



# BANK OF MAURITIUS

## Modernisation of cheque clearing

The Bank of Mauritius in collaboration with the Mauritius Bankers Association introduced a modern system for clearing cheques in September 2011. From this date, banks send only the digital image of cheques to the Bank of Mauritius for clearing. This process, called 'Truncation', is the most secure and fastest mode of cheques clearing and is already in use in several countries amongst which Singapore, Hong Kong and India.

### **What are the benefits of the system?**

Cheque truncation will bring speed, efficiency and security to the whole chain of processes related to payment by cheques. The system will:

- speed up the process of collection of cheques and reduce the time required for payment,
- reduce the delay in processing and associated cost of transit; and
- identify high value cheques which will undergo a fast track clearing (High value cheques are those with value above Rs 1 million).

### **What changes for me as a cheque user or cheque receiver?**

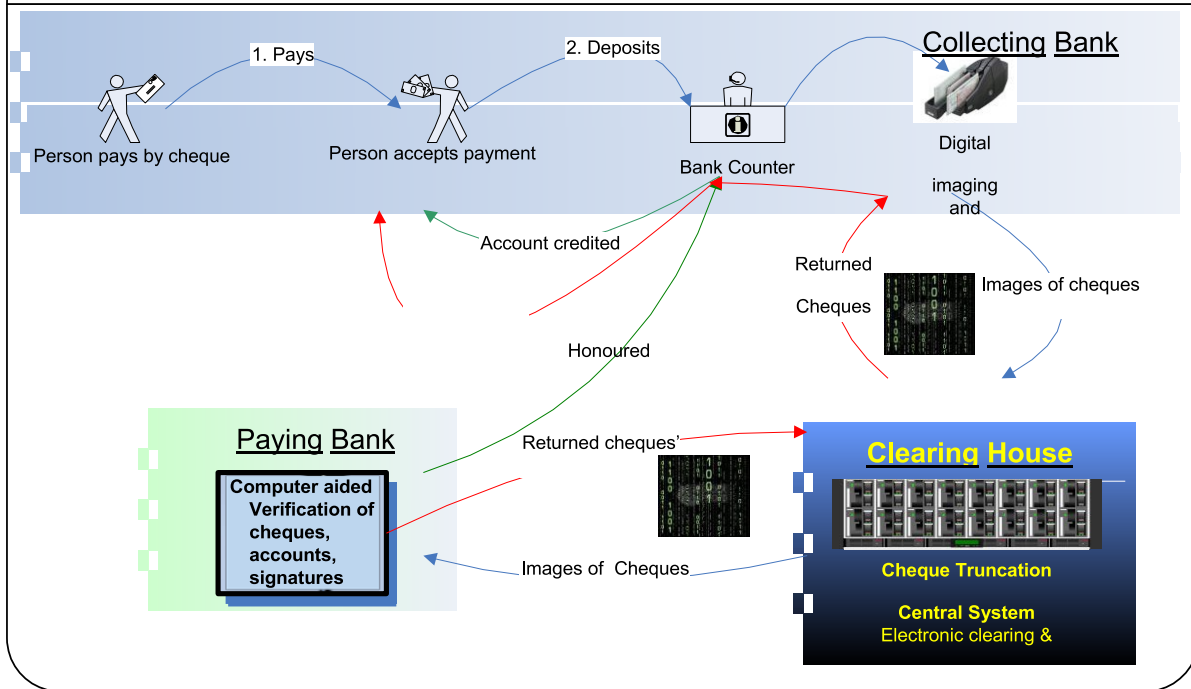
The new system impacts mainly the processes of banks and the clearing house. For cheque users, the new system will imply:

- no change if the cheque is in order and it is honoured.
- that if the cheque is dishonoured, an authenticated copy of the image of the cheque is returned instead of the original cheque. Depending on the reason for return, the image can be used for re-presentation.

### **How does the system work?**

- Cheques will be deposited at the collecting bank in the same manner as it is currently done.
- Cheques are scanned by collecting bank and the images are sent, as in the current process, to the Clearing House at the Bank of Mauritius where exchange of cheque images is carried out.
- The paying banks make decision to pay by viewing the images received from the system and verifying account balances and signatures.
- Cheques which are in order are honoured and the respective account credited by the collecting bank.
- Cheques which do not satisfy the verification process are not honoured. The details of those cheques are returned to the collecting bank which notifies the customer and returns him/her an advice that explains the reason for the return and a detachable image of the cheque. This image is called the Image Return Document (IRD) and can be re-presented for payment.

# The Cheque Truncation System



## How is the new system different from the old one?

The table below compares the processes associated with cheques in the present and new systems.

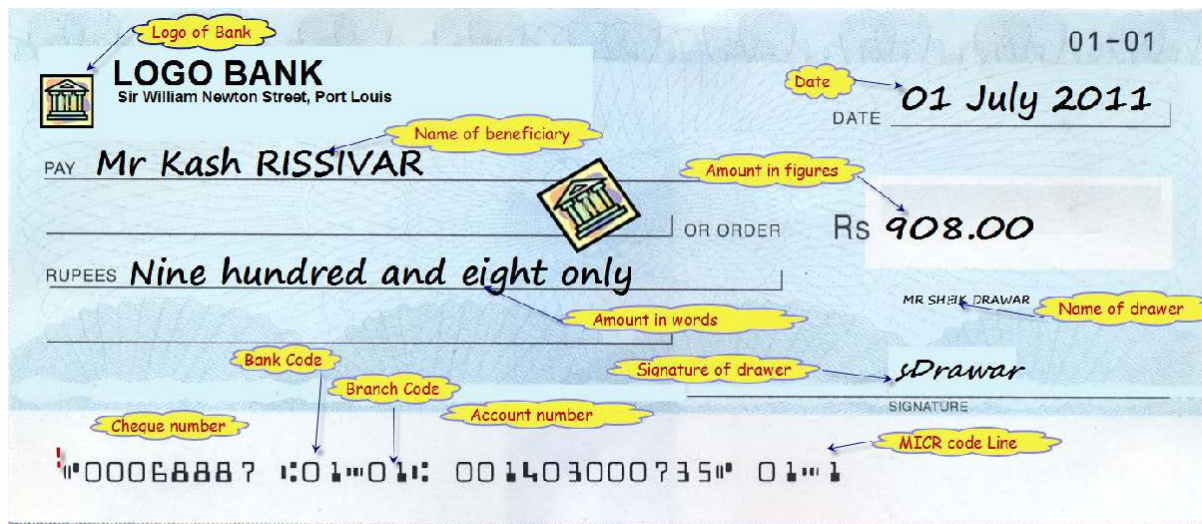
<b>Process</b>	<b>Old system</b>	<b>New System (Truncation)</b>
Place of Cheque Clearing	Clearing House at Bank of Mauritius	Unchanged
Cheque Deposit	At the counter of bank	Unchanged
Cheque Encashment	At the bank of drawer	Unchanged
Cheque of another branch of the same bank	At the counter of the bank	Unchanged
Returned cheque	Cheque returned to holder	Image of cheque, called IRD returned to holder
Re-presentation of cheque (which does not require correction of original cheque)	Original cheque is re-presented several times	IRD is re-presented for a maximum of 3 times
Re-presentation of cheque (which requires correction of original cheque)	Can be re-presented after corrections	Cannot be re-presented. A new cheque has to be issued. IRD is a proof that the original cheque was not encashed
Stop Cheque	Through letter sent to bank	Unchanged
Cross Cancellation	Drawer cancels by signing thereon.	Unchanged. Corrections to be made before presentation.
Corrections on cheques	To be made by drawer and signed. Corrections can be made after first presentation	Corrections will be allowed before first presentation. No corrections allowed after first presentation.
Stale cheques (cheques dated for more than one year)	To be validated by drawer	Validation to be carried before first presentation.

## Tips on handling cheques

- Before you accept cheques, verify that the essential features listed below are present on the cheque.
- Check for apparent alterations through any of the methods described below:
  - i) Use of thick felt pen on designated fields (includes beneficiary name, date, amount in figures and amount in words) to over-ride the originals which are visible.
  - ii) The use of correcting fluid to cover any field on the cheques.
  - iii) Cheques appear to be photocopied on a thin or light weight paper such as A4 sized paper instead of security paper
- Use blue or black ink when writing your cheques so that all details appear clearly in the images.
- Write correctly the amount in words and figures, the name of the payee and the date and make sure that you sign the cheque.
- If you use stamps on your cheques, make sure that the stamps do not interfere with the essential information of the cheques.
- Cheques should be neat and should not be torn.
- Make sure that the cheque you are depositing with your bank for payment, is properly endorsed.

## Essential features of cheques

The essential features of cheques are described below:



Last updated on 19 July 2016