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MEMORANDUM

March 18, 2004

To Our Clients and Friends

Re: Check Clearing for the 21st Century Act

As you may know, Schwartz & Ballen LLP has been quite involved over the past several years in the development of, and subsequent Congressional consideration and implementation of, the Check Clearing for the 21st Century Act (Check 21). By authorizing a new legally-recognized instrument (the substitute check) to be created from a check image or other representation of the original check, Check 21 will result in significant challenges and opportunities for all financial institutions that receive checks for payment, collection or deposit.

To assist financial institutions in preparing for the October 28, 2004 effective date of Check 21, we have prepared an in-house seminar for our financial institution clients to assist them in jump starting or pushing forward their Check 21 implementation process. The seminar, which runs 2-3 hours, would include representatives from various areas of the financial institution, including operations, item processing, legal, marketing, compliance, branch administration, human resources, training, security/fraud, float, retail, cash management, wholesale, information systems, and customer services. The first part of the seminar is educational level setting about Check 21, and the second part addresses the institution's implementation issues. We charge a flat fee, plus expenses, for the seminar. Please contact us by reply email if you think an in-house seminar of this nature would be helpful for your institution.

Also, given the time it will take to complete the various Check 21 implementation efforts, we do not believe financial institutions have the luxury of waiting for the Federal Reserve Board's final regulations to begin their consideration of Check 21. To help your institution prepare for Check 21 based on the Federal Reserve's proposed regulation it recently issued for public comment, we have posted

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on our web site, http://www.schwartzandballen.com/whats_new.html, two comment letters that we helped draft that highlight various issues raised by the Fed's proposal. The first comment letter, filed on behalf of more than 40 financial institution trade associations, financial institutions and technology companies, addresses ten high level issues raised by the proposal, such as repair of substitute checks, situations where a substitute check may not be a substitute check, situations where items that are not substitute checks may nevertheless be subject to certain of the substitute check rules, and the consumer disclosures required by Check 21. The second comment letter, submitted by the Electronic Check Clearing House Organization, a national clearinghouse dedicated to promoting check electronification, addresses numerous more technical issues raised by the Fed proposal.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.