

# Changing Platforms: The Check Standardization Project

Putting money in motion certainly involves processing checks. This was especially evident in 2003, when the Federal Reserve Bank of Philadelphia's Retail Payments area underwent a significant change: the conversion of the check processing platform from Unisys application software and hardware to an IBM-based check processing system.

This "check conversion" is all part of a larger Federal Reserve System effort called the Check Modernization Project, an umbrella term that covers four areas: Check Standardization, Enterprise-wide Adjustments, Image Services System, and Electronic Access and Delivery. Check Standardization is, by far, the largest and most important component, and it's the one that encompasses the conversion of the check processing platform.

Why the switch? Several considerations led the Federal Reserve System to switch platforms. Philadelphia, like the other Reserve Banks, has more national customers now, and they're demanding more uniform services from the Reserve Banks. Because of the variety of platforms in use around the Federal Reserve System, depository institutions weren't getting uniform service and products.

In addition, having a standard processing platform makes it easier to adapt to Check 21, the legislation that provided the impetus for the switch. If the Federal Reserve System had to equip each of 37 offices with new systems, it would take five years to

The change in check processing platforms was driven by the need to have uniformity across the Federal Reserve System and to carry out provisions of Check 21.





(Left to right): Gary Swasey, Joe Basile, and Tom Ballay, of Retail Payments, go over some figures.

Having a common platform will increase efficiency...and allow a more dynamic environment.

implement Check 21. One platform makes it easier to deploy a system nationwide.

Cutting costs is another reason for changing platforms. Now, when something goes wrong with the system, one solution fixes the problem for all of the Reserve Banks. That way, the Fed doesn't have to have software and support experts at

each Reserve Bank, Branch, or regional check processing center.

At the Federal Reserve System level, having a common platform will make some functions easier to perform and increase efficiency. A common platform also allows a more dynamic environment. Restructuring check operations—for example, because of additional bank mergers—will be easier because the infrastructure is already in place. Furthermore, the new setup offers tools the Fed didn't have before, such as an enhanced ability for reconcilements using images of rejected items.

Of course, the switch to a common platform has an impact on the Federal Reserve Banks. A national system certainly means less autonomy for the individual Banks. In Philadelphia's case, historically, we've been known for our quick response to customers. Working with a uniform system could make that harder to do.

Philadelphia was the last Reserve Bank to cut over to the new system. The switchover was designed that way because Philadelphia is the largest check processor in the System, and its check operation is more complex. For example, Philadelphia provides payor bank services, which involves the electronic transmission of check data and certain other services for large corporate customers. Our Delaware banks are the biggest users of this product. The Philadelphia Fed also performs imaging services for several other large customers. Going last allowed Philadelphia to minimize the platform conversion's impact on its customers. It also allowed us to learn from those Reserve Banks that converted before us.

In fact, Philadelphia did its cutover in four distinct phases; all the other Reserve Banks made the switch in a single event. The four phases began on September 18, 2003, and ended on October 30, 2003. Each phase allowed us to use a little bit more of the system.

Besides the advantages to the Federal Reserve, how does the new system benefit the Fed's customers? Because the new system allows the Fed to improve its check imaging services, Fed customers will get better service in that area. In addition, the more efficient, image-based medium-speed platform will work better with return items, thereby cutting down on the number of adjustments.

Also, the IBM-based platform offers the Fed's customers more options. For example, when customers use the new system in conjunction with FedLine for the Web, they'll be able to access check images through the Internet.

All in all, the switch to the new check processing platform means more efficiency and lower costs for the Federal Reserve System and better service for its customers. ■

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