

Unofficial Translation

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Please refer to the Thai text for the official version.

Bank of Thailand Notification

No. SorNorChor. 2/2565

**Re: Regulations on Operating the Inter-institution Fund Transfer System
That Provides the Imaged Cheque Clearing System Service**

1. Rationale

The Imaged Cheque Clearing System (ICS) is a centralized system or network for cheque clearing by using cheque images. The ICS meets the criteria of inter-institution fund transfer system according to the Payment System Act that provides the Image Archive System (IAS), including the submission of cheque images, storage of cheque images and image quality assurance (IQA) in accordance with international standards and supervisory standards to ensure that the payment made by businesses and people using cheques will be trustworthy and efficient.

The Bank of Thailand supervises business providers of the ICS according to the Bank of Thailand Notification regarding regulations on supervision of the designated payment systems business and prescribes additional regulations to supervise ICS service to ensure that it is provided as per the specified standards, trustworthy and efficient and that images of cheques can be used as evidence in legal proceedings in the same manner as physical original cheques.

2. Statutory Power

By virtue of Section 24, Section 25 and Section 26 of the Payment Systems Act B.E.2560 (2017), the Bank of Thailand hereby issues regulations on operating the inter-

institution funds transfer system that provides the imaged cheque clearing system service as in this Notification

3. Scope of Application

This Notification shall apply to business providers of the inter-institution funds transfer system that provides the imaged cheque clearing system service under supervision according to the law governing payment systems.

4. Content

4.1 Definition

In this Notification

“Cheque” means:

(1) A cheque, draft, bill of exchange, promissory note, or any other instruments ordering a bank to make payment on demand

(2) A bill of exchange, promissory note or any other instruments payable within a specified period of time with an acceptance or aval from a bank and its maturity is due

“Payment systems” means any systems or arrangement for the transfer of funds, clearing or settlement.

“Designated payment systems” means payment systems which shall obtain a license from the Minister.

“Imaged Cheque Clearing System (ICS)” means a system operating for cheque clearing using cheque images.

“Imaged Archive System (IAS)” means a system for uploading and storage of cheque data and images.

“Image Quality Assurance (IQA)” means a procedure, method or process for inspecting the quality of cheque images submitted to the ICS and IAS.

“Printout” means a printout of electronic data from the IAS that is used or kept as the original document.

“Cheque image printing system” means a system for uploading the original electronic data of a printout and for generating a printout for referring to the electronic data stored in the IAS.

“BAHTNET system” means the BAHTNET system according to the Bank of Thailand Regulation on BAHTNET Services.

“Business provider” means the business providers of the inter-institution funds transfer system that provides ICS service under supervision according to the Payment System Act.

“System user” means a member of the system that gives consent according to the Rules on ICS Services.

“High-value cheque” means a cheque with the written amount of 10,000 million Baht or more.

“BOT” means the Bank of Thailand under the law governing the Bank of Thailand.

“Bank” means the commercial bank under the law governing financial institution business or specialized financial institutions established according to the specific laws.

“Minister” means the Minister of Finance.

4.2 Regulations on operating the inter-institution funds transfer system that provides ICS Service

4.2.1 Business providers must comply with the Bank of Thailand Notification regarding regulations on supervision of the designated payment systems business and other

related notifications of the Bank of Thailand as well as laws, regulations and standards applicable to the providing of ICS service.

4.2.2 Business providers must also comply with these 3 sections, namely risk management and security protection, systems and arrangements for comprehensive ICS service, and standards on ICS service. The details are as follows:

(1) Risk management and security protection

To ensure that business providers manage risk appropriately to risk exposure that may arise from providing the ICS, which may lead to systemic risk, as well as putting in place a mechanism and process for managing risk in accordance with international standards, the business providers shall:

(1.1) Set out regulations, conditions and procedures on the enforceability of netting as well as a process relating to clearing, required clearing time, and the point of time when the netting is enforced. Such regulations and processes must be in accordance with international standards and the point of time when the netting is enforced must correspond to the settlement time of the BAHTNET system.

(1.2) Arrangements for high-value cheques

(1.2.1) There shall be an appropriate process and procedure for dealing with the submission of data and images of high-value cheques to ensure that the settlement between system users will be successful – that is, the settlement among system users for any given obligation is complete within the specified timeframe.

(1.2.2) There shall be a guideline for coordinating with the BAHTNET system provider in order to immediately suspend service for a particular system user, either temporarily or permanently. This will mitigate the possible liquidity risk

(1.2.3) The processes and procedures according to Clause (1.2.1) and (1.2.2) shall be disclosed to system users. Such disclosures must be clear, made through proper channels and easily accessible.

(1.3) Prepare an agreement between the business providers and system users in order to clearly set out roles and responsibilities of the involving parties and to oversee the compliance with the related standards. The business providers shall also put in place a process and mechanism to ensure the ongoing, sound, and secure service as well as overseeing that system users fully comply with the specified processes and procedures. The agreement shall cover the following key matters:

(1.3.1) Compliance with the standards on the ICS service as specified by the BOT

(1.3.2) Compliance with the technical specifications for the form and structure of electronic data to be submitted to the ICS, which, at least, consists of cheque data, cheque images and metadata

(1.3.3) Procedure for submitting signatures and specimen of signatures of system user's authorized persons through the ICS

(1.3.4) Procedure for seeking consent to extending the time limit of electronic payment data submission round, such as Same-Day settlement, Next-Day settlement

(1.3.5) Procedure for submitting cheque data and images through the business providers' gateway (Imaged Cheque Member Gateway: ICMG) and procedure in case where the system users' gateway is unavailable

(1.3.6) Fees and penalties for the use of the ICS or related systems, such as the IAS as well as regulations and procedure for the abatement of such penalties

(1.3.7) Operating hours of the ICS or related systems, such as the IAS

(1.3.8) Procedure for exchanging cheques of special categories

(1.3.9) Standard on IT security management for client computers of the ICS and related systems, such as the IAS

(1.3.10) Procedure for dealing with disputes between the business providers and the system users

(1.3.11) Procedure for notifying the business providers in case where a particular system user has filed or been filed for business rehabilitation and the court has approved the appeal, has been filed for bankruptcy, or has been in receivership under the court order

(1.4) Prepare a business continuity plan (BCP) in the event that a system user is in receivership or bankrupt under the court order. The plan shall be tested at least once a year or when there is any significant change to ensure that the specified process can practically be implemented when the event triggers.

(1.5) Arrange for the examination of internal controls and risk management at least once a year. The results of the examination shall be presented to the committee responsible for internal controls and risk management or the business provider's board of directors for approval. In addition, such results together with the comments of the related departments and the board of directors shall be submitted to the BOT for acknowledgement in written form or by electronic means within 45 days from the date on which the examination is completed. Persons who perform the examination must have knowledge, experience and are independent from the departments responsible for internal controls and risk management.

(1.6) When there is any extension of operating hours for submission of electronic payment transaction data or operating hours for clearing, the business providers shall:

(1.6.1) Immediately report the problem or incident in case where the business providers extend operating hours for submission of electronic payment transaction data or operating hours for clearing that affects the settlement time to the BOT in written form or by electronic means as specified by the BOT

(1.6.2) Prepare a report on such extension of operating hours that either affects or does not affect the settlement time. The report must contain the details of the extension of operating hours, examination of the issue and corrective action taken e.g., number of times, causes, guideline for correction and prevention. The report must be presented to the committee responsible for risk management or the business provider's board of directors on a regular basis. In addition, the report together with the comments of the related departments and the board of directors shall be submitted to the BOT for acknowledgement in written form or by electronic means within 30 days from the end of a calendar year date.

(1.7) In case where the business providers wish to amend a service agreement with system users, the business providers shall proceed for each case as follows:

(1.7.1) The significant amendment that may affect the payment system stability, affect businesses or people in a wide scale, or affect the management of liquidity risk e.g., permanent change in operating hours: The business providers shall consult the matter and must receive approval of the Thai Bankers' Association, the Association of International Banks and/or the Council of Specialized Financial Institutions. Subsequently, the business providers shall submit a request for approval of this amendment to the BOT in written form or by electronic means, giving the details of amendment, reasons and necessities, likely impacts and benefits of such amendment and enclosing supporting data and documents. The BOT's consideration shall take no longer than 60 business days from the date on which it has received the complete and accurate supporting data and documents.

(1.7.2) The insignificant amendment e.g., change in technical specifications: The business providers shall report the details of such change, such as

reasons, necessities, number of times, and impacts to the committee responsible for risk management or the business provider's board of directors on a regular basis. In addition, the report together with the comments of the board of directors shall be submitted to the BOT for acknowledgement in written form or by electronic means within 30 days from the end of a calendar year date.

(1.8) Should the business providers wish to accept new system users, the business providers must submit a request for approval to the BOT, giving reasons, necessities, likely impacts and benefits of accepting such new users. The BOT's consideration shall take no longer than 60 business days from the date on which it has received the complete and accurate supporting data and documents. This is except for the case where such new users have already been system users of any other inter-institution funds transfer system provided by the business providers and members of the BAHTNET system.

(2) Systems and arrangements for comprehensive ICS service

To ensure that the ICS is secure and operates with a standard that cheque data and images can be verified and to ensure that the preparation or conversion of documents and messages through the ICS and IAS into electronic form and the making of printouts are in accordance with related notifications and regulations and such data/documents can be used as evidence in legal proceedings in the same manner as the physical original cheques according to the law governing electronic transactions, business providers shall:

(2.1) Arrange for the IAS, image quality assurance (IQA) and cheque image printing system according to related standards, notifications and regulations. Examples are the Notification of the Electronic Transactions Commission on regulations and methods for generating or converting documents and messages into electronic data, and the Notification of the Electronic Transactions Commission on certification of printouts; cheque standards, imaged cheque standards, standards for replacement slips, standards for discrepancy adjustment slips, standards for bills of exchange and promissory notes, and standards for the making of printouts through the IAS as specified by the BOT

(2.2) Set out a process to ensure that the volume of cheque images, of each user, that do not meet the standards on IQA does not exceed 0.02% as well as practices for dealing with system users with failed quality of cheque images according to related standards, notifications and regulations. The report on IQA shall be submitted to the BOT in written form or by electronic means at least once a year.

(2.3) Store cheque data and images for at least 10 years from the date on which such data and images have been uploaded into the ICS

(2.4) Prepare and submit the reports relating to the ICS and related systems e.g., IAS and IQA to the BOT according to the specified forms and timeframes

In this regard, the business providers shall submit the reports in datasets according to the Bank of Thailand Regulations Re: Submission of Information Using Electronic Method Services with respect to Data Management System of the Bank of Thailand. It shall be considered that the BOT receives the reports on the day the business providers has submitted the complete and accurate data through electronic systems, and the data has passed the basic validation of the BOT's data management system.

(3) Standards on ICS service

To ensure that the presentation of cheque data and images in Thailand is subject to the same standard, conforms to the procedures and processes according to applicable laws, and is trustworthy in respect of service as well as ensuring that the printouts can be used as evidence in legal proceedings in the same manner as physical original cheques, the BOT hereby specifies standards on ICS as follows:

(3.1) Cheque standards, imaged cheque standards, standards for replacement slips, standard for discrepancy adjustment slips, standards for bills of exchange and promissory notes

(3.2) Standards for the making of printouts through the IAS

Business providers must have a system and oversight to ensure that system users comply with the BOT's policy statements on those standards and related laws, notifications and regulations; for instance, the law governing electronic transactions, and notifications or regulations issued under such law.

4.3 Relaxation on compliance with the regulations

If any business providers fail to comply with the regulations, procedures and conditions as specified in this Notification, as deemed necessary or under special circumstances which may affect the continuity of service or trustworthiness of the payment systems, the business providers may submit a request for relaxation of compliance with such regulations, by giving reasons and necessity, to the BOT in written form or by electronic means. In this regard, the BOT may or may not grant the approval or impose any other conditions to comply further.

5. Effective Date

This Notification shall come into effect as from 1 April 2022 (B.E.2565).

Announced on 23 March 2022 (B.E.2565)

(Mr. Sethaput Suthiwartnarueput)

Governor

Bank of Thailand

Payment Systems Policy Department

Tel. 0 2283 5077, 0 2283 6412

Policy Guideline
Standards on the Making of Printouts
from the Image Archive System

1 April 2022 (B.E.2565)



BANK OF THAILAND

Prepared by

Payment Systems Policy Department

Payment Systems Policy and Financial Technology Group

Bank of Thailand

Tel. 0 2283 5077, 0 2283 6412

Email: PSPDepartment@bot.or.th

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Policy Guideline

Standards on the Making of Printouts from the Image Archive System

1. Rationale

To ensure that printouts of cheque data and images from the Image Archive System (IAS) can be used as evidence in legal proceedings in the same manner as physical original cheques; that is, the Electronic Transactions Act stipulates that if a particular documents or messages is subsequently prepared or converted into electronic data and if it is also used or kept by a reliable method, such document is then considered to be used or kept as the original document according to the law. The Act further stipulates that in case of making a printout of electronic data for reference, if the printout is accurate and complete as per the electronic data and is also certified by the respective authority as specified by the Electronic Transactions Commission, it can then be used as a substitute for the original electronic data.

2. Scope of Application

This Policy Guideline shall apply to business providers of the inter-institution funds transfer system that provides the imaged cheque clearing system service under supervision according to the law governing payment systems

3. Content

3.1 Definition

In this Policy Guideline

“Cheque” means:

(1) A cheque, draft, bill of exchange, promissory note, and other instruments ordering a bank to make payment on demand

(2) A bill of exchange, promissory note or any other instruments payable within a specified period of time with an acceptance or aval from a bank and its maturity is due

“Imaged Cheque Clearing System (ICS)” means a system operating for cheque clearing using cheque images.

“Imaged Archive System (IAS)” means a system for uploading and storage of cheque data and images.

“Printout” means a printout of electronic data from the IAS that is used or kept as the original document.

“Cheque image printing system” means a system used for uploading the original electronic data of a printout and for generating a printout for referring to the electronic data stored in the IAS.

“Security protocols for the Cheque image printing system” means protocols for the security protection of the Cheque image printing system. The protocols will:

(1) Verify that cheque data and images on a printout are the cheque data and images obtained from the ICS and IAS

(2) Set out a secure procedure for verifying the identity of those involving the Cheque image printing system to ensure that a printout is made by authorized persons. This includes the authentication and verification that the administrator, certifier and officer performing any task through the ICS and IAS are those authorized to access the Cheque image printing system

(3) Check the accuracy and completeness of cheque data and images on a printout

(4) Prevent unauthorized persons from perceiving cheque data and images used for making a printout

“Business provider” means a business provider of the Inter-institution funds transfer system that provides the ICS under supervision according to the Payment Systems laws.

“System user” means a member of the system that gives consent according to the Regulations on ICS Services.

“Sending bank” means the system user that sends cheque data and images through the ICS in order to collect payment on the cheque.

“Paying bank” means the system user that receives cheque data and images through the ICS in order to make payment on the cheque by deducting funds from its customers’ accounts.

“Bank” means the commercial bank under the law governing financial institution business or specialized financial institutions established according to the specific laws.

3.2 Standards on the making of printouts from the IAS

Business providers must have a system and oversight to ensure that system users comply with standards on the making of printouts from the IAS as follows:

3.2.1 Standard of paper and paper size for making printouts

The size of the paper for making printouts shall be A4. In addition, the paper must be CBS 1 (London Clearing Banks Paper Specification No.1) with laser-grade; i.e., CBS-1 paper coated by a special method to ensure the adhesion of toner and prevent an attempt to scrape, strip, remove or alter data printed by a laser printer. In case of such attempt, it should leave a clear trail. There shall also be the “ICS” common watermark embedded in the paper, and uniformly distributed over the whole paper (surface). The features of this paper are the same as the paper for cheque printing.

3.2.2 Structure of contents and printing position

A printout from the cheque image printing process consists of cheque data, cheque image and descriptions for the structure of data (metadata). The cheque data, cheque image, metadata, component and the printing positions on a printout shall be presented according to the rules and agreement on ICS between the business providers and system users.

3.2.3 Standard of equipment and printers

There shall be a computer system installed, together with the equipment and printers. All these must meet the standard according to the rules and agreement on ICS between the business providers and system users.

3.2.4 Other standards relating to the making of printouts

Applicable laws for the making of printouts shall also apply. An example is the Notification of the Electronic Transactions Commission on certification of printouts according to the law governing electronic transactions.

3.3 Cheque images on printouts must pass the image quality assurance (IQA) as specified by the BOT

3.4 Security protection and quality of the Cheque image printing system

Business providers shall be responsible for security protection and quality of the Cheque image printing system and oversight the system users to ensure that they also protect the security and quality of the system as follows:

3.4.1 Set out security protocols for the Cheque image printing system.

3.4.2 Printouts must be readable and clear. The form, size and messages of the printouts shall be in accordance with the rules and agreement on ICS between the business providers and system users.

3.4.3 There shall be an information security process according to the Notification of the Electronic Transactions Commission with regard to policy guidelines and practices on the protection of information security for government divisions or other equivalent standards.

3.4.4 There are security measures for the making of printouts which, at least, include:

- (1) The person and time a printout is made by/at must be identifiable.
- (2) There is a process for recoding and storing evidence relating to the making of printouts for a period of at least 10 years from the day the printout is made. This is for future reference and examination and also help prevent the denial of responsibility.
- (3) There is the specification of the rights of those who may access the Cheque image printing system. There is also physical security to prevent unauthorized persons from accessing the system.

3.5 Making of printouts and reference number

Business providers must oversee the printout generating service providers to ensure that they set the Cheque image printing system to issue only one printout at a time; and each time of printing, the system must generate a new reference number. That is, each printout has a different reference number.

3.6 Printout generating service

3.6.1 The printout generating service providers are

- (1) Paying bank, as the owner of the cheque or the bank that deducts funds from its customers' accounts

(2) Sending bank, as the bank that sends cheque data and images through the ICS for collecting the payments on the cheques

3.6.2 Those requesting printout shall notify the printout generating service provider in written form signed by the person in authority or authorized person, giving reasons for requesting the printout, together with supporting documents (if any), such as summons, authorization letter or other documents.

3.6.3 The printout generating service providers shall apply the same practices as for the request for physical original cheques. The minimum requirements are

- (1) check the documents submitted by those requesting a printout
- (2) have a record to control the requests for printouts. This will facilitate examinations and control of paper used to make printouts

In this regard, a printout shall be available within 5 business days from the day it is requested.

3.6.4 For business providers that also serve as the printout generating service providers, they shall comply with this Policy Guideline.

3.7 Disclosure of service fees

Business providers will oversee the printout generating service providers to ensure that they disclose service fees to be collected from those requesting printout. Such disclosure may be made electronically, in writing, or by any other means which ensure that those requesting printouts will be acknowledged.