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The Check 21 law allows banks to electronically process checks rather than requiring physical delivery of each individual check from one bank to another. Banks can now create a shortened version of each check, converting it into a digital image that they will use to complete the transaction instead of transporting the physical paper check. In cases where a paper copy is still needed, banks may create substitute checks that are legally considered to be identical to the original paper check in terms of the data printed on both sides of the check (front and back). Because checks are no longer required to be physically presented from one bank to another, they can be processed much quicker and more at ease by either bank.

Through this process, Check 21 reduces the cost associated with transporting checks, increases speed in processing time, provides for a more current banking system, eliminating any remaining legal barriers to electronic check processing and provides a means to encourage further innovation through electronic payment systems. By making check-clearing processes faster, more cost-effective, and less vulnerable to disruptions due to transportation or infrastructure, the Check 21 law enhances the integrity of the U.S. payment system.

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