

Financial Infrastructure Is Being Rebuilt:

Paper checks are gradually disappearing as outdated payment infrastructure becomes more expensive, risky, and inefficient.

Paper checks are finally approaching their end, not because they stopped working overnight, but because the economics, risks, and infrastructure supporting them no longer make sense. The Federal Reserve's recent decision to solicit public input on reducing its check processing services is a clear signal that the long, gradual decline of checks is entering a more decisive phase.

Check usage has been falling for decades as consumers and businesses migrated to cards, ACH, wires, and digital wallets. What has accelerated the decline more recently is fraud. Check fraud has grown materially, while the infrastructure required to process checks has aged and become increasingly expensive to maintain. From the Fed's perspective, continuing to invest heavily in a shrinking, higher-risk payment rail is becoming harder to justify.

That said, checks persist because the US payments system remains fragmented. Unlike countries that built low-cost, interoperable, real-time payment networks, the US evolved through layers of private systems and legacy rails. While instant payment options now exist, including Fed's FedNow platform, adoption has been uneven and scale remains limited. As a result, checks continue to fill gaps that modern infrastructure has not yet fully closed.

The Fed's request for comment highlights a central tension. Eliminating check services without sufficient alternatives risks disruption, particularly for smaller institutions and certain business workflows. At the same time, maintaining check infrastructure indefinitely slows the transition toward faster, safer, and more efficient payment systems. This is less a debate about checks themselves and more an indictment of how slowly the US has modernized core payments.

Importantly, this moment reinforces a broader trend running through the financial system. As legacy rails become more expensive, risky, and outdated, pressure builds for new infrastructure to take their place. Real-time payments, account-to-account transfers, stablecoins, and tokenized money are increasingly filling roles that checks once occupied, offering faster settlement, better transparency, and lower fraud risk.

The decline of checks should not be viewed as a sudden disruption. It is the predictable outcome of changing technology, economics, and consumer expectations. The Fed's actions suggest that the endgame is no longer theoretical. Paper checks are becoming a legacy exception in a system that is steadily moving toward instant, digital, and programmable money. The only real question is how quickly modern payment rails scale to finally make checks obsolete.

Conclusion:

Payments are becoming digital. Settlement is becoming faster and increasingly programmable. Banking is evolving from physical distribution toward software driven platforms embedded directly into commerce.

These shifts are not cyclical. They represent the continued modernization of the global financial system. Our research and portfolio construction remain focused on identifying the companies building and controlling this infrastructure. As financial systems continue to evolve, we believe the most durable investment opportunities will come from businesses that enable the movement of money, manage risk, and power the next generation of financial networks.

As always, reach out to me to discuss any of these topics and more. I look forward to speaking...



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