

What is the Check Clearing for the 21st Century Act?

The United States Check Clearing for the 21st Century Act (Check 21), effective October 2004, enables banks to improve check processing by allowing them to handle more checks electronically, making check processing faster and more efficient. The Act allows banks to issue substitute checks in place of original checks. For example, customers who receive cancelled checks with their monthly account statement may begin to receive substitute checks. Substitute checks are considered proof of payment.

Who is affected?

Check 21 applies to all financial institutions in the United States including banks, credit unions and savings and loans and impacts consumer and corporate customers of those institutions.

What does Check 21 have to do with information management?

Under Check 21, financial institutions no longer have to provide original canceled checks to the check issuer's bank. Therefore, when a check is cashed or deposited, the bank will either scan it for processing or create a substitute check – an image of the original – and send it to the paying bank.

Check 21 does not require checks to be stored for a set period of time nor does it dictate a method for destroying checks. However, most banks have document retention policies in place which outline how long the bank keeps checks and other documents.

What do companies have to do to comply with Check 21?

To comply with Check 21, financial institutions must be able to accept and process substitute checks, make sure their customers are aware of Check 21 and their rights within the law. While Check 21 does not require banks to use digital images, the legislation strongly encourages it.

How can we help?

Financial institutions should include Securit in their discussions about document retention policies and assess whether or not there is a need to use the services of Securit Records Management to safely store checks and other documents.

For financial institutions who wish to destroy checks immediately after a digital image is made, we recommend placing Securit locked boxes in branches or at a centralized processing facility, ensuring cancelled checks and other documents to be shredded are secure until destroyed.

Securit's Customer Service Representatives pick up the material and shred it onsite and a company representative can witness the destruction. Securit also provides a Certificate of Destruction to prove that the documents were destroyed. For peace of mind, contact Securit today at 1 800 697-4733.

For more information:

Federal Reserve Board -

www.federalreserve.gov/paymentsystems/truncation/default.htm

American Bankers Association – www.aba.com

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