

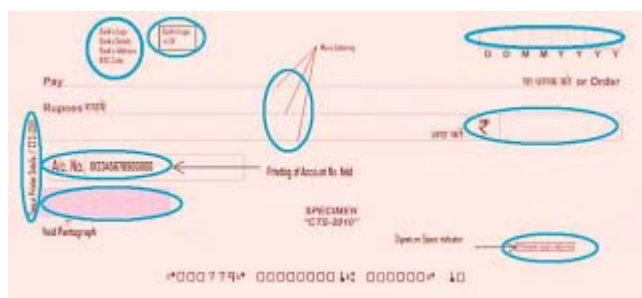
**New Format Cheques to be valid from 1.1.2013 -
See details & benefits thereof**

New Format Cheques CTS-2010 Standards will be implemented from 1st January, 2013 - details & benefits thereof

CTS- 2010 Standards implementation : Standardisation and Enhancement of Security Features in Cheque Forms, the introduction and implementation of additional security features on cheque forms will commence from 1.1.2013, this Guidance Note will be called CTS-2010.

Important things on new cheque leaf are as follows...

- A) Water Mark (to be incorporated at the paper manufacturing stage)
- B) Void Pantograph (at printing stage)
- C) Ultra-violet logo of Bank (at printing stage)
- D) Standardized field placements of a cheque
- E) Cheque printing colours and background.
- F) Microlettering.
- G) New Rupee Symbol at CAR (Courtesy Amount Recognition) amount in figure field.
- H) Printer Name along with CTS – 2010



What would be benefit of cheque truncation to customers of banks?

Before we answer this question, we have to understand the present system of cheque clearance. The cheques presented by customers, today, are sent to the clearing house at the drawee centres by the beneficiaries' bank. The cheques at the bigger cities, in view of the large volume of paper instruments, are subjected encoding and then to mechanical sorting and thereafter reach the drawee branches.

As per the existing banking practice, these instruments received at the counters of the drawee branches are paid or returned by them. The returned instruments are passed on to the presenting customers through the process of a return clearing. Only

after the return clearing process gets over, banks release the credit to the customers. The beneficiaries' account gets credited on the same day on which the drawees' account gets debited; however, the beneficiary is permitted to use the proceeds only after the return clearing process.

With the introduction of the imaging and truncation, the physical movement of instruments would be stopped and the electronic movement of images of cheques would speed up the process of settlements and ultimately alter the clearing cycles. The clearing cycle could be shortened and it would be possible for customers to realize the proceeds of cheques early. Thus cheque truncation would reduce effectively the time of float, i.e. time from the point of issue of cheque to the point of time the actual debit takes place. In case such clearing is introduced across the cities, it would ensure the realisation of inter-city instruments faster thus ensuring early availability of funds to beneficiaries.

Thus the benefits could be summarized as:

- a) Faster clearing cycle;
- b) Better reconciliation/verification process
- c) Better Customer Service ñ Enhanced Customer Window
- d) T+0 for Local Clearing and T + 1 for inter-city clearing.
- e) Elimination of Float - Incentive to shift to Credit Push payments.
- f) The jurisdiction of Clearing House can be extended to the entire country - No Geographical Dependence
- g) Operational Efficiency will benefit the bottom lines of banks - Local Clearing activity is a high cost no revenue activity.
- h) Minimises Transaction Costs.
- i) Reduces operational risk by securing the transmission route