

### **Check 21 Primer**

Names for Check 21:

- Check 21 (popular name)
- Check 21 Act (short name)
- Check Collection for the 21st Century Act (full name)
- Check Truncation Act (old name, rarely used now)

### **Check 21's Legislation History:**

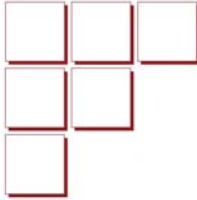
- It was submitted to Congress on 12/17/01 as "proposed law" by Federal Reserve chairman Alan Greenspan.
- It was introduced in the House of Representatives at the end of March 2003.
- It was strongly supported by the banking industry, and it enjoyed bi-partisan support.
- It was passed by both houses of the U.S. Congress on October 15, and was immediately sent to the President for his signature.
- It was signed into law by President Bush on October 28, 2003.
- The law will become effective on October 28, 2004.
- The Fed is charged with writing the regulations for Check 21.

### **Purpose of Check 21 (excerpt from legislation):**

- To facilitate check truncation by authorizing substitute checks.
- To foster innovation in the check collection system without mandating receipt of checks in electronic form.
- To improve the overall efficiency of the Nation's payments System.

### **Scope of Check 21:**

- Check 21 creates a new electronic payment instrument called the "Substitute check".
- Substitute checks are paper printouts of check images and carry the same legal status as the original check.
- Check 21 allows the replacement of an original paper check with a Substitute Check.
- Check 21 grants substitute checks the same legal status as original check
- Although "Substitute Checks" is the most appropriate name, some industry standards also refer to these documents as Image Replacement Documents or IRD's.



### **Check 21 requirements for Substitute Checks (excerpts from legislation)**

- It must accurately represent all of the information on the front on the and back of the original check as of the time the original check was truncated.
- It must bear the legend: "This is a legal copy of your check. You can use it in the same way you would use the original check.
- It must contain an image of the front and back of the original check.
- It must bear a MICR line containing all the information appearing on the MICR line of the original check.
- It must conform, in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks.
- A substitute check is suitable for automated processing in the same manner as the original check.
- The standard for substitute checks is being developed by ANSI's X9B subcommittee. The current document is a draft standard for trial use: DSTU X9.90. A copy of this document can be purchased at ANSI's eStandards Store: [www.ansi.org](http://www.ansi.org)

### **Misconceptions about Check 21:**

- It does not require the use of grayscale images.
- It does not require the use of 300 dpi images.
- It does not require the use of TIFF files.
- It does not mandate check truncation or check conversion.
- It does not grant electronic images equivalent legal status as the original check.
- It does not make electronic images the negotiable instrument in lieu of the original paper check.
- It does not mandate the destruction of original checks.
- It does not mandate the receipt of electronic transactions with electronic images.