

Banking and Finance Law Daily Wrap Up, CHECKS AND ELECTRONIC TRANSFERS—Fed seeks comment on impact from potential changes to check processing services, (Dec. 5, 2025)

Banking and Finance Law Daily Wrap Up

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By Jeff Williams

The Fed said the inquiry is warranted in light of the declining use of checks in favor of other payment methods, as well as increased fraud.

The Federal Reserve Board has [issued](#) a request for public comment on the impact of “potential strategic changes” to the check services the Fed provides, as well as regarding check usage and preferences.

[Noting](#) that Reserve Banks offer fee-based check collection and processing services to banks and credit unions, the Fed said that it is undertaking the inquiry as “check use has steadily declined, digital payment methods have grown in availability and use, and check fraud has risen” and stated that Reserve Banks will “need to make substantial investments in their check infrastructure to continue to providing the same level of check services going forward.”

In a separate [statement](#), Michelle Bowman—the Fed’s vice chair for supervision—objected to the issuance of the request for information (RFI), saying that it “seems to favor the discontinuation of check services by Reserve Banks, even while checks remain an important payment mechanism. ... Checks remain important payment mechanisms for consumers and businesses.”

A [memo](#) from Fed staff said that the potential changes “could range from foregoing needed investments to keep operating costs at existing levels, with expected service degradation over time; to significantly simplifying the service, with reduced operating costs; to substantially winding down the service and eliminating significant operating costs; to investing heavily to maintain and potentially improve the service with higher operating costs.” The range of potential changes would have varying implications on the fees Reserve Banks would charge to meet their statutory requirement to recover their costs for providing check services, the memo said.

The Fed said in the RFI that comments responding to the inquiry will be used to “assess possible strategies for the future of the Reserve Banks’ check services, including potentially substantial changes that may have longer run effects on the payments system,” as well as to “analyze other actions that the Federal Reserve System could consider with respect to checks, in partnership with the industry, to support the overall safety and efficiency of the payments system.”

Among other things, the Fed asked for commenters to weigh in with their views of the importance of the Reserve Banks’ check services and how that role should change over the next three years and over the next 10 years, as well about what the impact would be from possible changes, and whether they would be willing to incur additional costs to continue to process checks through the Reserve Banks. It also asked whether entities that use the check processing system have plans to transition away from checks to electronic payments and “[w]hat benefits and risks to the payments system and to the public should the Board consider as it assesses potential strategies for the Reserve Banks’ check services.”

The RFI cited a Fed payment study that said that despite the decline in check use brought on by other available payment options, the value of check payments amounted to \$27.23 trillion in 2021, which was approximately 21 percent of non-cash payments value. But it also noted that the “nature and design of the check instrument has made it a growing target of fraud.” In June, the Office of the Comptroller of the Currency, the Fed, and the Federal Insurance Deposit Corporation opened an inquiry seeking comment on ways to mitigate payments fraud, particularly check fraud (see [Banking and Finance Law Daily](#), June 17, 2025)).

In addition, the Fed said in the notice that because of the decline in the number of checks processed by the Reserve Banks, “the long-term viability of the Reserve Banks’ check services is increasingly at risk” and the “remaining expenditures for the Reserve Banks’ check services are largely fixed infrastructure costs, leaving little room for additional cost reductions or efficiency gains that would allow the Reserve Banks to continue providing the same level of check services at current prices while still meeting the cost recovery requirements established by the [Monetary Control Act].”

The current check-processing infrastructure the Reserve Banks use is also “aging and will soon require material investments relative to ongoing operating costs to support existing service levels,” the RFI said, adding: “Given the magnitude of potential investments, declining volumes, and trends in the check market more broadly, the Board believes that the time is appropriate to analyze a range of possible strategies for the future of the Reserve Banks’ check services.”

The Fed also noted that it will seek further public comment prior to adopting any proposed changes if its analysis “supports a strategy for the Reserve Banks’ check services that may have significant longer-run effects on the nation’s payments system.”

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