

BOT Adopts Cheque - Imaging for Rapid One-Day Clearance

Wipat Wattanasiriwiroj

For over a decade, the Bank of Thailand (BOT) has been promoting greater use of electronic means of payment to replace paper, especially cheques. The aim is to improve efficiency since cheques are costly, involving physical paper. As a result of these efforts, payment has shifted gradually from cheques to electronic instruments. The share of interbank cheque volume in total non-cash interbank payments declined from 94 per cent in 2000 to 84 per cent in 2007; in terms of value this was a decrease from 30 per cent to 15 per cent.

Nevertheless, as the BOT recognizes that cheques will remain an important instrument for business in the foreseeable future, it has put efforts into adopting electronic processing for clearing and settlement. For example, in 1996 it introduced the Electronic Cheque Clearing System (ECS), in which the electronic data read off the cheques are transmitted from collecting banks to the clearing house to calculate banks' net clearing positions prior to sending physical cheques for actual collection and signature verification.

This development has benefited cheque-depositors in Bangkok and the metropolitan area by enabling banks to extend deposit- hours closing from around 10 am to around 2 pm. Moreover, with the new system, cheque-cleared funds are available around 1.30 – 2 pm the next business day, faster than with manual clearing.

Having used ECS for 12 years, the BOT is establishing a more advanced electronic cheque-clearing system to eliminate the transportation of physical cheques. It signed contracts valued at Bt157 million with selected vendors on 12 December 2008 to institute the Imaged Cheque Clearing and Archive System (ICAS) as the national cheque clearing system.

In ICAS the clearing of cheques is based on images and data of the cheques transmitted electronically throughout the clearing process. Also, the paying banks use the images, instead of physical cheques, for signature verification. In future there will be no need to move the physical cheques from the collecting banks to the clearing house and the paying banks. This could remove transportation costs of over Bt400 million a year and reduce the collection time of inter-provincial

cheques (bill for collection, B/C) from 3-5 business days currently to only one day, as fast as ECS cheques and cheques within the same province.

ICAS was officially adopted on 14 January.

The new system is scheduled to replace ECS later this year and to roll out nationwide in 2012, when all cheques will be cleared within one day all over the country. This is a significant move in establishing optimal systems of payment for individuals and businesses.

(Views expressed are the author's own.)

Source: The Nation