

ICAS - THE NEW ONE-DAY CHEQUE-CLEARING SYSTEM

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DUE TO ITS SAFETY and clearly supported legal framework, the cheque has been a widespread means of payment for many years now.

The process for cheque clearing is also simple. Cheque bearers may deposit their cheques at banks where they already have deposit accounts. After depositing, cheques will enter a clearing process and fund will be made available within specified timeframes; such timeframes vary depending on the locations of cheque bearers' accounts and issuers' accounts. For example, cheques are cleared within one working day in Bangkok area, while the clearing process can take up to three to five days for cheques that bearers' accounts and issuers' accounts are in different clearing zones.

Nowadays, cheque clearing process has developed with the influence from the evolving technology. In many countries, physical cheques have been substituted by imaged cheques in the clearing process since they make the procedure more efficient. In Thailand, the Bank of Thailand (BOT) has also developed a new cheque clearing system, which is based on imaged cheques called Imaged Cheque Clearing and Archive System or ICAS. The new system is expected to enhance the capacity and efficiency of the clearing process.

The major advantage of the ICAS is that fund will be made available to all cheque bearers' accounts within one working day after depositing regardless of clearing zones. This leads to more efficient circulations of money in our financial and economic systems, and eliminates opportunity cost of having to wait for the clearing process of cheques from different clearing zones.

For member banks, including commercial banks and Specialised Financial Institutions, the ICAS reduces logistic and operational costs related to managing physical cheques. The ICAS process starts at the

deposited banks, which examine physical cheques and capture them to imaged cheques. The electronic data, i.e. the imaged cheques and related information, will be sent via Imaged Cheque Clearing System (ICS) which will then automatically transfer the electronic data to paying banks. At the paying banks, all approval processes will be preceded with imaged cheques. Such imaged cheques will also be kept in Image Archive System (IAS) for ten years.

The ICAS has been developed with high security standard in transmitting electronic data between member banks and the BOT. In the legal aspect, the Electronic Transactions Act BE 2544 recognises the status of electronic documents to be equivalent to original papers. Moreover, a special rule for converting documents into electronic data specifically for ICAS has also been prescribed by the Electronic Transactions Commission. The rule allows legal usages of all imaged cheques which meet the required criteria in legal processes.

The BOT is in the process of establishing an implementation plan in order to ensure that all member banks are ready for the ICAS, and that there are no unintended consequences on banks' operations. In the mean time, all related parties need to learn and adjust themselves to the new clearing system as this is an important step for Thailand to start using electronic data in financial and legal landscapes.

(The views expressed in this column are the writer's own.)

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