

New Safety Features in Cheques

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In news

RBI will introduce 'Positive Pay System' for cheque transactions above Rs 50,000 from January 1, 2021. The RBI announced the introduction of a Positive Pay System for CTS on August 6.

Key features

In the upcoming year Reserve Bank of India (RBI) will introduce the 'Positive Pay System' for cheque transactions above Rs 50,000 in a bid to enhance safety and eliminate frauds.

The Positive Pay System for cheque transactions

Positive Pay system involves a **process of reconfirming key details of large-value cheques.**

Under this process, the **issuer of the cheque submits electronically, through channels like SMS, mobile app, Internet banking and ATM,** certain minimum details of that cheque (like date, name of the beneficiary, or payee and amount) to the drawee bank, details of which are cross-checked with the presented cheque by Cheque Truncation System (CTS).

About cheque by Cheque Truncation System (CTS)

Cheque Truncation System or Image-based Clearing System, in India, is a project of the Reserve Bank of India, commenced in 2010, for faster clearing of cheques

The average value of a cheque cleared in CTS presently is Rs 82,000.

The CTS-2010 standard specifying minimum security features on cheque leaves acts as a deterrent against cheque frauds, while standardisation of field placements on cheque forms enables straight-through-processing by use of optical or image character recognition technology.

Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who then take redressal measures.

Type of cheques that will come under the Positive Pay system are:

Following will come under the new system

- Banks will enable a Positive **Pay system** for **all account holders issuing cheques for amounts of Rs 50,000 and above.**
- While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of Rs 5,00,000 and above.
- The National Payments Corporation of India (NPCI) will develop the facility of Positive Pay in CTS, and make it available to participant banks.

The new dispute redressal mechanism

- As per the new announcement, only those cheques that are compliant with the new system will be accepted under the dispute resolution mechanism at the CTS grids.
- It also allows member banks to implement similar arrangements for cheques cleared or collected outside CTS as well.
- The RBI has already told banks to create adequate awareness among their customers on features of the Positive Pay System through SMS alerts, displays in branches, ATMs, as well as through their websites and Internet banking.

What will be the share of Positive Pay in overall cheque transactions?

- It will cover approximately 20 per cent and 80 per cent of total cheques issued in the country by volume and value, respectively.

- The Cheque Truncation System (CTS) for clearing cheques is operational pan-India, and presently covers 2 per cent and 15 per cent of total retail payments in terms of volume and value respectively.

Need for the new system

- The RBI says the Positive Pay system is to augment customer safety in cheque payments and reduce instances of fraud occurring on account of tampering of cheque leaves.
- Banks had recently witnessed a rise in frauds involving high-value cheques.