

Federal Government Initiatives Combat Fraud and Promote Digitalization of Payments

Alert

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Continuing the war on fraud and the attendant financial losses for U.S. businesses, consumers and government alike, the U.S. Department of the Treasury and federal banking agencies have launched a wide-ranging initiative under the Trump administration to move away from use or acceptance of paper checks and continue to digitalize the U.S. payments system.

BANKING AGENCIES ISSUE RFI TO ADDRESS PAYMENTS FRAUD

The Office of the Comptroller of the Currency, the Treasury, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the Banking Agencies) recently [issued a request for information](#) (RFI) in the *Federal Register* seeking public input on how to mitigate payments fraud.

Specifically, the Banking Agencies' RFI seeks stakeholder input on:

- Effective methods to educate businesses and consumers on payments fraud and how to implement secure payment options
- Amendments to existing regulations or Banking Agency guidance that could help address payments fraud and mitigate harm from payments fraud to consumers, businesses and supervised institutions
- Balancing prompt funds availability with risk of checks being returned, and potential amendments to Regulation CC to solve issues with inter-bank liability for returned checks
- Obstacles that currently limit the collaboration among industry stakeholders to combat fraud, including the collection and sharing of payments fraud data between industry stakeholders, and whether a

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centralized database of such information would be beneficial

- The types of payments fraud that most impact different organizations and what actions may support stakeholders in identifying, preventing and mitigating payments fraud across industries

Comments on the Banking Agencies' RFI are due by Sept. 18, 2025.

EXECUTIVE ORDER 14247 SETS THE STAGE FOR REVAMPING GOVERNMENT PAYMENTS

The large-scale initiative to modernize government payments and combat payments fraud started in March 2025 with President Trump's [Executive Order](#) (the Order) mandating the transition—this year—from paper checks to electronic payments for all federal disbursements issued by the Secretary of the Treasury. The Order also mandated that payments *to* the federal government be processed electronically as soon as possible. Notably, the Order also explicitly stated it is not intended to establish a Central Bank Digital Currency.

The implementation of the Order holds impacts not just for the Treasury, but also other executive departments and agencies, which will have a trickle-down effect on financial institutions, other businesses, and consumers who make or receive payments from the federal government. Among other things, the Order provides:

- The Secretary of the Treasury is mandated to cease issuing paper checks by Sept. 30, 2025.
- Other executive departments and agencies are required to follow suit, taking all steps necessary to enroll recipients of funds in electronic funds transfer methods such as direct deposit, prepaid card accounts, and other digital payment options.
- Various agencies named in the Order must stop use of the Treasury's physical lockbox services.
- The Secretary of the Treasury, in coordination with other agency heads, must develop and implement a large-scale public awareness campaign with guidance to inform funds recipients of the federal government's transition to electronic payments.
- The Secretary of the Treasury must address financial access for un- and under-banked groups by working with financial institutions, consumer groups, and other stakeholders.

There are a few limited exceptions from the phase-out of paper check disbursements where electronic payments and collection methods are not feasible, including for individuals without access to electronic payment systems, certain emergency payments, and certain national security or law enforcement-related activities.

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U.S. TREASURY'S RELATED RFI ON THE ORDER'S IMPLEMENTATION

In connection with the Order, the Treasury recently [issued a separate RFI](#) seeking public feedback to inform its own implementation of the Order. Comments on the Treasury's RFI were due June 30, 2025.

The Treasury's RFI asks stakeholders to provide input on factors contributing to the continued use of paper checks and barriers to transitioning paper check users to electronic funds transfer (EFT) options, and what EFT options the federal government should consider adopting for secure incoming and outgoing payments.

In conclusion, this initiative could signal a turning point which, much like the pause in check processing during the ground stop during the aftermath of 9/11/2001, accelerates the "beginning of the end" for checks and other paper-based payments as the government is currently one of the largest remaining check users. Moreover, this highlights the Trump administration's continued promotion of modern and innovative payments mechanisms.

Stinson LLP attorneys will be tracking the implementation of this Order, including the Treasury's response to feedback received, and related developments at both the federal and state levels surrounding electronic payments and digital payments solutions.

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