Covering the subject of Check Image Clearing System or CICS, New Check Design, Non-Acceptance of Checks with Alterations and Deficiency and Check Writing Information, below is a summary of frequently asked questions highlighting the various related circulars issued by the Philippine Clearing House Corp. (PCHC) for your easy reference.

Frequently Asked Questions:

ON CHECK IMAGE CLEARING SYSTEM OR CICS

1. What is a Check Image Clearing System (CICS)?

The Check Image Clearing System or CICS is the new automated clearing system that will be adopted and implemented by PCHC. It will be the facility for clearing Deposited Checks and Other Clearing Demands between and among Clearing Participants using digital image and electronic payment information.

2. What is the primary objective of CICS?

The primary objective of CICS is to shorten the clearing cycle making funds available the next banking day instead of the traditional 3 to 5 banking days.

Under CICS, the digital images of the original paper Check and payment information are transmitted electronically to the Drawee/Paying Bank for collection and, in case of its dishonor, to the Depository Bank for reversal.

Physical Checks and relevant transaction information, including the corresponding MICR code line will be digitally captured by the Depository/Collecting Bank to produce images and electronic payment information (EPI). These images and EPI will be electronically presented in an agreed and secured format to the Drawee/Paying Bank for payment thus eliminating the need to physically transport paper Checks for clearing and thereby making the processing of Check payments faster and more efficient.

3. What are the benefits of CICS?

- Faster availability of funds to payees/beneficiaries:
  - Checks drawn against any branch in the Philippines of a PCHC-member bank are treated like local checks, regardless of actual geographical/regional location of the Depository/Collecting Bank
- Faster feedback allowing you to know whether the check is funded or not by the next business day
- Brings about improvement in cash flow management
- Longer period for depositing checks as check deposit cut-off can be extended
Faster Turnaround time on service requests
Improved security in deterring fraud and against loss or tampering of Checks in transit

4. Will the clearing cut-off time change?

There will be no change to current PCHC clearing cut-off times. But banks may further improve by extending their respective cut-off times of check acceptance depending on their capability to meet the PCHC set clearing cut-off.

5. How about the clearing period? Will it shorten the number of days to clear?

One of the key objectives of CICS is to achieve faster clearance of check payments. It is envisioned that all checks deposited in any of PCHC’s participating bank/branches within normal banking hours irrespective of the region in which the check is deposited will be cleared on the same business day. However, for the initial implementation, checks will be cleared the next banking/business day. (T + 1).

6. Can the Depositor of the Check still get the original Check in case of Dishonour?

Yes, the original of the dishonoured check shall be returned to its depositor.

Upon receipt from the Drawee/Paying Bank of the notice of dishonour, the Depository/Collecting Bank shall generate a Returned Check Advice (RCA) with the Images of the CICS item printed on it to indicate the reason for dishonour. The returned Check with the reason for return stamped on it together with the RCA, shall serve as the official notification to the Depositor of the return or dishonour of the check deposited.

7. Can the Depositor of the Check still re-clear a dishonoured Check?

The depositor of a dishonoured check may re-clear it but there are some cases where the returned check can no longer be re-cleared, like when the check is dishonoured for having been drawn against a “closed account”. In any case, the Depository/Collecting Bank shall indicate in its return notification of the eligibility or ineligibility of a returned check for re-clearing.

8. Who shall have the custody of Paid/Honoured Check?

- As paid/honoured Checks will no longer be given back to the Drawer/Issuer, the physical items will be kept by the Presenting/Collecting Bank for period of six (6) months.
- The monthly statement of account to be sent to the Drawer/Issuer will include the image reproduction of the paid/honoured Checks.
9. How about in case of concerns and questions on paid/honoured checks, can I still see the original?

The original of a paid/honoured Check can be made available to the Drawer/Issuer but within a limited period only. Within six (6) months from date of clearing, the original of the paid/honoured Checks can be requested by the Drawer/Issuer from their respective Drawee/Paying Bank. After said period, the originals of the paid/honoured Checks will no longer be available and only the image of the Check can be provided.

10. On Non-CICS Banks:

10.1 What if a Check is deposited in a bank that is not yet ready for CICS on cut-over date?

A Bank that is not ready on day 1 implementation may still participate in the new clearing system and it will be categorized as a Non-CICS Bank. What it will have to do is to bring all their outward Checks to PCHC established front-end backup station and do the capture of images and electronic payment information. Checks captured at the PCHC station will be settled the next day's clearing session.

10.2 What if a check is drawn against a bank that is not yet ready for CICS on cut-over date?

PCHC shall provide the Non-CICS Bank images for its inward items processing/verification and all the necessary electronic check clearing system (ECCS) data which it can upload to its core banking system as presently being done. Non-CICS Bank/s must however inform their clients that funds availability or the number of days to clear a check deposited with or drawn against them will not change (still 3-5 clearing days).

ON CHECK ALTERATIONS, ERASURES, DEFICIENT INFORMATION

The policy on alteration/erasures covers only information printed, indicated or written on the face of the Check. It does not include information found at the back or dorsal side of the Check.
11. What if the check(s) have erasure, alteration and/or deficiency?

Except for Post Dated Checks or PDCs received PRIOR to Jan. 4, 2016 bearing the stamp: "Warehoused Check - Name of Bank", checks will no longer be eligible for clearing (ref. CHOM#15-460.A). If the check shows or indicates erasure or alteration of the date, name of payee, amount in figures and words, signature/s of the drawer/s, account name & number, check number; MICR characters; regardless of any signature or initials that appear to indicate authorization of the alteration or erasure, it will not be eligible for clearing. In the same way, if it does not indicate the date, payee, amount in figures, amount in words (except for MCs, CCs, DDs issued by banks using a check writer), signature of the drawer/s.

12. What about Post Dated Checks received prior or before January 4, 2016?

As stated above, PDCs with signed erasures/alterations received and warehoused by banks or non-bank entities PRIOR or BEFORE January 4, 2016 can still be accepted for clearing provided it bears the stamp: “Warehoused Check – Name of Bank”.

13. What if I receive a check/PDC dated AFTER Jan. 4, 2016?

The check should be –

a. Free from any erasure or alteration and should be COMPLETE in all required payment information in the check as provided in CHOM 15-460.A.

b. SHOULD NO LONGER bear the "Warehoused Check" stamp

c. Items returned due to incomplete or missing relevant payment information may be RE-CLEARED provided that the missing information is indicated by the issuer as required.

14. What happens if a collecting bank/presenting bank accepts checks with erasure, alteration and/or deficiency?

A collecting Bank/Presenting Bank that accepts checks with erasure, alteration and/or deficiency that is subsequently returned by the paying /drawee bank shall be penalized P1,000.00 per return item (ref. CHOM No.15-461 Dec.11, 2015). The drawee bank shall collect the penalty charge from the presenting bank via the same process of collection currently in place and implemented by PCHC participating banks. Imposition of such penalty shall be effective March 1, 2016 (ref. MC#3060 Jan.29, 2016).
15. Will the new rule concerning the non-acceptance /ineligibility for clearing of checks with erasure, alteration and those with missing relevant information prevent any part to present such checks?

It should be noted that Checks with alterations or erasures, as well as those with missing relevant information can be **presented directly for payment with the Drawee Bank**. Thus, **ON-US or China Bank** checks with alteration, erasure or deficiency may still be directly presented over-the-counter to our branches. Old design checks are still acceptable for clearing, until deadline as would be set by PCHC (ref.MC# 3029, P.2 & P.3; dtd Dec.17, 2015).

**ON WRITING INFORMATION**

16. What about the use of a Check Writer?

- The Use of check writers to indicate **figures in the amount in words should no longer be allowed**. Corporate customers who insist to still use machine check writers when they issue checks **MUST**, along with the affixed numbers, **indicate below them the amount in words**. Use of computer printers is recommended to print the legit amount in words. Exception to this policy are Manager's/Cashier's Check, Demand Draft issued by banks.

17. Can I use colored pens when writing checks?

Yes, you can but the policy states that dark colored ink such as black and blue are preferred in writing Checks. The use of other colored pens is not prohibited but the public is discouraged to use gel pens, light colored ink pens, felt tip pens, non-impact printers to fill out information on the Check, as written information may not be captured correctly. The use of pencil is prohibited to protect the security and integrity of transactions.

18. Can I use rubber stamp or personal seal in my check?

Yes, the use of rubber stamps to fill out the date and payee is not prohibited neither the use of personal chops or hologram in the signature line. These practices are discouraged as signature and check verification process tend to be more challenging when viewing check images with these rubber stamped / hologram information.

19. OTHER WRITING INFORMATION

- A Check with incomplete information (i.e. no amount in words) and dishonored as such, can still be re-cleared if missing information is completed by the issuer. The Payee may request the issuer/drawer to complete the information in which case may be using another pen. This should still be acceptable provided there is no
erasure/alteration on the completed information. Otherwise, the Drawer can just replace the Check.

- Writing numeric figure in the centavo portion of the amount in words is acceptable. Example: Pesos Two thousand and 05/100 or Pesos Ten Thousand Five Hundred Fifty & 50/xxx.

- Appearance of parenthesis as part of the Payee Name to uniquely indicate branch or location or service is not considered as alteration. Example: Pay to the order of: ABC Refining Company (Alabang Branch).

- A Check already bearing a bank's Guarantee Stamp/UIC spray but was pulled out by the Payee from clearing can be presented directly to the Drawee/Paying Bank for payment or redeposit if the Payee is maintaining an account with the same Paying Bank.

ON NEW CHECK DESIGN

20. How will CICS impact the current mode of assurance and deposit of checks? Will there be changes in the design of checks?

The Checks have to be in the new design prescribed by PCHC. As a requirement of CICS, checks should legible when viewed as images and must be in compliance with the new check design standards and specifications to make sure that digital images of the check will survive throughout the clearing cycle and required retention period. The clearing Banks have been made aware of the new standard designs and specifications of CICS checks.

An essential requirement for a CICS check is the provision in it of an Authorization and Waiver statement. Specifically, it provides as follows:

“\textit{I/We allow the electronic clearing of this check and hereby waive the presentation for payment of this original to (Drawee Bank)}”

\textit{Explanation:}

- Authorization for Electronic Clearing –

  With this authorization, the Depository/Collecting Bank is allowed by the drawer/Issuer of the deposited check to present / clear the check with the Drawee/Paying Bank through transmission of its digital image and information and for the Drawee/Paying Bank to decide on its payment (or non-payment) on the basis of the transmitted image and information.
• Waiver of Presentation of the Original –
  This expresses the agreement of the Drawer/Issuer of the deposited check to waive/set aside the requirement under Sec. 74 of the Negotiable Instruments Law for the presentation or exhibition of the original of the amount deposited check to the Drawee/Paying Bank for the collection of its amount. Sec. 82 of said law provides that presentment for payment may be waived.

  The obligations and responsibilities of the Drawee/Paying Banks, as well as of the Depository/Collecting Banks, on fraudulent or erroneous payments under CICS clearing remain the same; the Banks are as liable to the customers under the CICS as they are under the existing clearing system - notwithstanding the Authorization and Waiver Statement. The change in the clearing process does not take away or diminish the right of a customer to claim against, and be indemnified by, the bank/s at fault.

21. What happens to the old design checks?

  Non-CICS checks shall continue to be accepted until they are phased-out or until such time PCHC announces a cut-off date for non-acceptance of these checks for clearing.