Complete Update

Last week, the Treasury Department issued a final rule to hold financial institutions liable if they pay canceled Treasury checks without waiting to receive the return information that would let them know if the checks were canceled. The rule change coincides with the rollout of the new check post payment processing system, which will provide financial institutions with faster notice about Treasury check returns.

A financial institution is not liable for a payment over cancellation if it has taken “reasonable efforts” to ensure the check is authentic. The final rule changes the definition of “reasonable efforts” to include a requirement that financial institutions must wait for check return information within the time periods set out in Regulation CC to verify that a Treasury check is valid. Financial institutions will also be required to ensure a Treasury check has not been canceled before making the funds associated with the check available for withdrawal.

The rule takes effect on December 1st. A note to mention is the rule does not include the proposed requirement that banks use the Treasury Check Verification System.

The Treasury Department said the rule, along with the new post payment processing system, will eliminate most POCs because they will allow a certifying agency to place a “true stop” on a Treasury check. The changes will also help reduce instances where a Treasury check or fake check may be charged back to the financial institution because they will allow the institution to verify the check is not counterfeit or tampered with.

You can read the final rule **here**.

CCI suggests sharing this information with your retail department. CCI is available for any questions.