



By now, you may have heard about The Check Clearing

for the 21st Century Act. It becomes effective October 28, 2004. (Referred to simply as "Check 21") This brochure is designed to help educate and inform you on the new legislation and to answer many of the questions you may have on how this may affect your business and your negotiable documents.



If you have additional questions or would like more information on Check 21, please contact your document specialist.

Common Misconceptions

Common misnomers about how the upcoming Check 21 Act will affect the Checks you use.

Check 21 compliance is mandatory.

Fiction: Check 21 does not mandate electronic processing of digital check images. It simply allows for it to happen.

Check 21 will reduce the need for Checks.

Fiction: Check 21 will not affect the need for an original check to be presented. It legislates what can happen to that check once it is presented for payment.

Certain ink colors (Dark Blue, Black, Red, Dark Green and other dark colors) are not Check 21 Compliant.

Fiction: It does not matter what color a check is printed in as long as the background drops out when imaged and the check complies with the ANSI standards for image readiness.

Checks must only contain security features that survive when scanned.

Fiction: Check Security features that survive when scanned such as Warning borders, Chemical reactive paper and back printing are very important. It is also important to incorporate hidden features built into the paper such as artificial and true watermarks as well as void (hidden word) technology. A combination of visible and hidden features is the best way to deter fraud.

My checks will no longer be able to use a security void background.

Fiction: Void backgrounds on your checks are very important to deter against fraudulent copying and scanning. Current hidden word or void technology is available that does not interfere with the area's of interest on a check.

Check 21: Important Information for all Business Check Users



What is Check 21? Check 21 allows (but does not require) any financial institution in the check clearing chain to truncate any check and convert it to an electronic image. (To Truncate a check means to remove an original paper check from the check collection or return process and replace it with an electronic image)

Why was Check 21 created? The goal of this legislation is to help improve the overall efficiency of our nation's payment system. Check 21 was designed to reduce the time; risks and costs associated with paper check processing and make it less susceptible to uncontrollable delays caused by weather, natural disasters or other disruptions in the national transportation system.



How will Check 21 impact my business? Check processing will be faster (with the implementation of Check 21) if a bank or financial institution sends an electronic image in place of the physical document. Funds may be removed from your account sooner than in today's system; therefore there may be less "float time."

What will happen on October 28th 2004? It all depends on the banks/financial institutions.

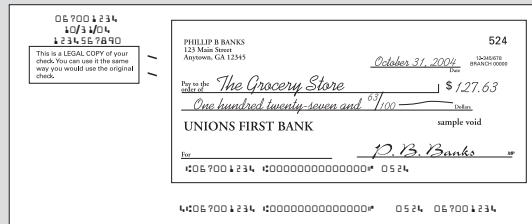
- If a bank in the check clearing chain agrees that they will accept an image, an image can be sent.
- If the next party doesn't agree to accept an image, a "substitute check" is created and transmitted. (See next panel for information on Substitute Checks)

On checks that customers write the payer bank:

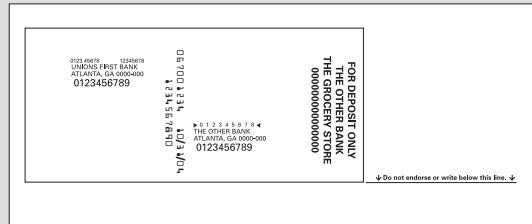
- May get the original check back
- May get a copy of an image
- May get a substitute check

What is a Substitute Check? A substitute check is a paper reproduction of the original checks that: 1. Contains an image of the front and back of the original check 2. Bears a MICR number line containing all the information appearing on the MICR line of the original check. A substitute check shows the routing number of the truncating bank and the number of the bank creating the substitute check.

Front



Back



What happens to the Original Check? Financial institutions may destroy the original check shortly after making an electronic copy. Electronic check images are generally kept for seven years.

What does it mean if your negotiable documents are "Check 21 Compliant"? The main standard that is referred to in the Check 21 Legislation is the American National Standards Institute (ANSI) X9.7 voluntary standard for Image Readiness. This voluntary standard lists ways that printers can design checks that can be easily imaged. When and or if your bank requests you to make your documents image ready, we are ready and able to design any check to comply. The changes do not affect the print positions of your document. You may see a slight change to the aesthetic look of your document if you convert to Check 21/Image Ready standards.

How do I find out if my check is Check 21 compliant? Your check provider can provide FREE testing to determine if your check is Check 21/Image Ready compliant. The test will verify that all 'Areas of Interest' can be imaged and that the check is below file size limitations.

What does it mean if my bank has a file size limitation on my checks? This refers to when a paper check has been converted (front and back) to an electronic image. Banks prefer to keep the size of the electronic file to a minimum. Most banks have a file size limitation of 90K. *Please note - When requested, your printer will certify that your check is below 90K when printed. Adding heavy type, large solid boxes or large logos to a check can increase the file size.

What if you would like your check designed to Check 21/Image Ready Standards? Please mark on your purchase order that you would like the check job designed to Check 21/Image Ready standards. We will provide a proof prior to printing your order. Since ANSI standards for image readiness are voluntary, we will not arbitrarily convert your check over to these standards because; 1. Your bank may not suggest that you comply. 2. It may affect the aesthetic appearance of your document.

What are banks/financial institutions doing to enforce Check 21? Since Image Ready ANSI X9.7 standards are a voluntary standard, only 5% of all banks in the U.S are expected to adopt this standard in 2004. Most banks are not enforcing Check 21/ Image Ready standards at this time. Some larger banks may begin to suggest to their customers that they redesign their checks to image ready standards.

What changes will be needed if my company chooses to comply with Check 21 Standards for negotiable documents?

- Check backgrounds must drop out when imaged.
- No solid boxes or reverses in the Area's of Interest (AOI) on a check. Use plain text in place of the reversed out boxes.
- 5/8" Clear Band in the MICR area.
- File size of imaged check must be 90K or less.

What are the Area's of Interest (AOI) on a check? Areas of Interest (AOI) are the areas on a check that contain the critical data needed for imaging. These areas include the Date, Payee, Legal Amount, Signature Lines and the MICR numbering line Area.

