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Chapter 11 Written Exercise

ITWP 2600 2024WI

#11 In one or two paragraphs, explain what the Check 21 law facilitates and explain what it was intended to accomplish:

The Check 21 law was established in 2004. This aimed to modernize the traditional process of clearing checks by introducing electronic methods for handling them. Before it was enacted, the system relied heavily on physically transporting paper checks between banks, which often led to delays in funds availability and incurred significant costs. The law reformed this process by allowing banks to create digital images of checks, known as substitute checks, which could be transmitted electronically instead. This change not only quickened the time it took for funds to clear but also reduced expenses that came with manual check processing, such as transportation costs and the risk of lost or stolen checks.

The Check 21 law aimed to streamline operations for banks by digitizing the check clearing process, making it more efficient and less prone to errors. Transitioning to electronic processing enabled banks to create more effective fraud detection and prevention security, since digital checks could be monitored and analyzed more easily for any suspicious activity. Overall, the Check 21 law showed a significant step towards modernizing financial transactions, enhancing efficiency, security, and convenience for both banks and consumers by bringing the check processing system into the modern era.

Sources:

https://www.investopedia.com/terms/c/check_21.asp

https://www.hostmerchantservices.com/articles/what-is-check-21-act/