

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

December 5, 2005

**BANKING SUPERVISION AND REGULATION:
AMENDMENTS TO REGULATIONS J AND CC**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Amendments to Regulations J and CC (Docket R-1226)

The Federal Reserve Board has approved amendments to its Regulation CC that define “remotely created checks” and create transfer and presentment warranties to shift liability for an unauthorized remotely created check to the institution where it is first deposited.

In place of a signature, a remotely created check generally bears a statement that the customer authorized the check or bears the customer’s printed or typed name. Remotely created checks can be useful payment devices. For example, a debtor can authorize a credit card company to create a remotely created check by telephone. This may enable the debtor to pay the credit card bill in a timely manner and avoid late charges. However, remotely created checks are vulnerable to fraud because they do not bear a signature or other readily verifiable indication that payment has been authorized.

In order to help reduce the potential for fraud, the amendments to Regulation CC create transfer and presentment warranties under which any bank that transfers or presents a remotely created check would warrant that the check is authorized by the person on whose account the check is drawn. The warranties would apply only to banks and would ultimately shift liability for losses attributable to an unauthorized remotely created check to the depository bank. These amendments would not affect the rights of checking account customers, as they are not liable for unauthorized checks drawn on their accounts.

The amendments are effective on July 1, 2006.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco’s Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the amendments, please contact our Banking Supervision and Regulation Department at **(415) 974-3028**.

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[Attachment: Docket R-1226](#)