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## **The Check 21 Law**

The Check Clearing for the 21<sup>st</sup> Century Act, also known as Check 21, permits banks to eliminate the movement of physical checks. This law allows the retailers to scan a customer's check. The scanned image is transmitted instantly through a clearing system and posts almost immediately to both accounts. Check 21 was also designed to foster innovation in the payments system and to enhance its efficiency by reducing some of the legal impediments to check truncation. The law facilitates check truncation by creating a new negotiable instrument called a substitute check, which permits banks to truncate original checks, to process check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks.

The Check 21 law was intended to make banking between customers and retailers more efficient. Instead of physically moving papers checks from one bank to another, Check 21 will allow banks to process more checks electronically. Banks can capture a picture of the front and back of the check along with the associated payment information and transmit this information immediately.

Sources:

<https://www.federalreserve.gov/paymentsystems/regcc-faq-check21.htm>

Schneider, G. (2017). Electronic Commerce (12th ed.). Cengage Learning.