



# Check 21

## Frequently Asked Questions For Individuals



The *Check Clearing for the 21st Century Act* is a new federal law that goes into effect on October 28, 2004. Commonly referred to as “Check 21,” this new law allows for changes in the way checks can be processed in the United States.

Check 21 allows banks to create a “Substitute Check” from the electronic image of the original check. This Substitute Check is the legal equivalent of the original. Check 21 is intended to help reduce banks’ reliance on the physical transportation of paper checks across the country. Over time, Check 21 is expected to assist with the efficiency of and improve the security of the nation’s payment system.

But how does this new law affect you? Please read on for answers to the most commonly asked questions about Check 21.

### Why was Check 21 passed?

Congress created Check 21 to foster innovation in the nation’s check collection and payment system, and to help improve its overall efficiency.

Currently, when you write a check from your account and it is deposited at another bank, the check must be transported by truck and/or airplane between the banks in order to be paid. This transportation of original checks is slow and makes the national payment system vulnerable to delays and losses, among other risks.

### What does Check 21 do?

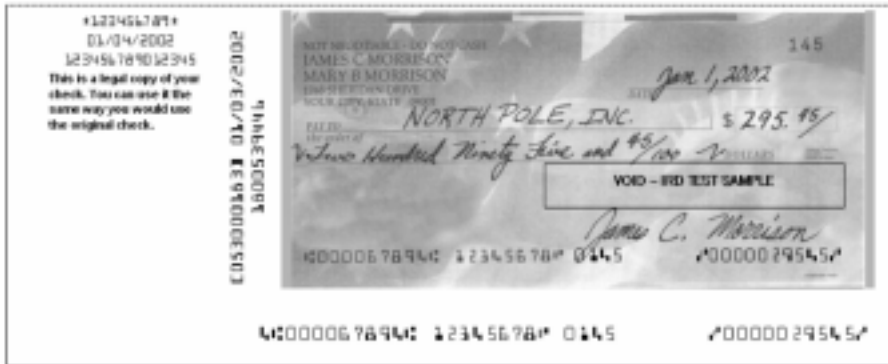
Check 21 authorizes banks to create Substitute Checks from electronic images of original checks. Substitute Checks are paper recreations of original checks and are the legal equivalent of the originals. A Substitute Check can be presented for payment in place of the original. The ability to convert an original check to an electronic image, transmit the image and create a Substitute Check from it is expected to facilitate the processing of checks electronically.

### Does Check 21 impact my check-writing?

No. You can continue writing checks the same way.

## What exactly is a Substitute Check?

A Substitute Check is a new legal document that contains a digital image of the front and back of the original check and the legal equivalency statement, “This is a legal copy of your check. You can use it the same way you would use the original check.” You can use it as proof of payment because it must be accepted by any bank, business, government agency or person — the same as the original check. Substitute Checks will be similar in size to standard business checks, but the image of the check will be smaller. Here is an example of what a Substitute Check will look like:



(Front)



(Back)

## What happens to my original checks?

In many cases, banks will continue to process and clear original paper checks as they have in the past. However, if the check is converted to an electronic image, banks most likely will destroy the original paper check.

## What changes will I see in my checking account statement?

If you receive:

- Image statements – you will continue to receive your image pages with images of original checks and/or Substitute Checks
- Safekeeping – this will remain the same (safekeeping is provided at no charge)
- Physical check return – you may receive some Substitute Checks instead of original checks

### If a deposited check is returned unpaid, which version of the check will be returned to me?

City National will return to you either the original check or a Substitute Check, depending on how it is returned to us. Remember: a Substitute Check is a legal document and can be used the same way as the original check.

### How do I get a copy of a check I've written?

Follow the same procedures you've always used. Visit any City National location, or call the phone number on your statement, and we'll help you obtain copies of the checks you need. Or, sign up for City National Online Banking (provided at no charge) to view the front and back of paid checks.

### Will checks clear faster once Check 21 becomes effective?

Over time, Check 21 should allow for an increase in the efficiency of all aspects of check clearing: the checks you write and those you deposit may clear faster, and notification of checks you deposited that are returned unpaid may occur more quickly.

### Can I choose to "opt-out" of Check 21?

No. On October, 28, 2004, Check 21 legislation will apply to all financial institutions and their clients. There are no "opt-out" exceptions.

### What is the difference between Check 21 Substitute Checks and an "electronified check?"

An electronified check is the result of a business taking a personal check and turning it into an electronic transaction. For example:

- **Point-of-Purchase (POP) conversions.** Your personal check is scanned at a store register then handed back to you as a voided check. The item then posts on your bank statement as an electronic item with no associated image.
- **Accounts Receivable Check (ARC) conversions.** You send a payment by personal check to a company that converts it into an electronic transaction. The item then posts on your bank statement as an electronic item, but has no associated image.

Check 21 provisions do not cover paper checks converted to electronic checks.

### Convenient options from City National:

City National provides clients with several options that make it easy to pay bills, track checks and manage cash.

**Online Banking with Bill Pay** (for Personal Accounts) – gives you fast, simple, convenient control over your money, by allowing you to track your transactions online and view the front and back of your paid checks.

**Debit Card** – minimizes your need to write checks or carry cash, by allowing you to pay for purchases directly from your City National account at the point-of-purchase.

**Duplicate (carbon copy) Checks** – makes keeping track of checks easy by creating a carbon copy of each check as you write it.

**Questions?** Contact the City National Check 21 Information Line at (866) 893-9291, Monday – Thursday, 7 a.m. – 5:30 p.m.; Friday, 7 a.m. – 6 p.m. (Pacific time) or call your Relationship Manager.