) settle for Electronic Checks and Electronic Returned Checks in accordance with Section VI. Each Participant is authorized to (i) send Electronic Checks, and Electronic Returned Checks directly to other Participants using the Network in accordance with Section XIX and XX; and (ii) settle for Electronic Checks and Electronic Returned Checks in accordance with Section VI. Adjustments for Electronic Checks and Electronic Returned Checks delivered by a Participant directly to another Participant using the Network in accordance with Section XIX and XX shall be governed by Section XII.

(2) No Participant shall be deemed to agree to exchange Electronic Checks and Electronic Returned Checks pursuant to these Network Rules with any other Participant by virtue of authorization to participate in the Network, or be required to agree to such an exchange with any other Participant. Two or more Participants may establish the commencement date(s) for exchange of Electronic Checks and Electronic Returned Checks among such Participants pursuant to these Network Rules. A Participant seeking to discontinue the exchange of Electronic Checks and Electronic Returned Checks pursuant to these Network Rules with any other Participant shall give such other Participant(s) not less than thirty (30) days' written notice prior to the effective date of such discontinuance. Participants shall also give a copy of any notice of commencement or discontinuation to The Clearing House. The Clearing House may provide notice to Participants regarding the current exchange participation status of other current and former Participants.

(3) In the event that its continued exchange of Electronic Checks and Electronic Returned Checks with another Participant would be commercially unreasonable, a Participant may temporarily suspend its exchange with such Participant through the Network by providing the other Participant with at least twenty-four (24) hours electronic or written notice. The notice shall describe the reason(s) why continued exchange would be commercially unreasonable. The Participant suspending the exchange shall notify the other Participant as soon as reasonably possible of the date that it will be able to resume exchanging Electronic Checks and Electronic Returned Checks with it through the Network.

(4) If a Participant is unable to exchange Electronic Checks or Electronic Returned Checks with another Participant through the Network because of interruption of communication or computer facilities, terrorist attack, war, emergency conditions, failure of equipment or other circumstances beyond its control, it shall notify the other Participant within a reasonable time of the occurrence of such event. If reasonably possible, Participant shall exchange physical checks with the other Participant. Participant shall notify the other Participant as soon as reasonably possible of the date that it will be able to resume exchanging Electronic Checks and Electronic Returned Checks with it through the Network.

(5) A Participant that exchanges Electronic Checks and Electronic Returned Checks with another Participant using the Network shall be deemed to be acting as an independent contractor and no agency, partnership, employment or joint venture relationship between the

Participants or any of their respective employees or third party agents shall be deemed to have been created as a result of such exchange.

(6) If a Participant has entered into a bilateral agreement with another Participant related to their exchange of Electronic Checks or Electronic Returned Checks using the Network and there is an inconsistency between the terms of these Network Rules and the bilateral agreement, the bilateral agreement shall govern as between the Participants for those transactions covered by the bilateral agreement. Notwithstanding any bilateral agreement between two Participants, these Network Rules will continue to govern as between a Participant and The Clearing House. A bilateral agreement between two Participants will not alter the rights and obligations of The Clearing House under these Network Rules and will not alter any rights or obligations of a Participant to The Clearing House hereunder or any other agreement between a Participant and The Clearing House.

(7) A Participant may use the Network to exchange Electronic Checks and Electronic Returned Checks with a non-Participant. The exchange of such Electronic Checks and Electronic Returned Checks by the Participant and the non-Participant and the settlement for such Electronic Checks and Electronic Returned Checks shall be covered by an agreement between them, independent of any agreement between the Participant and The Clearing House, and shall not be covered by these Network Rules except as otherwise expressly provided herein. The agreement between a Participant and a non-Participant to use the Network shall obligate the non-Participant to comply with all Network Rules that govern the relationship between a Participant and The Clearing House and that involve (i) operational and technical requirements and procedures regarding the use of the Network, (ii) confidentiality obligations and (iii) information security requirements, each as set forth in these Network Rules, as if the non-Participant were a Participant. For the avoidance of doubt, the Network Rules to which a non-Participant is obligated to comply pursuant to the previous sentence do not include any of the ECCHO Rules. However, the bilateral agreement between the Participant and Non-participant shall govern all rights and responsibilities between them. If the non-Participant is not a member of ECCHO, the Participant and such non-Participant may not agree in their bilateral agreement to use the Network Rules to govern their relationship with one another. A Participant exchanging such Electronic Checks and Electronic Returned Checks warrants that it and the non-Participant shall exchange the Electronic Checks and Electronic Returned Checks in a format specified by

The Clearing House from time to time. The Participant shall indemnify, defend, and hold The Clearing House harmless against any claim, loss, cost, or expense arising from its or a non-Participant's use of the Network, as described in the first sentence of this paragraph, and for any performance or non-performance under the agreement between it and the non-Participant or any failure by the non-Participant to comply with such Network Rules as if it were a Participant.

(8) A Participant that is a Receiving Bank may elect not to use the Network to settle for an Electronic Check or an Electronic Returned Check that was sent to it over the Network by another Participant. However, if a Receiving Bank elects not to use the Network to settle for such items, it shall provide The Clearing House notice of such arrangement in a manner determined by The Clearing House from time to time and have an agreement in place with the Sending Bank regarding: (i) settlement for the item and (ii) when presentment of the item takes place.

Sections II(D) through II(I) of the ECCHO Rules do not apply for purposes of these Network Rules.

The following Sections II(J) through II(M) of these Network Rules do not exist in the ECCHO Rules but are applicable to the image exchange services offered through the Clearing House Image Exchange Network:

II(J) Provision of Services in the Network; Term and Termination.

(1) In addition to the Participant Agreement and Indemnity, a Participant shall execute such documents as may be required by The Clearing House from time to time related to the provision of Services, including documents that set forth the fees and payment terms related to Services ordered by the Participant. Participant agrees to pay such admission, annual, subscription, transaction, or other fees as shall be established by The Clearing House from time to time.

(2) The Services shall be ordered by Participant and provided by The Clearing House for no less than an initial twelve (12) month service period (the "Service Period") beginning on the date on which The Clearing House notifies Participant that the Services are available for use

by Participant (the “Start Date”). Unless Participant provides written notice to The Clearing House of its desire to cancel the Services (either prior to or upon the expiration of the Service Period), to be provided no less than three (3) months prior to the expiration of the current Service Period, the current Service Period shall be extended for another twelve (12) months. Service components (i.e., equipment) and installation charges in support of the Services shall be amortized from the Start Date through the fourth anniversary of the Start Date. Upon any cancellation of the Services, Participant agrees to pay to The Clearing House (as cancellation charges) the sum of: (i) fifty percent (50%) of the remaining charges for the balance of the Service Period; (ii) the unamortized acquisition and installation costs of the Service components required to provide the Services; and (iii) any third-party costs that The Clearing House reasonably and actually incurs related to Participant’s cancellation of the Services.

(3) In the event that the provision of the Services is enjoined as a consequence of a third-party claim or action, The Clearing House may at its option terminate the affected Services without liability other than to refund to Participant any prepaid charges for Services not received due to such termination.

(4) Software

(a) The Clearing House has entered into, and/or may in the future enter into, one or more License Agreements (a “Vendor License”) with one or more vendors (a “Vendor”) dealing with (i) certain inventions, software, and related documentation developed and owned by third-party providers and/or (ii) certain inventions, software, and related documentation developed and owned by the Vendor or an entity from whom the Vendor has obtained marketing rights ((i) and (ii) collectively referred to as “Vendor Software.” The Clearing House may also independently own or control certain other inventions, software, and related documentation (“TCH Software”) (“Vendor Software” and “TCH Software” sometimes being collectively referred to simply as “Software”). The Software is, and/or may in the future be, loaded by The Clearing House onto a device that The Clearing House then provides to a Participant to enable it to use the Network to exchange Electronic Checks and Electronic Returned Checks with other Participants.

(b) In the case of a Vendor License, the Vendor may have retained the right, title and interest in and to the Vendor Software, including any portions thereof and information or materials derived therefrom or otherwise provided by or for the Vendor in connection therewith. The Vendor Software, including such portions and information or materials, may not be used for any purpose other than support of The Clearing House's authorized use of the Vendor Software. The Vendor Software and the TCH Software may not be provided or disclosed to any person other than employees and individual contractors of a Participant who have entered into suitable confidentiality agreements, but then only to the extent necessary for them to enable the transfer of images that constitute the input data of the Software or to receive images that constitute the output data of the Software. Any use of and/or access to the Software by the Participant and its employees or individual contractors for any other purpose is expressly not authorized.

(c) A Participant will not: (i) modify the Software, (ii) decompile or otherwise reverse engineer the Software, (iii) otherwise derive or attempt to derive the source code of, or any processes, techniques, methods, specifications, protocols, algorithms, interfaces, data structures, or other information embodied or used in, the Software, (iv) copy, license, sublicense, or otherwise transfer the Software to any third party, or (v) remove any copyright or trademark notice of The Clearing House or Vendor on or contained in the Software.

(d) Upon any termination of services provided by The Clearing House to a Participant, The Clearing House shall promptly delete all Software from the device provided to the Participant or destroy all Software provided to the Participant, and shall delete or destroy any copies of such Software that may be in the possession of the Participant. The Clearing House may, at its election, require the Participant to delete all Software from the device provided to the Participant and to delete or destroy any copies of such Software that may be in the possession of the Participant, and require the Participant to certify such deletion and/or destruction.

II(K) Change in Name, Form of Organization, or Control.

(1) Participant shall inform the chief executive officer of The Clearing House or his or her designee (the "Chief Executive Officer"), in writing on its letterhead, signed by a senior officer, of any proposed change in its name, form of organization, charter, insured or uninsured

status, or in the direct or indirect Control of such Participant, at least thirty-one (31) days before the change becomes effective, unless the change is due to the resolution of the Participant by the FDIC or other government resolution authority. For purposes of this Subsection II(K), “Control” of a Participant changes if:

- (a) a person acquires control of the Participant or its parent within the meaning of § 2(a)(2)(A) or (B) of the Bank Holding Company Act, 12 U.S.C. § 1841 (a)(2)(A) or (B), with the Participant being deemed a bank and the person (whether an individual, corporation, or other entity) acquiring control being deemed a company for purposes of such section;
- (b) the Participant or its parent merges or consolidates with another bank or company and the shareholders of the Participant or its parent own less than 60 per cent of the surviving or resulting bank or company;
- (c) the Participant shall file a notice with the Board of Governors of the Federal Reserve System pursuant to § 211.24(a)(4)(i) of Regulation K, 12 C.F.R. § 211.24(a)(4)(i); or
- (d) the Board of Managing Directors of The Clearing House or the Chief Executive Officer determines that a person has acquired a controlling influence over the Participant or its parent.

(2) Upon receiving a notice from a Participant of a proposed change in its direct or indirect Control, the Chief Executive Officer will cause the Participant’s continued status in the Network to be evaluated by The Clearing House.

(3) Failure to inform the Chief Executive Officer of a change in name, direct or indirect Control, or form of organization in accordance with this Subsection II(K) may result in the Participant’s termination or suspension from the Network by the Chief Executive Officer under the provisions of the Membership Rules.

(4) At his or her discretion, the Chief Executive Officer may require such documents and information as he or she may deem necessary or desirable from a Participant in connection

with any such change in name, form of organization, charter, insured or uninsured status, or direct or indirect Control.

II(L) Applicable Law. Section 4-102(b) of the Uniform Commercial Code (2002 Official Text) shall determine the applicable law that governs the liability of a Participant for action or non-action with respect to an item handled by it for purposes of presentment, payment, or collection under the Network Rules. Section 4-102(b) reads in full as follows:

The liability of a bank for action or non-action with respect to an item handled by it for purposes of presentment, payment, or collection is governed by the law of the place where the bank is located. In the case of action or non-action by or at a branch or separate office of a bank, its liability is governed by the law of the place where the branch or separate office is located.

II(M) Emergencies. In the event of an emergency, including, but not limited to, severance of communications between The Clearing House and one or more Participants, failure or disruption of the Network's operations, or any other emergency, image exchange services shall be handled in accordance with the decisions of the Chief Executive Officer. Without limiting the discretion of the Chief Executive Officer, he or she may:

- (1) extend the hours of operation of the Network;
 - (2) direct any Participant or several or all to not exchange Electronic Checks or Electronic Returned Checks through the Network pending resolution of the problem;
- or
- (3) direct such other action as he or she may deem necessary.

SECTION III. – Items Eligible for Exchange and Routing Information; Deadlines; Repairs.

Subsection III(B) of the ECCHO Rules does not apply to the Network and is replaced in its entirety by the following for purposes of these Network Rules:

III(B) Deadlines. Each Participant as a Receiving Bank shall designate a deadline for receipt of an Electronic Check.

SECTION VI. - Settlement and Adjustment.

Subsection VI(A) of the ECCHO Rules does not apply to the Network and is replaced in its entirety by the following for purposes of these Network Rules:

VI(A) Settlement and the Online Adjustments Service.

(1) **General.** All Electronic Checks, Electronic Returned Checks and adjustments sent or exchanged between Participants using the Network, including the Online Adjustments Service, shall be settled in accordance with this Section VI, unless the exchange of those Electronic Checks, Electronic Returned Checks and adjustments is covered by a bilateral agreement between two Participants or between a Participant and a non-Participant and the parties to such bilateral agreement have provided for settlement through means other than the Image Settlement Arrangement. However, Electronic Checks and Electronic Returned Checks that are not exchanged using the Network are not part of the Image Settlement Arrangement and shall not be settled in accordance with this Section VI.

(a) For the Settlement Arrangement, a Participant that is not a Settler shall designate a Settler and shall execute such documents as may be required by The Clearing House for this purpose. A non-settling Participant agrees that it has a duty to ensure settlement of its Electronic Checks, Electronic Returned Checks and adjustments and that failure of its Settler to settle for such Electronic Checks, Electronic Returned Checks and adjustments does not relieve the non-settling Participant of its duty to settle.

(b) A Settler may cease settling for a non-settling Participant by sending a written notice to that effect to The Clearing House. A notice under this section shall be effective at the beginning of the processing cycle on the business day following the date written notification is received by the Clearing House or such later date as the notice specifies, except that if the notice is received by the Clearing House after 12:00 noon ET, or if the later effective date specified in that notice is not a business day, then the effective date of the notice shall be the beginning of the processing cycle on the next business day following the date written notification is received. Notwithstanding the preceding sentences, a Settler that sends a notice that it will cease acting as

a settler shall continue to settle for all Electronic Checks, Electronic Returned Checks, and adjustments that are sent or received by the non-settling participant during the period prior to the effective date of the notice but that have a settlement date after the effective date of the notice.

(c) A Settler shall execute a settlement agreement in the form provided in Appendix A of Operating Circular 12 and provide the business manager of The Clearing House or his or her designee with the original executed agreement.

(d) A Settler that settles for an adjustment that it did not transmit or receive shall be responsible under these Network Rules for the adjustment as if it transmitted or received the adjustment.

(2) Settlement of Electronic Checks and Electronic Returned Checks. By the time(s) specified in the Settlement Schedule related to the Image Settlement Arrangement (12:00 p.m. (ET) and 4:00 p.m. (ET)), each Debtor Participant, directly or through a Settler, shall settle the balances charged against it that day in an Image Settlement File, which settlement shall be made in accordance with Operating Circular 12 and these Network Rules. The Clearing House shall deliver two Image Settlement Files for the Image Settlement Arrangement to the Processing Reserve Bank for settlement each Settlement Day at the times set forth in the Settlement Schedule (12:00p.m. (ET) and 4:00 p.m. (ET)).

(3) Settlement of Adjustments. A Participant may use the Online Adjustments Service to exchange adjustments with other Participants throughout each calendar day. An adjustment that it exchanges with another Participant by the time listed in the Settlement Schedule related to the Online Adjustment Settlement Arrangement (4:00 p.m. (ET)) will be used to determine the Participant's Multilateral Adjustment Balance for inclusion in that day's Adjustment Settlement File. An adjustment that it exchanges with another Participant after the time listed in the Settlement Schedule (4:00 p.m. (ET)) will be used to determine the Participant's Multilateral Adjustment Balance in the next day's Adjustment Settlement File. By 4:00 p.m. (ET) each Settlement Day, each Debtor Participant, directly or through a Settler, shall settle the balances charged against it that day in an Adjustment Settlement File, which settlement shall be made in accordance with Operating Circular 12 and these Network Rules. The Clearing House shall

deliver one Adjustment Settlement File for the Online Adjustment Settlement Arrangement to the Processing Reserve Bank for settlement each Settlement Day at 4:00 p.m. (ET).

The following Sections VI(B) and VI(C) of these Network Rules do not exist in the ECCHO Rules but are applicable to the image exchange services offered through the Clearing House Image Exchange Network:

VI(B) Settlement Schedules.

(1) Normal Schedule for Settlement of Electronic Checks and Electronic Returned Checks.

(a) For settlement of Electronic Checks and Electronic Returned Checks, The Clearing House Settlement System will prepare two Image Settlement Files for The Clearing House to submit to the Processing Reserve Bank each Settlement Day in accordance with Operating Circular 12. The first file will be transmitted by The Clearing House to the Processing Reserve Bank at 12:00 p.m. (ET) (the “12:00 p.m. (ET) Image Settlement File”). The second file will be transmitted by The Clearing House to the Processing Reserve Bank at 4:00 p.m. (ET) (the “4:00 p.m. ET Image Settlement File”).

(b) Image Ledger Cutoff Time. Each Participant in its capacity as a Receiving Bank shall establish an Image Ledger Cutoff Time for each of its routing numbers listed in the Image Site Matrix. Such time must be either:

(i) during the standard Network cut off period that is no earlier than 12:00 p.m. (ET) and no later than 4:00 p.m. (ET); or

(ii) by express agreement between the Sending Bank and Receiving Bank, during an earlier cut off period that is either (A) no earlier than 1:00 a.m. (ET) and no later than 12:00 p.m. (ET) for Images related to certain transit products; or (B) no earlier than 7:00 a.m. (ET) and no later than 12:00 p.m. (ET) for Images related to certain controlled disbursement and other special purpose accounts.

4:00 p.m. (ET) is the latest Image Ledger Cut Off Time that will enable The Clearing

House Settlement System to prepare the 4:00 P.M. (ET) Settlement File. See the Image Exchange Site Matrix for a list of Participants' Image Ledger Cutoff Times and other details related to image exchange and settlement.

(c) If a Participant establishes an Image Ledger Cutoff Time of 12:00 p.m. (ET) or earlier, the dollar totals of the Electronic Checks such Participant receives from other Participants through the Network by the Image Ledger Cutoff Time, as transmitted to The Clearing House Settlement System, will be used to determine the Participant's Multilateral Image Settlement Balance for inclusion in that day's 12:00 p.m. (ET) Image Settlement File. The dollar totals of any Electronic Checks that it receives from other Participants through the Network after its Image Ledger Cutoff Time, as transmitted to The Clearing House Settlement System, will be used to determine the Participant's Multilateral Image Settlement Balance for inclusion in the next Settlement Day's 12:00 p.m. (ET) Settlement Image File.

(d) If a Participant establishes an Image Ledger Cutoff Time of later than 12:00 p.m. (ET), the Electronic Checks that it receives from other Participants through the Network after 4:00 p.m. (ET) the prior Banking Day and by 12:00 p.m. (ET), on the Settlement Date as transmitted to The Clearing House's Settlement System, will be used to determine the Participant's Multilateral Image Settlement Balance for inclusion in that day's 12:00 p.m. (ET) Image Settlement File. The Electronic Checks that it receives from other Participants through the Network after 12:00 p.m. (ET) but by its Image Ledger Cutoff time, as transmitted to The Clearing House Settlement System, will be used to determine the Participant's Multilateral Image Settlement Balance for inclusion in that day's 4:00 p.m. (ET) Image Settlement File.

(e) An Electronic Returned Check received by a Participant through the Network by 11:59 p.m. (ET) on a Banking Day, as transmitted to The Clearing House Settlement System, will be included in the 12:00 p.m. (ET) Image Settlement File on the following Settlement Day. An Electronic Returned Check received by a Participant through the Network after 11:59 p.m. (ET) on a Banking Day (Day 1), as transmitted to The Clearing House Settlement System, will be included in the 12:00 p.m. (ET) Image Settlement File on the second Banking Day (Day 3) following the Banking Day.

(f) Set forth below is a summary of events and the times at which they would

typically occur pursuant to a normal settlement schedule for settlement of Electronic Checks and Electronic Returned Checks.

<u>Time</u>	<u>Event</u>
12:00 p.m. (ET)	The Clearing House Settlement System prepares first Settlement File for the Settlement Day.
12:00 p.m. (ET)	The Clearing House transmits first Settlement File for the Settlement Day to the Processing Reserve Bank. Processing Reserve Bank debits or credits each Participant's or its Settler's Master Account (as defined in Federal Reserve Bank Operating Circular 12) for its Multilateral Image Settlement Balance.
4:00 p.m. (ET)	The Clearing House Settlement System prepares second Settlement File for the Settlement Day.
4:00 p.m. (ET)	The Clearing House transmits second Settlement File for the Settlement Day to the Processing Reserve Bank. Processing Reserve Bank debits or credits each Participant's or its Settler's Master Account for its Multilateral Image Settlement Balance.

(2) Normal Schedule for Settlement of Adjustments.

(a) For settlement of adjustments, The Clearing House Settlement System will prepare one Adjustment Settlement File for The Clearing House to submit to the Processing Reserve Bank each Settlement Day in accordance with Operating Circular 12. The file will be transmitted by The Clearing House to the Processing Reserve Bank at 4:00 p.m. (ET) (the “4:00 p.m. (ET) Adjustment Settlement File”).

(b) Set forth below is a summary of events and the times at which they would typically occur pursuant to a normal settlement schedule for settlement of adjustments.

<u>Time</u>	<u>Event</u>
4:00 p.m. (ET)	Cut-off hour for Participants to exchange adjustments for inclusion in current Settlement Day.
4:00 p.m. (ET)	The Clearing House Settlement System prepares Online Adjustment Settlement File for the Settlement Day using data from The Clearing House Online Adjustments Service.
4:00 p.m. (ET)	The Clearing House transmits Online Adjustments Settlement File for the Settlement Day to the Processing Reserve Bank. Processing Reserve Bank debits or credits each Participant's or its Settler's Master Account for its Multilateral Adjustment Balance.

(3) Delayed Settlement Schedule.

(a) If a Participant or its Settler notifies The Clearing House that its ability to settle Participant's Multilateral Balance in a Settlement File is delayed by a technical problem, or if settlement cannot take place in accordance with the normal settlement schedule because of a technical problem at The Clearing House, settlement shall take place in accordance with a delayed settlement schedule as set out in this subsection (3).

(b) A Participant or its Settler having a technical problem shall notify The Clearing House as soon as possible of the nature of the problem, its efforts to correct it, and an estimate of the time by which it expects the problem to be corrected. If The Clearing House believes that the problem causing the delay can be corrected in sufficient time to allow settlement to be completed before 5:00 p.m. (ET) and would not delay beyond 5:00 p.m. (ET) the processing of other Settlement Files in the Settlement Arrangement, The Clearing House shall establish a delayed settlement schedule for that day and send a notice of the delayed settlement schedule to each Participant and its Settler, if any.

(c) If The Clearing House determines in its sole discretion that settlement under a normal or delayed settlement will not be completed because of operational difficulties of

one or more Participants or Settlers, or for any other reason, The Clearing House may in its sole discretion either recast settlement and follow the procedure for settlement recast set out in subsection (4) below or hold the settlement over for settlement on the following Settlement Day. If a delayed settlement is held over for settlement on the following Settlement Day, The Clearing House will not begin to process settlement for a subsequent day until settlement for the prior day is completed. Interest compensation related to a delayed settlement shall be paid in accordance with applicable interest compensation rules.

(4) Abnormal Settlement Schedule.

(a) If at any time before settlement has been completed, the Processing Reserve Bank notifies The Clearing House that it has rejected a debit Multilateral Balance on a Settlement File, settlement shall take place in accordance with an abnormal settlement schedule as set out in this subsection (4).

(b) The Clearing House shall recast the Settlement File containing the rejected debit Multilateral Balance by deleting all of the debits and credits of each of the Defaulting Participant(s) from the calculation of the other Participants' Multilateral Balances. This will cause the Multilateral Balance of each Defaulting Participant to equal zero. The Clearing House shall notify each remaining Participant of its Multilateral Balance on the revised Reserve Bank settlement statement. Each remaining Participant shall settle its revised Multilateral Balance in accordance with an abnormal settlement schedule as established by The Clearing House.

(c) If, following the recast of a settlement, settlement is not completed in accordance with the abnormal settlement schedule established in accordance with this subsection (4), The Clearing House may, in its sole discretion: (i) extend the time for settlement to be completed, (ii) recast settlement again, or (iii) hold the settlement over to the following Settlement Day. Interest compensation related to an abnormal settlement shall be paid in accordance with applicable interest compensation rules.

VI(C) Risk Control.

(1) **Ex-Post Debit Cap.** The Clearing House may establish for each Participant a limit on the debit Multilateral Balance that the Participant is permitted to incur in connection with the Network for any Settlement Day (a “Debit Cap”). These Debit Caps shall be monitored by The Clearing House on an ex-post basis. Any Participant with a high-risk rating that exceeds its Debit Cap frequently, as determined by The Clearing House, will be subject to suspension or termination under the provisions of the Membership Rules.

(2) **Criteria for Establishing Limits.** The Debit Caps provided for in subsection (a) above shall be set by The Clearing House as a percentage of Capital based on ratings established by a nationally recognized bank rating agency selected by the chief executive officer of The Clearing House or his or her designee or, where such ratings are not available, another method determined by the Clearing House. The percentages used as limits and the identity of the agency whose ratings are used shall be distributed to Participants from time to time. For purposes of this subsection (2), “Capital” shall mean the total shareholders' or members' equity of the Participant as reported by the selected rating agency.

(3) **Confidentiality.** Except as otherwise provided herein, The Clearing House will exercise its best efforts to maintain Debit Caps and risk rating information on a confidential basis. The Clearing House may provide such information to the Participant to which such information relates, to the Participant's Settler if requested by the Settler, to appropriate financial institution regulatory authorities, to appropriate personnel of The Clearing House, and otherwise as required by law. The Clearing House may notify a Participant's primary federal financial institution regulator any time the Participant exceeds its Debit Cap if it gives the Participant at least ten 10 days' advance notice of its intention to notify such regulator.

SECTION IX. – Data Security Electronic Image Information.

The following Section IX(F) of these Network Rules does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

IX(F) Losses Resulting from Compromised Personal Information.

(1) This Section IX(F) shall apply to Personal Information contained in a file:

- (a) on a Sending Bank's data system;
- (b) in transit from a Sending Bank to a Receiving Bank; or
- (c) received by a Receiving Bank

that is lost or obtained by an unauthorized third party ("Compromised").

(2) Notwithstanding anything else in this Section IX, The Clearing House shall maintain a standard form of financial institution bond with aggregate and single loss limits of at least \$25 million to cover losses during the bond period resulting from dishonest or fraudulent acts committed by an employee of The Clearing House or an employee of a third-party service provider hired by The Clearing House alone or in collusion with others (each, a "Covered Person"). In the event Personal Information is Compromised as the result of a dishonest or fraudulent act committed by a Covered Person, The Clearing House shall reimburse affected Participants for the costs incurred in complying with applicable laws, regulations, and rules requiring notice and other actions related to each Participant's respective customers (collectively, "Applicable Laws"), but only to the extent paid under the bond described in the preceding sentence.

(3) If Personal Information was Compromised under either (i) Section IX(F)(1)(b); or (ii) in any situation not described in Section IX(F)(1) or IX(F)(2), then the costs incurred by the Participants in complying with Applicable Laws shall be allocated among all Participants in proportion to each Participant's Network Usage to the total Network Usage of all Participants during the three months preceding the point in time the Personal Information was Compromised.

SECTION X. – Data Confidentiality.

The following Section X(B) of these Network Rules does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

X(B) Additional Protection of Confidential Information

(1) Confidential Information Exchanged between Participants.

(a) In connection with the exchange of any information between two Participants related to their use or potential use of the Network, each Participant shall maintain the confidentiality of all such information that is Confidential Information.

(b) Each Participant agrees, if requested, to return any Confidential Information to another Participant at the request of the Participant.

(2) Confidential Information Exchanged between The Clearing House and a Participant.

(a) All Confidential Information disclosed by The Clearing House to a Participant shall remain the property of The Clearing House. A Participant shall not disclose, nor shall it permit any others to disclose, to any third party, or otherwise use, or permit any others to use, any Confidential Information received from The Clearing House for any purpose other than the purpose for which the disclosure was made without the prior written consent of The Clearing House. The degree of care required of a Participant regarding the prevention of disclosure of Confidential Information of The Clearing House shall be at least the degree of care the Participant uses to protect its own similar Confidential Information and trade secrets, but in no event shall the Participant exercise less than reasonable care. If a Participant is required by order of any court or other government agency to disclose any Confidential Information disclosed to it by The Clearing House, the Participant shall provide The Clearing House with prompt written notice of any such requirement, unless the order prohibits the Participant from providing such notice, so that The Clearing House may seek an appropriate protective order or waive compliance with the provisions of this Subsection X(B)(2)(a). Upon the request and at the expense of The Clearing House, the Participant will reasonably cooperate with The Clearing House to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

(b) All Confidential Information disclosed by a Participant to The Clearing House shall remain the property of the Participant. The Clearing House shall not disclose, nor shall it permit any others to disclose, to any third party, or otherwise use, or permit any others to use, any Confidential Information received by The Clearing House from a Participant for any purpose other than the purpose for which the disclosure was made without the prior written

consent of the Participant. The degree of care required of The Clearing House regarding the prevention of disclosure of the Confidential Information shall be at least the degree of care The Clearing House uses to protect its own similar Confidential Information and trade secrets, but in no event shall The Clearing House exercise less than reasonable care. If The Clearing House is required by order of any court or other government agency to disclose any Confidential Information disclosed to it by a Participant, The Clearing House shall provide the Participant with prompt written notice of any such requirement, unless the order prohibits The Clearing House from providing such notice, so that the Participant may seek an appropriate protective order or waive compliance with the provisions of this Subsection X(B)(2)(b). Upon the request and at the expense of the Participant, The Clearing House will reasonably cooperate with the Participant to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

(3) All obligations of confidentiality shall survive termination of this Subsection X(B).

SECTION XI. - Obligations of Organization; Clearing House.

Section XI(A) of the ECCHO Rules does not apply to the Network and is replaced by the following for purposes of the Network Rules:

XI(A) Obligations of The Clearing House.

(1) The Clearing House shall monitor the operation of the Network under these Network Rules, coordinate the exchange of information among Participants regarding its operation, designate days of operation and deadlines for receipt and transmission through the Network, and make such changes in these Network Rules as it deems appropriate from time to time as provided under the Limited Liability Company Agreement of The Clearing House Payments Company, L.L.C.

(2) Notwithstanding any other provision of the Network Rules, The Clearing House shall have no liability, whatsoever to any Participant or any other person, organization, or entity for any costs, charges, claims, demands, expenses (including costs of investigation and attorneys' fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, and amounts paid in settlement (each referred to herein as a "Loss") suffered by such Participant, person, organization, or entity arising from The Clearing House's or any third party's acts or failures to act pursuant to the Network Rules. Notwithstanding the immediately preceding sentence, if The Clearing House is found liable for a Loss arising from its action or failure to act pursuant to the Network Rules, then (i) the measure of damages for such liability shall be limited to damages attributable directly and immediately to The Clearing House's act or failure to act and shall not include damages that are attributable to the consequences or results of the act or failure to act, even if such consequences or results were foreseeable at the time of the act or failure to act and (ii) each Participant agrees to indemnify and hold harmless The Clearing House from any Loss arising from such finding, action, or proceeding (including any loss arising from its negligence or gross negligence, costs of investigation, attorneys' fees, and expenses of litigation but excluding any loss arising from its willful misconduct).

(3) Pursuant to the indemnity made under Section XI(A)(2) above, each Participant shall pay to The Clearing House promptly on demand that portion of The Clearing House's Loss that is equal to the proportion of the Network Usage of that Participant to the total Network Usage of all Participants during the three (3) months preceding the date on which a Loss was incurred. If one or more Participants fail to make any such payment (each, a "Defaulting Indemnity Participant"), the obligations hereunder of the remaining Participants shall be determined without regard to the Network Usage of the one or more Defaulting Indemnity Participants. Each Defaulting Indemnity Participant shall be liable to each other Participant in the amount by which such other Participant's payment or payment obligation was increased as a result of the Defaulting Indemnity Participant's failure to make payment plus interest thereon at the rate of eighteen percent per annum, applied to a 365-day year. The Clearing House may recover the amounts due from any Participant by originating an ACH debit entry directed to the Participant. For purposes of this indemnity, the date that The Clearing House incurs a Loss is the date when The Clearing House's cause of action has accrued.

(4) As a condition of providing settlement services performed for The Clearing House, the Reserve Banks require each Settler to indemnify and hold harmless each Reserve Bank from any loss or expense (including attorneys' fees and expenses of litigation) it may incur in connection with the provision of services to The Clearing House excluding only (i) any loss or expense to the extent the loss or expense resulted from a Reserve Bank's lack of good faith or failure to exercise ordinary care and (ii) a direct loss to a Reserve Bank holding a Settler's Federal Reserve Account resulting from an overdraft in that account caused by a final and irrevocable debit under Operating Circular 12. A claim for indemnity shall be made and paid in the manner set out in Operating Circular 12.

(5) If Operating Circular 12 requires that payment of a claim for an indemnity under this section shall be made by the Settlers, then each Settler shall pay the Reserve Bank making the claim an amount equal to its proportionate share as determined in Section XI(A)(3) plus the proportionate share of each Participant for which it settles. Each such Participant shall indemnify and hold harmless its Settler for any amount its Settler pays the Reserve Bank in respect of the Participant under this subsection, and each Settler that has a claim against a Participant for which it settles under this subsection may recover the amount of this claim by debiting any account on its books of the Participant.

SECTION XII. - Adjustment Claims.

Section XII(A) of the ECCHO Rules does not apply to the Network and is replaced in its entirety by the following for purposes of the Network Rules:

XII(A) Online Adjustments Service.

(1) A Participant that uses the Network to transmit Electronic Checks and Electronic Returned Checks to another Participant under these Network Rules may use the Online Adjustments Service to accept and process an adjustment related to such Electronic Checks and Electronic Returned Checks submitted to it by the other Participant under these Network Rules. Notwithstanding any bilateral agreements between Participants, if a Participant uses the Online Adjustment Service to send an adjustment related to an Electronic Checks or Electronic Returned Checks submitted under these Network Rules, the Participant to whom the adjustment is sent must accept it through the Online Adjustment Service.

(2) Within timeframes set by The Clearing House, a Participant shall use the Online Adjustments Service to correct an under-or over-settlement relating to Electronic Checks exchanged by it and another Participant by submitting an adjustment in accordance with the Online Adjustments Requirements in Appendix 1 attached hereto. A Participant may correct its over-settlement by delivering a debit adjustment to the Participant that under-settled. A Participant may correct its under-settlement by delivering a credit adjustment to the Participant that over-settled. A Participant shall use commercially reasonable efforts to research its under-settlements that have been on its books for more than six months from the settlement date of the transaction that caused the under-settlement and to correct each such under-settlement by using the Online Adjustments Service to deliver a credit adjustment to the Participant that over-settled. A Participant may use the Online Adjustments Service to exchange other types of adjustments as provided in Appendix 1

(3) A Participant, acting through a correspondent relationship with a non-Participant, may use the Online Adjustments Service to exchange adjustments with the non-Participant. The exchange of such adjustments by the Participant and the non-Participant and the settlement for such adjustments shall be covered by a bilateral agreement between them, independent of any

agreement between the Participant and The Clearing House and shall not be covered by these Network Rules except as otherwise expressly provided herein. The agreement between a Participant and a non-Participant to use the Online Adjustments Service shall obligate the non-Participant to comply with all Network Rules that govern the relationship between a Participant and The Clearing House and that involve (i) operational and technical requirements and procedures regarding the use of the Network, (ii) confidentiality obligations and (iii) information security requirements, each as set forth in these Network Rules, as if the non-Participant were a Participant. However, the bilateral agreement between the Participant and Non-participant shall govern all rights and responsibilities between them. The Participant shall indemnify, defend, and hold The Clearing House harmless against any claim, loss, cost, or expense arising from its or a non-Participant's use of the Online Adjustments Service, as described in the first sentence of this paragraph, and for any performance or non-performance under the agreement between it and the non-Participant or any failure by the non-Participant to comply with such Network Rules as if it were a Participant.

(4) Adjustments processed using the Online Adjustments Service shall be settled in accordance with Section VI.

Sections XII(B) through XII(I) of the ECCHO Rules do not apply for purposes of the Network Rules.

XIII. - Amendments.

Section XIII of the ECCHO Rules does not apply to the Network and is replaced in its entirety by the following for purposes of the Network Rules:

XIII. - Amendments to the Network Rules and Membership Rules.

The Network Rules and Membership Rules may be established, amended, or repealed by The SVPCO Business Committee as delegated by the Managing Board of Directors of The Clearing House. Amendments to the ECCHO Rules, except as modified herein by the SVPCO Business Committee, will be incorporated into the Network Rules on the effective date of their approval by ECCHO.

Section XIV. - Dispute Resolution Procedures.

Section XIV of the ECCHO Rules does not apply to the Network.

Section XVII. - Transmission of Images of Savings Bonds for Redemption by US Treasury Department.

Section XVII(A)(1) of the ECCHO Rules does not apply to the Network and is replaced by the following for purposes of the Network Rules:

XVII(A)(1) Application of Rule.

(a) Subject to the exclusion in Section XVII(A)(2), this Section XVII shall constitute an agreement between two Participants to transmit images of Savings Bonds between the two Participants for subsequent transmission by the Receiving Bank to either another Receiving Bank under this Section XVII or to a Federal Reserve Bank (as fiscal agent to the U.S. Treasury Department) for redemption and payment. This Section XVII may be supplemented with additional terms by means of an agreement between two Participants relating to the transmission and payment of savings bonds.

(b) Subject to the exclusion in Section XVII(A)(2), in the event that two Participants transmit an image of a Savings Bond between them, then this Section XVII shall apply to the transmission of the image of the Savings Bond by the Sending Bank to the Receiving Bank and the Receiving Bank's receipt, handling, and settlement of the image of the Savings Bond. A Receiving Bank that receives an image of a Savings Bond may transmit the image of the Savings Bond to a second Receiving Bank under this Section XVII or to a Federal Reserve Bank (as fiscal agent to the U.S. Treasury Department).

The following Section XVII(H) of these Network Rules does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

XVII(H) Settlement.

(1) A Receiving Bank that receives an image of a Savings Bond through the Network agrees to provide credit to the Sending Bank for the image.

(2) The Sending Bank and the Receiving Bank agree that settlement for images of Savings Bonds shall be conducted through The Clearing House's usual settlement procedures for Electronic Checks and Electronic Returned Checks provided in Section VI.

(3) For purposes of Section VI, an image of a Savings Bond shall constitute an "Electronic Check."

Section XVIII. Exchange of Images of Canadian Items.

Section XVIII of the ECCHO Rules does not apply to the Network.

Section XIX. – Electronic Image.

The following Section XIX(C)(1-A) of these Network Rules does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

Section XIX(C)(1) provides that "[a] Sending Bank and a Receiving Bank may under their image exchange agreement permit the exchange of Electronic Checks without complete MICR line information as set forth in Sections XIX(C)(3) [with respect to non-Fully Qualified items or As-Read MICR Information] and XIX(C)(4) [with respect to RNA Partial MICR Information]."

A paying bank may agree to accept images of items that are not Fully Qualified or otherwise include only As-Read MICR Information, as defined in Section I(F) of the ECCHO Operating Rules, or RNA Partial MICR Information, as defined in Section I(CCC) of the ECCHO Operating Rules, in the related Electronic Information for such images of items by indicating that it agrees to do so on the Network Site Matrix.

The following Comment to Section XIX(H) of these Network Rules does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

Comment: Under Section XIX(H), presentment of an Electronic Check occurs when the Electronic Information related to the Electronic Check and the Image associated with the Electronic Check have been received by a Receiving Bank. An image cash letter file (“ICL file”) contains Electronic Information, as defined by Section I(W), related to the Images in the files. Therefore, presentment of an Electronic Check occurs when the ICL file containing an Image is received by a Paying Bank.

Sections XIX(K)(2), (K)(3), (K)(6) and (K)(7) of the ECCHO Rules do not apply to the Network.

Section XIX(O)(2) of the ECCHO Rules does not apply to the Network and is replaced by the following for purposes of the Network Rules:

XIX(O)(2) In addition to the warranties set forth in Section XIX(L), a Sending Bank that is also the Depository Bank and any subsequent Sending Bank warrant to the Receiving Bank and any other Receiving Bank that subsequently receives the Electronic Check using the Network governed under these Network Rules that, with respect to an Electronic Check that is exchanged under the Network Rules:

- (a) the signature of the purported drawer of the Related Physical Check is not forged or otherwise unauthorized, and
- (b) the Related Physical Check is not counterfeit.

When the Sending Bank that is also the Depository Bank makes the warranty under this Section XIX(O)(2), a paying bank that receives the Electronic Check in a subsequent

exchange governed under the Network Rules is an intended third party beneficiary of the warranty by such Sending Bank.

Section XIX(O)(12) of the ECCHO Rules does not apply to the Network and is replaced by the following for purposes of the Network Rules:

XIX(O)(12) Processing of Warranty Claims Involving Multiple Receiving Banks.

(a) If the Paying Bank receives the Electronic Check from a Receiving Bank that is not the Depository Bank, the Paying Bank may only bring a warranty claim under Section XIX(O)(2) by delivering the warranty claim directly to the Sending Bank that is also the Depository Bank. A Receiving Bank that is not the Depository Bank shall reject any warranty claim that is delivered to it by a Paying Bank.

(b) Subject to the conditions and limitations on liability in subsections (3) – (11) of Section XIX(O), the Sending Bank that is also the Depository Bank shall be obligated for losses arising from the breach of the Section XIX(O)(2) warranty to a Paying Bank under these Rules, or (ii) to a Paying Bank under the ECCHO Rules.

(c) If the initial exchange of the Electronic Check by the Depository Bank was under the ECCHO Rules, the Paying Bank shall bring the Section XIX(O)(2) warranty claim under the ECCHO Rules and subject to the conditions of the warranty claim process set forth in the ECCHO Rules.

The following Section XXI is does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

SECTION XXI – The Clearing House Service Level Requirements and Quality Management Criteria; Customer Information Security.

XXI(A) Service Level Requirements/Quality Management Criteria

The Clearing House holds itself to the following service-level requirements and quality-management criteria in providing image exchange services to Participants:

(1) NETWORK OPERATIONAL PERFORMANCE.

The service-level requirements applicable to the Network are described in the system uptime, customer satisfaction, and critical incident (P1S1) metrics of the “PayCo Scorecard” as approved by the Managing Board of The Clearing House.

(2) CUSTOMER SERVICE SATISFACTION.

(a) Once in each calendar year, the Clearing House will conduct a customer satisfaction survey of Participants to evaluate overall customer-service levels. Ratings will be obtained for overall quality of service, telecommunications support, data control, marketing, investigations, and training.

(b) The Clearing House holds itself to a performance expectation that it receive an average rating of “9” or better for all areas. The rating is based on a scale of “1” to “10” with “10” being the highest rating. If the Clearing House fails to achieve an average rating of 9 or better, it will use best efforts to bring its rating up to the minimum level within one year.

(c) The Clearing House will contact each Participant that submits a rating of 8 or below to determine the cause for that rating.

(3) RESULTS OF OUTSIDE AUDITS.

The Clearing House must receive from its external auditors an unqualified SOC-1 audit report for Network services. A copy of that report shall be provided to any Participant upon its request.

(4) PRIMARY AND SECONDARY SUPPORT.

(a) The Clearing House will maintain a service desk telephone hotline for client support issues, which will be available to Participants 24 hours a day, 7 days a week. The Clearing House manages service requests submitted via the telephone hotline and escalates

questions and reported issues as necessary to manage and resolve them, including with respect to computer operations support and applications and system support.

(b) If a Participant specifically requests such notification in writing, The Clearing House will use its best efforts to notify the Participant of any interruption in the Network's service to perform emergency maintenance no less than 30 minutes before the interruption.

XXI(B). Customer Information Security

(5) The Clearing House, as the operator of the Network, shall take appropriate measures, as specified from time to time in Schedule A to these Network Rules, designed to meet the objectives of the *Interagency Guidelines Establishing Information Security Standards* issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, and as amended from time to time. These will include appropriate measures designed to (i) ensure the security and confidentiality of any information of a customer of a Participant obtained by The Clearing House as a result of a Participant's use of the Network; (ii) protect against any anticipated threats or hazards to the security or integrity of such information; and (iii) protect against unauthorized access to or use of such information that could result in substantial harm to any such customer.

(6) The Clearing House, as the operator of the Network, shall take appropriate measures, as specified from time to time in Schedule A to these Network Rules, designed to meet the objectives of the *Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice* issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, and as amended from time to time. These will include appropriate actions to address incidents of unauthorized access to a Participant's customer information, including notification to the Participant as soon as possible of any such incident, to enable the Participant to expeditiously implement its response program.

The following Section XXII is does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

SECTION XXII – Audit Rights and Vendor Management

Section XXII(A) General Audit Rights of Participants

(1) The Clearing House will cooperate with Participants and assist Participants in meeting their responsibilities to regulatory authorities to conduct audits on The Clearing House as operator of the Network. The Clearing House will regularly make available to Participants such materials as are reasonably relevant to a Participant’s regulatory obligations to audit third parties.

(2) In addition to the information made available by The Clearing House above, The Clearing House will host, no less than two times per year, dedicated on-site reviews of audit and compliance information relating to the Clearing House’s operation of the Network (“Image Exchange Audit Review Sessions”). Each Participant may attend any or all of the Image Exchange Audit Review Sessions. To the extent a Participant requires any additional audits, such audits shall be conducted in accordance with Rule XXII(C).

Section XXII(B) Individual Audit Rights

In the event that any Participant reasonably requires information or audits beyond the information and audits provided above, including the Image Exchange Audit Review Sessions, The Clearing House will cooperate with such Participant in facilitating such additional reasonable audits as the Participant may require, subject to the following requirements.

(1) The Participant shall notify the Clearing House in writing that the Participant or its designee requests to conduct an audit at least thirty (30) days in advance of the date that the Participant requests the audit begin, and shall specify the scope of the information sought and the specific purpose of the audit. The audit shall be conducted during normal business hours for the facility at which the audit is to occur and shall be coordinated with The Clearing House to minimize disruption to The Clearing House’s business operations.

(2) All individual Participant audits shall relate to the Network, shall be reasonable in scope and duration, and shall not last more than three Business Days.

(3) The individual audit shall be performed by the Participant's employees or a mutually agreed upon third party approved by The Clearing House, which approval shall not be unreasonably delayed, conditioned, or withheld, it being understood that the Participant (and its representatives and third parties involved in any audit) may be required to execute The Clearing House's standard confidentiality agreement in advance of performing any audit.

(4) The Participant shall be responsible for its own expenses incurred in connection with any such audit, and the Participant shall reimburse The Clearing House for any costs or expenses incurred by The Clearing House (including internal costs and expenses) in preparing for and supporting the Participant's audit.

Section XXII(C) Other Vendor Management Requests

(1) In addition to the audit rights provided in this Rule, The Clearing House will cooperate with reasonable requests for information and materials to assist Participants with their vendor management obligations. The Clearing House in its sole discretion will determine the method for providing such information and materials to Participants.

(2) To the extent a Participant's vendor management requests, whether for information, materials or any other form of inquiry or request, requires The Clearing House to expend material internal or external resources, as determined in The Clearing House's sole discretion, such Participant shall be responsible for reimbursing The Clearing House in accordance with a standard reimbursement rate and methodology determined by The Clearing House.

The following Schedule A does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

Schedule A

INFORMATION-SECURITY STANDARDS AND REQUIREMENTS

The Clearing House, as operator of the Network shall take the following measures designed to (i) ensure the security and confidentiality of any information of a customer of (a) a Participant and (b) a non-Participant with which a Participant is exchanging Electronic Checks as authorized these Network Rules (collectively “Customer”), which has been obtained by The Clearing House as a result of a Participant’s use of the Network (“Customer Information”); (ii) protect against any anticipated threats or hazards to the security or integrity of Customer Information, (iii) protect against unauthorized access or use of Customer Information that could result in substantial harm to a Customer, and (iv) address incidents of unauthorized access to Customer Information, including notification to the Participant as soon as possible of any such incident, to enable the Participant to expeditiously implement its response program.

(1) INFORMATION-SECURITY PROGRAM.

(a) The Clearing House shall adopt a written information-security program that will, at a minimum contain the following elements:

- (1) Physical access to computer equipment, storage media (including electrical, optical, and physical media), and other aspects of the system that would permit access to Customer Information shall be restricted to properly authorized individuals, 24 hours per day, 7 days per week.
- (2) Logical access to programs, data, or any other aspect of the system that would permit access to Customer Information shall be limited to authorized individuals.

(b) The information-security program shall describe the following features as applicable:

- (1) the detail of the system architecture of all environments, including, as applicable, the logical topology of routers, switches, Internet firewalls,

management or monitoring firewalls, servers (web, application, and database), intrusion detection systems, network and platform redundancy;

- (2) the specifications of the firewalls in use;
- (3) the intrusion-detection system environment and the security breach and event escalation process;
- (4) the change-management process for automated systems used to provide services;
- (5) the business and technical disaster recovery management process;
- (6) the management and staff positions that perform administrative functions on servers, firewalls, or other devices within the application and network infrastructure;
- (7) each logon process to be followed by Participants to obtain access to services;
- (8) policies, procedures, and controls used to protect Customer Information when it is in printed or other perceptible forms;
- (9) operating system security controls and configurations;
- (10) technology and usage of encryption for protecting Customer Information, including passwords and authentication information, during transit and in all forms and locations;
- (11) services, tools and connectivity required to manage the application and network environment;
- (12) arrangements for physical security;
- (13) privacy and security policies;
- (14) location of servers; and
- (15) security of Customer Information held at The Clearing House's service providers, to the extent such service providers have access to Customer Information.

(c) The information-security program will be available for inspection by a Participant at an The Clearing House facility upon appointment during normal business hours.

(d) The Clearing House shall provide for regular audits of the controls related to the information-security program by independent auditors (*e.g.*, SSAE 16 audits). A copy of the audit report shall be provided to each Participant upon request.

- (e) The Clearing House shall permit inspection by appropriate federal and state bank supervisory agencies.
- (f) The Clearing House shall review the effectiveness of its information-security program and report its findings to its board of directors at least annually. Such review may be based upon and made in conjunction with the reports of independent auditors or bank supervisors as provided in paragraphs 4 and 5 of this section.

(2) DETECTION OF SECURITY BREACHES.

(a) The Clearing House shall monitor its system and its procedures for security breaches, violations, and suspicious activity, including suspicious external activity (including unauthorized probes, scans, or break-in attempts) and suspicious internal activity (including unauthorized system administrator access, unauthorized changes to its system or network, system or network misuse, or theft or mishandling of Customer Information).

(b) The Clearing House shall permit a Participant to inspect its physical system equipment, operational environment, and Customer Information handling procedures with prior notice and at mutually agreeable times.

(c) The Clearing House shall notify a Participant in the event of a breach of security or the detection of suspicious activity that affects the Participant and shall cooperate with the Participant's security investigation activities.

(d) The Clearing House shall monitor industry-standard information channels for newly identified system vulnerabilities regarding the technologies and services (including application software, databases, servers, firewalls, routers and switches, hubs, etc.) and fix or patch any identified security problem as soon as commercially reasonable.

(3) CONTINGENCY PLANS.

(a) The Clearing House shall maintain appropriate plans to assure its continued operation. These plans shall include the following: recovery strategy, documented recovery plans covering all areas of operations necessary to delivering services as required by the Network Rules, vital records protection, and testing plans. The plans shall provide for off-site backup of

critical data files, Customer Information, software, documentation, forms and supplies, and alternative means of transmitting and processing entries. The recovery strategy shall provide for recovery after both short- and long-term disruptions in facilities, environmental support, and data processing equipment. The Clearing House shall continue to provide service to a Participant if the Participant activates its contingency plan or moves to an interim site to conduct its business, including during tests of the Participant's contingency operations plans.

(b) The Clearing House's contingency plans shall provide the ability to bring its operations up to full capacity at its back-up site within 60 minutes of a declared disaster.

(c) The Clearing House shall provide to a Participant upon request copies of all contingency exercise final reports. If requested, The Clearing House shall allow a Participant, at its own expense, to observe a contingency test.

(d) The Clearing House shall participate in a Participant's exercise to validate recovery connectivity, if requested and upon reimbursement of any expenses incurred by The Clearing House.

(4) RECORD RETENTION.

The Clearing House shall maintain system records and logs for one year. A Participant may review and inspect any record of system activity, including entries and Customer Information with prior notice and at a time mutually convenient to the Participant and The Clearing House.

(5) OTHER.

(a) The Clearing House will not share Customer Information with anyone outside of the Network.

(b) The Clearing House shall disclose customer information to subcontractors only on a need to know basis, provided that all such subcontractors have written confidentiality obligations to The Clearing House.

The following Schedule B does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

Schedule B

SUPPLEMENTAL IMAGE FORMAT REQUIREMENTS AND PROCEDURES

(1) Only the following files may be exchanged by Participants through the Network: electronic check presentment data file (“ECPD file”), image cash letter file (“ICL file”), image cash letter return file (“ICLR file”), and image replacement document file (“IRD file”).

(2) Acknowledgement of the receipt of the following files shall be sent by the Participant that received the file: ICL file, ICLR file, and ECPD file.

(3) If a Paying Bank sends an ICLR file or ECPD file to the Presenting Bank, it shall do so by 11:59 p.m. (ET). The following requirements apply to ICLR and ECPD files:

(a) A Paying Bank may send more than one ICLR or ECPD file per day to a Presenting Bank.

(b) A Paying Bank may send return and adjustment cash letters in a single ECPD file.

(4) (a) Prior to a Participant’s initial use of the Network, the Participant shall submit to The Clearing House completed Network Site Matrices in such forms as provided or made available by The Clearing House from time to time

(b) Each Participant shall update its Network Site Matrices as necessary to ensure the information therein remains accurate. A Participant shall not update its Network Site Matrix as Paying Bank to delete a routing number(s) until at least thirty (30) calendar days after it has notified the other Participants that the routing number(s) will be deleted.

(5) A Participant that uses the Network to exchange Electronic Checks with another Participant shall use its best efforts to test with the other Participant any change that it plans to make to its software and/or hardware related to such exchange before it implements the change.

(6) A Presenting Bank shall use commercially reasonable efforts to accurately indicate in Field 3 of the Check Detail Addendum A Record (Type 26) described in X9.100-187 the location to which a Paying Bank should send an ICLR item.

(7) When a Participant sends Check Image Exchange Unprocessable Transmittal #6 to another Participant, it is notifying the other participant that additional action shall be taken by the participants to resolve a processing issue.

EXHIBITS VI – Electronic Image Quality Standards.

Exhibits VI of the ECCHO Rules is amended by adding the following paragraph for purposes of the Network Rules:

SUPPLEMENTAL REFERENCES:

(a) Electronic check presentment data files, image cash letter files, image cash letter return files, and image return disposition files shall meet the requirements of American National Standards specifications for Electronic Exchange of Check and Image Data, ANSI X9.100-187, which can be obtained through www.X9.org.

(b) Electronic Checks and Electronic Returned Checks should meet at a minimum the specifications of ANSI X9.100-181 (TIFF Image Format for Image Exchange) and TIFF 6.0.

EXHIBIT VII – Exchange of Image of Canadian Items

Exhibit VII of the ECCHO Rules does not apply to the Network.

The following Appendix I does not exist in the ECCHO Rules but is applicable to the image exchange services offered through the Clearing House Image Exchange Network:

Appendix 1

The Clearing House Online Adjustments Requirements

Adjustment Parameters:

Rule	Comments
<p>Minimum Dollar Amount:</p> <p>The Minimum Dollar Amount for Eligible Adjustments is the same as that provided by the Federal Reserve except no minimum amount applies to adjustments arising from the exchange of travelers checks.</p>	<p>The minimum applies to all adjustment categories except Non-conforming Image (NCI), Duplicate Items, Requests for Information (RFI), and Request for Original or Sufficient Copy (OSCR), which have no minimum.</p>
<p>Late Return Claim and Late Return Disclaimer:</p> <p>An adjustment for a Late Return Claim, or a corresponding Late Return Disclaimer, will not be less than \$100.00. Only one claim per late return item may be submitted for adjustment.</p>	
<p>High Dollar Adjustments:</p> <p>Notification via telephone or other electronic means for adjustments of \$1 million or more should be provided as a courtesy by the sending bank as early as possible on the settlement date.</p>	
<p>Adjustments should be made within 365 days.</p>	<p>Any adjustment category can be requested after the relative deadline but shall be made “without entry” outside the Online Adjustments Service.</p>
<p>Customer-Sensitive Transactions:</p> <p>When sending a customer-sensitive adjustment through the Online Adjustments Service (i.e. Loan payment), enter special instructions in Comments and call the receiver at your discretion as a courtesy.</p>	<p>Although the Online Adjustments Service settles each day at 4:00 p.m. Eastern Time and any financial net settlement adjustments will be posted to the receiving institution’s account -- or that of its designated settler at that time, <i>it does not guarantee that the Receiving Institution or its Settler will pass the figure on to other parties that may be involved.</i></p>
<p>Without Entry Adjustments:</p> <p>When an adjustment fails to meet either the cash letter date requirement or the minimum amount requirement of the Online Adjustments Business Rules, it is submitted as a Without Entry Adjustment.</p>	<p>There is no option to submit an OSCR after 10 calendar days.</p> <p>Response deadlines are the same for all Without Entry adjustments except Documentation Adjustments. Response deadlines are listed below.</p>

Rule	Comments
<p>Pending Adjustments:</p> <p>Certain adjustments are submitted as Pending Adjustments.</p>	<p>Pending Adjustments include: Request for Information, Request for Original or Sufficient Copy, and Documentation Adjustments.</p> <p>Duplicate Items that are substitute checks or paper checks and are entered without supporting documentation attached (e.g. copy of cash letter) will become pending. All other Duplicate Items will settle the same day they are submitted.</p> <p>Response deadlines are listed below.</p>
<p>Administrative Reason Transactions:</p> <p>Transactions being sent due to Administrative Reasons may be sent as an “Administrative Reason Return” so long as it is handled within return deadlines. Transactions being sent past return deadlines shall be sent as an “Administrative Reason Adjustment” according to adjustment timeframes listed in these rules.</p>	<p>Administrative Reason Transactions are items returned to the sender of the image due to technical or administrative reasons not related to customer posting. These may include: Poor image quality, Ineligible items, Missing images, Mismatched MICR, and Non-Conforming Image.</p>

Adjustments:

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Cash Letter Date to Submit “With Entry”
Listed Not Enclosed (LNE)	Item or bundle was listed on the bundle listing or cash letter, was included in the bundle and the cash letter totals, but was not received. May also be called “Missing Item,” “Missing Bundle,” or “Missing Cash Letter.”	Debit	7 calendar days
Enclosed Not Listed (ENL)	Item or bundle was received without being listed on the bundle listing or cash letter nor included in the bundle total or cash letter total. May also be called “Extra Item,” “Extra Bundle,” or “Extra Cash Letter.”	Credit	No deadline
Image Cash Letter Difference (ICLD)	Difference between the bundle total listed in an incoming file and the sum of the items received and processed in the associated bundle. (e.g., missing or incomplete cash letter due to errors in transmission, an “out of balance” file.) Subcategories include: Missing Cash Letter, Out of Balance.	Optional	7 calendar days for debits No deadline for credits
Encoding Error (EE)	Item was encoded for an amount different than the legal amount, and was listed for the amount of the encoding, and included in the bundle and cash letter totals. Fed code is ENC.	Optional	180 calendar days
Misread (MR)	Dollar amount listed for the subject item, bundle, or cash letter is for an amount different than the encoded amount. May also be called “Listing Error.” Fed code is LST.	Optional	180 calendar days
Documentation Adjustment (DOC ADJ)	The Documentation Adjustment category is used when the initiator of the transaction shall send an item of value to complete the adjustment (e.g. a check). Subcategories include: Empty Carrier, Error In Addition, Misdirected Return, Non-negotiable Item, Not Our Item, Photo in Lieu of Original, Photo Original Paid, Other.	Optional for Error in Addition and Other sub-categories Debit for all other sub-categories	180 calendar days (applies to all sub-categories except Other, which has no deadline)

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Cash Letter Date to Submit "With Entry"
Duplicate Items (DI)	Account entry appears to be a duplication of a previous entry. Original items and duplicate items may be paper (check), Substitute Check (check), or Image (image). May also be called "Double Posting." Fed code is DUP.	Debit	180 calendar days
Non-conforming Image (NCI)	Image cannot be processed. Substitute check does not meet requirements of Reg. CC for Check 21 or cannot be processed accurately as presented. Subcategories include: Invalid RT, Poor Image Quality, MICR Mismatch Image, Misdirected Return, Ineligible Item, Not Our Item, Non-negotiable Item, Other. Note: MICR Mismatch Paper and MICR Mismatch "IRD" are paper items and should be handled as Encoding Errors or Not Our Item adjustments.	Optional	7 calendar days for debits No deadline for credits
Warranty Indemnity Claim (WIC)	Used to file a warranty or expedited indemnity claim. (i.e., A consumer received a loss due to an item being turned into a substitute check.) (e.g., The person who sold the merchandise can't be contacted.) Subcategories include: Expedited Recredit for Banks, Breach of Warranty Claim for Unauthorized Remotely Created Check (Rule 8), Breach of Warranty Claim for Forged or Unauthorized Drawer Signature or Counterfeit Check (Rule 9), and Other	Optional	No deadline
Other Adjustment (OTHER)	The Other Adjustment category is used when the adjustment does not require paper documentation to be settled and it does not meet the criteria of any categories other than "Other Adjustment."	Optional	180 calendar days
Late Return Claim (LC)	Item was not returned timely by the Paying Bank or Returning Bank under the Uniform Commercial Code or Regulation CC.	Optional	60 calendar days
Late Return Disclaimer (LR)	Item, previously labeled a late return, was returned timely by the Paying Bank or Returning Bank.	Optional	20 business days
Credit Adjustments	A Participant shall use commercially reasonable efforts to research its under-settlements that have been on its books for more than six months from the settlement date of the transaction that caused the under-settlement and to correct each under-settlement by delivering a credit adjustment to the Participant that over-settled.	Credit	N/A

Requests:

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Cash Letter Date to Submit "With Entry"
Compensation claim	The value of loss of funds from unjust enrichment of the paying bank as the result of an under encoded check.	Optional	5 business days

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Cash Letter Date to Submit "With Entry"
Non-Receipt of Cash/Return Letter Credit (Depositing Institution) (MCL)	No credit Received. The subject cash letter did not reach its intended destination.	Optional	Notification should be <u>immediate</u> , as soon as the error is discovered

Requests:

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Cash Letter Date to Submit
Request for Information (RFI)	The initiator of the transaction is requesting information from the receiver of the transactions. Subcategories include: Request for Source of Receipt, Photocopy Request, and Request for Disposition	Debit	180 calendar days
Request for Original or Sufficient Copy (OSCR)	Identify validity of potential Check 21 warranty or indemnity claim. (i.e. image is insufficient in some respect; consumer wants an additional copy or substitute check)	Debit	10 calendar days

Responses:

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Submit Date of Original Transaction to Respond
Response to: RFI (SOR, DISP, PHOTO) Without Entry	If the receiver responds within the specified timeframe, with a Financial response, or does not respond at all, the transaction will settle Financially. If the receiver responds within the specified timeframe with a Non-Financial Response, the transaction will resolve Non-Financially. <u>Financial</u> Accept Adjustment No Response <u>Non-Financial</u> Reject Adjustment Photocopy Sent Photocopy Not Available Send Proof Send Information	N/A	21 calendar days when Date Submitted minus the Cash Letter Date is less than or equal to 180 calendar days 45 calendar days when Date Submitted minus the Cash Letter Date is greater than 180 calendar days
Response to: DOC ADJ Duplicate Items (DI)	The receiver of the transaction shall respond within the specified timeframe and with a Financial response in order for the transaction to settle Financially. Otherwise the transaction will resolve Non-Financially. <u>Financial</u> Close/Received Documentation <u>Non-Financial</u> No response	N/A	7 calendar days

Adjustment Category and CODE	Description	Debit/Credit	Deadline from Submit Date of Original Transaction to Respond
<p>Response to: Without Entry/DOC ADJ</p>	<p>The receiver of the transaction shall respond within the specified timeframe and with a Financial response in order for the transaction to settle Financially. Otherwise the transaction will resolve Non-Financially.</p> <p><u>Financial</u> Close/Received Documentation</p> <p><u>Non-Financial</u> No response</p>	<p>N/A</p>	<p>21 calendar days when Date Submitted minus the Cash Letter Date is less than or equal to 180 calendar days</p> <p>45 calendar days when Date Submitted minus the Cash Letter Date is greater than 180 calendar days</p>
<p>Response to: OSCR</p>	<p>If the receiver responds within the specified timeframe, with a Financial response, or does not respond at all, the transaction will settle Financially. If the receiver responds within the specified timeframe with a Non-Financial Response, the transaction will resolve Non-Financially.</p> <p><u>Financial</u> Accept Adjustment No Response</p> <p><u>Non-Financial</u> Send Original Send Sufficient Copy Reject: Not Truncating FI</p>	<p>N/A</p>	<p>21 calendar days when Date Submitted minus the Cash Letter Date is less than or equal to 180 calendar days</p>