

Illinois Credit Union League

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July 23, 2004

VIA Electronic Mail

ATTN:Ms. Jennifer J. Johnson
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington DC 20551

e-mail: regs.comments@federalreserve.gov

Re: Docket No. R-1202: Proposed Amendments to Regulation J

We are pleased to respond on behalf of our member credit unions and ICUL Service Corporation to the proposed rule to amend Regulation J. The proposed rule would amend Subpart A of Regulation J to provide for the rights and obligations of sending banks, paying banks, returning banks, and Reserve Banks in connection with collection of substitute checks and items that have been converted to electronic form. The changes would also ensure that Regulation J covers the new check processing service options that the Reserve Bank's plan to offer when the Check Clearing for the 21st Century Act (Check 21) takes effect on October 28, 2004. The Illinois Credit Union League represents over 400 federal and state chartered credit unions.

The Illinois Credit Union League supports the proposed amendments to Regulation J, but in doing so would encourage the Board of Governors of the Federal Reserve System to clarify the section of Regulation J entitled "Status, Warranties, and Liability of Reserve Bank." Proposed Section 210.6(c) does not hold the Reserve Banks to the same standard of liability as other financial institutions for any inconsistencies in the substitute checks that the Reserve Banks make when they receive acceptable images sent by other financial institutions. All financial institutions, regardless of their position in the collection process, should be held to the same standard of liability in the event of an error or inconsistency. With this in mind, we would like to see the Board clarify that Reserve Banks will be subject to the Check 21 warranties and indemnities to the same extent as other financial institutions.

We thank you for the opportunity to comment on the proposed revisions to Regulation J. Please contact me at 800-942-7124 ext.4263 with any questions concerning the above comments.

ATTN: Board of Governors of the Federal Reserve System
Comments to Regulation J Amendments
Docket No. R-1202

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

By: Niall K. Twomey
Technical Specialist

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