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M E M O R A N D U M

October 25, 2004

To Our Clients and Friends

Re: Regulation J: Check 21-Related Amendments to Final Rule

The Federal Reserve Board has published a final rule amending Regulation J, which governs the collection of checks and other items by Reserve Banks, to address implementation of the Check Clearing for the 21st Century Act (“Check 21 Act”) and check image exchange generally. The amendments to Regulation J will take effect when the Check 21 Act becomes effective on October 28, 2004.

The amendments to Regulation J include establishing a definition of an “electronic item,” as well as adding new warranties and indemnities that apply when banks send electronic items to, and receive electronic items from, a Reserve Bank in the forward and return check collection process. The amendments to Regulation J also include provisions relating to the exchange of substitute checks by Reserve Banks.

A copy of the final rule can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

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