

# Check 21-enabled products position customers for the future

The financial services industry continues to take advantage of the transformation of paper check processing to achieve significant efficiencies and cost savings. Since the Check 21 Act took effect in October 2004, paper checks are being transitioned to electronic images at an unprecedented pace. Currently, 27 percent of checks deposited with the Federal Reserve are in an Image Cash Letter (ICL), and 15 percent of items are presented by the Federal Reserve in an ICL.

Check 21-enabled products will help position customers for the future as electronic check processing continues to gain momentum. Organizations are migrating to Check 21-enabled services to help solve business issues and realize significant efficiencies and cost savings. FedReceipt and FedReceipt Plus—the Check 21-enabled inclearing services offered by the Federal Reserve Banks—can help paying banks shift to electronic check receipt and maximize the benefits associated with efficient, electronic processing.

From community banks in the Northern Great Plains (see article on page 2) where geographic and weather-related challenges are of great concern—to large East Coast

financial institutions, such as New Jersey-based Commerce Bank that faces rising transportation costs associated with expansion—Check 21-enabled services help to address these issues.

Specifically, moving to Check 21-enabled services has proven beneficial to Commerce Bank, which has \$45 billion in assets and over 400 locations (stores) and is seeking to grow its footprint without increasing processing costs. “Check 21-enabled products have allowed us to effectively compete and expand our market share in various regions,” states Greg Snell, director of transaction services for Commerce Bank. Snell stated, “These electronic products strategically position Commerce Bank well to provide our customers with the service they require. Internally, implementation has provided us with an extremely timely information flow, which in turn has allowed us to extend our store hours and reach into outlying areas without any service degradation whatsoever.”

For a full description of Commerce Bank’s Check 21 experience and the Check 21-enabled services offered by the Federal Reserve Banks, visit [www.frb services.org/Retail/Check21.html](http://www.frb services.org/Retail/Check21.html).

## Preparing for the future: FedReceipt

FedReceipt is an Image Cash Letter (ICL) presentation containing items drawn on paying banks that have been deposited in ICLs with the Federal Reserve Banks or converted to images by the Reserve Banks to achieve payment system efficiencies. This service enables “straight-through” electronic check processing for a portion of inclearings. Remaining items, deposited with the Reserve Banks as paper, will be presented in paper cash letters. FedReceipt is available at no fee and qualifies institutions for a discount on forward collection items deposited with the Reserve Banks.

## FedReceipt Plus

FedReceipt Plus presents all imageable items drawn on a paying bank in an ICL in lieu of a paper cash letter presentation. Items that do not contain sufficient data to allow creation of substitute checks will be presented in a paper cash letter. This ICL will include items drawn on financial institutions that are deposited in ICLs with the Federal Reserve Banks, as well as the remaining paper items that are image-captured by the Reserve Banks. While non-imageable items will be presented in a paper cash letter, FedReceipt Plus receivers have the option to receive a non-imageable cash letter presented electronically, rather than in paper form, by agreement with your local Reserve Bank. For additional fees, this service can be enhanced with options, such as image archive, reject repair, premium delivery and same day settlement/fine sort inclusion services. FedReceipt Plus customers also benefit from a discount on forward collection items deposited with the Reserve Banks.

## Features of FedReceipt/FedReceipt Plus

- Image cash letters are presented in the Federal Reserve Banks’ version of the DSTU X 9.37-2003 format
- The Federal Reserve Banks do not produce substitute checks for presentation to the paying bank
- Optional service enhancements include reject repair and image archive