

CTS PROCESS – DO'S AND DONT'S FOR BANKS

**Registered Office - C-9, 8th Floor, Reserve Bank of India Premises,
Bandra-Kurla Complex, Bandra-East, Mumbai-400 051**

The objective of this document is to elaborate on various processes involved in implementation of CTS in Chennai and the process to be followed by the member banks of CBCH

CTS Outward clearing process

1. Collection of cheques from various sources like drop boxes, ATMs and those submitted at the branches.
2. Verification of the details of physical cheques against the listing done as per the deposit slip.
3. Segregation of cheques basis the banks participating in CTS clearing and other banks which are part of MICR clearing.
4. Scanning the deposit slips and cheques in the capture system of the respective banks.
5. Balancing the amount and number of instruments captured as per the deposit slips against the total number and amount of the scanned images of the cheques pertaining to that deposit slip.
6. In case of any difference then locate the difference and take corrective action then and there.
7. Process the outward clearing data in core banking software to ensure that the account number and the name matches with the deposit slip details.
8. Affix digital signature for the batches
9. Uploading the instruments in CHI
10. Monitoring the outward file bundling
11. Handling the paper to follow instruments
12. Tallying the total instruments and amount as per CHI with the outward register of the bank to ensure all the instruments are presented and processed.

Dos for Outward clearing

1. Ensure that the physical cheques attached with the deposit slips tallies in terms of number of instruments and amount tallies.
2. Verify the cheques whether they are payable locally or at par instruments or the bank is participating in speed clearing. If any upcountry cheque is presented then return the instrument to the customer.
3. Verify the genuineness of the cheque this is very important as per the amended NI act the presenting bank is responsible for the genuineness of the cheques. The banks might introduce slab wise verification, for higher amounts it is suggested to use UV lamps for verification.
4. The cheques printed with CTS 2010 standards will display the word VOID if a Xerox copy is presented by the fraudsters.
5. Segregate the cheques on the basis of banks participating in CTS and others
6. Segregate the government cheques –
Government cheques can be identified on the following basis
 - 7 Digit account number and a 3 digit transaction code
 - 6 Digit account number and transaction code in the range 20-27 and 49.This will help in scanning these cheques separately and meet the paper to follow timelines. If they get mixed up with other cheques then segregation will be a problem.
7. Return the instruments that are materially altered by the issuer of the cheque as the same will be returned by the paying bank on the grounds of material alteration. Exception being date field .
8. Scan only the cheques pertaining to CTS banks
9. Ensure balancing is done at the deposit slip level so that there won't be any difference in the outward clearing. This step is very critical as it will help not only the presenting bank but also the drawee bank in avoiding clearing differences.

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10. IQA failed instruments need to be verified for the reason of failure. A call has to be taken whether to present the instruments through paper to follow mode or the same can be rescanned and sent.
11. If it is decided to send the instrument through paper to follow mode then segregate such instruments and keep them along with government cheques so that the same can be bundled and sent after the end of session.
12. Paper to follow instruments report should be taken from CHI and segregated bank wise. The cheques should be attached to bank wise summary.
13. Follow the procedure laid down by NPCI for paper to follow instruments and submit the instruments within the stipulated window.
14. Generate the posting files to post the data in the core banking system to verify the correctness of account number and name. If these details are not matching with master data then the bank has to decide on whether to process such instruments or not.
15. After the data verification is done at the capture system the data should be signed digitally by using the digital signatures of the respective users.
16. Once the data moves from the capture system to CHI then the users have to perform the following tasks.
 - Monitor attachment of capture files to a session
 - Monitor load, validation and bundling of outward exchange file
 - generate return file
 - Final settlement position
 - view settlement reports
17. Though the member banks are allowed to process the instruments and send the same to CHI without any restrictions the data from CHI will move to CH only on availability of a valid session which is suitable for such presentment.
18. Tally the outward clearing totals with the settlement report for final reconciliation
19. If there is any difference then verify item wise report to identify the discrepancy.
20. If the difference is due to wrong balancing then the impacted bank needs to be informed immediately and corrective action should be taken by the presenting bank.
21. Once the return session is completed then the banks should generate return files for posting into core banking.
22. After marking returns return slips should be generated and signed by the presenting bank for handing over the same to the depositor
23. Debits received in the settlement account should be tallied with returns received for final reconciliation.
24. If you want to process the post-dated instruments in advance then ensure that the processing happens within the time limit specified by NPCI. Update the system as per the limit specified by NPCI from time to time.
25. In case extension is required for presentment or return the request should be sent 1 hour before the closure of the session.
26. Ensure that the paid instruments are properly marked as paid on the face of the instrument and stored in a secured place so that the same will not be processed again.
27. Educate the clients about the CTS and the changes in the process flow.

Don'ts for Outward clearing

1. Don't wait for the last minute to complete the processing of instruments. If for some reason if the network fails then it will be difficult to complete the processing.
2. Don't process any instrument which looks suspicious without further investigation.
3. Balancing is a compulsory activity. Don't neglect balancing as it will cause clearing differences.

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4. Don't process any instrument which does not conform to the image specifications without keeping them separately for physical presentment.
5. Don't mix government cheques with other as they have to necessarily be sent for paper to follow. If these instruments are mixed with other instruments then it will be difficult to sort them out for physical presentment.
6. Don't process an instrument which is materially altered as it will get returned.
7. Don't insist on the drawee bank signing the return memo.
8. Don't keep the return marking pending beyond the session validity period as returns can't be marked beyond the validity time.
9. Don't postpone reconciling the outward clearing with the credits in the settlement account debits with the returns.
10. Don't process a paid instrument or duplicate file, ensure internal controls are in place for handling this.
11. Don't process any instrument which is scanned beyond the time limit specified by NPCI.

CTS Inward clearing process

1. Monitor inward exchange file
2. Take the inward cheques data and upload the same in the in branch viewer software
3. Do the technical scrutiny of the instruments online or after taking the print out of all the instruments.
4. Generate posting files to be posted in core banking software.
5. Verify the signature on the cheque against the one available in the master data.
6. In cases where the images are not clear then the paying bank can request the presenting bank to send the original instrument for processing.
7. Pick up all the physical cheques that are to be received under paper to follow process.
8. Finalizing the returns for the day and marking the same in the capture system for onward transmission to the CHI
9. Tallying the debit received in the settlement account with the inward clearing totals and credits with the returns.
10. In case of any discrepancy because of wrong amount processed by the presenting bank pass the instrument and settle the difference outside the system.

Dos for inward clearing

1. Check whether the images of all the instruments have been received by the bank.
2. Technical scrutiny of the instruments.
 - a. Date
 - b. Amount in words and figures
 - c. Whether the instrument is presented by the bank which is supposed to receive the payment as per the payment instructions.
3. Signature verification should be done.
4. It is suggested to have slab based passing rules for inward cheques.
5. In case of any suspicion on the appearance of the cheque please contact the presenting bank to provide the original instrument to verify the genuineness of the instrument.
6. In case of cheques with CTS 2010 standards look for VOID pantograph to avoid processing photocopies.

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7. Ensure that all the physical cheques are received as per the paper to follow instrument process specified by NPCI.
8. In case paper instrument is not received in paper to follow process then notify the other bank and return the instruments.
9. Ensure that the instruments are returned with appropriate reason.
10. In cases where the amount entered by the presenting bank does not tally with the instrument pass the instrument after notifying the presenting bank and do the settlement outside the system.
11. Check the final settlement report against the inward instruments and returns.
12. When a physical cheque received gets returned for any reason return the physical instrument itself apart from marking the return in the system.
13. Ensure that altered instruments are not passed in the clearing even if they are authenticated by the drawer's signature. Exception to the rule being date field.

Don'ts for inward clearing

1. Don't pass any cheque without technical scrutiny
2. Don't leave the premises of NPCI without tallying paper to follow instruments. In case of any discrepancy raise the same with NPCI officials.
3. Don't postpone reconciliation of instruments received against the debits received and returns with the credits received in the settlement account. Any slippage will lead to clearing differences.



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EXCEPTION HANDLING					
REJECT REASON	DESCRIPTION	CXF	RRF	ERF	Error Resolution to be done by Presenting / Drawee Bank Module
1	Items rejected by CHI Operator/Supervisor user post intimation by bank	✓	✓	X	Recapture the items after confirming with CHI Supervisor and resubmit the deleted items in a new file
2	Item failed city validation	✓	X	X	These items were rejected as BOFD city does not fall within city master for intercity clearing or drawee city does not fall within city master for intercity clearing or drawee city does not fall within city master for local clearing or BOFD city equals drawee city for intercity clearing. Please refer the latest version of CH Master file
3	Presenting Bank RoutNo for item not found under this CHI	✓	X	X	Recapture the rejected items and resubmit them in a new file at the correct CHI after referring to the latest version of CH Master file.
4	Presenting Bank RoutNo for Item is in not-clearing mode or has been blocked or suspended	✓	✓	✓	These items were rejected as the Presenting bank was put in NOT CLEARING mode or has been blocked or has been suspended at the Clearing House. Please refer the latest version of CH Master file.
5	Drawee Branch has been blocked	✓	✓	✓	These items were rejected as the drawee branch was blocked / suspended at the Clearing House. Please refer the latest version of CH Master file.
6	Bank or CHI does not allow ON US item	✓	X	X	These items were rejected as the Bank or CHI was set as not to send ON US items at the Clearing House. Please refer the latest version of CH Master file.
7	Wrongly Presented item	✓	X	X	These items were rejected as they were wrongly Presented. Please refer the latest version of CH Master file.
8	Drawee bank for Item is in no clearing mode or has been blocked or suspended	✓	✓	✓	These items were rejected as the Drawee bank was put in NOT CLEARING mode or has been blocked or has been suspended at the Clearing House. Please refer the latest version of CH Master file.
9	Returns Rejected at CH due to Bank Exclusion / Unwinding	X	✓	X	These returns were rejected due to Bank Exclusion / Unwinding at the CH.
10	Extension Period of Item falls beyond CH permissible period	X	X	✓	These items were rejected as their Extension Period falls outside of the Max Extension Period set at the CH. Please refer the latest version of CH Master file.
11	Return Period of item has expired	X	✓	X	These items were rejected as their Return Period falls outside of the Max Return Period set at the CH. Please refer the latest version of CH Master file.
12	Extension Reason code not valid	X	X	✓	These items were rejected as their Extension Reason code is invalid. Please refer the latest version of CH Master file
13	Return Reason code not valid	X	✓	X	These items were rejected as their Return Reason code is invalid. Please refer the latest version of CH Master file.
14	Item can not be attached to any payment type	✓	X	X	These items were rejected as there is no Payment Type defined with the given combination of item details. Please refer the latest version of CH Master file.
15	Invalid Documentation Type for government cheque	✓	X	X	These items were rejected as the Documentation Type was invalid for the item which is a government cheque. Please re-present the cheque with a proper documentation type as prescribed by RBI for government cheques.
16	IQA validation failure	✓	X	X	These items were rejected as the image view(s) of item failed IQA validations specified. Please re-present the item by correcting the IQA failure(s) mentioned in the exception report.
17	Invalid Transaction Code	✓	X	X	These items were rejected as their Transaction Code does not match with the clearing type. Please refer the latest version of CH Master file.
18	Capture date of Item too old to be presented	✓	X	X	These items were rejected as the presentation date of the items were older than permissible backward window set in the system.
19	Item was duplicate	✓	X	X	These items were rejected as an item with the same UDK value is already present.
20	Item has duplicate views	✓	X	X	These items were rejected as there were more than one view having same ImageViewIndicator.
21	Original item not found	X	✓	✓	The original item was not found in the system
22	Extension requested outside CH configured period	X	X	✓	Request for extension can be sought only within "x" hrs configured by CH. Please refer the latest version of CH Master file.
23	Invalid Documentation Type for IQAIgnoreInd=1	✓	X	X	These items were rejected as the Documentation Type should be Image-to-follow-with-Paper-to-Follow when IQAIgnoreInd = 1. Please re-present the cheque with a proper documentation type as prescribed in the CHI IFS.