

# *Check 21 and Checks*

How To Insure Your Checks are  
Check 21 Compliant and You Are  
Protected From Check Fraud

# *What is Check 21*

- Check Processing for the 21st Century Act (aka Check 21)...passed in October 2003
- Effective 10/28/2004
- Legally a bank may convert physical checks to digital image representations
- Bank of first deposit will create the image or substitute check and indemnify all others

## *What will happen*

- All checks will need to be “Image Friendly”
- With actual item no longer available, check fraud is expected to increase
- UCC Comparative Negligence and Due Diligence doctrine will remain in effect

# *What will be the impact of Check 21 to Corporate America*

- **Security**-what are rights and responsibilities of banks and commercial clients
- **Disbursement Services**-category most fraught with misinformation
- **Deposit Services**-long term effects of the law, currently getting the most attention

# *How ready is everybody*

- 21% of Banks had implemented a strategy
- 22% of Banks reported they were still evaluating
- 3% of Banks were just learning about the law
- 54% Banks were below the two “ready” categories
- Banks want to get insight on potential fraud schemes
- Banks want to determine emerging areas of fraud and strategies to combat them
- 95% of commercial companies were not aware of this law as of August 2004

# *How does Check 21 affect document security*

Check 21  
compliance



Document  
Security from  
unauthorized  
alteration  
and/or  
duplication



For most check providers this converse relationship exists

# *What is the solution*

With SAFETY FIRST® we can provide enhanced security  
and 100% guaranteed Check 21 compliance





*How*

- Image Survivable Security Technology  
and
- Verify First Tools

***Inflowtech Document Security Philosophy:***

1. Provide means by which anyone accepting a check can verify it as a legitimate check
2. Insure absolute verification by payor
3. Use a “layered” approach with numerous complimenting techniques
4. Meet or exceed UCC standards

## *What is the next step*

- Evaluate current stock
- Review current printing procedures
- Is positive pay in place?
- What standards has the bank provided?
- What is the stock and usage level?
- Develop custom and unique security proposition
- Image test design with populated data
- Present proofs and costs for approval

# Sources

- U. S. Congress “Check 21” Act
- BAI June 2004 Survey of member banks
- Carreker Corporation report 2004
- DMIA, ANSI standards
- Federal Reserve Bank of Atlanta
- Digital Check Corporation
- Confidential Inflowtech survey