

NPCI/2020-21/CTS/Circular no. 004

October 17, 2020

To

All CTS Member Banks

Positive Pay System (PPS) for CTS

Reference may be taken from RBI circular No DPSS.CO.RPPD. No.309/04.07.005 /2020-21 dated September 25, 2020 (copy enclosed) on introduction of Positive Pay System for Cheque Truncation System (CTS). As per the circular, Positive Pay System should be implemented by all member banks by January 01, 2021.

Positive Pay System will enable the banks to submit the cheque issuance data collected from their customers for validation during the clearing process. This system will provide the validated cheque information to both the presenting bank as well as drawee bank and thus will act as an additional tool for due diligence in cheque clearing process. A brief note detailing the process flow of Positive Pay System is attached - **Annexure I**.

CCH will validate the instruments presented in clearing against the data submitted to PPS and provide the relevant flags in the inward file received by the bank. The list of identifiers is provided in **Annexure II**. In addition, a report will be provided on the partial and complete matching status to both presenting and drawee banks as part of session report. PPS Specification and CHI Specification document (i.e. PPS attribute in inward file) are provided in **Annexure III**.

The banks should take the following steps for implementing Positive Pay System:

1. Provide system to accept the cheque issuance information from the customer after due authentication. Provision should be made for the customer to submit the information through various channels like net banking, mobile banking, ATM, branch, direct file upload (corporates) and other channels as may be required and suitable.
2. Necessary controls should be built to ensure that while accepting the cheque issuance data from the customer, all the data required to be submitted to PPS is collected. In case of any deficiency in the data provided by the customer the request should be rejected with appropriate reason to enable the customer to understand the issue and take corrective action.
3. Validate cheque issuance information before accepting. For example: The cheque series should have been issued and linked to the customer's account, otherwise bank should not accept the information.
4. Positive Pay System will validate the data uploaded for the uniqueness (MICR code + Cheque Number + SAN / account number of the drawer + TRAN code + Amount) and reject the record if found to be duplicate. The banks may put necessary controls in place to not accept duplicate records from the customers.

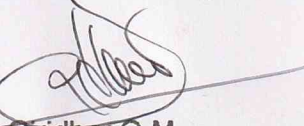


5. Banks should make arrangements to send SMS to the customer on successful acceptance or rejection of the cheque issuance data. SMS should provide all the details submitted by the customer and also acceptance or rejection status. In case of rejection the reason for such rejection should be provided.
6. Provision should be made to enable the customer to view the cheque issuance data submitted (after due authentication) along with the status of acceptance or rejection. This should be made available on all the channels through which the cheque issuance data is collected by the banks.
7. Banks should upload the information of the instruments issued by themselves like DDs and Pay orders etc.
8. The details collected from the customer should be uploaded in PPS in multiple batches as per the specifications provided in the technical specification document.
9. Banks should put in place monitoring mechanism to ensure that the files uploaded to PPS system are tracked and in case of rejection, necessary remedial measures should be taken to correct the files. In case correction is not possible then the customer should be intimated promptly of such rejection and be advised to resubmit the data. It is the responsibility of the banks to monitor and ensure that the data submitted is accepted by PPS.
10. Presenting bank should design a process / system to verify the report for all the instruments presented and take remedial measures for suspicious cases, if any.
11. Drawee bank should make necessary changes in their capture system to accept the Positive Pay flag as per the format provided in technical specification document.
12. Banks should make arrangements to reach out to the customers before taking action on the instruments for the reason of mis-match with Positive Pay data.

Member banks may note that the flags and data received from PPS may be consumed by both the presenting bank and the drawee bank for their processing / decision making. The ultimate responsibility of honouring / dishonouring the instruments will rest with the banks only.

Banks may take immediate measures for implementing Positive Pay System as per the directions of RBI. The information herein may please be disseminated to all the concerned. Action taken in this regard may please be communicated by November 16, 2020,

With Warm Regards



Giridhar G M
(Chief – Offline Product Operations & Technology)