

OCT 25 1984

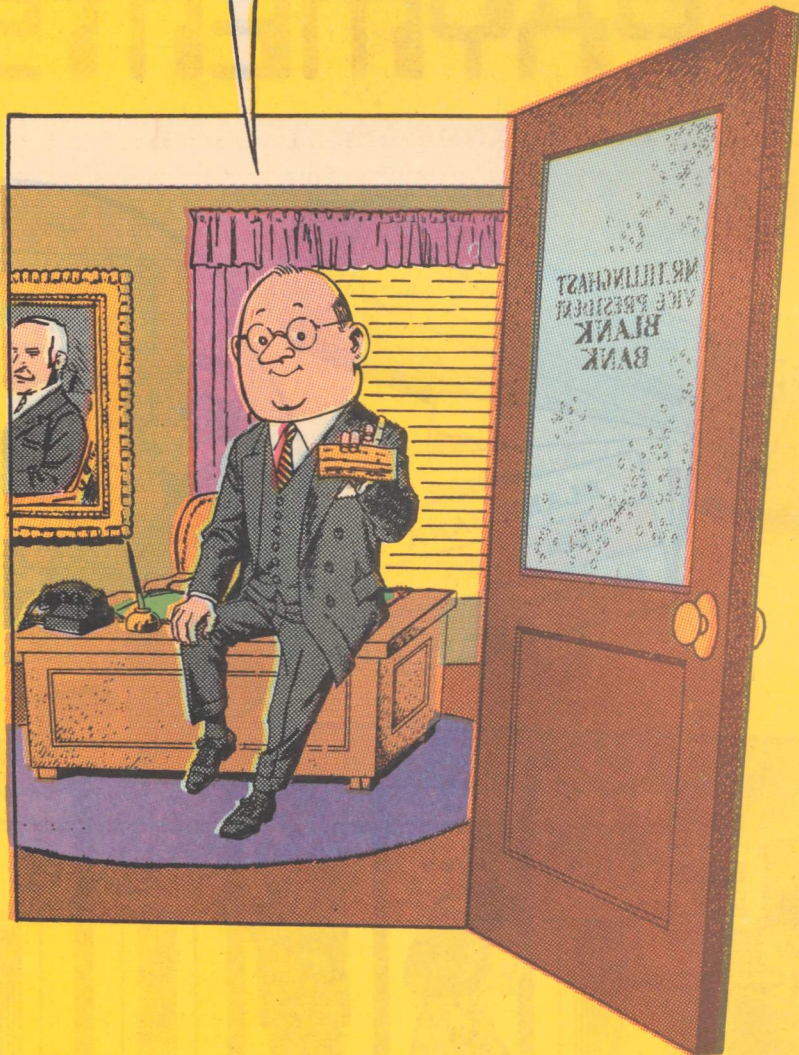
# THE STORY OF CHECKS AND ELECTRONIC PAYMENTS



FEDERAL RESERVE BANK OF NEW YORK



THIS IS ONE OF THE MOST VALUABLE PIECES OF PAPER IN THE WORLD...A CHECK. WE USE CHECKS TO PAY MOST OF OUR BILLS. AN EFFICIENT PAYMENTS SYSTEM IS VITAL TO A DYNAMIC ECONOMY, AND THAT'S WHY CHECKS ARE SO IMPORTANT. BUT CHECKS AREN'T THE ONLY WAY WE MAKE PAYMENTS. IN RECENT YEARS, ELECTRONIC MONEY HAS PLAYED A GROWING ROLE. LET'S LOOK AT HOW CHECKS AND ELECTRONIC PAYMENTS EVOLVED, HOW THEY WORK AND WHAT THE FUTURE HOLDS.



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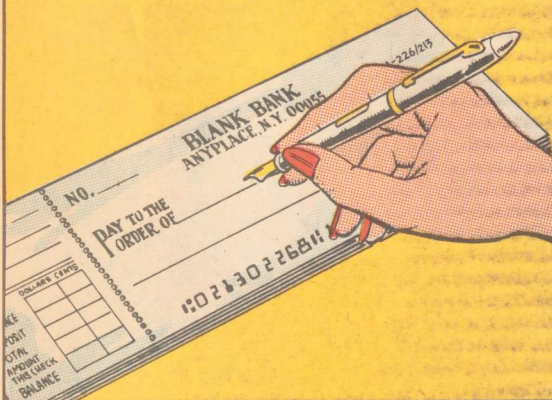
THE HENDERSONS, LIKE MANY AMERICANS, HAVE A CHECKING ACCOUNT. AT THE MOMENT, MRS. HENDERSON IS FACING A SITUATION WE CAN ALL APPRECIATE...



MRS. HENDERSON? I HAVE A C.O.D. PACKAGE FROM FITZHUGH'S DEPARTMENT STORE FOR \$24.95.

OH MY! I DON'T HAVE THE CASH...WAIT A MINUTE, I'LL WRITE A CHECK!

BY FILLING IN THE BLANKS ON A CHECK, MRS. HENDERSON SPENDS \$24.95 AS EASILY AS IF IT WERE CURRENCY AND COIN.



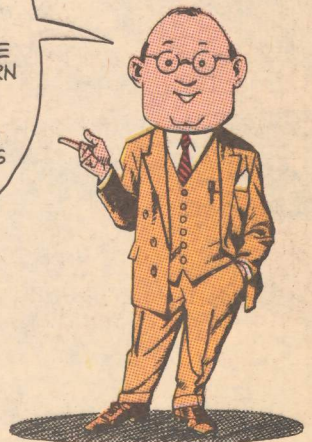
HERE'S THE CHECK.

THANKS, MRS. HENDERSON.



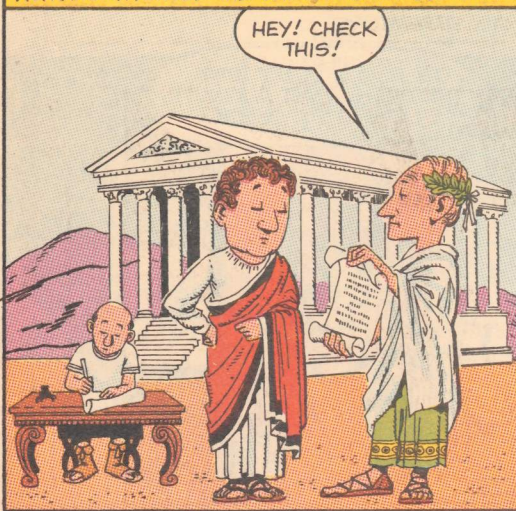
I'M GLAD WE HAVE A CHECKING ACCOUNT! I DON'T SEE HOW PEOPLE EVER DID WITHOUT CHECKS!

LIKE MRS. HENDERSON, MOST OF US AGREE THAT CHECKS ARE CONVENIENT. BUT WE GIVE LITTLE THOUGHT TO HOW THEY DO THEIR JOB. EACH DAY, BILLIONS OF DOLLARS CRISS-CROSS THE NATION IN A COMPLEX PATTERN TO SETTLE MILLIONS OF PAYMENTS LIKE MRS. HENDERSON'S. CHECKS ALSO SETTLE BILLIONS OF DOLLARS OF GOVERNMENT AND BUSINESS PAYMENTS.





EXPERTS AREN'T SURE... BUT SOME SAY THE ROMANS INVENTED THE CHECK ABOUT 352 B.C.



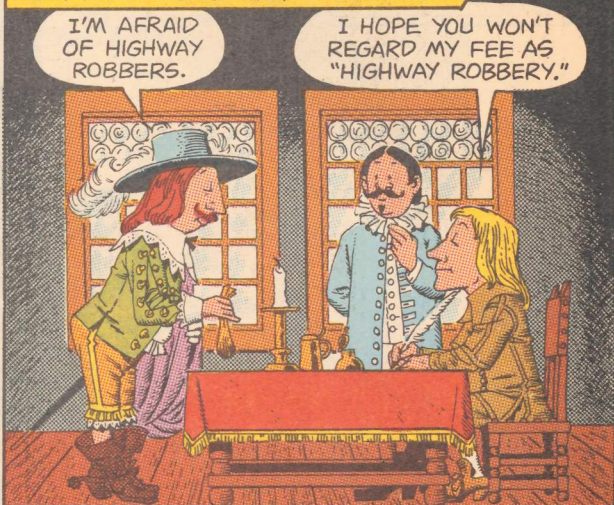
OTHERS CREDIT THE DUTCH. IN AMSTERDAM, ABOUT A.D. 1500, PEOPLE DEPOSITED THEIR CASH WITH "CASHIERS" FOR A FEE, RATHER THAN RISK STORING IT AT HOME.



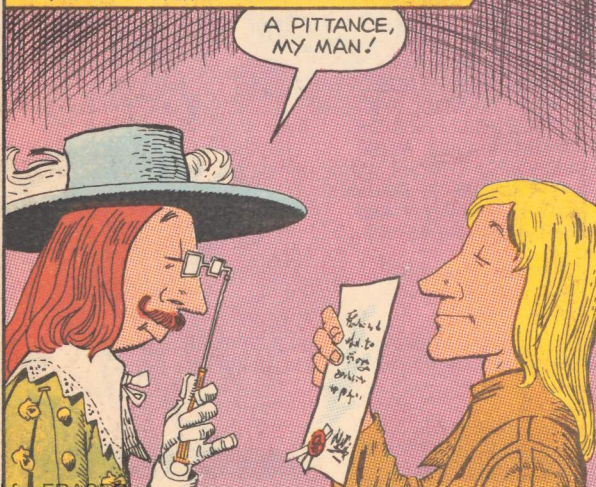
THE CASHIERS ALSO AGREED TO COLLECT AND CANCEL DEBTS ON DEPOSITORS' WRITTEN ORDERS... IN OTHER WORDS, CHECKS.



DURING THE LATE 1600s IN ENGLAND, PEOPLE BEGAN DEPOSITING CASH WITH GOLDSMITHS...



...IN EXCHANGE FOR "GOLDSMITH NOTES," THESE SIMPLE PEN-AND-INK RECEIPTS WERE WRITTEN PROMISES TO PAY THE CUSTOMER OR SOMEONE ELSE.

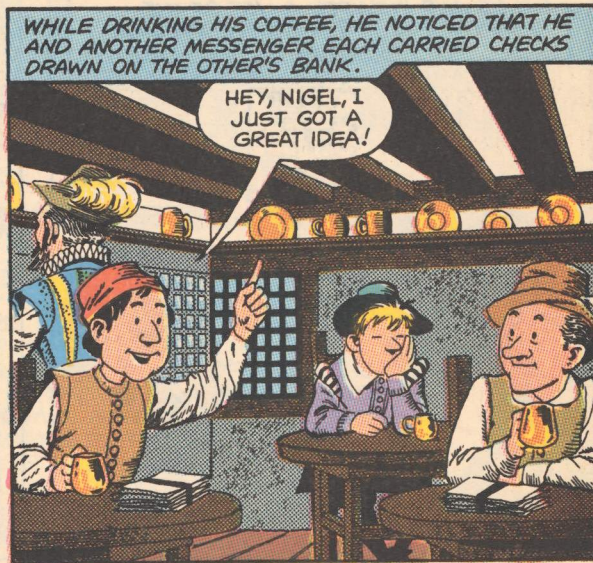
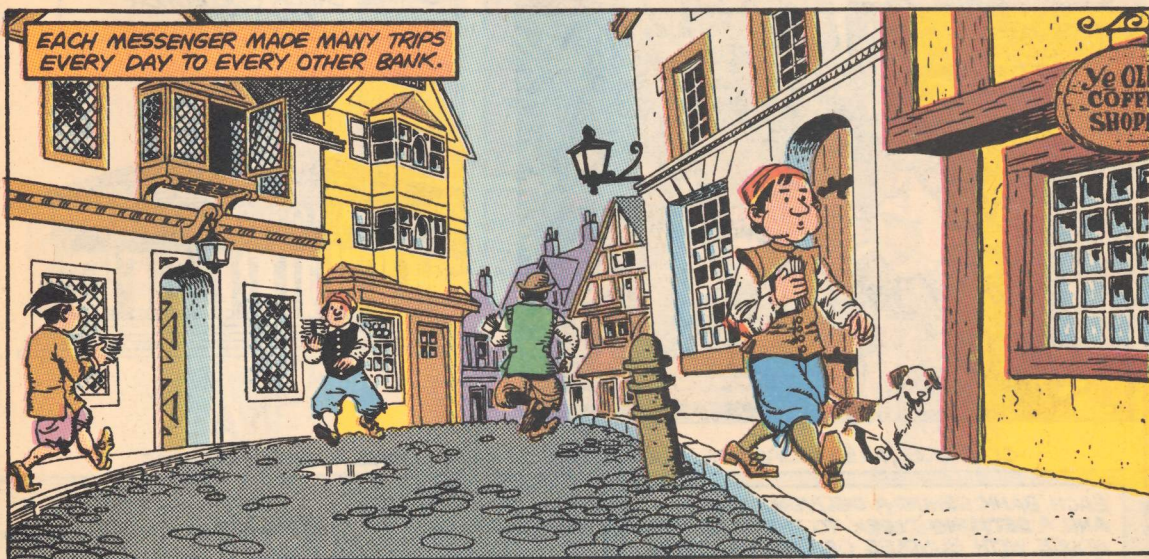


THE CUSTOMER ALSO MIGHT WRITE THE GOLDSMITH, DIRECTING HIM TO PAY A CERTAIN SUM TO ANOTHER PERSON, OR TO THE BEARER OF THE NOTE. THESE ORDERS DIFFERED FROM MODERN CHECKS ONLY IN BEING LESS UNIFORM.





AS CHECKS EVOLVED FROM GOLDSMITH NOTES, IT BECAME INCONVENIENT FOR PEOPLE RECEIVING CHECKS TO RUN AROUND TO DIFFERENT BANKS TO GET THEIR MONEY. SO THE JOB WAS LEFT TO BANKS, WHICH USED MESSENGERS...

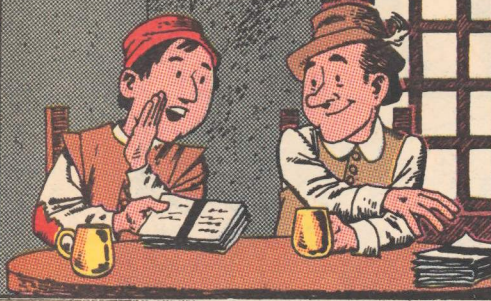




THEY DECIDED TO SHORTEN THEIR TRIPS BY EXCHANGING THEIR BUNDLES OF CHECKS THERE.

I'LL MEET YOU HERE SAME TIME TOMORROW.

RIGHT!



THE IDEA CAUGHT ON AND SOON OTHER MESSENGERS STARTED MEETING AT THE COFFEE HOUSE TO EXCHANGE CHECKS.

HI, GANG!

YOU'RE LATE!

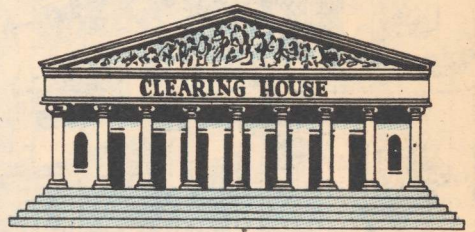


MANY BANKERS OBJECTED TO THIS SHORT-CUT AT FIRST...

LOAFERS!



...BUT LATER REALIZED ITS VALUE. TODAY, THE LOCAL "CLEARING HOUSE" IS AN INTEGRAL PART OF THE CHECK COLLECTION OPERATION.



CLEARING HOUSES OPERATE MUCH AS THE ORIGINAL COFFEE HOUSE GATHERINGS.

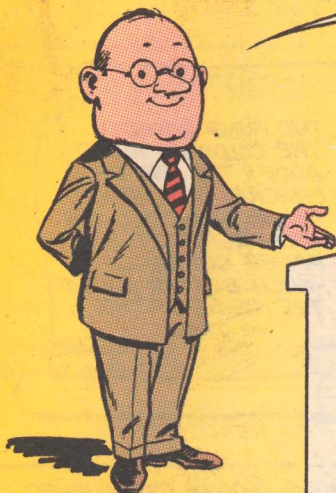
EACH BANK SENDS A DELIVERY CLERK AND A SETTLING CLERK TO THE CLEARING HOUSE WITH BUNDLES OF CHECKS. EACH BUNDLE CONTAINS CHECKS OF THE OTHER BANKS AND INCLUDES A LIST OF THE AMOUNTS DUE THEIR BANK FROM EACH OTHER BANK.



AT THE CLEARING HOUSE, THE CLERKS HAND OVER THE CHECKS DRAWN ON THE OTHER BANKS, RECEIVE THE CHECKS DRAWN ON THEIR BANK, AND SETTLE NET DIFFERENCES AMONG THEMSELVES.



A BOOKKEEPING RECORD OF A NET SETTLEMENT MIGHT LOOK SOMETHING LIKE THIS.



THE CLEARING HOUSE			
A	B	C	CLEARING HOUSE
GETS	GETS	GETS	TOTAL
200 FROM C	300 FROM A	700 FROM B	
400 FROM B	500 FROM C	100 FROM A	
600	800	800	= 2200
PAYS	PAYS	PAYS	TOTAL
300 TO B	400 TO A	200 TO A	
100 TO C	700 TO C	500 TO B	
400	1100	700	= 2200
NET SETTLEMENT +200	NET SETTLEMENT -300	NET SETTLEMENT +100	0

THE NET RESULT OF THE DAY'S CLEARING...



BANK A GETS \$200.



BANK B OWES \$300.

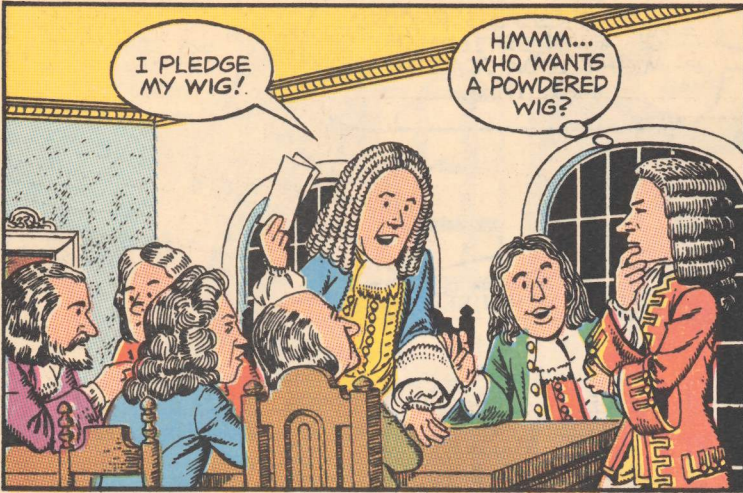


BANK C GETS \$100.

NET SETTLEMENT IS NO LONGER MADE IN CASH. IT IS NOW MADE LARGELY BY ELECTRONIC MESSAGES IN DEPOSIT BALANCES AT FEDERAL RESERVE BANKS.

MORE CHECKS ARE USED IN THE UNITED STATES TODAY THAN IN ANY OTHER COUNTRY. THEIR HISTORY HERE BEGAN IN 1681 WITH A FAMOUS EXPERIMENT CALLED "THE FUND AT BOSTON IN NEW ENGLAND." TO OFFSET A SHORTAGE OF HARD CASH FOR TRADE, BOSTON BUSINESSMEN MORTGAGED THEIR LAND AND WARES TO THE FUND. IN TURN, THEY RECEIVED A CREDIT AGAINST WHICH THEY COULD DRAW CHECKS.





THE FUND HOPED THE COLONISTS WOULD ADOPT THE USE OF CHECKS. CHECKBOOK MONEY, HOWEVER, WAS SOON REPLACED BY PAPER CURRENCY WHICH BETTER SUITED THE NEEDS OF THE TIME.

CHECKS DIDN'T COME INTO WIDESPREAD USE UNTIL DEPOSIT BANKING BECAME ESTABLISHED AFTER THE REVOLUTION. BY THE TIME OF THE CIVIL WAR, WITH THE GROWTH OF CITIES, IMPROVED TRANSPORTATION AND CHEAP, UNIFORM POSTAL RATES, CHECKBOOK MONEY HAD SURPASSED CURRENCY IN VOLUME.



IN THE YEARS AFTER THE CIVIL WAR, THE COUNTRY LACKED A CENTRAL CHECK CLEARING MECHANISM. BUT BANKS THAT DEALT FREQUENTLY SET UP ACCOUNTS WITH EACH OTHER.



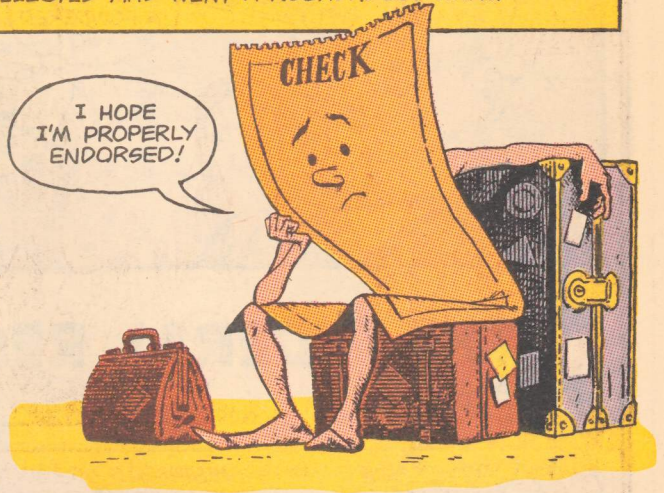
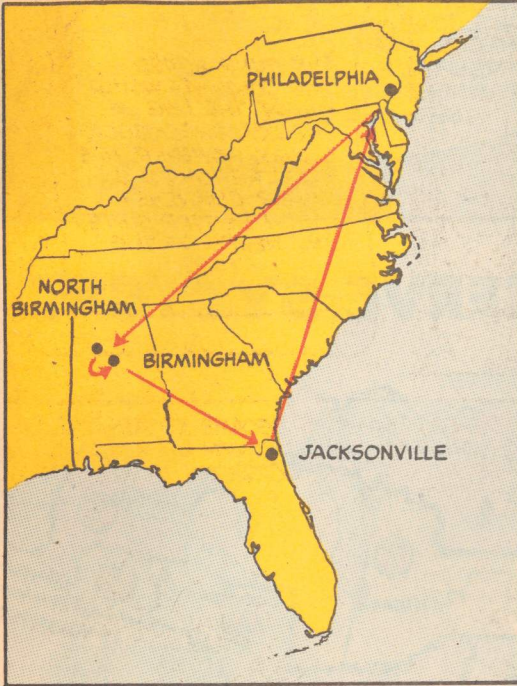
HOWEVER, SOME BANKS MADE PRESENTING OUT-OF-TOWN BANKS PAY AN "EXCHANGE CHARGE."



THESE CHARGES MADE CHECKS DRAWN ON CHICAGO BANKS, FOR EXAMPLE, LOSE VALUE WHEN CASHED IN NEW YORK OR HARTFORD.



TO AVOID THE EXCHANGE CHARGES, BANKS WOULD SEND OUT-OF-TOWN CHECKS TO CORRESPONDENT BANKS RATHER THAN BY THE MOST DIRECT ROUTE. CORRESPONDENTS WOULD IN TURN SEND THE CHECKS TO THEIR CORRESPONDENTS...THE RESULT--CHECKS SOMETIMES TOOK A LONG TIME TO BE COLLECTED AND WENT A ROUNDABOUT WAY...

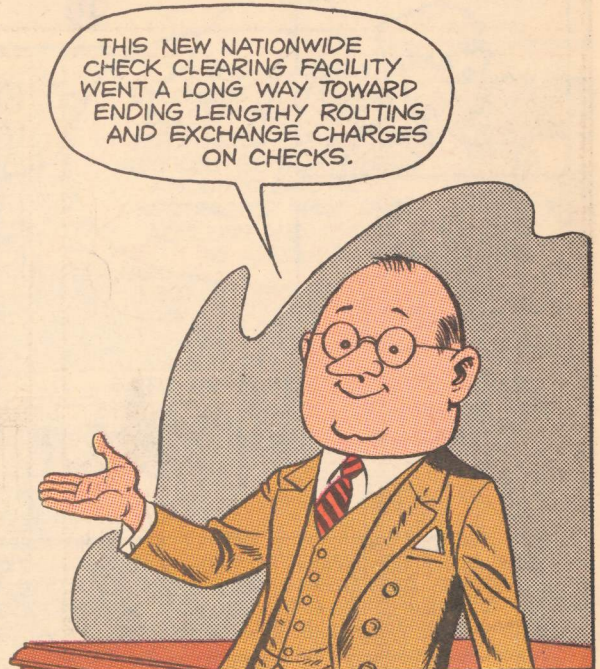


FOR EXAMPLE, A BIRMINGHAM BANK COLLECTING A CHECK ON A BANK FOUR MILES AWAY, LAUNCHED A CHECK ON A 2,250 MILE, 7-DAY JOURNEY.

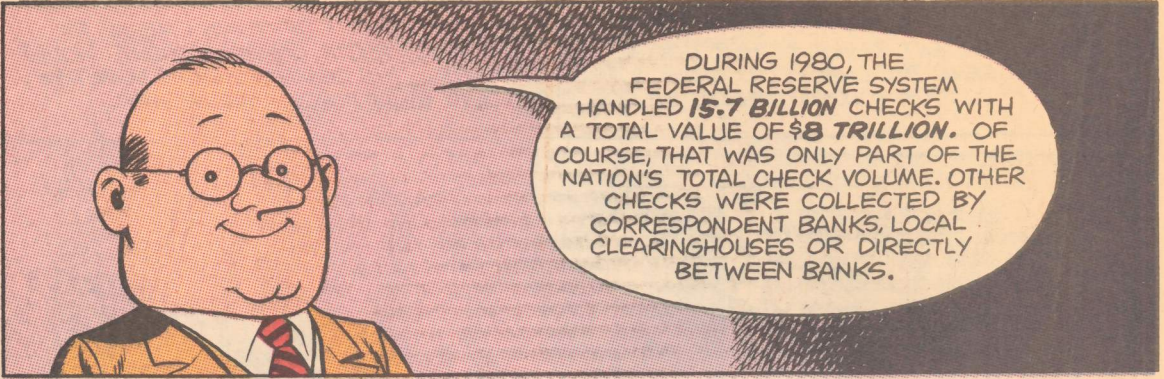
WHEN PRESIDENT WILSON SIGNED THE FEDERAL RESERVE ACT IN 1913, A NEW ERA IN THE STORY OF CHECKS BEGAN IN THE UNITED STATES. THE ACT ESTABLISHED FEDERAL RESERVE BANKS AND THEIR BRANCHES AS CHECK CLEARING AND COLLECTING CENTERS FOR THE BANKS THAT BELONGED TO THE FEDERAL RESERVE SYSTEM.



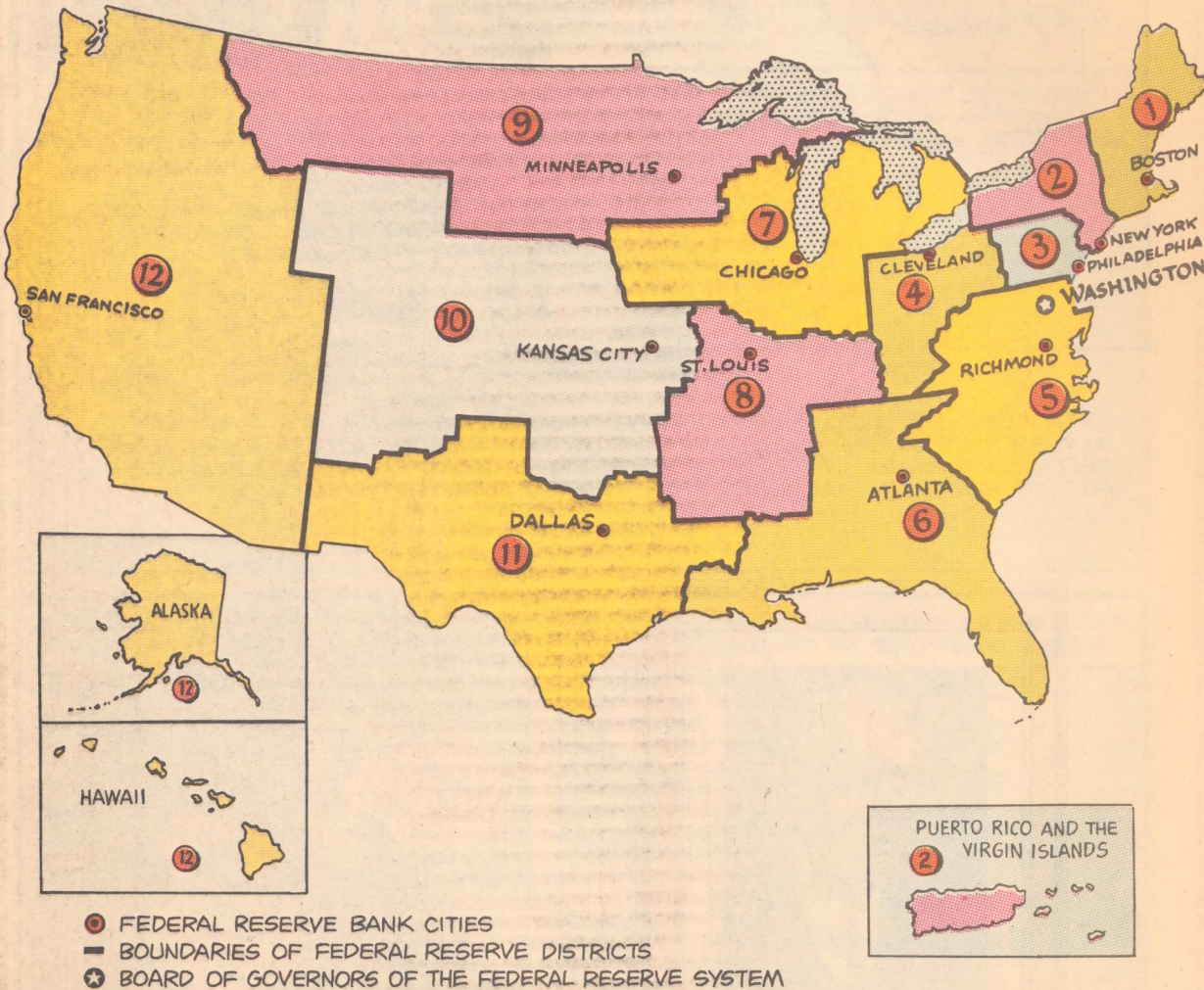
WOODROW WILSON







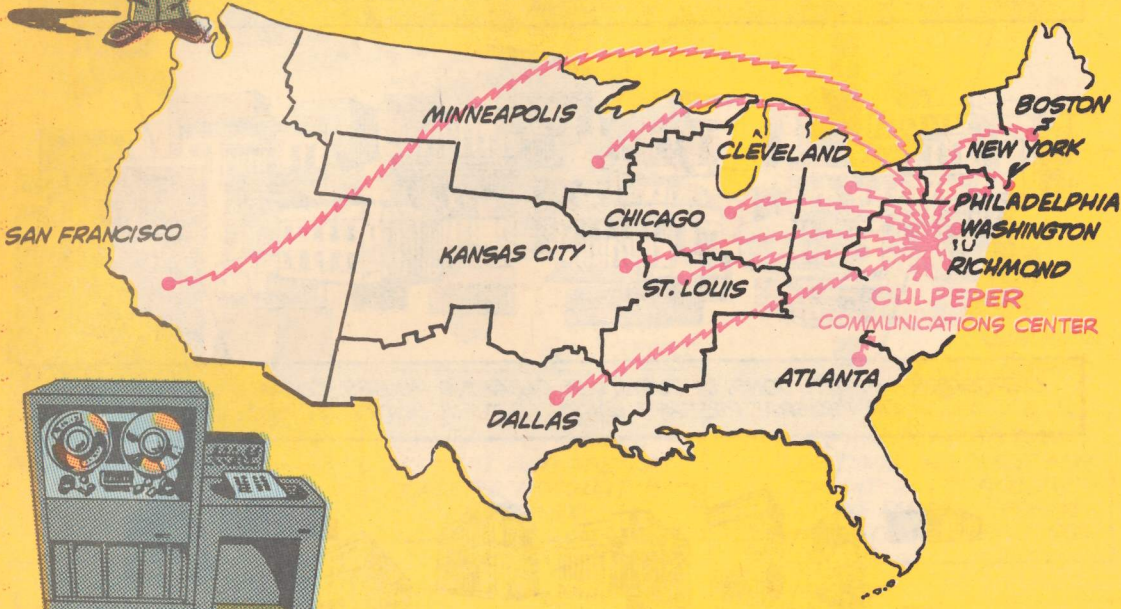
# THE FEDERAL RESERVE SYSTEM



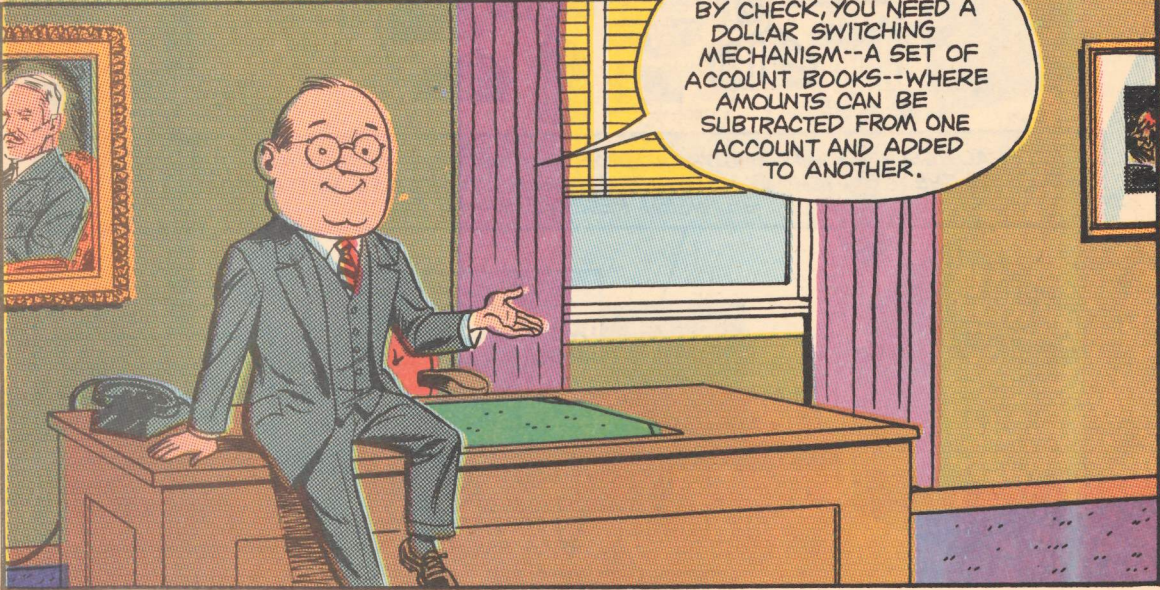
IN 1980, CONGRESS SIGNED LEGISLATION GIVING THRIFT INSTITUTIONS--SAVINGS BANKS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS--THE POWER TO OFFER CHECKING ACCOUNT TYPE SERVICES. BUT DUE TO INCREASED USE OF ELECTRONIC PAYMENTS, TOTAL CHECK VOLUME IS NOT EXPECTED TO INCREASE SUBSTANTIALLY IN THE YEARS AHEAD.



THE FEDERAL RESERVE'S ELECTRONIC COMMUNICATIONS NETWORK LINKS THE RESERVE BANKS WITH EACH OTHER AND WITH THE INTERDISTRICT SETTLEMENT FUND IN WASHINGTON, WHERE NET BALANCES ARE SETTLED FOR CHECKS SENT BETWEEN DISTRICTS.

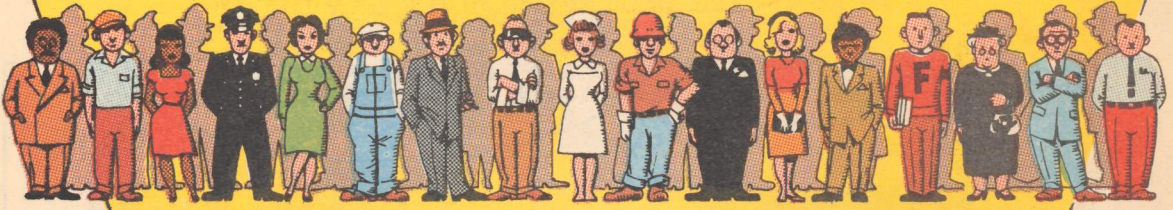


TO MOVE MONEY BY CHECK, YOU NEED A DOLLAR SWITCHING MECHANISM--A SET OF ACCOUNT BOOKS--WHERE AMOUNTS CAN BE SUBTRACTED FROM ONE ACCOUNT AND ADDED TO ANOTHER.

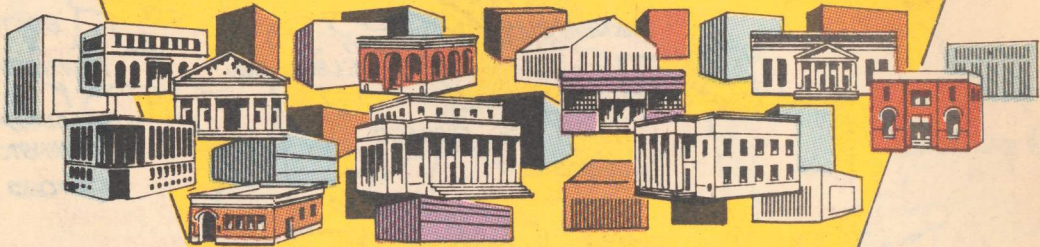




# HOW THE PAYMENTS SYSTEM WORKS



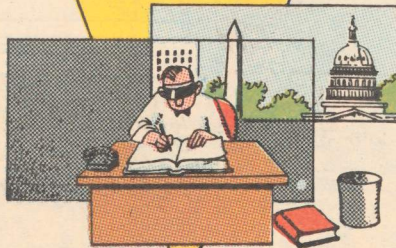
PEOPLE AND ORGANIZATIONS MOVE MONEY AMONG THEMSELVES BY USING DEPOSITORY INSTITUTIONS SUCH AS COMMERCIAL BANKS, SAVINGS AND LOAN ASSOCIATIONS, SAVINGS BANKS AND CREDIT UNIONS AS THEIR SWITCHING MECHANISM.



DEPOSITORY INSTITUTIONS, IN TURN, USE CLEARING HOUSES, CORRESPONDENT BANKS OR FEDERAL RESERVE BANKS AS THEIR SWITCHING MECHANISM.



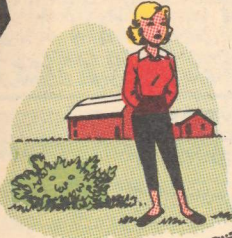
FEDERAL RESERVE BANKS USE THE INTERDISTRICT SETTLEMENT FUND IN WASHINGTON, D.C. AS THEIR SWITCHING MECHANISM. THE FUND SETTLES NET AMOUNTS DUE BETWEEN RESERVE BANKS DAILY.





LET'S TRACE A CHECK THROUGH THE FEDERAL RESERVE SYSTEM'S CLEARING AND COLLECTION FACILITIES TO SEE HOW THE FED LINKS THE PAYMENTS SYSTEM.

SUPPOSE MRS. HENDERSON, LIVING IN ALBANY, NEW YORK, BUYS A PAINTING FROM AN ART DEALER IN SACRAMENTO, CALIFORNIA



**SHE SENDS HER CHECK**



**1 THE DEALER DEPOSITS THE CHECK IN HIS ACCOUNT AT A SACRAMENTO BANK.**



**2 THE SACRAMENTO BANK DEPOSITS THE CHECK FOR CREDIT IN ITS ACCOUNT AT THE FEDERAL RESERVE BANK OF SAN FRANCISCO.**



**3 THE SAN FRANCISCO FED SENDS THE CHECK TO THE NEW YORK FED FOR COLLECTION.**



**7 THE SAN FRANCISCO FED ADDS THE AMOUNT TO SACRAMENTO BANK'S ACCOUNT AND THE ART DEALER'S ACCOUNT IS INCREASED.**

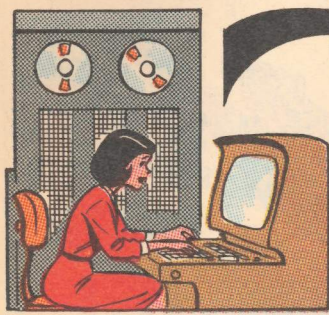


**6 THE NEW YORK FED PAYS SAN FRANCISCO FED FROM ITS SHARE IN THE INTER-DISTRICT SETTLEMENT FUND.**



**5 THE ALBANY BANK TELLS THE NEW YORK FED TO DEDUCT THE AMOUNT OF THE CHECK FROM ITS ACCOUNT.**

**4 THE NEW YORK FED SENDS MRS. HENDERSON'S CHECK TO THE ALBANY BANK WHICH DEDUCTS THE AMOUNT FROM HER ACCOUNT.**

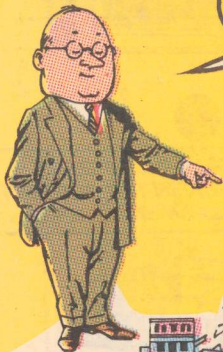




# THE FEDERAL RESERVE BANK OF NEW YORK

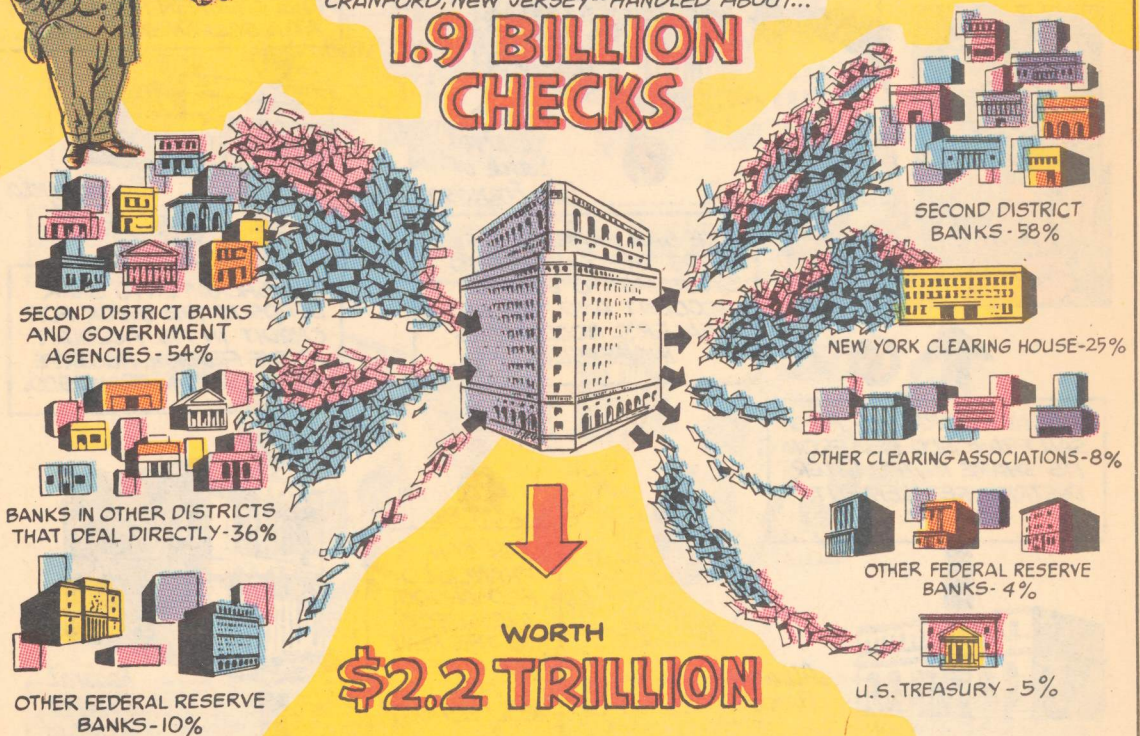
DURING 1980 AMERICANS WROTE OVER 34 BILLION CHECKS, TRANSFERRING ABOUT 30 TRILLIONS OF CHECKBOOK DOLLARS AROUND THE NATION. ASSUMING NONE OF THE CHECKS WERE WRITTEN ON WEEKENDS OR HOLIDAYS, THAT'S MORE THAN 135 MILLION CHECKS EACH BUSINESS DAY. COLLECTING THESE CHECKS QUICKLY IS A VERY BIG JOB--AND IMPORTANT TO THE EFFICIENCY OF OUR ECONOMIC SYSTEM.

LET'S LOOK AT THE FLOW OF CHECKS THROUGH ONE OF THE BUSIEST CHECK-PROCESSING OPERATIONS IN THE NATION AT THE FEDERAL RESERVE BANK OF NEW YORK...

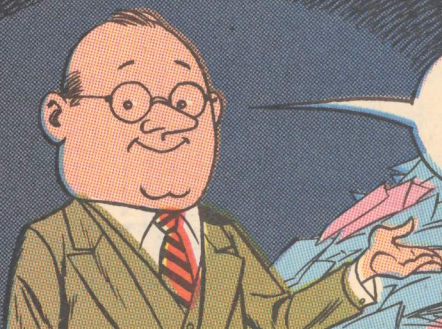


IN 1980, THE BANK--INCLUDING ITS BUFFALO BRANCH AND REGIONAL CHECK PROCESSING CENTERS IN JERICHO AND UTICA, N.Y. AND IN CRANFORD, NEW JERSEY--HANDLED ABOUT...

## 1.9 BILLION CHECKS



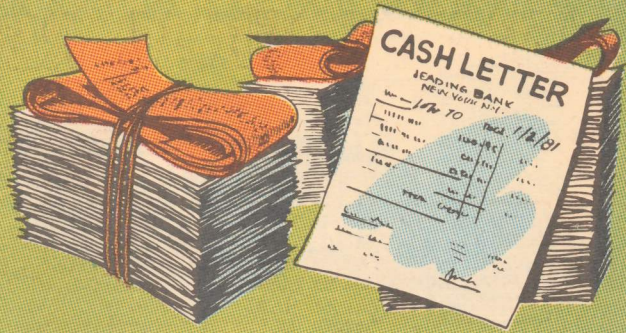
THAT'S ABOUT 12 PERCENT OF ALL CHECKS PROCESSED BY THE FEDERAL RESERVE SYSTEM. EACH DAY, THE NEW YORK FED SETTLES SOME \$4.3 BILLION WORTH OF CHECKS THROUGH THE INTERDISTRICT SETTLEMENT FUND.





CHECKS ARRIVE AT THE NEW YORK FED IN BUNDLES. ATTACHED TO EACH BUNDLE IS A TAPE LISTING THE AMOUNT OF EACH CHECK.

EACH BANK ALSO SENDS A "CASH LETTER" WHICH BEARS THE TOTAL OF ALL THE PACKAGES. THE FEDERAL RESERVE BANK VERIFIES THIS AMOUNT AND ADDS IT TO THE DEPOSITING BANK.



CHECK PROCESSING IS AUTOMATED. HIGH-SPEED ELECTRONIC MACHINES SORT CHECKS BY "READING" THE SORTING INSTRUCTIONS PRINTED IN MAGNETIC INK CHARACTERS ALONG THE BOTTOM OF CHECKS...AT A SPEED APPROACHING 100,000 CHECKS AN HOUR.

No 687 **GERALD S. FOWLER** 50-226  
 ANYPLACE, N.Y. 00055 213  
 Nov. 26 19 81

PAY TO THE ORDER OF *Charles Smith* \$ 102 <sup>95</sup>/<sub>100</sub>  
*One hundred two and 95/100* DOLLARS

BLANK BANK  
 ANYPLACE, N.Y. 00055 *Gerald S. Fowler*

⑆021302268⑆ 1234⑆07889⑆ 0687 ⑆0000010295⑆

**CHECK ROUTING SYMBOL:**  
 THE FIRST TWO DIGITS SHOW BLANK BANK'S FEDERAL RESERVE DISTRICT. THE THIRD DIGIT IDENTIFIES THE FEDERAL RESERVE OFFICE (HEAD OFFICE OR BRANCH) OR A SPECIAL COLLECTION ARRANGEMENT. THE FOURTH DIGIT SHOWS BLANK BANK'S STATE OR A SPECIAL COLLECTION ARRANGEMENT.

MR. FOWLER'S ACCOUNT NUMBER

CHECK NUMBER

DOLLAR AMOUNT PRINTED BY THE FIRST BANK RECEIVING THE CHECK.

THESE FOUR DIGITS ARE BLANK BANK'S INSTITUTIONAL IDENTIFIER.

**CHECK DIGIT:**  
 THIS NUMBER, COMBINED WITH THE FIRST EIGHT DIGITS, VERIFIES THE ROUTING NUMBER'S ACCURACY IN COMPUTER PROCESSING.



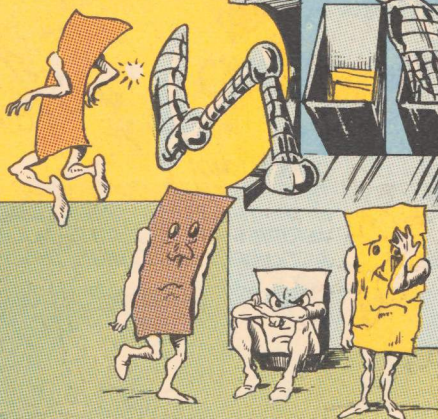
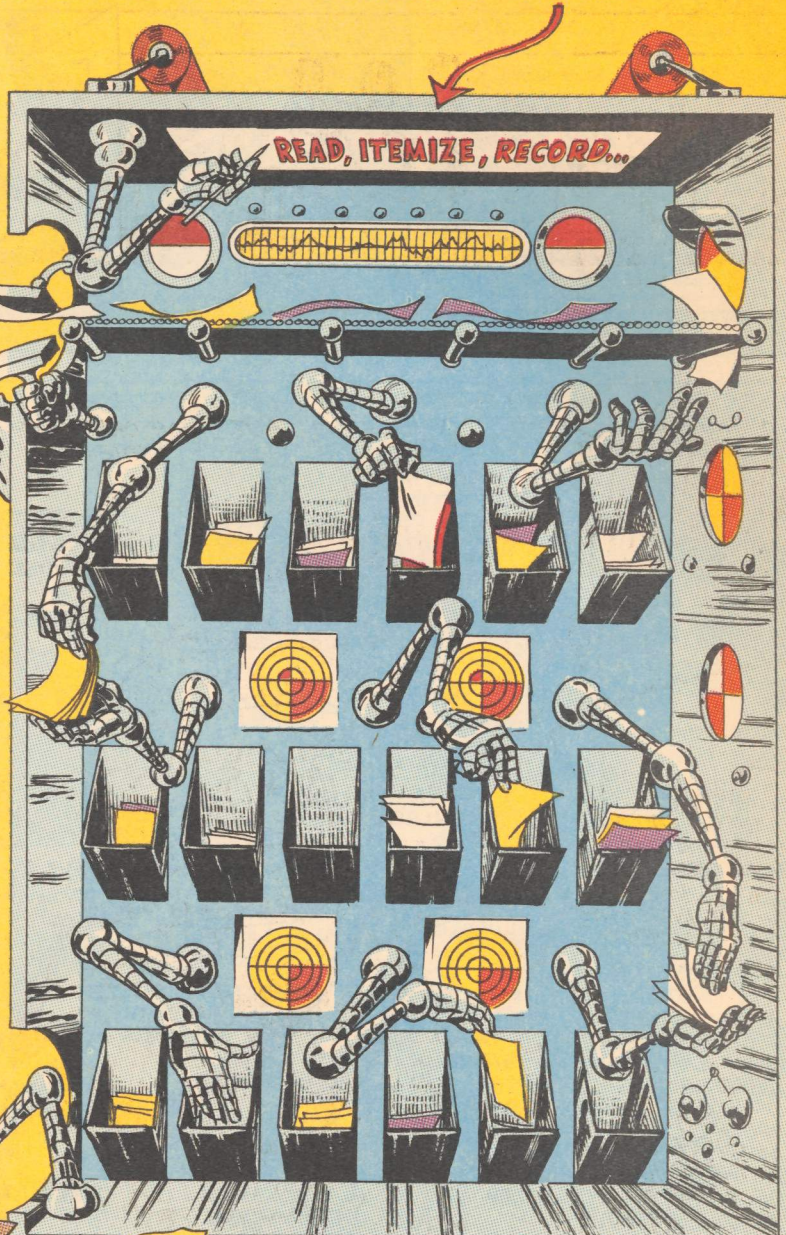
THE ROUTING NUMBER IS REPEATED IN A DIFFERENT FORMAT IN THE UPPER RIGHT HAND CORNER OF THE CHECK. THIS NUMBER IS USED IN MANUAL PROCESSING.



# THE CHECKS ARE FED INTO MACHINES THAT...

...ENDORSE AND SORT...

...THE CHECKS INTO COMPARTMENTS REPRESENTING EITHER SINGLE BANKS OR GROUPS OF BANKS.



SOME CHECKS ARE REJECTED BECAUSE OF MUTILATION, INCORRECT CODING OR FAILURE TO FIT THE MACHINE PATTERN. CHECKS LACKING MAGNETIC SYMBOLS ARE REJECTED AND PROCESSED BY HAND.

WHEN THE WHOLE PROCESS IS COMPLETED, THE MACHINE'S TABULATION MUST EQUAL THE "CASH LETTER" TOTAL.



AFTER VERIFICATION, THE CHECKS ARE PACKAGED AND SENT ON THEIR WAY BY ROAD, RAIL AND AIR. FASTER TRANSPORTATION HAS SPEEDED UP CHECK COLLECTION.



BUT SOME CHECKS CANNOT COMPLETE THEIR INTENDED TASKS...

ABOUT ONE OUT OF EVERY 95 CHECKS PASSING THROUGH THE SECOND DISTRICT CLEARING OPERATIONS IS RETURNED TO THE DEPOSITING BANK.

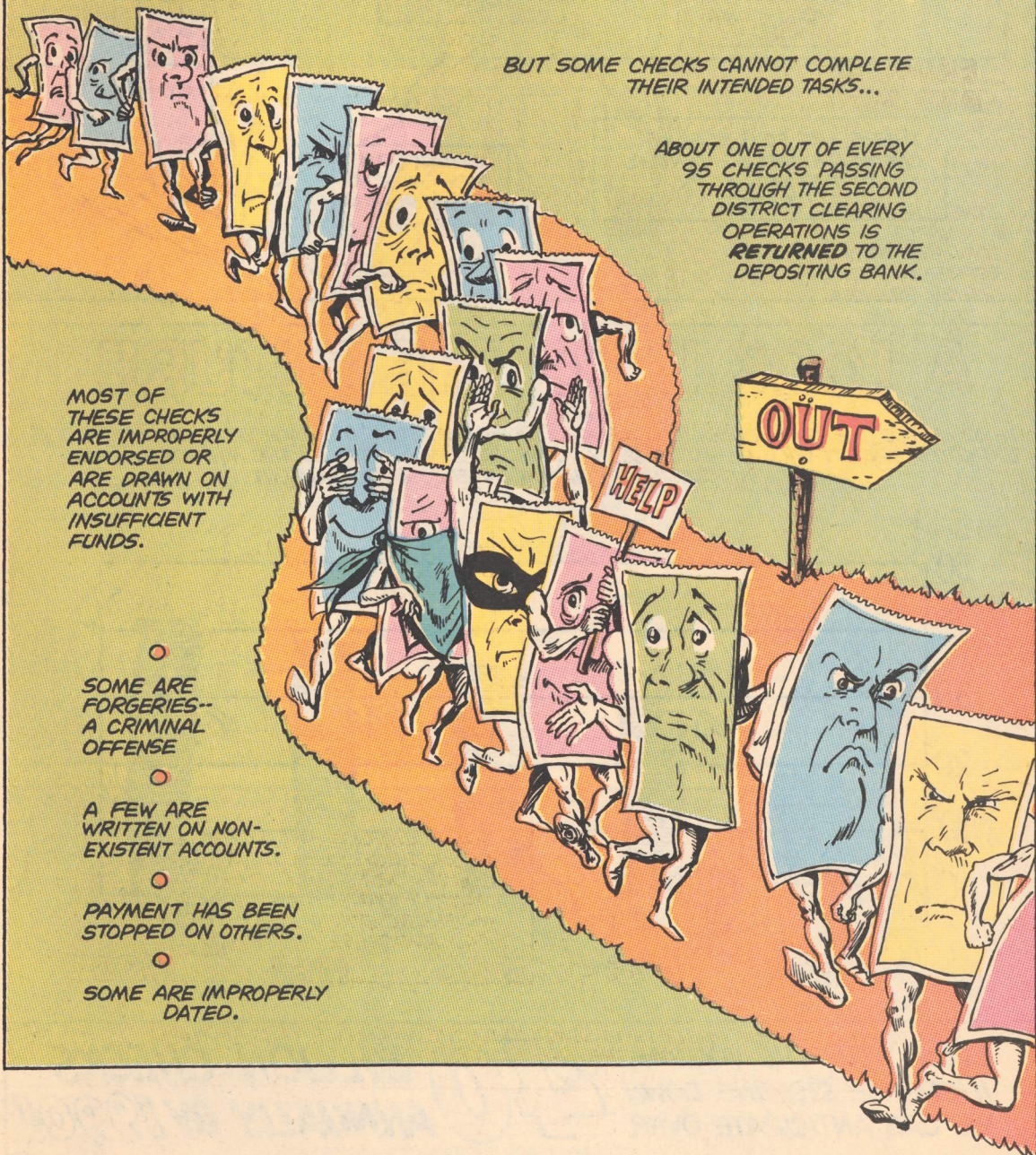
MOST OF THESE CHECKS ARE IMPROPERLY ENDORSED OR ARE DRAWN ON ACCOUNTS WITH INSUFFICIENT FUNDS.

SOME ARE FORGERIES-- A CRIMINAL OFFENSE

A FEW ARE WRITTEN ON NON-EXISTENT ACCOUNTS.

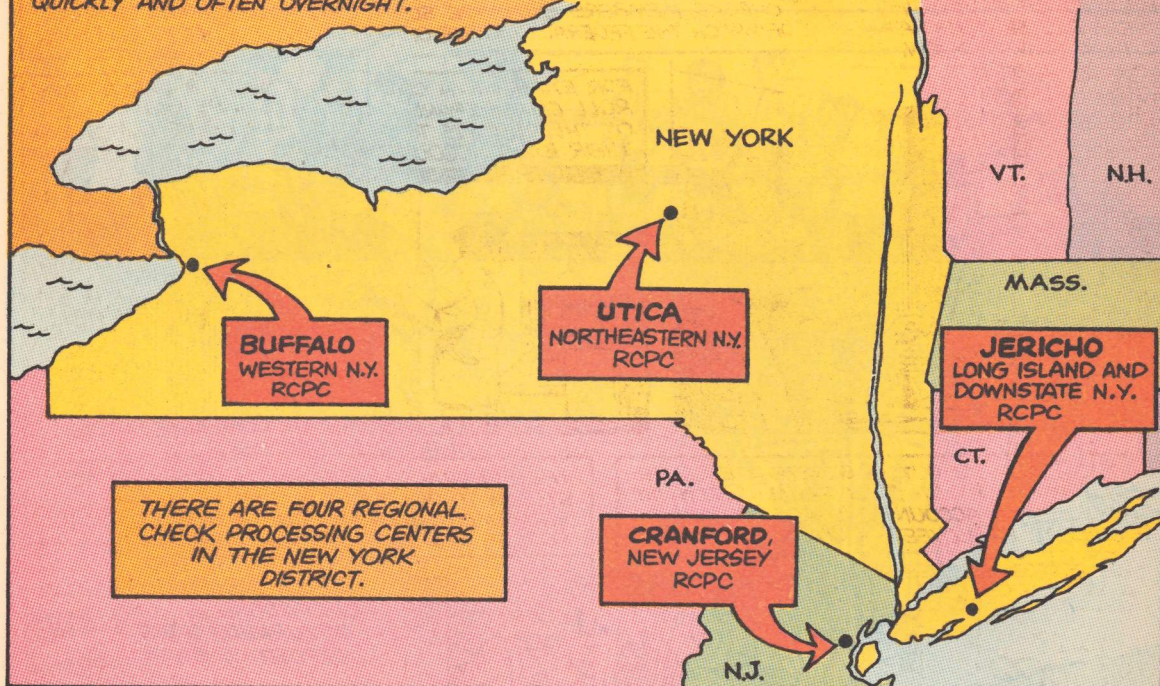
PAYMENT HAS BEEN STOPPED ON OTHERS.

SOME ARE IMPROPERLY DATED.



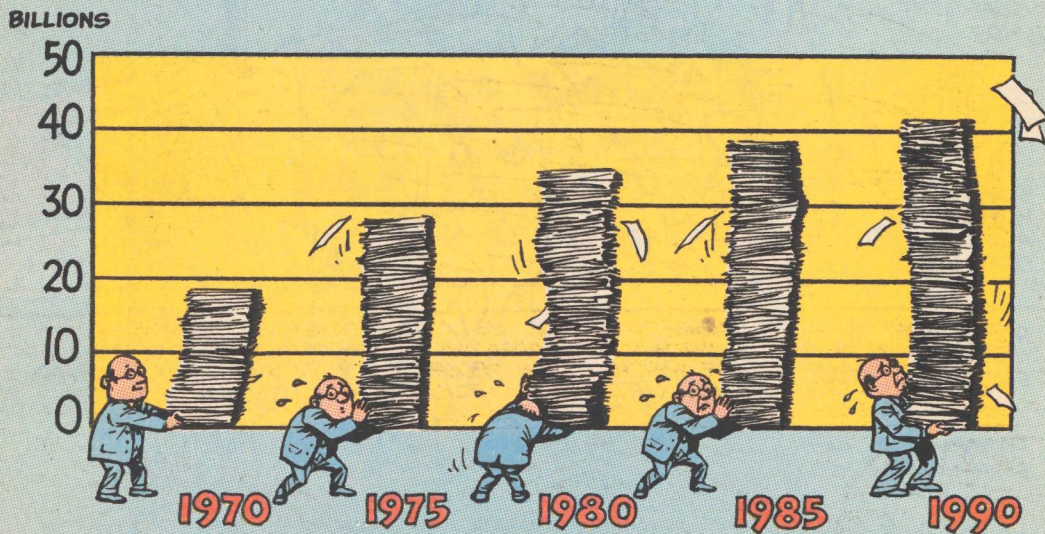


TO MAKE OUR PAYMENTS SYSTEM MORE EFFICIENT, THE FEDERAL RESERVE OPERATES 46 REGIONAL CHECK PROCESSING CENTERS (RCPCs) THROUGHOUT THE NATION TO PROCESS PAPER CHECKS QUICKLY AND OFTEN OVERNIGHT.



## A LOOK INTO THE FUTURE

THROUGHOUT THE 1970s, CHECK VOLUME HAS GROWN BY ABOUT 6% EACH YEAR. HOWEVER, IT IS EXPECTED THAT IT WILL BEGIN TO SLOW TO ABOUT 2% A YEAR BY THE MID-1980s, WITH INCREASING RELIANCE ON ELECTRONIC PAYMENTS.

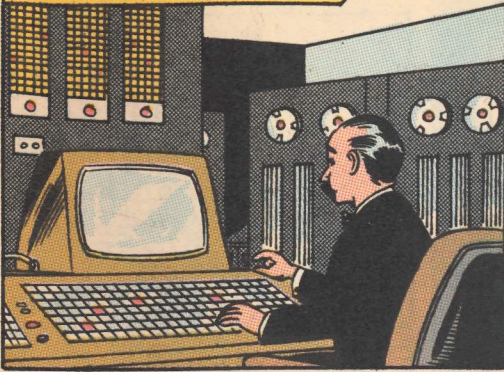


EVEN WITH THE VOLUME INCREASE SLOWING DOWN WE CAN ANTICIPATE OVER

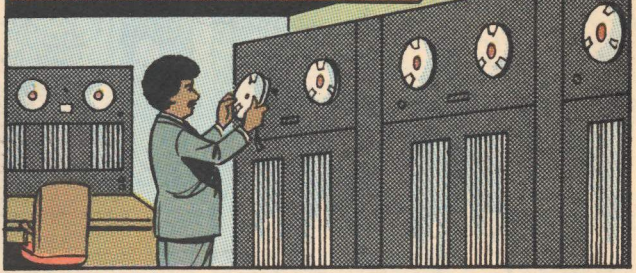
**40 BILLION CHECKS ANNUALLY BY 1990!**



OUR PAYMENTS SYSTEM HAS ALSO BENEFITED WITH THE DEVELOPMENT OF AUTOMATED CLEARING HOUSES (ACHs). AN ACH OPERATES THE SAME WAY AS A TRADITIONAL CLEARING HOUSE, EXCEPT THAT INSTEAD OF EXCHANGING PAPER CHECKS, MEMBERS EXCHANGE ELECTRONIC BOOKKEEPING ENTRIES. THERE ARE 38 ACHs NATIONWIDE OF WHICH THE FEDERAL RESERVE OPERATES 37; THE ACH IN NEW YORK CITY IS PRIVATELY OWNED.

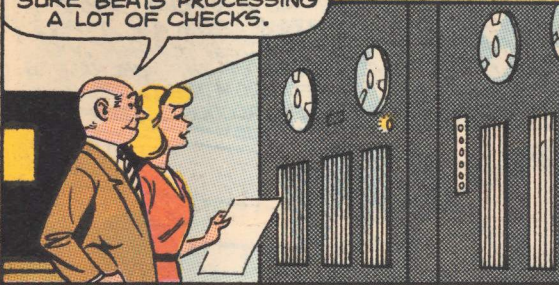


FOR EXAMPLE, A CORPORATION WITH A LARGE PAY-ROLL CAN PREPARE A COMPUTER TAPE LISTING ALL OF THE AMOUNTS TO BE PAID, EMPLOYEES' NAMES AND THEIR BANK ACCOUNT NUMBERS.

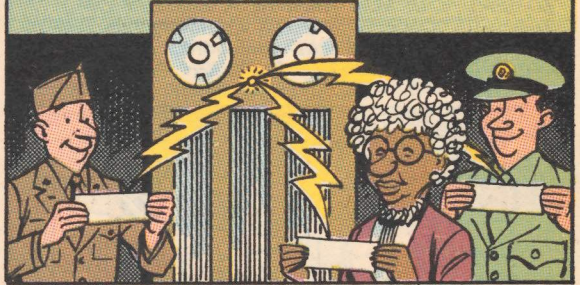


AT THE ACH, A COMPUTER IS INSTRUCTED TO DEDUCT THE AMOUNT OF EACH PAYMENT FROM THE CORPORATION'S ACCOUNT AND ADD THE SAME AMOUNT TO EMPLOYEES' ACCOUNTS AT THEIR INDIVIDUAL BANKS.

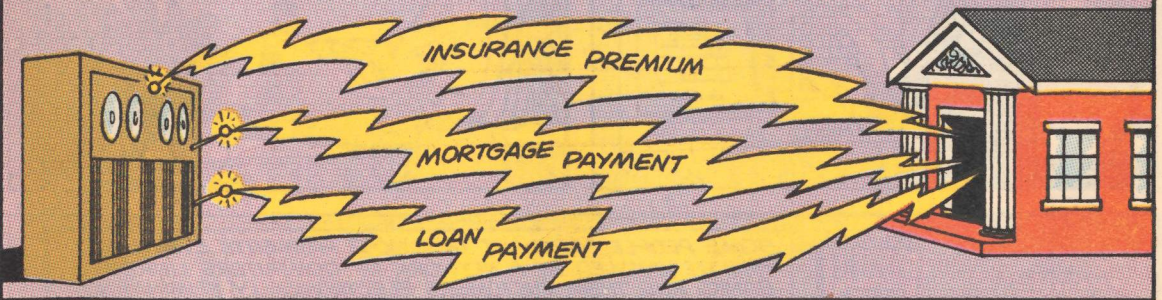
SURE BEATS PROCESSING A LOT OF CHECKS.



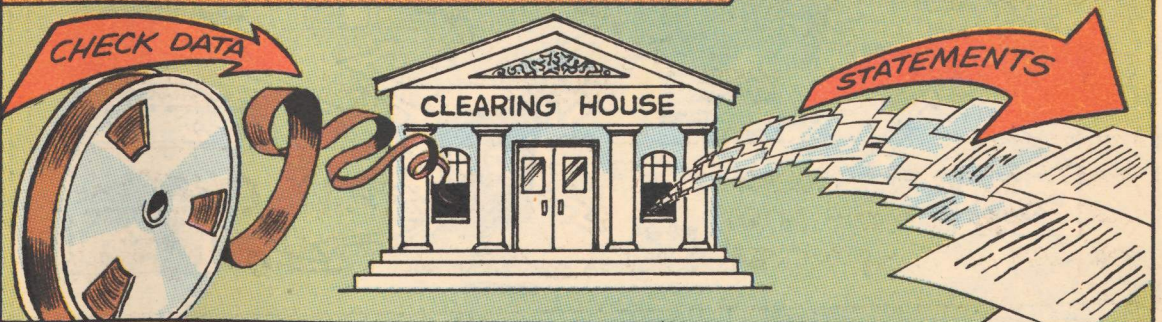
THE FEDERAL GOVERNMENT IS USING THE ACH SYSTEM TO PAY SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS, AS WELL AS THE ARMED FORCES AND CIVIL SERVICE PAYROLLS.



ACHs ALSO ALLOW INDIVIDUALS TO MAKE FIXED MONTHLY PAYMENTS AUTOMATICALLY.



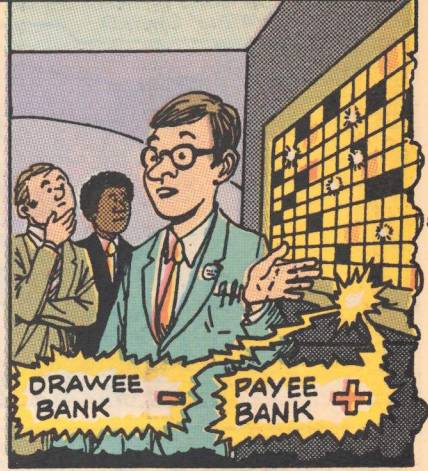
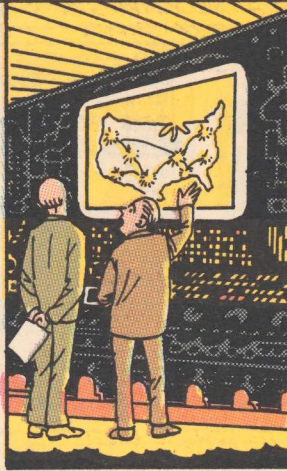
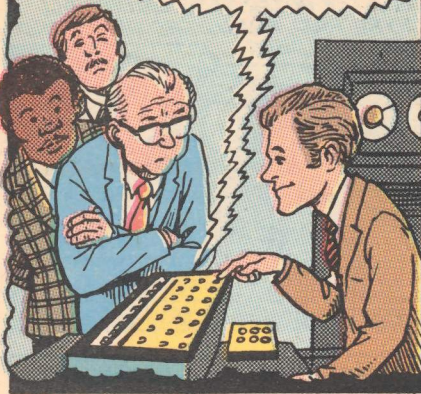
IN SOME AREAS, ACHs ARE ALSO HELPING TO REDUCE THE PAPER PROBLEM BY "TRUNCATING" OR SHORTENING THE FLOW OF CHECKS. INFORMATION APPEARING ON A PAPER CHECK IS COPIED ELECTRONICALLY ONTO A MAGNETIC TAPE WHICH IS THEN PROCESSED THROUGH AN ACH COMPUTER. INSTEAD OF GETTING BACK CANCELLED CHECKS, THE CHECK WRITER RECEIVES A COMPUTER PRINTOUT SHOWING CHECKS WRITTEN AND DEPOSITS MADE.



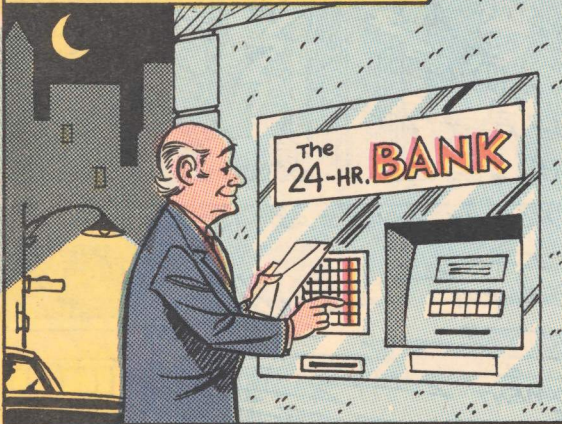


THE FEDERAL RESERVE SYSTEM'S ELECTRONIC COMMUNICATIONS NETWORK IS PLAYING AN INCREASINGLY IMPORTANT ROLE IN PROCESSING PAYMENTS BETWEEN FEDERAL RESERVE DISTRICTS.

TRANSACTION ENTERED  
CHICAGO .....  
SAN FRANCISCO ...



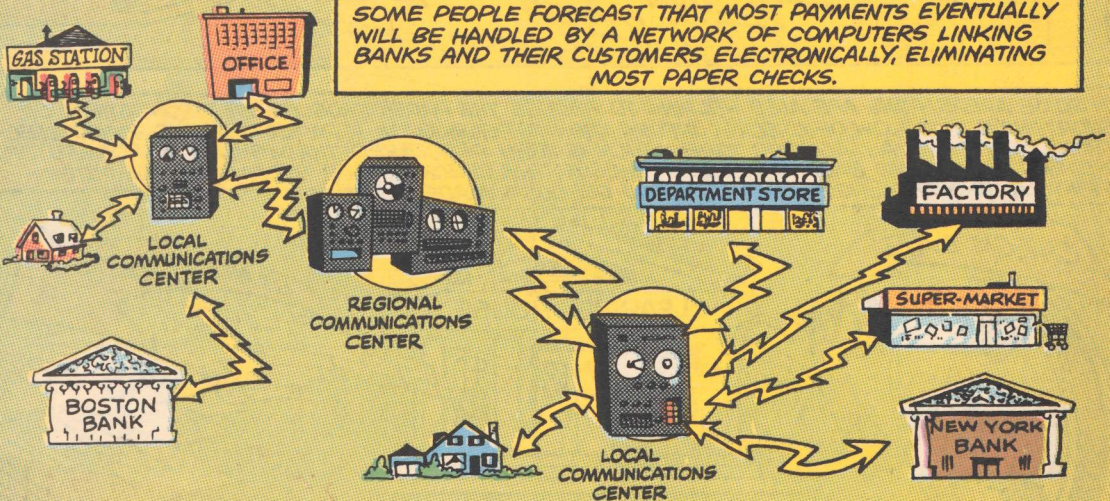
ELECTRONIC IMPROVEMENTS AREN'T CONFINED TO CHECK PROCESSING FACILITIES. BANK CUSTOMERS CAN NOW HANDLE A VARIETY OF TRANSACTIONS-- DEPOSITS, WITHDRAWALS, SHIFTS BETWEEN SAVINGS AND CHECKING ACCOUNTS AND LOAN PAYMENTS-- THROUGH AUTOMATED TELLER MACHINES... EVEN AT NIGHT.



IN SOME AREAS, STORES OFFER CUSTOMERS THE OPPORTUNITY TO MAKE CASHLESS AND CHECKLESS PAYMENTS. BY INSERTING A SPECIAL CARD IN A POINT-OF-SALE ELECTRONIC TERMINAL, TYPING IN A PERSONAL IDENTIFICATION NUMBER AND THE CHARGE, THE AMOUNT OF THE PURCHASE IS AUTOMATICALLY SHIFTED FROM THE CUSTOMER'S ACCOUNT TO THE STORE'S ACCOUNT.



SOME PEOPLE FORECAST THAT MOST PAYMENTS EVENTUALLY WILL BE HANDLED BY A NETWORK OF COMPUTERS LINKING BANKS AND THEIR CUSTOMERS ELECTRONICALLY, ELIMINATING MOST PAPER CHECKS.

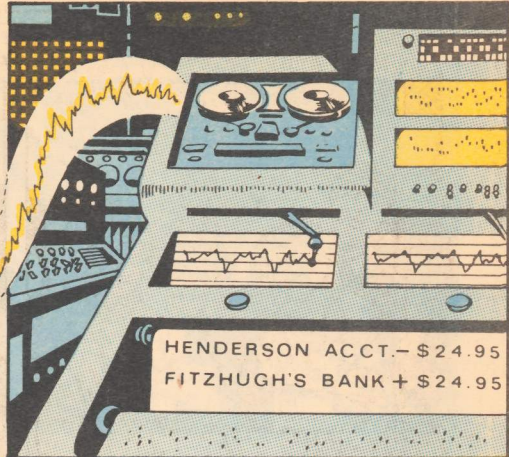




MRS. HENDERSON SOMEDAY MIGHT HAVE SEVERAL ALTERNATE MEANS OF PAYING BILLS. SHE MAY BE ABLE TO PAY FOR HER C.O.D. PACKAGE FROM FITZHUGH'S DEPARTMENT STORE WITH A CHECK, THROUGH A CREDIT CARD WIRE TRANSFER NETWORK OR, PERHAPS ELECTRONICALLY FROM HER HOME...



...BY ORDINARY TELEPHONE LINES CONNECTED TO HER BANK'S COMPUTER.



THE COMPUTER WOULD VERIFY HER IDENTITY (PERHAPS BY VOICE), CHARGE HER BANK ACCOUNT AND TRANSFER HER PAYMENT DIRECTLY TO THE STORE'S ACCOUNT.

MOST OF THE HENDERSONS' RECEIPTS AND PAYMENTS WILL BE MADE ELECTRONICALLY BY THEIR BANK WITHOUT CHECKS. EACH MONTH THEY WILL RECEIVE A COMPLETE PRINTOUT FROM THE BANK.

DEMAND ACCOUNT 435-72-2485  
MR AND MRS J.C. HENDERSON  
11 SUNSET DRIVE  
ANYPLACE, N.Y. 00055

**BLANK BANK**  
Anyplace, N.Y. 00055

Date	Transaction	Amount
APRIL 30	OPENING BALANCE	\$ 1000.43
<b>RECEIPTS</b>		
MAY 1	BLANK BANK	\$ 15.48
MAY 3	BIG CITY MANUFACTURING CORP.	1235.75
	ABC CORP.	27.30
MAY 5	ANYPLACE FURNITURE CO.	41.12
MAY 23		\$ 1319.65
<b>PAYMENTS</b>		
MAY 1	ANYPLACE SAVINGS BANK	\$ 276.50
MAY 3	BLANK BANK	100.00
MAY 8	FITZHUGH'S DEPT STORE	24.95
MAY 10	LOCAL POWER CO.	32.60
MAY 15	XYZ FINANCE CO.	100.00
MAY 18	ANYPLACE FOOD MART	160.38
MAY 28	FOUR CORNERS GARAGE	33.28
		\$ 727.71
MAY 31	CLOSING BALANCE	\$ 1592.37



THE FUTURE WILL UNDOUBTEDLY HOLD MORE ELECTRONIC PAYMENTS. HOWEVER, AMERICAN FAMILIES AND BUSINESSES WILL STILL USE PAPER CHECKS.



BUT, WHATEVER THE MIX BETWEEN ELECTRONIC AND CHECK PAYMENTS, THE FEDERAL RESERVE WILL CONTINUE TO PLAY A VITAL ROLE IN PROVIDING AND ENCOURAGING AN ECONOMICAL, RELIABLE AND EFFICIENT PAYMENTS SYSTEM.





# HOW TO WRITE A CHECK—

WRITE YOUR CHECK CLEARLY AND COMPLETELY. DON'T LEAVE ANY BLANKS. AFTER YOU HAVE FILLED THE STUB IN YOUR CHECKBOOK AND COMPLETED THE ARITHMETIC (TO MAKE SURE YOUR BALANCE COVERS THE CHECK YOU ARE DRAWING), FILL IN THESE FIVE ITEMS IN INK.

1. THE DATE YOU WRITE THE CHECK. NEVER WRITE A FUTURE DATE.
2. THE NAME OF THE PARTY RECEIVING THE CHECK AFTER "PAY TO THE ORDER OF".



CHECK NO. 451 CHECK No. 451 50-108  
210

BLANK BANK

ANYPLACE, N.Y. 00055 DATE June 27, 1981

PAY TO THE ORDER OF J. Bryan Kendrick \$ 9<sup>50</sup>/<sub>100</sub>  
Nine and 50/100 DOLLARS

Jane Jones

FOR repairs AMT. 9.50

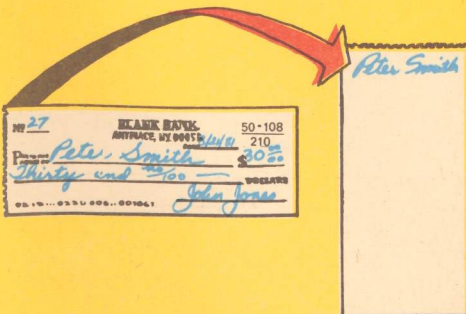
PREVIOUS BALANCE	135 52
AMOUNT DEPOSITED	40 -
AMOUNT THIS CHECK	9 50
PRESENT BALANCE	166 12

⑆021001088⑆ 005292867⑈

3. THE AMOUNT IN WORDS AS FAR TO THE LEFT AS POSSIBLE. FINISH THE SPACE WITH A LINE TO PREVENT THE INSERTION OF WORDS THAT INCREASE THE AMOUNT.
4. THE AMOUNT IN NUMBERS. WRITE AS CLOSE TO THE \$ SIGN AS POSSIBLE. IF THESE NUMBERS DO NOT AGREE WITH THE AMOUNT IN WORDS, YOUR BANK WILL PROBABLY PAY THE AMOUNT IN WORDS, BUT THIS WILL TAKE EXTRA TIME.
5. YOUR SIGNATURE. IT SHOULD MATCH THE ONE FILED AT THE BANK WHEN YOU OPENED THE ACCOUNT. DON'T SIGN UNTIL YOU ARE SURE THAT THE CHECK SAYS WHAT YOU MEAN.

NEVER CROSS OUT OR CHANGE ANY PART OF YOUR CHECK. IF YOU MAKE A MISTAKE, START A NEW CHECK. DON'T LEND YOUR CHECK FORMS TO OTHERS.

# HOW TO ENDORSE A CHECK—



TO CASH, DEPOSIT, OR TRANSFER TO SOMEONE ELSE A CHECK MADE OUT TO YOU IT MUST BE "ENDORSED". SIMPLY WRITE YOUR NAME (AS IT APPEARS ON THE CHECK) ON THE BACK, AS SHOWN. IF THE NAME ON THE FACE OF THE CHECK DIFFERS FROM THE WAY YOU REGULARLY SIGN, YOU MAY ADD YOUR PROPER SIGNATURE. UNLESS YOU ADD A RESTRICTIVE PHRASE LIKE "FOR DEPOSIT ONLY", AN ENDORSED CHECK IS THE SAME AS CASH.



**The following comic-style booklets  
also are available from the Federal  
Reserve Bank of New York:**

*The Story of Money*  
*The Story of Banks*  
*The Story of Consumer Credit (English)*  
*The Story of Consumer Credit (Spanish)*  
*The Story of Inflation*

**FEDERAL RESERVE BANK OF NEW YORK**

**Public Information Department**

**33 Liberty Street • New York, N.Y. 10045**