

**THE DISAPPEARING CHECK**  
THE DISAPPEARING CHECK  
THE DISAPPEARING CHECK  
THE DISAPPEARING CHECK  
THE DISAPPEARING CHECK  
THE DISAPPEARING CHECK  
THE DISAPPEARING CHECK

## **CHECK 21 LAW**

**(CHECK CLEARING FOR THE 21ST. CENTURY ACT)**

**DISCLAIMER**-Every effort has been made to ensure that the contents of this publication are accurate and free from error. However, it is possible that errors exist, both typographical and in content. Therefore, the information provided herein should be used only as a guide and not as the only source of reference.  
The author shall have neither liability nor responsibility to any person or entity with respect to any loss, damage, or injury caused or alleged to be caused directly or indirectly by any information contained in or omitted from this publication.



**RONALD MARK SEMARIA**, CFE, DABFE, CSC, CHSIII  
CERTIFIED FRAUD EXAMINER & FORENSIC ACCOUNTANT  
DIPLOMATE AMERICAN BOARD OF FORENSIC EXAMINERS  
FRAUD, TAX, MANAGEMENT & INVESTIGATIVE ACCOUNTANT  
FORMER INTERNAL REVENUE AGENT

**SPECIALIZING IN EMPLOYEE THEFT & EMBEZZLEMENT**  
1408 EAST 66 STREET      BUS: 718-531-1105      888-IRSAUDIT  
BROOKLYN, NY 11234      FAX: 718-444-7152      888-RONTAXES

VISIT MY WEBSITE AND READ MY NEWSLETTER  
**"AN EDUCATED TAXPAYER, IS THE IRS'S WORST NIGHTMARE"**

[WWW.DRFRAUD.COM](http://WWW.DRFRAUD.COM)      [INFO@SEMARIA.COM](mailto:INFO@SEMARIA.COM)

MEMBER OF ASSOCIATION OF CERTIFIED FRAUD EXAMINERS, AMERICAN COLLEGE OF FORENSIC EXAMINERS,  
SOCIETY OF PROFESSIONAL INVESTIGATORS, NYS FRATERNAL ORDER OF POLICE





WWW.DRFRAUD.COM  
WWW.IRSAUDIT.COM

**RONALD MARK SEMARIA**, CFE, DABFE, CSC, CHS-III  
**CERTIFIED FRAUD EXAMINER & FORENSIC ACCOUNTANT**  
DIPLOMATE AMERICAN BOARD OF FORENSIC EXAMINERS  
FRAUD, TAX, MANAGEMENT & INVESTIGATIVE ACCOUNTANT  
FORMER INTERNAL REVENUE AGENT  
*SPECIALIZING IN EMPLOYEE THEFT & EMBEZZLEMENT*

EMAIL:INFO@SEMARIA.COM

Ronald Mark Semaria is a graduate of Long Island University with a B.S. degree in accounting. He began his professional career in taxation and fraud as an Internal Revenue Agent examining all types of individuals and companies. Special assignments and expertise included the Strike Force (Organized Crime), Medicaid Fraud, sensitive cases and undercover work with the Inspection Division of the IRS, and cases involving bribery of Internal Revenue Agents. He resigned from the Internal Revenue Service, with Career Tenure status, to establish his company in the field of tax & fraud consulting practice.

Mr. Semaria is a self-employed certified fraud examiner, forensic accountant, certified security consultant and tax consultant. Since 9/11, he has had special training by the New York City Police Department in terrorism and has achieved the status as a Certified Homeland Security, Level 3 by the American College of Forensic Examiners International.

Mr. Semaria has expertise in reviewing office procedures, including fraud investigation, detection and prevention, including the installation of fraud prevention security systems. He specializes in employee and executive embezzlement. He provides investigative fraud accounting services, including computer forensics for various individuals and companies involving embezzlement, asset searches, divorces, fraudulent accounting and bookkeeping practices. In addition to fraud detection, he also provides fraud and management surveillance procedures and the establishment of preventative methods.

Some of his cases have included check forging, purchasing of gold bars by people involved with the Taliban and Al Qaeda, identity theft, discovery of embezzlement by third parties, ponzi schemes, payroll embezzlement and money laundering.

Mr. Semaria's association with various licensed private investigators formerly with the FBI, Secret Service, Customs, Post Office, Department of Investigation, and NY Police Department has aided him in solving many fraud cases that most practitioners wouldn't be able to resolve. These investigators specialize in various types of investigating procedures including electronic surveillance, covert operations, security system analysis and installation.

Mr. Semaria is the President of NY Chapter of Certified Fraud Examiners.

Mr. Semaria lectures to the general public and professionals in various aspects of tax fraud prevention and detection, tax laws, and tax examinations.

His is also a member of the American College of Forensic Examiners, Society of Professional Investigators, and the New York State Fraternal Order of Police.

**THE DISAPPEARING CHECK**  
**CHECK 21 LAW**  
**(CHECK CLEARING FOR THE 21<sup>ST</sup> CENTURY ACT)**

**I just received my bank statement and it doesn't have my original cancelled checks. WHERE ARE MY CANCELLED CHECKS?** I wrote a check and instead of being returned to me this is an image of that check. Or, instead of being returned to me there is a line on my bank statement informing me that there was an electronic payment debit to my account to that payee. This is what most people and businesses will be saying after October 28, 2004. This is a summary of the new banking act, known as **CHECK 21 LAW** (also known as the Check Clearing for the 21st Century Act) what is about to take place **on October 28, 2004.**

In today's processing environment, nearly all checks are physically presented to a paying institution for collection. Transportation of these checks is costly, and the float (the time it takes for checks to clear from one account to another) they create can leave financial institutions vulnerable to fraudulent schemes. However, the true vulnerabilities of this process were fully exposed during the **tragic day on 9/11** when the entire financial system was severely impacted. While all flights across the United States were grounded, banks couldn't process checks. Checks were delayed days and in many cases weeks because of stoppages in the courier system. **This event was a major factor that helped motivate Congress to begin legislation to reduce our reliance on physical transportation and improve the overall efficiency of the system.**

The law cleared the way for the simplified process by allowing digital images of checks to be deemed legal representation of payment, called **substitute checks** can now be presented to companies as proof of payment A substitute check would be the **legal equivalent of the original check** and would include all the information contained on the original check.

Check 21 allows, but does not require, any party in the chain to **truncate** any check and convert it to an image. **Truncate** means to remove an original paper check from the check collection or return process and convert it to an electronic image. This is the **REASON WHY YOUR ORIGINAL CHECKS HAVE DISAPPEARED!!**

The purpose of this report is to educate the public of their rights and what they need to know and do when there is a problem. My observation, research and study of this new law, in addition to my expertise in identity theft and employee embezzlement, leads me to believe that the consumer must be more diligent in reviewing their bank accounts and statements.

**THE CONSUMER AND CHECK 21 LAW**

**The consumer must be notified of this new law upon one of the three occurring:**

- 1 - by the first regularly scheduled communication with the consumer after the effective date of the Act.(i.e.: either by a letter or a notation on the monthly bank statement after 10/28/04)
- 2 - a new account is opened - Only imaged statements are the type of account that no notice is required at the time of account opening. (see item 6 below)
- 3 - A consumer's request for a copy of a check.



**FACTS THE CONSUMER SHOULD BE AWARE OF TO BE EDUCATED**

- 1 -You won't be able to get your original paper checks back. Check 21 doesn't require banks to return even a single original paper check to a consumer, even on request, only **substitute checks** are the **legal equivalent to an original check**.
- 2 -Check 21 does not require banks to offer an account that gives consumers substitute checks with their bank statements.
- 3 -Checks you write will clear sooner, resulting in checks bouncing more frequently.
- 4 -Don't write a check unless the funds are already available in the account to cover it.
- 5 -The new law doesn't shorten the check hold times on deposits, only increases the amount of time the check will clear when written.
- 6 -"**Voluntary truncation**" agreement, where the consumer agrees not to get the checks back, **do not prove that a payment has been made**.
- 7 -Copies of electronic images will not be legally equivalent to the original check.
- 8 -Open an account in a bank that returns substitute checks every month. If your bank doesn't offer this type of an account, **GO TO ANOTHER BANK**.
- 9 -Consumers who want to maximize their **consumer rights** should **ask for return of "substitute checks" with their checking account statements**.
- 10 -The consumer should review their bank accounts **daily on the internet** to curtail bank errors and potential fraud. Print the checks that cleared, both the front and back.
- 11 -The consumer should **utilize "duplicate checks"**. That is a carbon copy of the actual check that was written. This will be very useful when reviewing the bank accounts on the internet should a discrepancy be discovered.
- 12 -The consumer should be aware of many **additional fees banks will charge**.
- 13 -**Consumers may no longer choose to get back their original checks**.
- 14 -The **original checks can be destroyed at any time** and no timeframe has been established as to the length of time the images are to be held before they are destroyed. This reason alone is enough for the consumer to request substitute checks each month since they alone are the only legal equivalent of the original check.
- 15 -**Check 21 places no limits on a bank's use of information** contained in its customers' check images. This means that the bank can set up a database while encoding the check to inform them of your spending habits and sell that information to various companies.
- 16 -Banks will get some new opportunities to charge fees – Check 21 does not cap the fee that a bank can charge.

**THE SUBSTITUTE CHECK**

I have mentioned **THE SUBSTITUTE CHECK** several times for one extremely important reason and I cannot impress upon you the significance of this important item. **Only a substitute check can be the legal equivalent of the original check, and only a substitute check triggers your right to recredit of disputed funds.**

The **electronic images** appearing on bank statements or a regular photocopy are **NOT** legal to verify payment or to give the consumer the right to dispute a claim with the bank. **NO CLAIMS CAN BE PROCESSED WITH A BANK UNLESS THERE IS A SUBSTITUTE CHECK.**



**A substitute check should bear the following language:**

**"THIS IS A LEGAL COPY OF YOUR CHECK. YOU CAN USE IT THE SAME WAY YOU WOULD USE THE ORIGINAL CHECK."**

The substitute check will have additional information on it, including the **identifying number of the bank that truncated** the item, the identifying number of the bank that created the paper substitute check, **and a second MICR line** at the bottom. It will be presented on two sides, just as your original is, and should **show the endorsements**.

A substitute check is a paper reproduction of the original check. **To qualify as a substitute check**, the reproduction must:

- A**-contain an image of the front and back of the original check;
- B**-bear a MICR line containing all the information appearing on the MICR line of the original check;
- C**-conform, in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks; and
- D**-be suitable for automated processing in the same manner as the original check.

**THIS IS A SAMPLE OF A SUBSTITUTE CHECK**

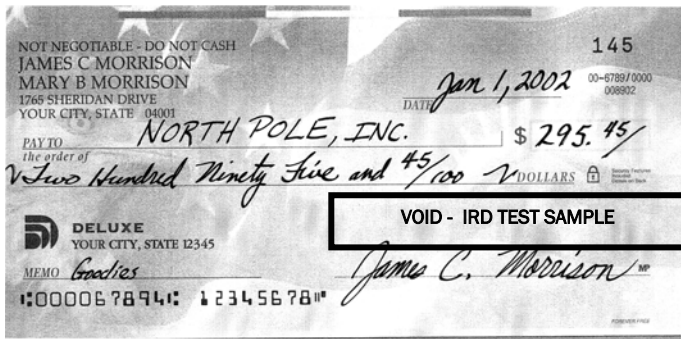
\*123456789\*  
01/04/2002  
123456789012345

This is a legal copy of your check. You can use it the same way you would use the original check.

This is a legal copy of your check. You can use it the same way you would use the original check.

2002/01/04 143 01/03/2002 44455008 143

0053000143 01/03/2002 44455008 143



4A000067894A 12345678C 0145 B0000029545B

<p>0520-0105 03020402 MACROBANK N.A. CSC CHARLOTTE, NC 115-042 1000537446</p>	<p>&gt;03 100 001 1&lt; 01/ 02/ 200 2 781 583 023 3</p>	<p>20 2-141</p> <p>10010000114 FIRST UNION NATL SVCS-013 PHILADELPHIA PA 01022002 7815830233</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">FOR DEPOSIT ONLY</td> <td style="width: 50%;">*12</td> </tr> <tr> <td>FIRST UNION NATIONAL BANK ACCOUNT</td> <td>345</td> </tr> <tr> <td>1234567</td> <td>678</td> </tr> <tr> <td>890123</td> <td>9*</td> </tr> <tr> <td>NORTH POLE, INC.</td> <td>01/</td> </tr> <tr> <td></td> <td>04/</td> </tr> <tr> <td></td> <td>200</td> </tr> <tr> <td></td> <td>2</td> </tr> <tr> <td></td> <td>123</td> </tr> <tr> <td></td> <td>456</td> </tr> <tr> <td></td> <td>789</td> </tr> <tr> <td></td> <td>012</td> </tr> </table>	FOR DEPOSIT ONLY	*12	FIRST UNION NATIONAL BANK ACCOUNT	345	1234567	678	890123	9*	NORTH POLE, INC.	01/		04/		200		2		123		456		789		012
FOR DEPOSIT ONLY	*12																										
FIRST UNION NATIONAL BANK ACCOUNT	345																										
1234567	678																										
890123	9*																										
NORTH POLE, INC.	01/																										
	04/																										
	200																										
	2																										
	123																										
	456																										
	789																										
	012																										
			<p>05 300 018 3] 01/ 03/ 200 2 180 053</p>																								

↓ Do not endorse or write below this line. ↓



## **FILING CLAIMS**

Now that you know what a substitute check is supposed to look like, **what do you do if there is a problem** after it is posted to your account? **How do you file a claim** with the bank to correct the error?

There are **only two permissible grounds for filing a claim**:

**1 - check was not properly charged** or that

**2 - the consumer has a warranty claim:**

A - warranty that the substitute check is legally equivalent to the original check

B - check won't be presented for payment again if it has already been paid.

**A SUBSTITUTE CHECK MUST BE PRESENTED TO THE BANK TO MAKE AN INDEMNITY CLAIM.** The indemnity is very powerful, it says a bank “that transfers, presents, or returns a substitute check...shall indemnify the recipient and any subsequent recipient...for any loss incurred by any recipient of a substitute check if that loss occurred due to the receipt of a substitute check instead of the original check.” Hence, the reconverting bank indemnifies subsequent parties for a loss if that loss is due to receipt of a substitute check instead of the original check.

### **TIMING OF FILING A CLAIM WITH THE BANK**

The consumer must submit his or her claim to the bank by the end of the 40th calendar day after the later of the calendar day on which the bank mailed or delivered:

1. The periodic statement that contains information concerning the transaction giving rise to the claim;
2. The substitute check giving rise to the claim.

Note: If the consumer cannot submit his or her claim by the time specified due to extenuating circumstances, the bank must extend the 40-calendar day period by an additional reasonable amount of time. (i.e. for extended vacation or hospitalization).

### **REQUIRED CONTENT FOR CLAIM**

The consumer's claim must include the following four required components:

1. A description of the consumer's claim, including the reason why the consumer believes his or her account was improperly charged for the substitute check or the nature of his or her warranty claim with respect to such check;
2. A statement that the consumer suffered a loss and an estimate of the amount of that loss;
3. The reason why production of the original check or a sufficient copy of the original check is necessary to determine whether or not the charge to the consumer's account was proper or the consumer's warranty claim is valid; and
4. Sufficient information to allow the bank to identify the substitute check and investigate the claim.



## **REREDITING**

If a consumer makes a claim for expedited recrediting, the **bank must recredit** if:

- the consumer's claim meets the statutory requirements; and
- the bank has not provided to the consumer either the original check or a copy (which could even be an image or a substitute check) that accurately represents the information on the front and back of the original as of the time the item was truncated; and
- the bank has not demonstrated to the consumer that the substitute check was properly charged to the consumer account.

Once a claim is filed with the bank, it **gives the consumer a right to have funds of up to \$2,500 recredited to the their account in 10 business days** if the check is **paid twice**, paid for the **wrong amount**, or otherwise **paid in error**. The regulations restrict the **right of recredit only to checks where the consumer was provided with a substitute check**. If the check in dispute is more than \$2,500, only the first \$2,500 must be recredited in the 10 business day period.

**A recredit right means that the consumer, not the bank, has the use of the funds while waiting to resolve the dispute. Check 21 gives a recredit right only when a substitute check is used. THE CONSUMER SHOULD ASK FOR A REREDIT IN WRITING.**

## **EXAMPLE OF BANK ERRORS, CLAIMS, AND REREDITING**

A check is originally written in payment to a credit card company for \$500. It's deposited by the payee (the credit card company), which only receives \$50 due to an encoding error on the original check. However, when the substitute check is created it's encoded for \$500, the original amount of the check. You are charged correctly, but only received credit with the payee, for \$50. The payee charges late payment penalties and increased interest rates because the payment was for \$50 and not \$500. To make matters worse, the image of the check on the substitute check is blurry enough that the original amount and encoded amounts on the check are illegible.

The consumer has no ability to use the substitute check to prove the original check was for the proper amount to pay the credit card. So the consumer has a warranty claim for lack of legal equivalence and needs the original check or a better substitute check. The warranty claim is for the difference of \$450.00 plus any interest and late penalties charged by the credit card company.

**The consumer does not need to possess the substitute check at the time the claim is made. The customer does not become entitled to expedited credit processes unless and until he or she receives an actual substitute check.**



# **FRAUD AND THE CHECK 21 LAW**

While Check 21 will significantly speed the handling and collection of checks, the **potential for enormous un-prosecutable check fraud losses is nearly certain**, as the conversion process destroys the evidence of fraud in most cases. The indemnity will shift the liability for losses away from the paying bank to the converting entity, with potentially devastating results to the converter. The indemnity required of the converting bank for a loss sustained by a paying bank because it received a substitute check rather than the original check with security features that did not survive the image conversion process will shift the liability for some losses to the converting bank.

Historically, **fraudulent check identification has been a process where financial institutions could touch, feel and see poor quality counterfeit and altered checks**. The paper check will no longer be available for processing and fraud detection. Since financial institutions may no longer have a paper check to inspect, it seems likely that counterfeiters will exploit the inability of digital images and substitute checks to retain traditional security features.

A criminal who had three or four days between the time a check was cashed in Los Angeles and presented in New York could find that window cut to one day. The criminals have access to the same new technologies and benefit from the public standard setting process that is necessary for widespread acceptance of any new security practice.

Fraudsters will attempt to perpetrate various schemes closer to the time of presentment. These will likely include account takeovers, a proliferation of counterfeit checks, and a migration to faceless transactions. If history has shown us anything, it is that fraud will evolve as criminals regroup and exploit new weaknesses and vulnerabilities.

The migration to images will **deprive bankers of fraud clues that come from feel, color and smell**. In addition, a December 2003 review of image-survivable security features by The Standard Register Co. concluded, **“there are no known image-survivable security features that are fully effective.”** The key to a successful item protection process appears to remain where it has been in the past: at the point of entry. **The only solution that protects both the banks and their customers is one that makes it possible to recognize a fake when it is presented.**

Hence, with the implementation of Check 21 and check images and substitute checks, **the following items will not survive and increase the possibility of fraud.**

- 1 – Most security features will become obsolete since they won't survive the conversion process.
- 2 – Watermarks will no longer be seen.
- 3 – Thumb print identification will disappear.
- 4 – Difficulty in proving forgery since the pen pressure will not be available upon inspection of the substitute check.
- 5 – Ink analysis will not be available since the original check won't be available.
- 6 – Color checks or special backgrounds will not survive the conversion process.
- 7 – Since the original check will no longer be available, only the substitute check, you will not be able to touch and see the original quality.





CHECK 21 LAW – CHECK CLEARING FOR THE 21ST. CENTURY ACT

- 8 – Fingerprints on the original check will no longer be available.
- 9 – Handwriting analysis will be lost when it is converted to a copy.
- 10 - Since there will only be a substitute check, which is for all intense purposes a photocopy of the original check with the addition of the line that is the legal copy, changes of amounts, dates, and payees will be easy to perpetrate on the consumer.

## **CONCLUSIONS AND RECOMMENDATIONS**

The enforcement of Chapter 21 Law on October 28, 2004 is going to cause serious problems for the individual consumer, the commercial consumer and all banks and financial institutions since this law has not been publicized

The consumer should protect themselves by performing these actions immediately:

- 1 -Consult with your bank manager and ask about receiving substitute checks with your monthly bank statements as of October 28, 2004 (Don't be surprised if they don't know what you are talking about, most bank managers only know that no checks will be returned as of 10/28/04).
  - A - Don't forget to ask about additional bank charges, if any.
  - B - If they won't give you substitute checks on a monthly basis, **change banks.**
- 2 -Order a checkbook that gives you a **NCR (duplicate) copy of the actual check** written. This way you will at least have a copy until the substitute check is returned with your monthly statement.
- 3 -Check bank accounts **daily on the internet.** This way you will discover any errors prior to receiving your monthly bank statement.
- 4 -If you still have problems with the bank about receiving substitute checks, then pay as many bills as you can online using your credit card, hence you will be reducing the amount of checks that are written. In order to prevent identify theft, use one credit card solely for internet charges. Don't forget to check your credit card on the internet daily.
- 5 -The only solution left if checks or credit cards aren't used for payments is to pay by cash.
- 6 -Consult with your tax or financial advisor.

This report cannot be complete without making a comment about **THE INTERNAL REVENUE SERVICE.** Being a former internal revenue agent, and as I tell my clients, it doesn't matter how bills are paid, since a check or payment via a credit card to a company doesn't reveal what was purchased and that alone in most instances will not validate the deduction. Although the Internal Revenue Service inspects checks and credit card payments on an examination, a receipt is required to substantiate the deductions Don't forget since only a substitute check is a legal copy of the original check that will be the acceptable manner to verify payment, **ALWAYS GET A RECEIPT.**



# CHECK 21 DEFINITIONS

## Acronyms

**CAR** - Courtesy Amount Recognition. The ability to locate, analyze, and recognize handwritten or machine-printed amounts on documents.

**COF** - Common Output Format

**CTA** - Check Truncation Act

**EPC** - External Processing Code

**IRD** - Image Replacement Document that provides for a machine-readable substitute document created from the image that is made from the front and back of the original check.

**LAR** - Legal Amount Recognition

**OCR** - Optical Character Recognition

## KEEPING THE PLAYERS STRAIGHT

**Bank**- means any person located in a State engaged in the business of banking, including any depository institution; and includes:

- any Federal reserve bank;
- any Federal home loan bank;
- and to the extent that it acts as a payor
- the Treasury of the United States;
- the United States Postal Service;
- a State government; and
- a unit of general local government.

**Collecting Bank** - means any bank handling a check for collection except the paying bank.

**Depository Bank** –

- (i) the first bank to which a check is transferred, even if such bank is also the paying bank or the payee; or
- (ii) a bank to which a check is transferred for deposit in an account at such bank, even if the check is physically received and endorsed first by another bank.

**Depository Institution** - The term "depository institution" has the same meaning as in section 19(b)(1)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)).

**Indemnifying Bank** - means a bank that is providing an indemnity under section 6 of the Act with respect to a substitute check.

**Paying bank** - means the bank by which a check is payable, unless the check is payable at or through another bank and is sent to the other bank for payment or collection; or the bank at or through which a check is payable and to which the check is sent for payment or collection.

**Returning Bank** - means a bank (other than the paying or depository bank) handling a returned check or notice in lieu of return.

**Reconverting Bank** - means the bank that creates a substitute check; or if a substitute check is created by a person other than a bank, the first bank that transfers or presents such substitute check.

## OTHER PARTIES:

**Board** - means the Board of Governors of the Federal Reserve System.

**Consumer** - means an individual who, with respect to a check handled for forward collection, draws the check on a consumer account; or, with respect to a check handled for return, deposits the check into, or cashes the check against, a consumer account.

**Consumer Account** - has the same meaning as in section 602(10) of the Expedited Funds Availability Act (12 U.S.C. 4001(10)).

**Customer** - means a person having an account with a bank.

**Person** - means a natural person, corporation, unincorporated company, partnership, government unit or instrumentality, trust, or any other entity or organization.



## CHECK 21 LAW – CHECK CLEARING FOR THE 21ST. CENTURY ACT

**State** - has the same meaning as in section 3(a) of the Federal Deposit Insurance Act (12 U.S.C. 1813(a)).

**Unit of General Local Government** - has the same meaning as in section 602(24) of the Expedited Funds Availability Act (12 U.S.C.4001(24)).

### **OTHER IMPORTANT TERMS**

**Account** - means a deposit account at a bank.

**Check Conversion** - The process by which essential information contained on a conventional paper check is captured electronically (data and image) at the first point in the clearing process; essential information, consist of the routing & transit number, customer account number, check serial number, and the dollar amount of the check. The electronic data, not the paper check, is then sent though the clearing system.

**Business Day** - has the same meaning as in section 602(3) of the Expedited Funds Availability Act (12 U.S.C. 4001(3)).

**Check** - means a draft, payable on demand and drawn on or payable through or at an office of a bank, whether or not negotiable, that is handled for forward collection or return, including a substitute check and a travelers check; and (B) does not include a noncash item or an item payable in a medium other than United States dollars.

**Forward Collection** - means the transfer by a bank of a check to a collecting bank for settlement or the paying bank for payment.

**MICR Line** - magnetic ink character recognition line means the numbers, which may include the bank routing number, account number, check number, check amount, and other information, that are printed near the bottom of a check in magnetic ink in accordance with generally applicable industry standards.

**Noncash Item** - has the same meaning as in section 602(14) of the Expedited Funds Availability Act (12 U.S.C. 34001(14)).

**Substitute Check** - means a paper reproduction of the original check that- (A) contains an image of the front and back of the original check; (B) bears a MICR line containing all the information appearing on the MICR line of the original check, except as provided under generally applicable industry standards for substitute checks to facilitate the processing of substitute checks; (C) conforms, in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks; and (D) is suitable for automated processing in the same manner as the original check.

**Truncate** - means to remove an original paper check from the check collection or return process and send to a recipient, in lieu of such original paper check, a substitute check or, by agreement, information relating to the original check (including data taken from the MICR line of the original check or an electronic image of the original check), whether with or without subsequent delivery of the original paper check.

