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Standards Advisory: Magnetic Ink Still Required on Checks

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The advent of Check 21 in 2004 brought significant change to check clearing in the United States. It enabled Financial Institutions to convert paper checks into images for electronic exchange. Innovations in image-based processing have brought into question the need for magnetic (MICR) ink. The answer is “Yes, magnetic ink continues to be required on paper checks.”

Recently, the Federal Reserve has announced changes to Regulation CC to be effective on July 1, 2018, but it is **important to note that the requirements outlined herein are not changing.**

Regulation CC section 229.2 (u)(4) states: “non-cash item” means an item that would otherwise be a check, except that it has not been preprinted or post encoded in magnetic ink with the routing number of the Paying Bank.

Even though check clearing continues to evolve, Checks and Substitute Checks (IRDs) are legally required to include a magnetic code line in order to be treated as a “cash item” for processing in the U.S. Payment System.

MICR, short for Magnetic Ink Character Recognition, is a core characteristic of the check and allows the data in the code line on the bottom to be captured magnetically and/or optically. Data on checks not printed in MICR cannot be magnetically captured and may require manual data entry.

Please refer to the following:

- *US Code for Federal Regulations (Regulation CC): Section 229.2 (u)(4)*
- *US Code for Federal Regulations (Regulation CC): Section 229.2 (vv)*
- *Standard: ANSI X9.100-140, Image Replacement Document – IRD*
- *Standard: ANSI X9.100-160-1, Magnetic Ink Printing (MICR)*
- *Standard: ANSI X9.100-20, Print and Test Specifications for Magnetic Ink Printing (MICR)*

Answering Your Questions

Consumers and businesses are advised to contact their Financial Institution or refer to their account agreement if they have any questions.

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