



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter

FIL-116-2004

October 27, 2004

Check Clearing for the 21st Century Act

Final Amendments to the Federal Reserve Board's Regulation CC

Summary: The Federal Reserve Board (FRB) has finalized amendments to Regulation CC that are necessary to implement the Check Clearing for the 21st Century Act (Check 21 Act). The Act becomes effective on October 28, 2004.

Suggested Distribution:
FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:
Chief Executive Officer
Compliance Officer

Related Topics:
FRB Regulation CC

Attachments: FRB Model "Substitute Check Policy Disclosure," published as Appendix C5-A to Regulation CC

Contacts:
Examination Specialist William H. Henley at (202) 898-6513, or WiHenley@fdic.gov, or Examination Specialist Donald Saxinger at (202) 898-6521, or DSaxinger@fdic.gov. Consumer compliance issues, please contact Acting Senior Policy Analyst Rita Ross at (202) 898-3842, or RRoss@fdic.gov or Compliance Section Chief April Breslaw at (202) 898-6609, or ApBreslaw@fdic.gov.

Note:
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Highlights:

- The Check 21 Act facilitates check truncation and electronic check exchange by authorizing a new negotiable instrument called a "substitute check," which is the legal equivalent of an original check for all purposes.
- The Check 21 Act does not require any bank to create substitute checks or to accept checks electronically. However, it does require banks to accept a legally equivalent substitute check in place of an original check after the Check 21 Act's effective date of October 28, 2004.
- The FRB has issued final amendments to Regulation CC to implement the Check 21 Act. The amendments:
 - (1) Set forth the requirements of the Check 21 Act that apply to financial institutions;
 - (2) Provide a model disclosure and model notices relating to substitute checks; and
 - (3) Set forth financial institution endorsement and identification requirements for substitute checks.
- Answers to frequently asked questions posed by financial institutions can be found at <http://www.fdic.gov/regulations/resources/21actfaq/index.html>.
- Answers to consumer questions can be found at www.federalreserve.gov/paymentsystems/truncation/faqs.htm.