



Cheque Truncation System (CTS)

Cheque Clearing in India

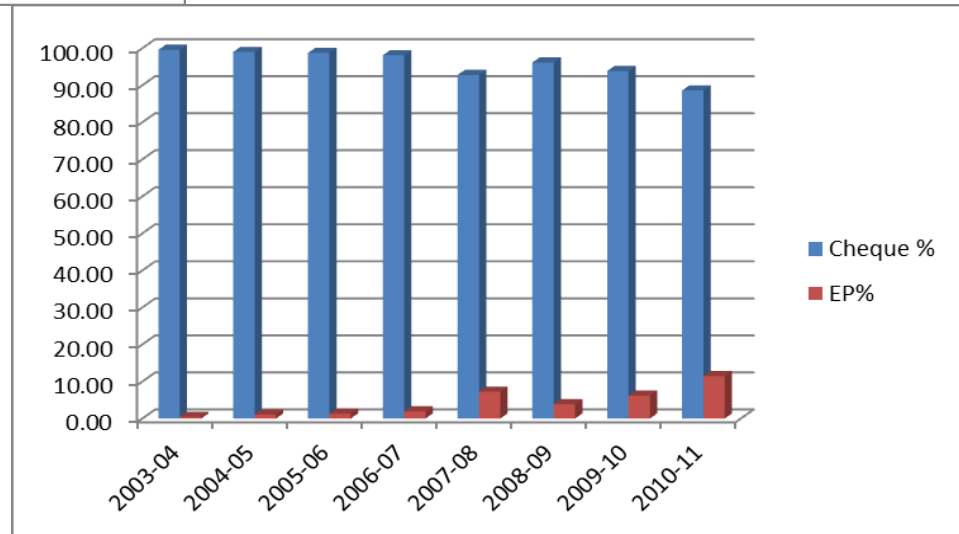
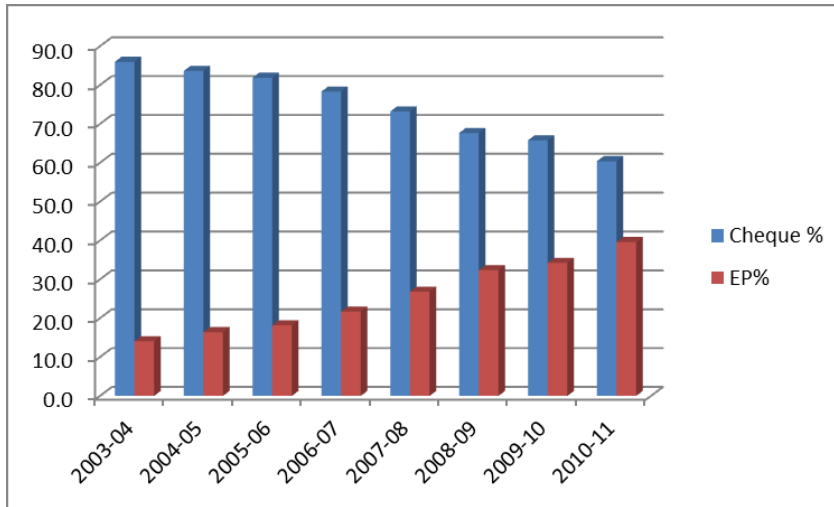
- ❑ Cheques continue to play a dominant role in India's retail payment system.
 - ❑ Approximately 4.5 million inter-bank clearing cheques processed on each working day.

- ❑ CTS Clearing - Based on Cheque Images & MICR Data (At 2 Focal Centers - New Delhi & Chennai).
 - ❑ Cheque scanned & truncated at presenting bank level.
 - ❑ Settlement File generated at Clearing House based on MICR data of cheques.
 - ❑ Cheque image & MICR data transmitted through dedicated secured network to drawee banks.

- ❑ MICR Clearing - Based on Magnetic Ink Character Recognition (MICR) data (At 64 Centers).
 - ❑ Automated way of clearing based on MICR line printed on cheques.
 - ❑ Settlement at Clearing House through High Speed Reader - Sorter machines.
 - ❑ Physical cheques sent to drawee banks.

- ❑ Non MICR Clearing (At 1200+ Centers).
 - ❑ Bank wise manual sorting of cheques.
 - ❑ Settlement at Clearing House through media (CD/Pen drive).
 - ❑ Physical cheques sent to drawee banks.

Cheque V/s Electronic Payments (Retail Txns)

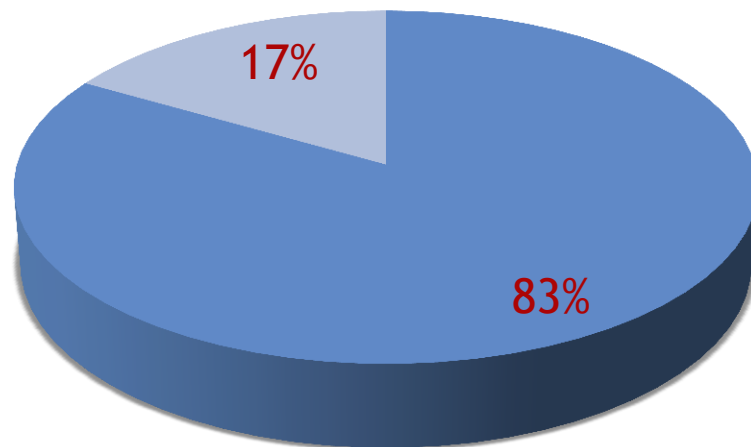


Cheque Clearing Statistics

For 2010-11 (No. in millions)

MICR Volume	1150
Non MICR Volume	230
Total Volume	1380

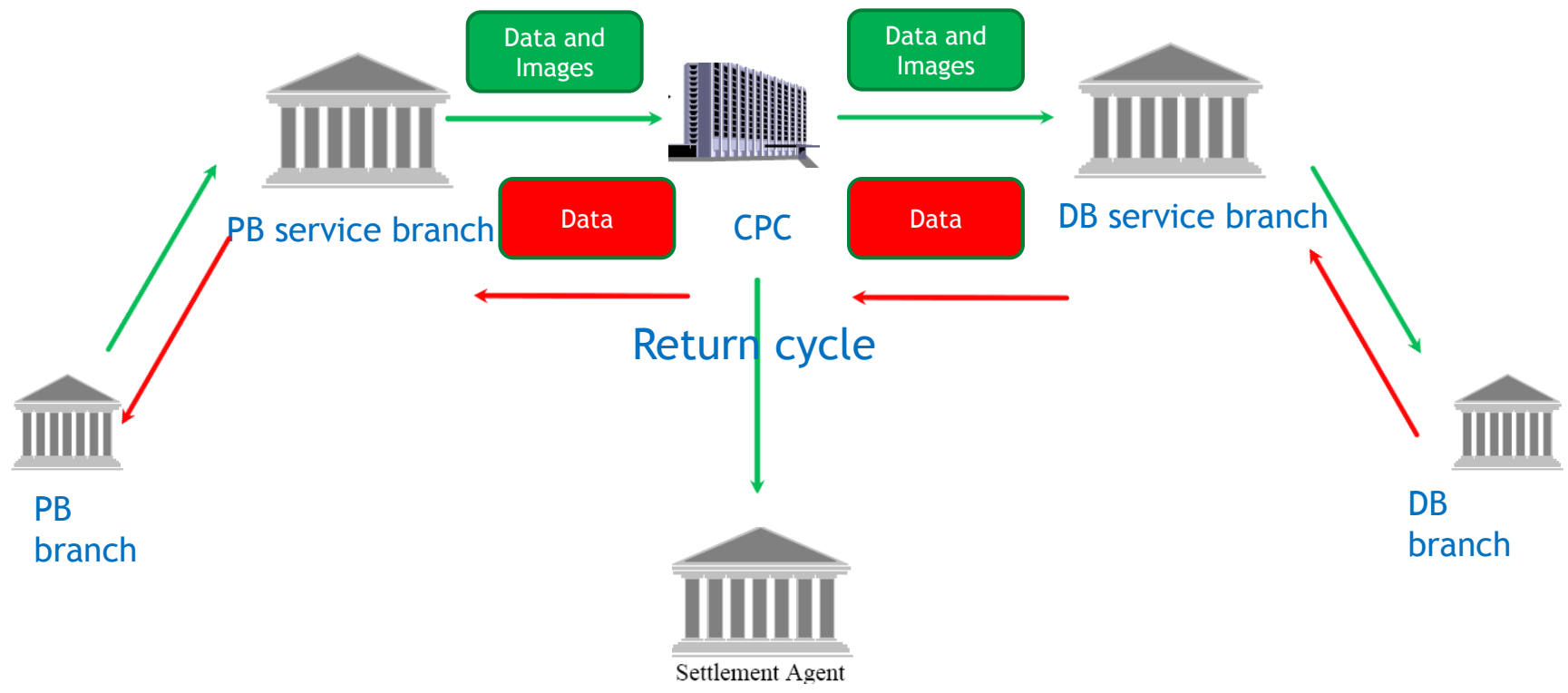
■ MICR Volume ■ Non MICR Volume



Last 5 Years Trend

Year	MICR Volume (in millions)	Non MICR Volume (in millions)
2005-06	1031.8	254.9
2006-07	1141.0	223.2
2007-08	1222.9	237.6
2008-09	1163.8	233.6
2009-10	1149.7	230.5

Cheque Truncation System



Cheque Truncation System

- It is a process of stopping the physical movement of cheques in the clearing cycle.
- Electronic images of cheques are captured and transmitted across the banks.
- 3 types of images are captured & transmitted:
 - Front Gray Scale (Minimum DPI: 100, Format: JFIF, Compression: JPEG)
 - Front Black & White (Minimum DPI: 200, Format: TIFF, Compression: CCIT G4)
 - Back Black and White (Minimum DPI: 200, Format: TIFF, Compression: CCIT G4)
- MICR band data like cheque number, MICR code, Short Account Number, Transaction Code is captured.
- Clearing process carried out on the basis of images captured and sent to the drawee banks.
- Settlement arrived at on the basis of captured MICR data.
- Physical cheques are retained at the presenting bank itself.

Benefits of CTS

Customer Service

- ❑ Better Customer service as cheques received almost upto clearing cut-off window can be presented.
- ❑ Easy retrieval of information for customer.

Operational Aspects

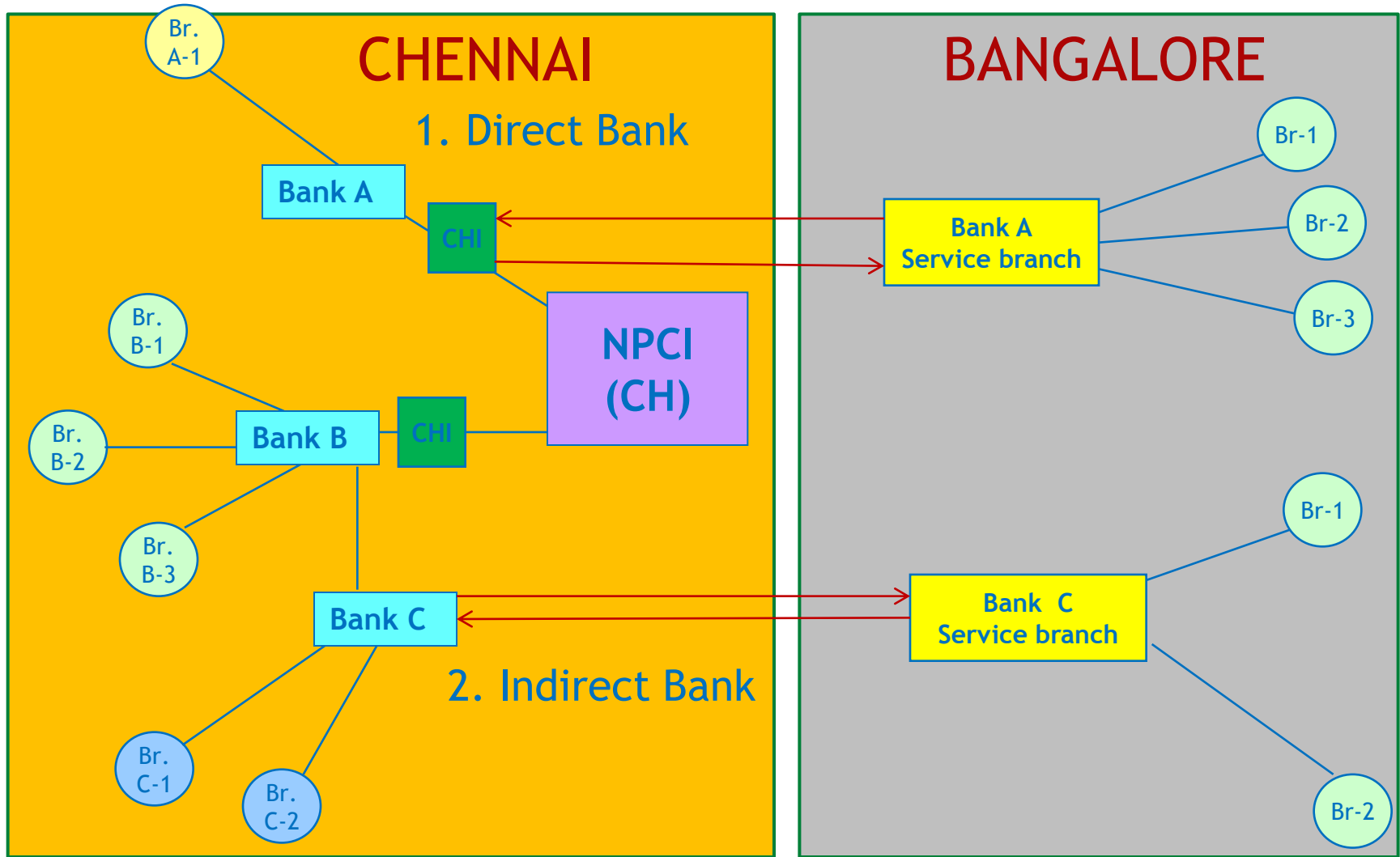
- ❑ MICR amount encoding not required on cheques.
- ❑ Reconciliation differences eliminated - MICR data and Images travel together.
- ❑ Risk Minimized.
 - ❑ No cheques being lost/tampered/pilfered.
 - ❑ No risk of any manipulation of data & images as it is secured through Digital Signatures.
 - ❑ New Cheque Standards - CTS 2010 Standards has enhanced cheque security .

Commercial Aspects

- ❑ Costs involved in paper movement eliminated.
- ❑ In Grid CTS - Better liquidity management for banks.

Jurisdiction of Clearing House not dependent on geographical considerations.

Grid CTS Process Flow

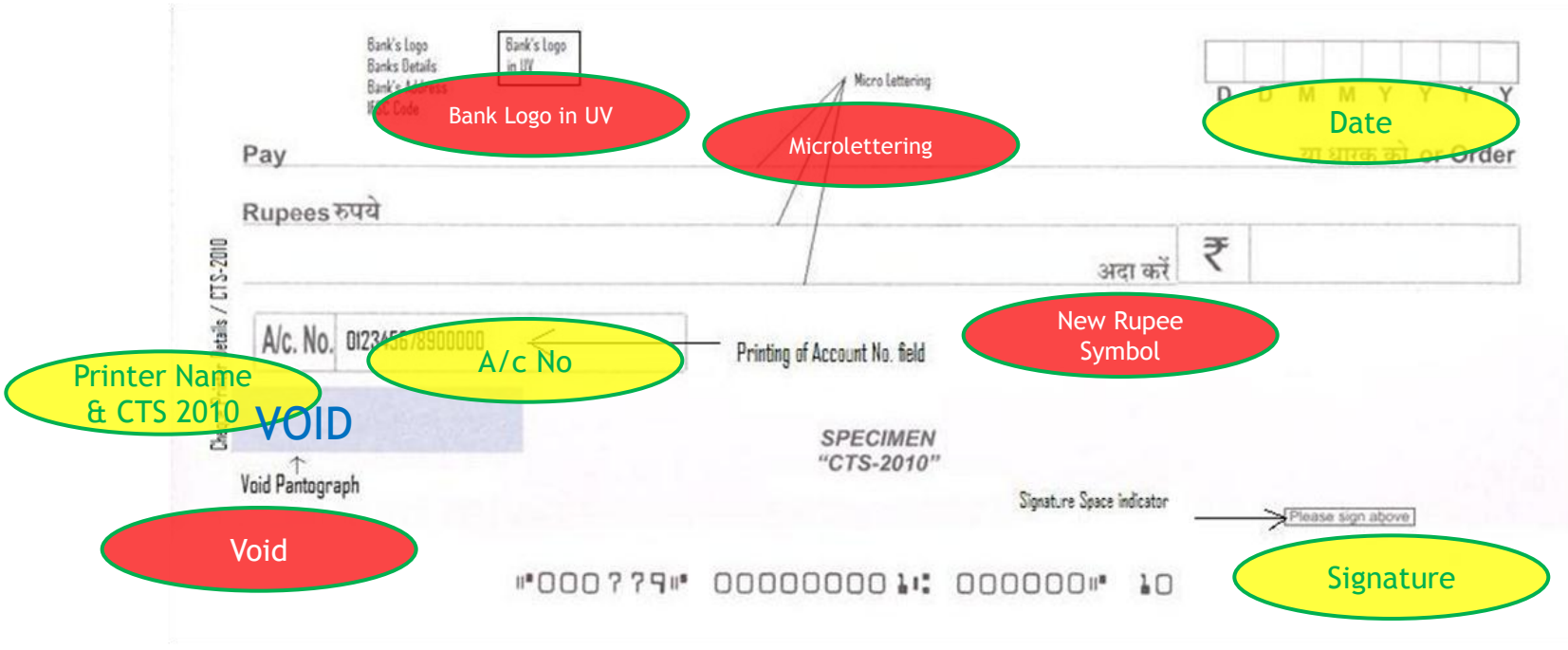


CTS 2010 Standards

- RBI has vested joint responsibility to NPCI-IBA to implement “CTS 2010 Cheque Standards.”
- CTS 2010 Standards comprises mandatory/optional features.
- **Mandatory Features**
 - CTS India Watermark
 - Void Pantograph
 - Bank’s Logo in UV Ink
 - Standardized Field Placements
 - Cheque Colors & Background
 - Account Number Field
 - Micro Lettering
 - New Rupee symbol
 - Printer Name along with CTS 2010



CTS 2010 Standards

After CTS 2010 Standards implementation, new Cheque will look like:



CTS 2010 Standards - Benefits

- **Enhanced Security Features:** Gives confidence to drawee banks in image based cheque clearing leading to reduction in cheque frauds.
- **Image Size Reduction:** As compared to old cheques, revised/standardised cheque images requires less space for storage and bandwidth for transmission.
- **Automation:** Opportunity to automate workflow due to standard placement of fields.

Type	Size in Kb	Bandwidth
Old Cheque	Avg 68 kb	
CTS 2010 Standard Cheque	Avg 40 kb	

Thank You