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Finance Department

Check Research Team

June 3, 2011

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, N.W.
Washington, DC 205511

RE: Docket No. R-1409: Regulation CC Revisions

Dear Ms. Johnson:

Wal-Mart Stores, Inc. appreciates the opportunity to comment on Docket No. R-1409, the Federal Reserve Board's proposed revisions to Regulation CC. Our response will focus on the support of the Regulation CC application to electronically created items, such as paperless remotely created checks. Walmart supports efforts to improve efficiency, reduce processing costs, reduce environmental impacts and supports the inclusion of this proposal into Regulation CC.

Walmart is a global retailer that operates thousands of Walmart and Sam's Club facilities in the United States. Every week Walmart accepts payments from millions of U.S. customers through multiple channels including stores, clubs, websites, lockboxes and call centers. Walmart accepts and processes millions of check payments annually and successfully converts most checks to electronic items at the point of sale.

Walmart's Comments

Today, check MICR information is captured electronically from physical checks at the point of purchase. For payments that cannot process through ACH, paper drafts are then created from the captured electronic information. The paper drafts are imaged and processed electronically as an electronic draft and the paper drafts are immediately destroyed. This process is not efficient or environmentally friendly. We support Regulation CC proposal to include these transactions in the definition of an Electronic Collection Item.

§ 229.2(s) – Definition of Electronic Collection Item - Defines “electronic collection item” as an electronic image of and information related to a check that a bank sends for forward collection that: (a) a paying bank has agreed to receive under § 229.36(a), (b) is



sufficient to create a substitute check, (c) conforms with ANS X9.100-187, unless Board determines different standard or parties otherwise agree.

We agree with defining an electronic collection item, however, we are concerned that the proposed definition is too narrow in scope. The definition of an electronic collection item requires that the electronic image and related information be sufficient to create a substitute check. We are concerned that the proposed change to Regulation CC relating to electronic collection items does not support a range of items that will not qualify under the proposed definition, but the financial institutions will still want to collect as images. Some items that a depository financial institution receives do not contain sufficient information for the creation of a substitute check. The MICR line information may be incomplete and non-repairable, or the item may not be readable when truncated into an image. In these circumstances, the depository financial institution will still be required to provide funds availability to its customer, and for cost and timing considerations, it will want to collect the item electronically.

We suggest that the final rule include a provision so that financial institutions can agree (by clearinghouse rule, Federal Reserve Circular, or otherwise) to collect electronic images (and electronic check data only, without image) by forward and return exchange of a check image, notwithstanding that the image is not an electronic collection item under Regulation CC. The final rule should state that the provisions of Regulation CC would not apply to such image exchange, including the obligation on the paying financial institution to return the item expeditiously.

Thank you for the opportunity to provide comments, and we appreciate your consideration of our concerns. Please don't hesitate to contact me with questions.

Sincerely,

A handwritten signature in black ink that reads "Rebecca Garrett". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Rebecca Garrett
Sr. Director Financial Operations