

It Is Time for the New Cheque Clearing System

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Thailand's cheque clearing system will open a new chapter after the launch of the Imaged Cheque Clearing and Archive System (ICAS) early next month. This advanced system will enable the country's cheque clearing process to be more efficient in terms of operating procedures among the members of the clearinghouse and all other parties.

On September 26, the Bank of Thailand held a meeting for banks belonging to the cheque clearing system to clarify the rules and regulations of ICAS, as well as the preparation processes in implementing the system.

As ICAS is based on images of cheques, which will be sent online, rather than paper cheques, which are physically transferred, the rules and regulations are set to ensure safe and reliable capturing and transmitting procedures. Despite the solid legal ground of the Electronic Transactions Act, the rights and responsibilities of depository and paying banks are also clearly defined in the central bank's rules and regulations, which were enacted on September 16. This allows all member banks to get themselves ready for the implementation of ICAS this year.

The central bank also requires member banks to test their systems at both primary and backup sites. Recently, all-round process testing was conducted to assess the readiness of systems and operators for both member banks and the central bank. The overall results of system functionality and performance were satisfactory.

The central bank expects that ICAS will lead the cheque clearing process to be more efficient in the near term. The duration for cheque clearing for instance will be shortened to only one day, as opposed to the current three to five business days for cheque clearing between clearing zones.

With ICAS, the process of exchanging physical cheques by depository and paying banks for verification is eliminated. When ICAS is fully implemented throughout the country, funds will be available to customer accounts within one business day. Therefore, it is necessary for cheque drawers to prepare sufficient funds in their current account to be available on the payment date.

For cheque bearers, they can deposit cheques at depository banks as usual. Nevertheless, some practices might be different from the current cheque clearing process. For example, in the case of a returned cheque, instead of obtaining only the physical cheque returned from the paying bank, the cheque bearer will receive the physical cheque, cheque return advice and debit slip from the depository bank. These documents can be used in legal cases.

ICAS is set to be rolled out first in Greater Bangkok on November 11. There is a period of about three months for all bank branches in this area to migrate to ICAS. Upon this deployment process, member banks can arrange their own migration plans with consultation from the central bank. For countrywide implementation, the schedule will start in the second quarter of next year.

The successful implementation of ICAS will have a great impact on the country's financial landscape. This new clearing system will become a major part of the financial infrastructure, enabling more rapid flows of funds for the country in the period ahead.

The views expressed are the author's own.

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