

# Federal Regulators Issue Guidance Regarding "Deposit Reconciliation" Practices at Financial Institutions

In a past [Banking Alert](#), we reported that the Consumer Financial Protection Bureau ("CFPB") had fined Citizens Bank approximately \$20 million for committing deposit processing violations that harmed consumers. We cautioned depository institutions to review their deposit reconciliation practices and procedures in the event of "deposit discrepancies", and to avoid the mistakes Citizens Bank made that resulted in the issuance of a Consent Order<sup>[1]</sup>.

Recently, the federal banking regulators issued joint Interagency Guidance<sup>[2]</sup> ("Guidance") on this subject, addressed to all insured depository institutions. We recommend reviewing the Guidance so you are aware of what your regulator's supervisory expectations are regarding your deposit reconciliation practices.

As the Guidance points out, "deposit discrepancies" result when a depository institution credits a customer's account with an amount that differs from the total amount the customer actually deposited. This discrepancy could be due to encoding errors, inaccuracies on the deposit ticket, poor image capture or other reasons. For example, if a customer deposits \$110, but due to an error only \$100 is actually credited to the customer's account and the institution does not reconcile the \$10 discrepancy, this results in a \$10 benefit to the institution and a \$10 detriment to the customer.

The Guidance makes clear that institutions should fully reconcile deposit discrepancies, except in the few cases where differences cannot be reconciled, such as where a deposited check is severely damaged and the amount cannot be read.

In many cases, the depository institution's failure to reconcile a discrepancy results in a customer not receiving the full amount of the customer's actual deposit. According to the Guidance, this may result in the institution being deemed to be in violation of Regulation CC and the Expedited Funds Availability Act, as well as the Unfair, Deceptive or Abusive Acts and Practices ("UDAPP") provisions of the Dodd Frank Act. Each of these outcomes could result in civil liability and possible supervisory actions against the institution.

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In conclusion, the Guidance cautions institutions "to effectively manage their deposit reconciliation practices to comply with Regulation CC and other applicable laws . . . and to prevent harm to their customers."

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[1]

<http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-citizens-bank-to-pay-18-5-million-for-failing-to-credit-full-deposit-amounts/>

[2]

[http://files.consumerfinance.gov/f/documents/201605\\_cfpb\\_interagency-guidance-regarding-deposit-reconciliation-practices.pdf](http://files.consumerfinance.gov/f/documents/201605_cfpb_interagency-guidance-regarding-deposit-reconciliation-practices.pdf)

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