Bangladesh Automated Cheque Processing System (BACPS) V 2.0

Operating Rules & Procedures

PART I: OPERATING RULES

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: List of Acronyms:

ACE	:	Archive Electronic Cheque Envelope
AICS	:	Active Image Clearing and Settlement System
BACH	:	Bangladesh Automated Clearing House
BACPS	:	Bangladesh Automated Cheque Processing System
BCV	:	Batch Control Voucher
CD	:	Compact Disc
CE	:	Cheque Envelope
CH	:	Clearing House
CHM	:	Clearing House Module
DIN	:	Document Identification Number
DVD	:	Digital Versatile/Video Disc
ECE	:	Electronic Cheque Envelope
ECP	:	Electronic Cheque Presentment
FC	:	Foreign Currency
ICE	:	Inward Electronic Cheque Envelope
IQA	:	Image Quality Analysis
IRE	:	Inward Return Electronic Cheque Envelope
KYC	:	Know Your Customer
MICR	:	Magnetic Ink Character Recognition
OACK	:	Outward Acknowledgement
OCE	:	Outward Cheque Envelope
ORE	:	Outward Return Electronic Cheque Envelope
PBM	:	Participating Bank Module
PKI	:	Public Key Infrastructure
PSD	:	Payment Systems Department

CHAPTER I: BACPS OVERVIEW

1.1 INTRODUCTION

Bangladesh Automated Clearing House (BACH) is the first automated national payment infrastructure established in 2010. BACH has proved its significance in country's payment and settlement system over last ten years by reducing time and risks of payment and settlement in the country.

Improvisation of such national infrastructure with the advent of new technology and business requirement is an ongoing process. Hence, Bangladesh Automated Cheque Processing System has undergone significant improvements including the introduction of FC clearing in recent days. The new system aims to replace the existing Automated Cheque Clearing Systems.

This foreign currency clearing and settlement will only cover the domestic foreign currency transactions within the jurisdiction of Bangladesh and will not cover overseas or cross-border cheque clearing and settlement service.

These operating rules highlights the system architecture for a general user and the roles and responsibilities of the various stakeholders within the legal and regulatory framework to achieve a safe, secure and efficient inter-bank image exchange cheque clearing and settlement system.

1.2 SCOPE

This rule will apply to all paper-based payment instruments, both in local and foreign currency denomination within the territory of Bangladesh and those are eligible for BACPS as set out in section 3.3 of Chapter 3.

1.3 OBJECTIVES

1. To facilitate the clearing and settlement of paper-based payment instruments among Scheduled Banks operating in Bangladesh;
2. To reduce time and cost of domestic clearing and settlement cycle and to protect the customer interest;
3. Minimize paper handling and manual intervention at the cheque clearing process;
4. Ensure timely, accurate and efficient transfer of funds among participants (i.e. Bank customers) using paper-based instruments and
5. Maintain proper risk mitigation measures and dictate storage and retrieval of image and information of all transactions for future reference.

1.4 MEMBERSHIP

A. Access Criteria:

Upon application, BACPS membership will be open for the scheduled banks licensed by the Bangladesh Bank which meets the following criteria:

i. Must conform the technical requirement to connect with the Bangladesh Automated Clearing House;
ii. Must maintain current account with the Government that is maintained in the Bangladesh Bank.

B. Procedures for Membership:

Agreement for membership shall be signed between concern bank and Bangladesh Bank as per Annex 1 of these rules.

C. Suspension:

A member shall be suspended from BACPS in case of any of the following events:

a) In breach of a prudential requirement;
b) If the member proved to be not acted in the highest principles and interest of the clearing and settlement procedures;
c) An event occurs which affects, or may affect, the ability of the participant to participate in sending and receiving the payment instructions and
d) The participant breaches its obligations under these Rules or the applicable procedures and fails to rectify the breach or to provide an acceptable justification;
e) Any other reason for which the BB authority may deemed appropriate to suspend the bank from automated cheque clearing facility.

The suspended participant may be reinstated after the reasons for suspension have been rectified. Bangladesh Bank as the Clearing House authority will, as soon as reasonably possible, notify all participants of re-commencement date of operation for the suspended participant.

D. Termination:

A participant's membership shall be terminated from BACPS upon:

a) Withdrawal of membership;
b) Becoming insolvent in terms of the provisions of the Bank Company Act, 1991 (amended in 2013); and
c) Termination by the Clearing House in accordance with these Rules.

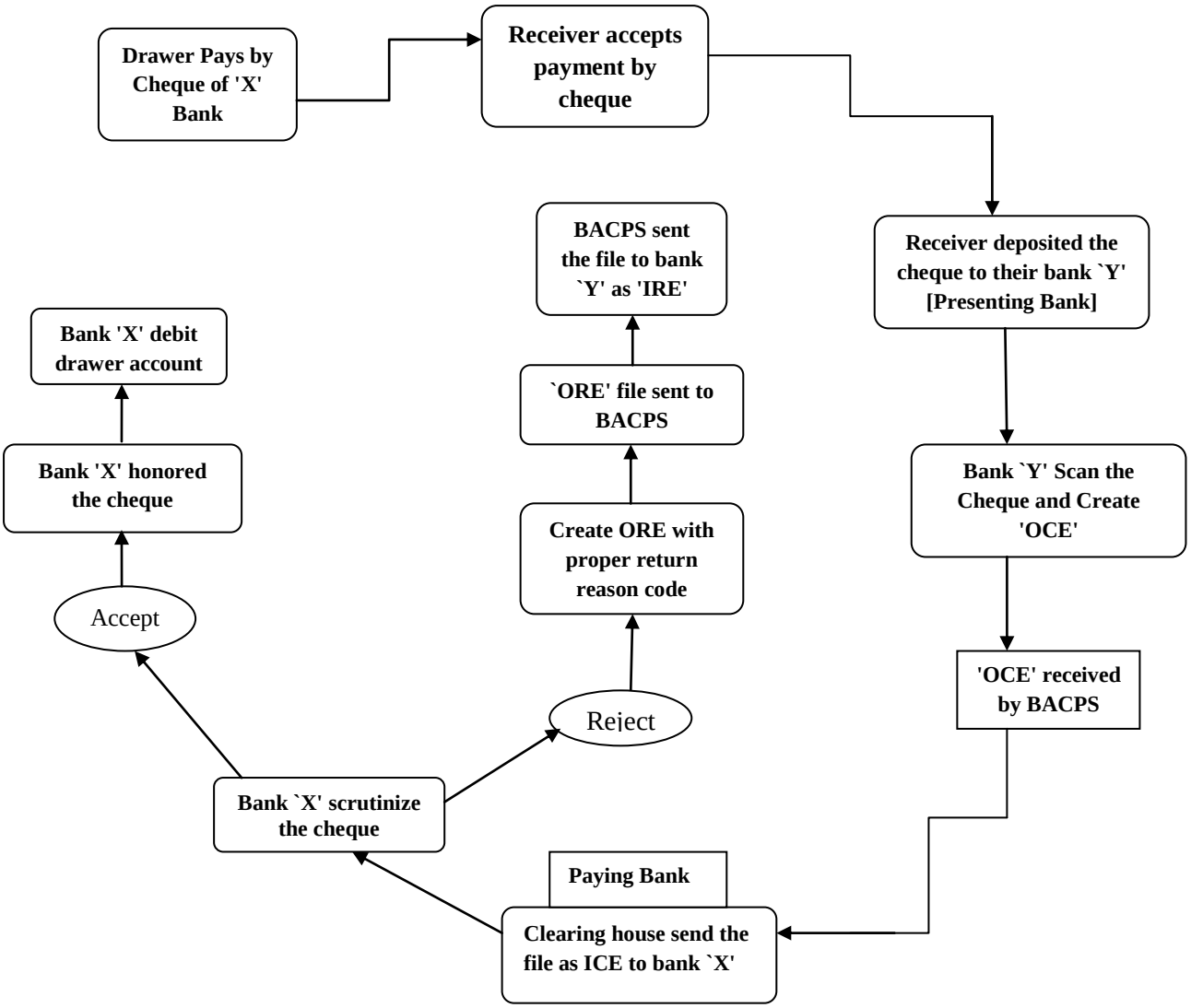

Fig: Clearing process of paper based payment instruments through BACPS

1.5 Definitions

In these Rules,

1. “Account” means an account with reserve and/or clearing balances on the books of the Bangladesh Bank.

2. “Approved Payment Item” means a payment item that meets the requirements of BACPS- Eligible Item.

3. “Archive” means a repository used to store and index Images and associated information for necessary retention and accessibility.

4. “BACH” means the central system and facility that supports the Exchange and settlement of payment instruments and instructions between Participating Banks.

5. “BACPS” means the facility that clears and settles cheques and other approved paper-based payment instruments for participating Banks.

6. “BACPS-Eligible Item” means an electronic copy of a paper-based Payment instrument that the Presenting Bank certifies is a copy of the original instrument acceptable for clearing under Image-Exchange System and is listed as one of the instruments in Chapter 3, section 8 of these Rules.

8. “Participating Bank Module” means the software and associated hardware that manages the transmission and receipt of BACPS Cheque Envelopes, acknowledges receipt of BACPS Cheque Envelopes, and interfaces with particpating Banks’ host systems.

9. “BACPS Cheque Envelope” means an electronic file contains electronic information representing BACPS-Eligible Items that is exchanged between a Sending and a Receiving Point.

10. `Bangladesh Bank' means central bank of Bangladesh established under the Bangladesh Bank order, 1972.

11. “Bank”: means a Bank company established under The Bank Company Act, 1991.

12. "Batch" means the transmission or processing of payment items/instruments collectively in a group.

13. "Batch Control Voucher (BCV)" is a document that precedes a batch of physical instrument. BCV contains information such as number of instruments and total amount of that batch.

14. “Business Day” means a Banking Day including all days except weekly holidays and all approved Bank Holidays.

15. “Cheque” is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand, as defined in Negotiable instrument Act 1881.

16. “Cheque Image” means a digital representation of the front and back of a cheque.

17. "Cheque in the electronic form" means a cheque which contains digital representation of the front and back of a paper cheque (cheque image), and is generated, written and signed in a secure

system ensuring the minimum safety standards prescribed by Bangladesh Computer Council for the use of digital signature.

18. “Cheque Truncation” means the process by which the physical movement of a cheque, for clearing and settlement purpose, among participating bank of BACPS is stopped and is replaced by the exchange of images and corresponding electronic information.
19. “Clearing” means the exchange of payment instructions between payment system participants or between payment systems, and includes without limitation, the processes associated with clearing, sorting, editing, netting and prioritizing such instructions or orders in whatever form these take.
20. "Clearing Cycle" is a pre-determined activity schedule, consisting of presentment cut off, return cut-off and the settlement timing.
21. "Clearing House Module" is a suite of components installed at the Clearing House that validates the data while receipt of inward cheque envelope and delivery of outward cheque envelope.
22. “Clearing System” means a set of procedures whereby participants present and exchange information relating to the transfer of funds or securities to other participants through a centralized system or at a single location and includes mechanisms for the calculation of participants’ positions on a bilateral or multilateral basis with a view to facilitating the settlement of their obligations.
23. “Convenience Amount” means the amount that appears on a paper instrument that is normally written in numeric values.
24. “Correspondent Bank” means a participating bank acting on behalf of another Participating Bank to send and received approved payment items to and from Bangladesh Bank.
25. “Counterfeit Item” means an Item that appears to be original or genuine, but has fraudulently being built by tampering or forging any part or the item as a whole in order to misappropriate fund.
26. "Cut-off" means a designated time beyond which certain BACPS functions cannot be performed.
27. "Digital Signature" is a computer algorithm, generated and authenticated generally by a Public Key Infrastructure, used to validate the contents and the sender's identity of electronically transmitted documents that are exchanged among participating banks.
28. "Electronic Cheque": is an electronic version of a paper cheque, generally cheque image, that resembles the physical cheque and are used for the purpose of clearing and settlement.
29. “Electronic Cheque Presentment (ECP)” means the electronic transmission, by an institution authorized to draw a cheque, of an image and payment information of the cheque, to the payee institution on which it is drawn.
30. "Endorsement" is a system and/or method to ensure that a payment instrument is came from a particular presenting bank.
31. "Endorsement line" is a printed line on the back of a instrument which shall be the unique identifier for the instrument.
32. “Exchange” means the delivery and receipt of Payment Items.

33. “Forged or Unauthorized Signature” means (i) a signature on the face of an Item that is not the signature of the person (the drawer) that it purports to be, or (ii) a signature that is written on or applied to an Item without the drawer’s authority.

34. “Force Majeure” means any event beyond the control of a Participating Bank that could not be avoided by the exercise of standard care as is reasonable in the circumstances, including natural calamities (earthquakes, natural floods, storms), fire, explosion, war, insurrection, riot and civil disorder.

35. “High Value Items” means payment items amounting taka 5.00 (Five) lacks and above or otherwise declared by BB under this clause for the purpose of presentment in high value session of BACPS.

36. “Instrument” means either a negotiable instrument (i.e. Cheque, Payment Order, Demand Draft etc.) or other instrument (such as government cheque) that are eligible under BACPS environment for processing for payment.

37. “Item” means an instruction for payment via an approved payment instrument that is processed by BACPS under these rules.

38. “Legal Amount” means the amount of an instrument that is normally written in words.

39. “Magnetic Ink Character Recognition (MICR) means the machine readability of numeric data printed with magnetically charged ink in the instrument.

40. “Material Alteration” means an unauthorized change to one or more of the completed details of an instrument including those mentioned in the Negotiable Instruments Act,1881 which are alterations: (i) to the date, (ii) to the sum payable, (iii) of the time of payment, (iv) of the place of payment, or (v) of the addition of a place of payment without the acceptor’s assent where an instrument has been accepted generally, as well as any alteration of the Paying Bank or of the payee name.

41. ''Misdirected Return'' means the outward return file send to wrong destination by the Paying Bank due to diverse error.

42. “Netting” means the determination of the net payment obligations or the determination of the net termination value of settlement obligations between two or more system participants within a system.

43. “Net Settlement” means a settlement procedure in which final settlement of transfer instructions occurs on a net basis at one or more discrete, pre-specified time during the processing day.

44. “Participating Bank” means a Bank who is a participant in the BACPS.

45. “Paying Bank” means the Bank upon which an instrument is drawn on.

46. ''Payment Instructions'' mean an electronic message including image of an instrument requesting the transfer of funds on a payer to the order of payee.

47. ''Person” means a legal person is any human or non-human entity (i.e. any human being, firm, or government agency) that is recognized as having privileges and obligations, such as having the ability to enter into contracts, to sue, and to be sued.

48. “Positive Pay” means banks compare a personal or company's record of cheque issued with cheque presented for payment;

49. “Presenting Bank” means the Bank that presents a Cheque or other instruments in BACPS for collection.
50. "Proprietary CA (certification authority) is an entity that issues digital certificates, however without keeping connected with a root CA. A digital certificate certifies the ownership of a public key by the named subject of the certificate. This allows other participants in a system to rely upon signatures or on assertions made about the private key that corresponds to the certified public key.
51. “Public Key Infrastructure” is the framework of encryption and cyber security that protects communications among the parties of a system. PKI ensures data authenticity, integrity and non-repudiation. It works by using two different cryptographic keys, a public key and a private key and are based on digital certificates.
52. BACPS Return Item” means the corresponding payment information of a BACPS-Eligible Item that is returned to the Presenting Bank in accordance with and for any reason permitted by these Rules.
53. "Return Reason Code" is a code to indicate the reason for returning a payment as Unpaid or Unapplied.
54. “Sending Point/Receiving Point” means a bank will have one single point of connectivity with BACPS which will be termed as sending/receiving point. The PBM will be located at this point.
55. "Settlement" is a central bank function through which participating banks are discharged from their obligation in respect to payments for items that are cleared through BACPS. This function is completed when concerned central bank department/section posts the net settlement amounts to participating banks' account maintained at the central bank after each clearing cycle.
56. “Settlement Account” means participating bank’s account at the Bangladesh Bank (generally current account) that are being used for the purpose of BACPS settlement.
57. “Settlement Date” means the date for settlement of an item as provided in these Rules.
58. “Settlement System” means a System established and operated by Bangladesh Bank or any other System for the discharge of payment obligations as well as of settlement of obligations in relation to securities
59. “Service Branch” is a branch which will act as a sending and receiving point, for each individual bank there will be only one service branch for each bank (generally Local Office).
60. “Truncation Point” is a point from which physical movement of an instrument is stopped, here the image and data will be captured and transmitted to the service branch/BACPS. A bank may have multiple truncation points.
61. “Unqualified Item” refers to an item which does not meet the criteria of a BACPS-eligible Item.
62. “Unusable Image” means an Image that does not meet the requirements of the BACPS Image Usability Standard.

CHAPTER II: General Rules

2.1 GENERAL PRINCIPLE

The BACPS Rules govern the clearing and settlement procedures of approved paper based payment instruments to be processed through the Bangladesh Automated Cheque Processing System (BACPS).

a. The BACPS Rules are issued pursuant to Regulations *9* of the Bangladesh Payments and Settlement Systems *Regulation, 2014*. These rules are obligatory on a Presenting Bank that sends items to the BACPS, a Paying Bank that receives items from the BACPS and on account holders who have agreed to settle for items under these rules.

b. Any BACPS approved payment item that is sent to the Bangladesh Bank for clearing and settlement is subject to the provisions of these Rules. The Bangladesh Bank processes such items as a BACPS operator and does not collect, present, or return such items as a "collecting" or "returning" Bank, except in its performance of its responsibilities as banker to the Government and as banker to the banks and for its own payments.

2.2 Approved Payment Items

Paper-based payment items that are specified in the BACPS rules and that conform to the following requirements may be exchanged for the purpose of clearing and settlement service:

a. they are drawn on a participating Bank;

b. they are payable on demand;

c. they are identified in accordance with BACPS formats and the rules;

d. they conform to the requirements set out in these rules, including those relating to the value and value date; and,

e. Paper-based payment items drawn on Government of the Peoples Republic of Bangladesh and payable at Bangladesh Bank or any pre-specified Scheduled Bank.

2.3 Presenting Bank

2.3.1 Sending Approved Payment Items

A Participating Bank that maintains a Current Account (may be termed as a Settlement Account as well) at the Bangladesh Bank, may send an approved payment item to the Bangladesh Bank for clearing and settlement. The item must be in the format and media that the Bangladesh Bank prescribes and are in conformity with the applicable BACPS rules.

2.3.2 Security Procedures

The security procedures that Bangladesh Bank follows to verify the authenticity of the source of an item are as follows:

a. All Outward Cheque Envelopes will be digitally signed and encrypted by the Presenting Bank before transmission to BACPS and all inward Cheque Envelopes for the Paying Banks will be digitally signed and encrypted by BACPS before being transmitted to the Paying Bank. Participating bank must ensure that the instruments processed and transmitted from

CBS/CPS to PBM are secured and the information of these instruments has not been tampered or altered in the way of transmission.

b. Each Participating Bank shall prevent any disclosure of any aspects of the security procedures offered by Bangladesh Bank. The Participating Bank shall notify Bangladesh Bank immediately if the confidentiality of these security procedures is compromised, and shall act to prevent the security procedure from being further compromised.

2.3.3 Presenting Bank's Responsibility

By presenting an approved BACPS-Eligible Item for payment to Bangladesh Bank, the Presenting Bank:

a) agrees to comply with the applicable BACPS rules and agrees that those rules will govern the relationships among all of the participants.

b) certifies that the front and back images of the BACPS-Eligible Item is a copy of the original instrument;

c) verifies the prima facie genuineness of the instrument with due diligence and with ordinary care. The due diligence and ordinary care includes verification of the presence of all important fields such as date, amount in word & figure, signature and the valid tenor of the instrument; the physical feel of the instrument and thereby try to detect evidence of material alteration (if any) that is visible to the naked eye. In addition presenting banks have to ensure the use of magnifying glass and a UV detector for detecting any distortion of the important fields that may be detectable via the absence of erasable UV ink. Besides all these compulsory due diligences, banks may decide to employ additional risk management techniques for high value instruments, alerts for new account etc.

d) agrees to bear the responsibility for any types of loss that is occurred through lack of practicing due diligence as mentioned in para 2.3.3(c) on the part of the presenting bank ;

e) upon realization of the proceeds of an instrument, the bank shall pass the same to their customer account on the date of settlement ;

f) agrees to make the original BACPS eligible item available within seven (07) calendar days for inspection during normal business hours, if requested by the Paying Bank.

g) agrees that, failure to meet the request of the Paying Bank to present the original negotiable instrument will result in non-payment of that instrument. And in case of properly producing, the original instrument will remain with the Paying Bank and the liability for preservation of that instrument will be shifted to the Paying Bank;

h) authorizes the Bangladesh Bank to use the current account (settlement account) to settle the amount for items presented and received under each clearing cycle ;

i) bears the responsibility to reconcile their entire presentation and receipts by collating the information from files received through BACPS within the clearing cycle ;

j) should have the capacity of completing/rectifying any mis-read MICR line data (if any) on items that experienced it. However, the bank may only rectify/amend a maximum of three (3) digits of the total MICR line data of an instrument;

k) agrees to pay charges for clearing instruments as per the policy of Bangladesh Bank and also ensure all parties concern that they are not overcharging their customer ;

l) agrees to mark stop payment instantly on items for which a stop payment request (through letter or email as well as over phone from designated person/BACPS Manager) has been received from a paying bank within the return cut-off. Upon receipt of such request later than the stipulated time the presenting bank shall stop the payment immediately subject to non-payment of the customer's account;

m) agrees to inform BACPS within 30 minutes of settlement if any mismatch found; and

n) agrees to indemnify the participating banks including Bangladesh Bank for any loss or expense (including attorneys fees and expenses of litigation) incurred as a result of the Presenting Bank's negligence or non compliance with any of the clauses of the BACPS Operating Rules and Procedures. This however, does not limit any other agreement, authorization or indemnity, not inconsistent with these Rules, made by a Bank, its Correspondent Bank, or the Bangladesh Bank.

2.4 Processing of Items

As an operator of BACPS, Bangladesh Bank clears and settles items in accordance with the applicable BACPS rules. Bangladesh Bank may reject, or may impose conditions to its clearing and settlement of any approved payment item for any reason. Bangladesh Bank will not act on instructions other than information required by specific format applicable to BACPS rules. Except as expressly provided in these rules, Bangladesh Bank does not have or assume any responsibility for a Participating Bank's non-compliance with applicable BACPS rules.

All items, except local demand drafts and Foreign Taka/FC Demand Draft sent to be processed through the BACPS must contain the Paying Bank's MICR encoded routing number as well as other information as required in the BACPS operating rules. It is the presenting Bank's responsibility to enter the correct routing number in the item's data field for local/foreign taka demand drafts. Bangladesh Bank may process an item on the basis of a routing number of a Participating Bank appearing in prescribed form on the approved payment item when received.

2.5 Delivery and receipt of Items under special circumstances

Generally, Bangladesh Bank will receive as well as deliver approved payment items through authorized communication channel. In case of emergency situation, a presenting Bank or Paying Bank may use corrupt-free removable storage media, as prescribed and acceptable by Bangladesh Bank, to deliver and/or receive items to and from BACPS.

2.6 Security of electronic data file

The electronic file of payment items shall be encrypted using the PKI infrastructure specified by the BACPS and be transmitted electronically or exceptionally delivered on a corrupt-free acceptable removable storage media. If delivered on removable storage media, a letter signed by an authorized bank signatory shall accompany this. The removable storage media and the letter shall be placed to Bangladesh Bank in a sealed envelope well before the concern cut-off time.

2.7 Correspondent Bank

A Participating Bank with prior approval from Bangladesh Bank may designate another Participating Bank (Correspondent Bank) for sending and/or receiving payment items from BACPS on its behalf. It is the Participating Bank's responsibility to ensure that the Correspondent Bank complies with the obligations under these Rules.

2.8 Time Schedules, Settlement Dates And Extension of Time Limits

BACPs will operate on normal banking days. At the beginning of the year, the holiday calendar will be duly broadcasted to the participant bank by the BACPS system. Any changes in working days/ holidays or in the time schedules will be broadcasted electronically by the BACPS system as and when required.

The BACPS will have two separate clearing windows for presentment and return having separate time schedules for High Value Items, Regular Value Items and Foreign Currency items. If because of circumstances beyond the Bangladesh Bank's control, the time schedule is delayed, the time for acting may be extended. The time for acting is extended upto the time necessary to complete the action, provided the Bangladesh Bank exercises such diligence as the circumstances required.

Extension of existing cut-offs is also allowed as per request of a participating bank, however only as a diligent exercise and under unavoidable and emergency circumstances stipulated in the BACPS rules.

2.9 Designation of Settlement Account

As part of membership requirement before the commencement of operation and as participant under BACPS arrangement, a Participating Bank must open/designate a Current Account at Bangladesh Bank for BACPS transactions. Participating Bank uses the local currency current account to settle the local currency instruments while for the Foreign Currency (FC) instruments they will use FC accounts (for that designated currency) maintained with the Bangladesh Bank for settlement.

As per the provision of these rules, participating bank authorizes the Bangladesh Bank to post to their accounts at Bangladesh Bank any Consolidated Net Settlement Positions of amounts (both in local and foreign currency) that shall occur directly or indirectly as a result of the clearing of Eligible Items and the actions of the BACPS, and will at all times maintain funds in these accounts adequate to cover such settlement of payments in eligible currencies.

By designating a Settlement Account, a Bank authorizes the Bangladesh Bank to debit or credit the designated Account on the Settlement Date with the value of the items sent by the Bank to the Bangladesh Bank and to debit and credit to the designated Settlement Account the amount of other transactions (including fees, unless otherwise agreed) with respect to BACPS Items. The Bangladesh Bank may in its discretion, recover the unpaid balance of the Participating Bank's obligation with respect to an item from the Participating Bank respectively without prior notice.

2.10 Settlement

The Bangladesh Bank will post the settlement amount to Participating Banks' designated Settlement Account at a pre-fixed time (generally at the end of each clearing cycle). Settlement among participating banks will occur on a net basis and will be final and irrevocable when posted.

2.11 Posting of Transaction/Crediting Customers' Account

On receipt of the Net Settlement Positions of the member banks from the BACPS, the concerned department of Bangladesh Bank shall arrange settlement for the participants. Participating Banks must post the transaction (debit or credit) to their customers' account on the Settlement Date.

2.12 Paying Bank

2.12.1 Paying Bank's Responsibility

The Paying Bank should examine the cheque's image and other electronic information from the inward cheque envelope sent by the Presenting Bank and shall verify the following information:

- The drawer bank, branch
- Name of drawer
- Payee's name must be present
- Valid date (must not be stale or post-dated)
- Amounts in words and figures match
- MICR Code line must be present
- Alterations are counter-signed
- Crossings are present

- The drawer's signature in the electronic scanned copy should be identical to the authorized signature at the bank

A Paying Bank, by maintaining or using an Account with the Bangladesh Bank for settlement of items or by accepting an item from the Bangladesh Bank agrees to:

a. comply with the applicable BACPS rules and agrees that those rules govern the relationships among the parties relevant to the transaction;
b. process the item in accordance with these Rules ; i.e .will check the fund availability of the account and will verify the customer's signature mentioned on the presented item;
c. verify via positive pay instructions before payment of items carrying the value of the required limit as set by the Bangladesh Bank from time to time and bear the responsibilities of losses incurred by other BACPS participants due to non-compliance of performing Paying Bank's responsibility (i.e. positive pay instruction) ;
d. authorize the Bangladesh Bank to post the amount of a payment item to the Paying Bank's Settlement Account on the Settlement Date; also ensure sufficient balance in the settlement account for meeting the payment obligations arise out of cheque clearing activities;
e. use appropriate return reason code for non- payment of any clearing instrument.
f. provide notice of stop payment [via e-mail, phone or any other media] to the Presenting Bank in the case of failure to return an item within the return cut- off [due to unavoidable circumstances or technical issues and on the same business day]. If the Paying Bank identify the issue on a later stage , the bank shall immediately request the Presenting Bank to stop the payment;
g. verify that all the inward items have been received, therefore ensure that there has been no data loss in the transmission process from BACPS. If any files are corrupted/lost in the time of transmission the bank may request the Bangladesh Bank for retransmission of images and data;
h. ensure that their host application can prevent the payment of a duplicate instrument;
i. agrees to inform BACPS within 30 minutes of settlement if any mismatch found;
j. indemnify the participants (including Bangladesh Bank) for any loss or expense (including attorneys' fees and expenses of litigation) incurred as a result of non-performing the responsibility on the part of the Paying Bank.
k. the proposition that the agreements, authorization and indemnity do not limit any other agreement, authorization or indemnity not inconsistent with these Rules, made by a Paying Bank to a Presenting Bank, the Bangladesh Bank or other person(s).

2.12.2 Return of Items and Funds

A Paying Bank may return an approved payment item to the Bangladesh Bank in accordance with the applicable BACPS rules adhering to the deadline set forth in the rules. The Paying Bank is accountable for the amount of the payment item if the returned item is not received by that deadline.

The Bangladesh Bank processes a returned payment item it receives from a Paying Bank and sends it or makes it available to the Presenting Bank in accordance with the provisions of these Rules.

2.13 Records

1. Presenting banks are responsible for preserving original paper instruments (physical instruments) for six years from the settlement date to permit resolving issues that may arise concerning the handling of instruments. If the instrument is sent to Paying bank [as per the request of the Paying bank], the Paying bank will also preserve the item for 6 years from the settlement date.

2. Bangladesh Bank will preserve the electronic information (image and data) of all clearing instruments in its central Archive for 12 years. Bangladesh Bank may decide to preserve the information both online and offline mode and can split the timeline of 12 years accordingly.

2.14 Fees

The Bangladesh Bank shall charge fees for processing payment instruments (i.e. cheque, pay orders, demand drafts and other eligible items) and will provide notification to participating banks of such fees from time to time. In addition, Bangladesh Bank may impose a penalty to a Participating Bank for violating Rules and other instructions in this connection. These fees may be charged directly from concerned banks current account.

2.15 Penalty

The Bangladesh Bank may impose penalties under section 109 of the Bank Company Act, 1991 (amended on 2013) for misuse and non-compliance of the operating rules or/and on:

- Customer complaints, such as delayed sending payment instrument and delayed credit to the customer's account;
- Participant Complaints-such as Incorrect Return Reason;
- Any other situation Bangladesh Bank authority deems fit for applying penalties.

Other than these, the Bangladesh Bank may charge fines on participating banks on different grounds like, non-standard cheques, cheque alteration, unpaid transaction, delayed data transmission, wrong stamping, late availability, late settlement, insufficient fund etc.

The extent of penalties may be imposed on the member banks considering the degree of non-compliance. Moral suasion and fine may be the initial form of penalty. For breach of prudential requirements, the BB can suspend the participation of member bank in BACPS for a while which may be reinstated after the reason for suspension have been rectified. And if the member bank repeatedly and/or reluctantly creates such offence, termination of the membership from BACPS would be the final step.

2.16 Bangladesh Bank Liability

The liability of Bangladesh Bank is limited by the following:

a. Bangladesh Bank is responsible or liable to a Participating Bank, only for its own failure to exercise ordinary care, or for its own or its employees' willful gross misconduct ;
b. Other than Government payment items, Bangladesh Bank does not act as the agent or subagent of another Bank or person and is not liable for the insolvency, neglect, misconduct, mistake or default of another Bank or person ;
c. Bangladesh Bank does not make any warranty with respect to an item it processes or settles for under these Rules, and
d. No person may make a claim for an item against Bangladesh Bank for loss resulting from Bangladesh Bank's clearing of or settling after one year from the Settlement Date of the item. If a Bank does not send written objection to an advice of debit to Bangladesh Bank resulting from clearing activity within thirty (30) calendar days after receipt of the advice, it is deemed to approve the debit.

2.17 Measure of Damages

The measure of damages for Bangladesh Bank's failure to exercise ordinary care, or for its own or its employees' willful misconduct, for a payment item (including a returned item), is limited to the amount of the item reduced by an amount that could not have been realized by the use of ordinary care. Where there is willful misconduct with respect to an instrument, the measure of damages must not include other damages that are attributable directly and immediately to the willful misconduct, even if such consequences were foreseeable at the time of such misconduct.

2.18 Right to Amend

The Bangladesh Bank reserves the right to amend these rules from time to time.

CHAPTER III: General Requirements

3.1 GENERAL RULES

1. Each BACPS-eligible Item shall be Exchanged, Cleared and Settled in accordance with these Rules.

2. All instruments except for BDT Demand Drafts, foreign taka Demand Drafts and FC Demand Drafts must contain MICR encoded routing number along with other essential MICR information in order to be eligible for BACPS.

3. An Image of each BACPS-eligible Item shall be captured prior to truncation in accordance with these Rules.

4. Each Presenting Bank shall retain original paper Items (source documents) for a period of six years from the settlement date.

5. Each Presenting Bank may destroy source documents following the expiration date of the source document (i.e. six years from the settlement date).

6. Where a Bank uses a Correspondent Bank to perform a particular function, the Bank shall ensure that the Correspondent Bank will comply with the requirements applicable to that Bank as set out in these Rules. Each Bank shall remain responsible and liable for the functions performed by its Correspondent Bank.

3.2 CURRENCIES TO BE CLEARED

The currencies to be cleared are Bangladeshi Taka (BDT), United States Dollar (USD), United Kingdom Pound (GBP), European Union and its territories currency - Euro (EUR), Japanese Yen (JPY), Canadian Dollar (CAD) and any other currency that may be added by Bangladesh Bank from time to time.

3.3 Eligible items and instruments

The following MICR encoded payment items are eligible for clearing in accordance with these rules:

1. Savings Bank Account
2. Current Account Cheque
3. Cash Credit Account Cheque
4. Dividend Warrant
5. Demand Draft
6. Refund warrant
7. Pay Order
8. Government Cheque
9. Credit Card Cheque
10. Foreign Taka Demand Draft
11. Foreign Currency Cheque
12. Foreign Currency Demand Draft

CHAPTER IV : Requirements for Image Capture

4.1 General Standard

Each Presenting Bank shall capture Images in accordance with the BACPS Image Usability Standard and BACPS Active Image Clearing Specifications (AICS).

4.2 Image Capture

Two (2) Image segments shall be captured for all BACPS-eligible items:

a. Black and White Image of the front
b. Black and White Image of the back

4.3 Image Usability Standard

An Image is considered usable if it meets the following standards:-

a. **Legible:** The Image is legible if it can be read or deciphered by a human viewer.

b. **Viewable:** The Image is viewable if there is perceived content in the field and the content can be viewed without obstruction.

c. **Usable Image:** Image usability is of key importance for allowing a Paying Bank to process an item on the basis of an Image. A usable Image is a clearly represented digital picture of an instrument. An Image is usable when all of the following criteria are met:

i. the date field must be legible on the image of the instrument ;
ii. the MICR line must be legible on the Image of the item ;
iii. the account number in the MICR line is Legible on the Image of the instrument ;
iv. the payer information must be Legible on the Image of the instrument ;
v. the Convenience Amount must be Legible on the Image of the instrument ;
vi. the Legal Amount must be Legible on the Image of the instrument ;
vii. the payer's signature must be Legible on the Image of the instrument ;
viii. the payee name, if present on the instrument, and required for stop payment processing, is Viewable on the Image , and
ix. the payee endorsement(s), if present on the instrument, is Viewable on the Image of the item.

4.4 Return Process:

i. If an Image of an item is not usable according to the above definition of a usable Image, the item may be returned within the time frames citing appropriate return reason.
ii. The Presenting Bank has the option to re-scan the source instrument and transmit the Image as a new item to the Paying Bank.

4.5 Poor Source Documents:

If the Image of an instrument is not usable due to the quality of the source document, the Presenting Bank may:

i. Return the physical instrument to its customer.

ii. Forward the source document itself to the Paying Bank for payment (i.e., put it on for collection outside the clearing house).

4.6 Piggy Back Items

A piggy-back situation occurs when an instrument is Image-captured with another instrument or instrument(s) with the appearance of forming one Item. Where a piggy-back situation occurs, the Presenting Bank shall correct the situation by re-capturing multiple instruments separately, as the case may be.

4.7 Liability of Presenting Bank

4.7.1 Usability

Each Presenting Bank shall be responsible to the Paying Bank for the usability of each Image that it captures and presents up to the end of one consecutive Exchange Cycle commencing on the Date of Presentment at which point the Paying Bank assumes responsibility and liability for the usability of the Image.

4.7.2 Piggy Back

Where a Presenting Bank receives a Returned BACPS Item as a result of a piggy-back situation (Section 4.6) and is unable to locate the original Instrument for re-capture, the presenting Bank shall be responsible and liable for any loss.

CHAPTER V: Creation and Exchange of BACPS Cheque Envelope

5.1 BACPS Cheque Envelope Creation

Each BACPS Cheque Envelope shall be created in accordance with the BACPS Active Image Clearing Specifications (AICS).

5.2 BACPS CHEQUE ENVELOPE TRANSMISSION

Each BACPS Cheque Envelope shall be transmitted and received in accordance with the times set out in Part II (Operating Procedure).

5.3 CLASSIFICATION OF BACPS ELECTRONIC CHEQUE ENVELOPE CREATION

The following collection types shall be used for the classification of presented items during the BACPS Cheque Envelope creation process:

a. '01' : Outward Cheque Envelope (for regular value)
b. '21' : Outward Return Cheque Envelope (for regular value)
c. '09' : Outward Cheque Envelope (for high value)
d. '29' : Outward Return Cheque Envelope (for high value)

For Foreign currency transaction the applicable codes will be as follows:

Type of Instrument (Cheque)	Transaction Code	Type of Instrument (Demand Draft)	Transaction Code
USD Cheque	61	USD Demand Draft	71
GBP Cheque	62	GBP Demand Draft	72
EUR Cheque	63	EUR Demand Draft	73
JPY Cheque	64	JPY Demand Draft	74
CAD Cheque	65	CAD Demand Draft	75

5.4 ACCEPTING AS BACPS ELIGIBLE ITEM

Each Participating Bank shall identify each BACPS-eligible Item by populating the appropriate identification fields in the BACPS Cheque Envelope as set out in the AICS. The High Value collection type can only be indicated when the item meets the value.

a. for any item, a Presenting Bank will capture the information of the MICR line and will add the amount field thereto. In case of MICR misread, the Presenting Bank will not repair more than three (3) digits of MICR information.
b. where more than three (3) digits of unread MICR information would be found on an instrument, the Presenting Bank shall classify the item as 'Unqualified' for processing and shall return the same to the customer.
c. a Presenting Bank may enter account number which doesn't exist in pre-printed MICR line for Government cheques only.

5.5 RESPONSIBILITIES OF RECEIVING POINT

Each Receiving Point:

a. shall receive BACPS Cheque Envelopes delivered to it via BACPS.
b. for BACPS-eligible Items Exchanged and Cleared in collection type "High-Value/Regular Value/ FC", shall verify the contents of the BACPS Cheque Envelope and if necessary return the item in accordance with the return cut-off established in the BACPS rules.

CHAPTER VI: Presentment, Return and Exception Processing

6.1 Introduction

This Part contains the rules applicable to presentment, return and exception processing for BACPS eligible items. Nothing in this Part precludes a Paying Bank or a Presenting Bank from exercising its rights and seeking recourse outside of the Rules. Before taking such actions, however, it is recommended that the parties concern first lodge complaint with Payment Systems Department of Bangladesh Bank and seek mediation thereto.

6.2 SCOPE

The return procedures, timeframes and responsibilities set out in this Part shall apply to all Participating Banks and shall limit the degree to which they can seek recourse from other Bank.

6.3 PRESENTMENT

A BACPS-eligible Item is presented to the Paying Bank when a Cheque Envelope containing the BACPS-eligible Item is accessible by the Paying Bank on the Participating Bank Module (PBM).

6.4 RETURN BY PAYING BANK

Where payment of a BACPS-eligible Item is refused, the Paying Bank may initiate a return file with the appropriate return reason code contained in Annexure-2 and submit the same within the deadline and adhering to BACPS Operating Procedures.

6.5 TIME LIMITATION

I. Each Returned BACPS Item shall be send back to the Presenting Bank as soon as possible but no later than the return cut-offs contained in the BACPS Operating Procedures. Returns that are presented beyond the return cut-off will be automatically rejected by BACPS.
II. The Presenting Bank shall ensure that the system is accessible as soon as the Returned BACPS Item is available.
III. The Correspondent Bank shall ensure that an Image of each BACPS-eligible Item and all relevant Returned BACPS Item information is accessible by the Presenting Bank as soon as possible.

6.6 ITEMS WITH FORGED OR UNAUTHORIZED SIGNATURE AND FORGED ENDORSEMENT

For greater certainty, where an item contains a 'Forged or Unauthorized Signature' and either a 'Forged Endorsement' or the intended Payee(s) was not paid, the Item shall be returned in accordance with section 6.5 (I) of these rules. And in addition the paying bank should inform the issue to Presenting Bank and Bangladesh Bank separately via mail.

6.7 REPRESENTED ITEMS AND RIGHTS OF PAYING BANK

A Returned BACPS Item that has been send back for any reason by the Paying Bank shall not be presented by the Presenting Bank a fourth time, i.e. third representment,

6.8 METHOD AND ROUTING OF RETURN

Where a BACPS-eligible Item is presented using BACPS Cheque Envelope, the corresponding Returned BACPS Item shall send back using the same information such as cheque details, routing number etc. and shall be returned using the applicable return reason code(s) in accordance with the BACPS Operating Procedure and AICS specification.

6.9 IMAGES IN A BACPS RETURN CHEQUE ENVELOPE

Where a Returned BACPS Item is send back within the time set out in the BACPS Operating Procedures, no image segment shall be included in the BACPS Cheque Envelope.

6.10 BACPS ELIGIBLE ITEMS WITH INCOMPLETE/MISSING ENDORSEMENTS

Where the Endorsement on a BACPS-eligible Item is missing or incomplete the item can be returned for the reason “Incomplete or Missing Endorsement” using the return reason code in Annexure 2.

6.11 MISDIRECTED RETURNED BACPS ITEMS

Each Misdirected Returned BACPS Item shall be forwarded by the recipient to the Presenting Bank using the return reason code specified in Annexure 2.

6.12 PIGGY BACK ITEMS

If any item is received by a paying bank as piggyback item, the paying bank must return the item to the presenting bank.

6.13 WORDS AND FIGURES DIFFER

Where the amount expressed in words on the face of an Item differs from the amount written in figures, the Item shall be returned for the reason “Amount in figure and word differs” within the timeframe stipulated in section 6.5 I.

6.14 STALE DATED ITEMS

Each BACPS-eligible Item dated (presentment date is) more than six months from the issuing date may be returned unpaid for the reason “Cheque out of date”.

6.15 RE PRESENTMENT

1. Where a Presenting Bank receives a return for the reason “Insufficient fund”, the Presenting Bank, or its Correspondent Bank, may represent the Returned BACPS Item within the validity period of the check following the first presentment time;
2. If representing a Returned BACPS Item, the Presenting Bank shall create a BACPS Cheque Envelope in accordance with AICS Functional Specifications;
3. A Returned BACPS Item that is eligible for re-presentment may only be represented twice; and
4. A Returned BACPS Item that is represented may not be subsequently returned for the reason “Unusable Image”.

6.16 GENUINENESS OF CHEQUE

1. The Presenting Bank shall verify the prima facie genuineness of the instrument to be truncated and attempt to detect any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and with ordinary care (using UV detector) and other device if required.
2. The Presenting bank shall be responsible for detecting the genuineness of the cheque leaf, material alteration of payee name, amount or date. In such cases where genuineness cannot be verified or material alteration is detected; the presenting bank should not submit such cheque(s) to the BACPS and take proper measures in consultation of bank authorities as well as with the Paying bank and Bangladesh Bank to bring the fraudsters under justice.

3. Payment Instrument issuing banks must follow set physical security standards properly as prescribed by the Bangladesh Bank. If any security features of the instruments are missing or the design is not as per the approved specification, the issuing bank will be solely responsible for any fraudulent activities resulting from the violation of the approval.

6.18 BUSINESS CONTINUITY PLAN:

1. Participants shall be required to have Business Continuity Plan to ensure uninterrupted clearing of payment instructions which shall include:

(i.) Timely replication of primary site operations to a secondary site, and

(ii.) Ability to timely operate from the Secondary site in case the primary site is not available.

2. Participants shall periodically test their Business Continuity Process and maintain testing reports.
3. The BACPS shall provide contingency facility (alternative delivery media) for BACPS participants to send and receive BACPS files in the event participants are facing connectivity problems on their site.

For example, the business continuity plan would be as follows:

Scenario-1: The member shall immediately inform their concerned officials to investigate and provide an immediate resolution. At the same time, the bank must inform the BACPS of that failure and the progress for resolution in written form.

Scenario-2: In case of operating the clearing function from primary BACPS the manager of BACPS shall immediately inform all the participants of the failure via telephone, fax or e-mail. The Bangladesh Bank will activate the business continuity site and restart the BACPS from the business continuity site. BB shall inform all participants when the services are restarted. The member bank must reconnect their CPS workstations to the business continuity site and resume processing.

In switching the service to the business continuity site, the participants must reconcile their pending cheques and presented/returned cheques at the business continuity system, and if necessary, to perform re-capture of any paper cheques which are not identified in the business continuity system.

Scenario-3: The BACPS is a fully web based system. In case of any BACPS workstation failure, participants shall reconnect to BACPS from any working workstation with the necessary configuration and web browser.

Banks shall also have at least one backup CPS scanner for their respective branch. Banks shall use the backup scanner in case of a prolonged failure occurs to the primary scanner.

CHAPTER VII: DISPUTE RESOLUTION MECHANISM

7.1 Dispute Resolution:

This rule outlines the procedures for settlement of disputes among participating banks that arises out of the clearing of BACPS payment items.

All disputes in respect of the Rules are to be dealt at a managerial level preferably through BACH managers by the participating banks. The participating bank that disputes a returned item/settled item shall inform the other clearing bank within five (05) working days following the returned item/settlement. The report shall inform in writing, clearly explaining the nature of the dispute. Queries raised by a member bank on another bank should be timely responded to at least within a maximum of five (05) working days. Matters which cannot be settled amicably shall be referred promptly to the higher managerial level of the respective Bank's Head Offices.

Arbitration:

Where the dispute cannot be resolved between the participating banks, the parties may proceed to Arbitration. Arbitration rule applies equally to paper as well as electronic payments.

a. The guiding principle in case of a paper-based instrument is that a Presenting Bank and its customer is not relieved from their normal liabilities in respect of any Eligible Item merely because the Paying Bank has failed to carry out any of the Rules relating to the handling of the Items. A Presenting Bank may refuse to accept Eligible Items in respect of such cases where the provisions of the rules have not been followed;
b. Upon receipt of a valid request from the payer about a possible fraud, a Paying Bank will request the presenting bank to withdraw the funds from the payee's account of a settled instrument. The Presenting Bank shall reverse the transaction and send the proceeds back to the Paying Bank. The amount would be blocked by the Paying Bank on its customers account until the decision is awarded by the Arbitration Panel;
c. Any Bank involved in a dispute with another Bank, which cannot prima facie be settled by mutual agreement at the Head Office level, may submit the relevant facts to the Payment Systems Department (PSD) of the Bangladesh Bank for the Arbitration alongwith complete details of the dispute within fifteen (15) working days from the date of receipt of the complaint from the customer. In this regard, the following steps shall be followed:
    i. An interim reply shall be given to customer within fifteen (05) working days from the date of receipt of complaint.
    ii. The PSD shall convene a meeting with the Banks under dispute and resolve the disputes by mutual agreement within ten (10) working days after receiving the notice of Arbitration. Additional meeting may be arranged if necessary.
    iii. All such disputes shall not take more than sixty (60) working days from the date of receipt of complaint for their resolution. However, in case of lack of direct or circumstantial evidence or if further investigation is needed, additional time may be taken to make the decision which must be rational.

7.2. Composition of Panel:

An Arbitration Panel may be constituted to rule on and settle disputes arising under these rules between participating Banks. The panel would be consisted of at least three (3) persons from the Bangladesh Bank. The panel would be presided by a Deputy General Manager (DGM) and two (2) other members should be

from business team and ICT team of Bangladesh Bank. For co-ordination of arbitration each member bank should nominate at least two officers at their end to act as primary and secondary contact points.

7.3. Lodgment of Arbitration

Any party wishing to lodge an arbitration case under these Rules shall file a written Notice of Reference ("the Notice of Arbitration") which shall include the followings:

1. A request that the dispute be referred to arbitration;
2. The names and addresses of the parties to the dispute;
3. The amount, time, date, instrument/reference number (and other relevant details) of the transaction ;
4. A brief statement describing the nature and circumstances of the dispute and
5. The relief or remedy sought

The process of bringing a dispute to arbitration will begin with a written notice to the PSD as required by these Rules shall be addressed to:-

The General Manager
Payment Systems Department
Bangladesh Bank
Head Office
Dhaka-1000.

7.4. Presentment of Arbitration:

Subject to the requirement, the Arbitration process would be fair and efficient and that all relevant information would be properly considered. Arbitration proceedings shall follow the procedures as set out hereunder-

- A claimant serves a Notice of Reference to Arbitration upon a Respondent (s) in the prescribed form or,
- The parties to any dispute have jointly signed a reference indicating their intention that the dispute be referred to Arbitration for resolution.

The endorsement of the Notice of Reference to Arbitration or the jointly signed reference and the endorsement of any response shall state at the minimum the following particulars:

- A statement of the claim made by the Claimant and/or a statement of the defence and counterclaim of the Respondent as the case may be;
- A statement of the facts surrounding the claim, defence or counterclaim as the case may be;
- Identification of the documentary evidence sought to be relied upon and where practicable copies of the documentary evidence should be appended to the Reference;
- A statement of the BDT amount of damages or the relief sought;
- Any other information or arguments that may be relevant.

The coordinator of the Arbitration Panel will transfer the request and the response to the members of the panel in a “Dispute File” and will assign it a file number.

7.5. Convening the panel and inviting the parties

The Coordinator [as decided by the concerned department of Bangladesh Bank] will determine the time and place for the panel to meet and will provide early notice of the meeting to the parties. In the case of an agreed-upon panel, the Chairman of the panel has the authority to set the time and place of the panel’s meeting and to invite the parties.

7.6. Additional meeting of the panel

The panel will endeavor to decide the matter within one meeting. In special cases, when a decision cannot be reached, the chairman of the panel will – prior to the conclusion of the first meeting – decide on an early date for an additional meeting to complete the clarification. The number of additional meeting will be decided by the chairman of the panel as it seems necessary.

7.7. The Dispute File

The dispute file organized by the Co-ordinator of the Arbitration Panel will have the following characters-

i. All the material brought before the panel will be contained in a Dispute File, which will also contain the protocol of the panel meeting
ii. The Chairman of the panel will see to it that a protocol is recorded which includes the main points of the dispute, a summary of the arguments of each side, the conclusions of the panel and its decision. The Coordinator will present a copy of the protocol to each side on request
iii. The request and the response in the protocol or the Dispute File shall not include information that violates banking confidentiality.

7.8. Record keeping:

For record keeping relating to complaints, banks are required to follow instructions stated in the BACPS operating rules. However, CCTV footage is considered part of circumstantial evidence and it must be retained at least for six (06) months. For complaints escalated to Courts, all the related evidences should be retained till the final decision.

7.9. Decision/Award:

The decision shall be made promptly by the panel within stipulated time (mentioned in section of 7.1). The panel need not state the reasons for the decision.

The panel may award simple or compound interest on any sum awarded at such rate or rates and in respect of such period or periods ending not later than the date of the award as the panel considers just.

All awards must be issued through the Chairman. The panel must deliver to the Co-ordinator a number of original copies of the decision sufficient for the parties and for filing purpose.

The Co-ordinator shall release the decision to the parties upon the full settlement of fees and expenses. The award shall be final, binding and enforceable according to its terms and the parties undertake to carry out the award without delay.

7.10. Acceptance of the panel's decision

The member banks will accept the decision of the panel to which a dispute between them is brought for clarification. Nonetheless, it is hereby clarified that the procedure in this section should not be viewed as agreement to engage in legal clarification.

7.11. Additional clarification by a special panel

The decision of a panel is final. In special cases, which will be considered as exceptions, the Chairman of the Panel will have the authority to bring a dispute for additional clarification before a special panel that he will convene.

7.12. The procedures for discussion in the panel and for initiating clarification

The Chairman of the Panel has the authority to determine the panels' procedures for discussion and additional procedures for bringing a dispute before a panel for discussion.

7.13. Costs:

The panel shall specify in the final meeting the costs of the arbitration and decide which party shall bear them and in what proportion. The "costs of the arbitration" shall include:

i. The fees of the panel [for a single meeting it would be BDT 5,000.00] would be fixed by the Bangladesh Bank from time to time;
ii. The costs of expert advice or of other assistance rendered; and
iii. All expenses which are reasonably incurred by the BB in connection with the arbitration.

The panel has power to order in its award, that all or part of the legal or other costs of one party shall be paid by the other party. Such costs shall, unless the award otherwise fixes or directs, be taxable by the Co-ordinator.

7.14. Proposals for changes in the rules

On the basis of its experience in arbitrating the disputes, each panel can propose changes in the Clearing House rules to the payment Systems Department of Bangladesh Bank.

7.15. Publication of the highlights of the clarification

The Chairman of the Panel has the authority to publish the panel decisions.

7.16. Indemnification of Arbitration Panel

Where they can be deemed to be acting in good faith the members of the Arbitration Panel shall have no liability whatsoever, whether for acts or omissions or with respect to any other matter, arising directly under Arbitration. The parties to the Arbitration expressly agree to this and further expressly hereby agree to indemnify the parties to be dispute of the Arbitration Panel and each of them and keep each of them harmless from any and all claims, which could arise in connection therewith.

Dispute Resolution:

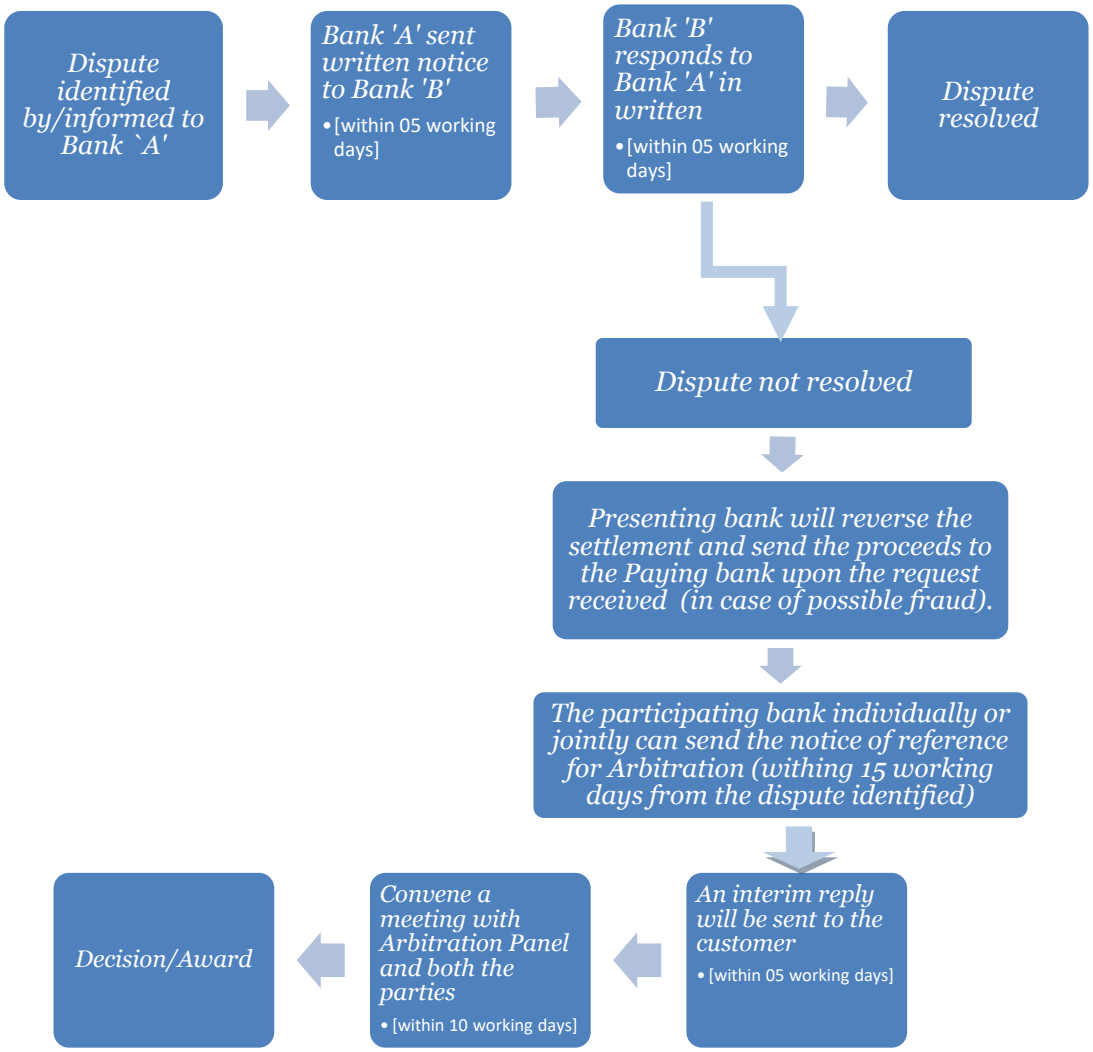

Figure : Dispute Resolution Cycle

BACPS Operating Procedure

Chapter-1: OPERATIONAL OVERVIEW

1.1 Introduction

These operational procedures are intended for the use of operational staff within Participating Banks engaged in the preparation and submission of Outward payment items to the Clearing House and in the receipt and verification of Inward items from the Clearing House.

Here the document is a reference to additional documents which are generally technical in nature and contain specific system details. These procedures deal mainly with the operational issues for image based instrument processing and have to be read with and subject to the Bangladesh Payments and Settlement Systems Regulation 2014, the BACPS Operating Rules or any other law(s) shall come into effect time to time.

1.2 JURISDICTION

The image exchange cheque clearing process will be applicable for cheque clearing operation throughout Bangladesh. Any bank that has been allowed to act as a member of the BACPS has to follow this process for cheque clearing.

This document deals principally with the operational procedures for banks utilizing an automated image based cheque clearing solution and has to be read with and are subject to the Bangladesh Payment and Settlement Systems Regulation 2014.

1.3 CLEARING SESSIONS

The Cheque Truncation System is capable of supporting different types of clearing. Each type of clearing will have a separate clearing window known as clearing sessions. Initially there will be three presentation and three corresponding return clearing sessions (two for local currency and one for Foreign Currency) per day. The presentment, return and settlement cut-offs for these sessions are:

Clearing Window	Cut Offs		
	Presentment	Return	Settlement
Regular Value Instrument	12:30 hrs	17:00 hrs	17:01 hrs
High Value Instrument	12.00 hrs	15.00 hrs	15.01 hrs
Foreign currency Instrument	12.00 hrs	15:00 hrs	15:01 hrs

Clearing sessions may be rescheduled and communicated to member banks by the Clearing House (BACPS) authority from time to time. In case of High Value items, if presented after the presentment cut-off and before the presentment cutoff of RV instruments, will be processed in the regular value session (and follow the regular value timing for return and settlements) while HV items presented after RV presentment cut-off will processed in next available HV session. In case of RV and Foreign Currency session-missed items, the files will be processed in available corresponding sessions.

Chapter-2

OVERVIEW OF CLEARING PROCEDURE UNDER IMAGING AND TRUNCATION ENVIRONMENT

2.1 TRUNCATION POINT

The presenting bank, on its own discretion decides about the point of truncation. A bank may have multiple points of truncation but will have one single point of connection with BACPS which will be termed as sending/receiving point. And the PBM will be located at this point. Nevertheless, the bank must exhibit proper authorization process as well as ensure due diligence on all the instruments presented as mentioned in Section 131 of the NI Act and Section 2.3.3 (Presenting Bank's Responsibility) of this rule. Due care and secure handling is to be exercised in movement of instruments from counters of the presenting bank to the point of truncation.

2.2 SETTLEMENT

Settlement shall be made on the basis of the electronic cheque data including the amount that accompanies the image and that is contained in cheque return data. The specifications that qualify cheques for image based clearing must be strictly adhered to.

2.3 DIGITAL SIGNATURES

The use of the Public Key Infrastructure (PKI) will ensure data authenticity, integrity and non-repudiation, adding strength to the entire system. The PBM of the presenting bank will affix digital signature on each file from the sending point. The image and data must be secured using the PKI throughout the entire transmission cycle between the presenting bank, the clearing house and the paying bank. It is the responsibility of the presenting and paying banks to ensure that the movement of electronic files from their host capturing systems to the PBM is secured with the highest level. Access to the bank’s PBM must be limited to authorized personnel only.

2.4 USE OF SECURE NETWORK

Participating Banks will ensure that, all electronic files will be duly validated, encrypted & digitally signed, will travel over a secure communication link connecting each bank with the Clearing House. All acknowledgement messages will be transmitted via the same link.

2.5 STORAGE AND ARCHIVING SYSTEM

A sound storage and archiving system of images is an integral part of BACPS which ensures that all relevant data is immediately available to resolve disputes, complaints, reconciliation etc. The physical instrument (truncated items) must be sequentially preserved for six (6) years by the presenting bank and may (optionally) maintain an image archive for their items only.

The contents of the national archive shall be available to both the presenting and paying Bank for 12 years through online and offline access. Bangladesh Bank has the authority to decide the timeline for both online and offline access. Any item processed by BACPS will be made available to the parties of the transaction via the archive. Images in the central archive will be available for viewing after the closing of the current business day.

2.6 SCANNING STANDARD

The scanning will conform to the prescribed standards which are bi-tonal (black and white), 200 DPI to 300 DPI TIFF format image. The image quality assurance is required at the scanning stage so that the images meet the processing quality standards. The image specifications are:

Side No.	Image Type	Minimum DPI	Format	compression
1.	Front Black & White	200-300 DPI	TIFF	CCITT G4
2.	Reverse Black & White	200-300 DPI	TIFF	CCITT G4

The background of the cheques should be image-friendly; there should be no dark background.

Chapter-3
PRESENTMENT FOR CLEARING PROCEDURE AT THE PRESENTING BANK

3.1 PRESENTING BANKS DUE DILIGENCE REQUIREMENTS

As settlement will be done on the basis of data, conducting due diligence therefore is the responsibility of the presenting bank to verify the prima facie genuineness of the cheque to be truncated.

The banks should observe all precautions which a prudent banker takes under normal circumstances with a view to employing suitable risk management techniques, it includes:

- Enforcement of KYC (Know Your Customer) norms prescribed by Bangladesh Bank from time to time;
- Close monitoring of credits and debits of accounts based on risk categorization, including new account alerts ;
- Ensure that the physical feel of the instrument meets the paper and design standards used for MICR cheques;
- Check the apparent tenor of the instrument;
- Detect and reject a cheque if any type of discoloration, material alteration or tampering is visible to the naked eye ;
- Examination under UV lamp to detect the tampering (attempt).
- For enhanced attention, based on experience, the banks may deploy additional levels of checking for high value and Foreign Currency instruments.

The presenting bank takes full responsibility for collecting on behalf of the intended payee and exercises due diligence as per the conditions laid down in the Operating Procedure.

3.2 SORTING OF INSTRUMENT

Instruments that are drawn on the presenting bank itself (on us) should not be come to BACPS and be settled internally. Apart from segregating “on-us” instruments, the presenting bank should also segregate instruments according to their processing window (i.e. RV, HV and FC) and also according to their presentment status (i.e. for first presentment through second re-presentment) as well as any of the instruments which are torn and would require separate process of handling by the bank. Foreign currency instruments will be sorted accordingly, i.e. segregation for different foreign currency will be put in separated bundles.

3.3 STAMPING

Crossing will be allowed at the top left corner of the instrument without hampering the material part of the instrument. All instruments received for collection over the bank’s counters are required to be branded on the rear (Bank/Branch of first deposit) of the instrument with the banks stamp prior to scanning. The suggested dimension and the position of the stamp are given in back side of all payment instruments. The beneficiary name and account number will have to be recorded on the back side of the instrument (Payee area). The banks should take care so that the stamping may not interfere with any material portion of the instrument. However, in an automated environment, the machine endorsement serves the purpose of a stamp and therefore it is discouraged to not to return an instrument only due to not having a stamp at the back. In case of placement of machine endorsement especially for represented items the presenting bank should take care about the placement of the lines so that those are not overlapped.

3.4 CAPTURE OF IMAGES AND DATA

The images of all instruments in a batch must be duly captured along with MICR data using scanners setup for the purpose. The amount and necessary elements of MICR line needs to be captured/keyed in to complete the data record. The ideal number of instruments in one batch should be no more than 50 items; however smaller batches will improve the speed of balancing and the bank should determine the ideal batch size for its own processing.

3.5 REJECT REPAIR AND BALANCING

The solutions adopted by the banks should have the capability of completing the routing number on any item experiencing a MICR line misread. Repairing of up to three (03) digits of a MICR line is allowed as long as they are located in different fields of the MICR line. If the number of MICR misread is more than three (03) digits, the bank must refrain from sending that item to BACPS rather may return the item to the presenter or send it to the paying bank directly on short collection basis.

All batches of items sent to the BACPS should be in a reconciled state i.e. the total of the debit items matches the total shown on the Batch Control Voucher (BCV).

3.6 DIN (DOCUMENT IDENTIFICATION NUMBER) ENDORSEMENT

At the time of scanning the instrument, the reader sorter/scanner will print a single line endorsement on the back of each instrument which shall be the unique identifier for that instrument. It shall consist of Presentment Date of the item (6 digit) in DDMMYY format, Item Sequence/Running Number (8 digit), Routing Number of the Branch of First Deposit (9 digit).

The application of the endorsement stamp and the printing of the DIN imply that the collecting bank undertakes to credit the payee's account upon realization of the cheque and that the instrument deposited is a genuine one and is being collected for a bona fide customer of the bank. Therefore, either of these two (i.e. stamp or Endorsement Line) may serve the purpose and should not be returned due to missing of one of these two.

As regards the confirmation/certification of endorsements, the member banks may be informed that the clearing stamp affixed would be considered as the collecting banks' confirmation of all the previous endorsements and that it undertakes to credit the beneficiaries' account on realization and no additional/specific endorsement/certificate of confirmation to this effect on the instrument is considered necessary.

3.7 REPRESENTED CHEQUES

Any item that is eligible for re-presentment may only be presented three times in total, the original presentment and a maximum of two re-presentments. In the case of represented instruments the endorsement will be made in a different position to avoid overlapping.

All unpaid items that are represented will be processed electronically and must be passed to the BACPS in separate batches from normal outward clearing items. The capture systems would have control procedures to monitor such representations. All unpaid items must have an assigned return reason code (Annexure-2).

If an item fails to clear after reaching the maximum number of re-presentments (i.e. being re-presented two times) the instrument is to be marked as ‘cancelled’ and is to be returned to the depositing customer.

3.8 VALIDATION

The data elements captured by the banks capture system will be validated by the presenting bank’s PBM before transmission to BACPS.

3.8 CLEARING INFORMATION SYNCHRONIZATION

The master table information, such as routing number, transaction code and calendar etc., of the capture system should be synchronized with that of Clearing House Master Table. Master Table Synchronization is an automated function between the Clearing House and the bank’s PBM. Any change in the clearing house table will be automatically updated online on the PBMs, and it shall be the bank’s responsibility to update its capture system immediately. PBM supervisors should monitor whether the Clearing House Table has been updated successfully. Any error related to Clearing House Table updates is reflected in the system monitor screen of the PBM.

3.10 IMAGE QUALITY CHECKING

The bank needs to perform IQA validation at the capture system. Each image shall have an IQA indicator tag; this is a flag on the item record in the electronic envelope indicating the outcome of the IQA test carried out by the capture system.

The threshold values for different IQA parameters are given in Active Image Clearing and Settlement System Functional Specification. The bank should take care to synchronize the IQA parameters at the capture system, to avoid excessive rejection at the PBM.

3.11 HANDLING IQA FAILURE

The member bank must ensure that its equipment meets the requirements of the IQA standards. When items fail IQA standards, it will be the responsibility of the bank to ensure that the hardware is repaired or collaborated to achieve the highest levels of performance. IQA failure is a hardware performance issue and must be rectified without creating a burden on other BACPS participants.

3.12 PRESENTING BANKS SUBMITTING ELECTRONIC DATA AND IMAGES

The operational steps of item processing are noted as follows:

1. An instrument is accepted for depositing customer account by the presenting bank.
2. The instrument and optionally a deposit slip (associated) are passed for in house processing.
3. The bank manually endorses the rear of the instrument in the designated area with the Bank stamp.
4. All instruments are retained at the presenting banks location of choice.
5. The front and rear images of the instrument and the MICR code line data are captured within groupings referred to as batches.
6. At the point of cheque processing and scanning, the presenting bank's capture device will put an endorsement line on the rear of the instrument (Please see section 3.3 for details)
7. All batches must be presented to the BACPS in a reconciled state i.e. the batch must contain a batch total to which all instruments are balanced. Code line correction must have been carried out to ensure that the routing number and transaction code are present and amount entry made to assign an amount electronically to each instrument.
8. Batches must be packaged into an electronic files referred to as a Cheque Envelope [CE] in accordance with the already published standard for presentation to the BACPS.
9. The presenting bank system will pass the CE, in this case referred to as an OCE (Outward CE), to the PBM embedded within its own system for preliminary validation and transmission.
10. The PBM will validate the structure of the OCE and the contents of records within the OCE.
11. The PBM will reject, prior to transmission to the BACPS, any files failing validation.
12. Files passing validation will be encrypted and assigned a Digital Signature by the PBM indicating the identity of the presenting bank.
13. Files will be passed from the PBM application via the banks own chosen communication link to the BACPS.

3.13 FREQUENCY OF SUBMISSION

It is recommended that banks submit OCE files to the BACPS approximately in every 30 minutes, unless the recommended maximum item count within a file of 50 items is reached sooner. It is also recommended that banks submit most of the files 30 minutes before the published Cut-off time to ensure receipt within the current clearing session.

3.14 ALTERNATIVE DELIVERY MEDIA

The PBM contains facility to write files to alternative media such as a CD or DVD. Files delivered by a bank to the BACPS on this media will be accepted subject to the same acceptance criteria as files received via a communications link.

3.15 ELECTRONIC FILES ACCEPTED BY THE BACPS

Files received at the BACPS will initially be validated by a version of the PBM titled the Clearing House Module (CHM). This module will carry out structure and content validation and where no failure is detected and the digital signature is verified the file will be accepted and decrypted.

Accepted files are passed to the BACPS where they are decrypted and repackaged to extract items for distribution to any paying bank whose cheques are included in the file. When a file has been accepted an acknowledgement message is sent to the presenting bank via the communications link to confirm acceptance.

3.16 ELECTRONIC FILES NOT ACCEPTED BY THE BACPS

When electronic files are received by the BACPS they undergo processing similar to that carried out at the PBM stage i.e. they are subjected to validation, confirmation of the digital signature assigned and decrypted. If an item fails validation for any reason the file will be rejected and an acknowledgment shall be issued and sent to the presenting bank via the communication link.

3.17 INTERNAL CONTROL

The banks should document the process flow and ensure that adequate control mechanisms are in place. Special care and adequate quality controls should be in place during rescanning of instruments and representation of instruments.

The banks must have a mechanism to generate internal control reports at the end of the session/day to effectively reconcile the presentation made and the credit received by it from Clearing House. In case of any discrepancy, the same should be sorted out immediately. The service branches of the banks following distributed outward model may keep the branch clearing control reports for verification of actual credit received from the Clearing House.

Chapter-4

PROCESSING AT PARTICIPATING BANK MODULE: OUTWARD CLEARING

4.1 PARTICIPATING BANK MODULE (PBM)

The BACPS Participating Bank Module (PBM) provides cheque envelope validation and provides an interface for sending and receiving cheque envelopes from and to BACPS.

4.2 DUPLICATION CHECKING

Any duplicate cheque envelope that is detected will be rejected in its entirety by the Clearing House. A cheque envelope is considered a duplicate if the content of the following envelope header record fields match a previously processed cheque envelope that does not have its resend indicator set to 'Y' (Please ref 2.2.3of AICS spec):

- Destination Routing Number
- Origin Routing Number
- File Creation Date
- File Creation Time
- File ID Modifier

All duplicate items detected during Clearing House processing will be rejected.

4.3 RECEIVING OUTWARD PRESENTMENT

The PBM will receive the duly balanced outward clearing files containing cheque image and electronic data from the capture system of the bank.

4.4 IMAGE QUALITY ANALYSIS AND FAILURE HANDLING

All outward images are subjected to IQA validations. Any image failing IQA validation will result in the rejection of the cheque envelope by the presenting bank PBM with an appropriate response file. The bank may rescan and resubmit as many times as is necessary to meet the IQA requirements.

4.4 ITEM PROCESSING

The outward cheque envelopes presented by the capture system are validated by the PBM against the validation property indicated in the PBM Specifications. The PBM after validation generates response files which contain information related to acceptance or rejection of each file and the items present in each file with appropriate reason codes.

4.5 SESSION ATTACHMENT

The items are assigned to an appropriate clearing sessions that is open based on parameters fixed for a session by the Clearing House. These parameters are passed on to the capture system through the PBM. The item inherits 'session date' that is the business date of the session and session type (i.e. Regular, High value and FC). If there is no appropriate session that is open, the items/bundles wait at the PBM until such a session opens.

4.6 USE OF PKI

Bangladesh Bank is in the process of establishing a Certification Authority (CA) under the national certification authority. Until, the process is established, Bangladesh Bank will continue to run the proprietary CA for BACH operation.

4.7 Regional Holiday and Blockage

Blockage and Holiday Marking function in the system has been designed to handle different holidays, for a `value date'. The blockage prevents other banks to present any cheques on the branch/bank put under blockage. In addition, it gives extension to all unexpired items drawn on such branches and banks for the blockage period. The branches/banks under blockage cannot lodge any fresh presentation during the blockage period. Banks seeking to block their branches or the entire bank may request the CH for its approval. This functionality may also be extended to address other operational situations as deemed necessary by CH.

4.8 RECONCILIATION OF OUTWARD PRESENTATION

After End of Session at the Clearing House, BACPS generates consolidated net settlement report and member bank net settlement report containing the details of items those have been accepted for settlement at the Clearing House. It shall be the responsibility of presenting bank to reconcile their entire presentation by collating the information from these reports.

CHAPTER-5
PROCESSING AT PARTICIPATING BANK MODULE: INWARD CLEARING

5.1 RECEIPT OF INWARD DATA/IMAGES

The inward processing deals with accepting inward presentment data and images from the Clearing House and providing data in the form of files for use within the (paying) bank's in-clearing system. The PBM will receive digitally signed inward electronic data and image exchange files from the Clearing House.

5.2 VALIDATION

The PBM shall authenticate and load the exchange file data into the system. The PBM will send an acknowledgement exchange file to the Clearing House if the inward data exchange file or image exchange file is accepted.

5.3 CONTROL MECHANISM

The receiving point should verify that all the inward bundles/items have been received by it to ensure that there is no data loss in the transmission from clearing house to the PBM. The PBM supervisor shall compare the relevant information available from the 'clearing house processing monitor' and 'inward exchange file screen' for this purpose. The paying bank will not be able to generate posting files unless all the inward bundles/items have been actually received at the PBM.

If any file is lost in transmission the bank may request the Clearing House for retransmission of images/data.

CHAPTER 6
PROCESSING AT BRANCHES/BANK'S IN CLEARING SYSTEM

6.1 DUPLICATION CHECKING

The Cheque Processing System itself detects duplicate items based on MICR code line on the data for the configured number of days. The duplicate items are indicated in the Exceptions Report generated by the presenting bank's CPS and it is the responsibility of Presenting Bank CPS to have processes in place to take necessary caution/control while processing such items.

6.2 DIGITAL CERTIFICATE VALIDATION

PBM shall verify the digital certificate of CHM. Whereas it has been made mandatory for presenting banks to apply digital signatures at the capture point itself.

6.3 PAYMENT PROCESSING

The paying bank shall do the payment processing based on image and electronic data of the instruments following all the prudent practices including signature verification, account balance verification, verification of endorsements etc.

6.4 RETURNED CHEQUES

Items that fail paying bank approval and are therefore not to be honoured, are required to be returned to the BACPS in electronic format as defined in the AICS specification within the stipulated return period. For return items the image is not to be included in the return item file.

It will be the responsibility of the paying banks in-clearing system to collate all the return items from different branches and create Outward Return Envelope (ORE) as per specifications provided in AICS specifications document. The paying banks' in-clearing system shall put such OREs to PBM for onward transmission to BACPS.

Returned items are to be marked with the appropriate return reason code from the list published by Bangladesh Bank which is attached at Annexure 2.

Return item files are to be transmitted to the BACPS via the paying bank PBM where the files will be validated, encrypted and digitally signed and sent to the Clearing House provided they meet the necessary validation criteria.

Invalid files will be rejected by the PBM for correction by the paying bank.

Return item files received by the BACPS will be validated and an acknowledgment shall be issued to the generating bank indicating their acceptance or rejection.

Return items accepted by the BACPS will be passed to the presenting bank and an appropriate posting made to the settlement system.

Any item not received by the BACPS within the stipulated return period will be deemed to have been accepted by the paying bank.

Any return item not received by the BACPS within the stipulated time period will be treated as an honored item and accordingly the settlement files will be prepared and posted. If the paying bank detects such item which misses the return cutoff then the paying bank will have to contact directly with the presenting bank and they may resolve the issue outside BACPS framework.

6.5 EXTENSION REQUEST FOR RETURNS

A paying bank can request an extension on the return period for a branch/bank by applying to the General Manager of the Payment Systems Department of Bangladesh Bank. Depending on the severity of the situation Bangladesh Bank may grant extension as per the request. On grant of extension to a bank/branch, the clearing length of all the items drawn on it would correspondingly increases by the extension hours. Extension can be requested by the senior level official i.e. Deputy Managing Director (DMD) of the paying banks before the session closure.

6.6 REQUESTS FOR PAPER

As per Regulations 9 (iii) of Bangladesh Payment and Settlement Systems Regulations, 2014 and the BACPS Operating Rules, the paying bank may, request a physical instrument from the presenting bank; if it believes that the item is not genuine or has questions about its validity.

6.7 INTERNAL CONTROL

In addition to the inward instruments drawn on branches of a bank, the reports generated by the Clearing House would contain the summary position of the total number of instruments and the total value thereof.

6.8 RECONCILIATION OF CLEARING DIFFERENCES

In BACPS clearing, the image and data will be received in separate files that are linked and hence the possibility of a bank being debited without receiving an image shall not arise. In the case of a bank receiving cheques of another bank (due to a data entry error or so) the item should immediately be returned to the BACPS with appropriate return reason code.

In case of a cheque listed for a value different from the actual value of the cheque (due to a data entry error), the cheque should also be returned with the` incorrect amount' return reason code.

CHAPTER 7

7.1 SPECIFICATIONS FOR ELECTRONIC EXCHANGE OF CHEQUES

The following section describes the types of Electronic Cheque Envelopes (ECE). The specifications are incorporated into the BACPS Rules and reflected in the Active Image Clearing Specifications.

The Electronic Cheque Envelope (ECE) currently identified are as follows:

- Outward Electronic Cheque Envelope (OCE)
- Outward Return Electronic Cheque Envelope(ORE)
- Inward Electronic Cheque Envelope (ICE)
- Inward Return Electronic Cheque Envelope (IRE)
- Archive Electronic Cheque Envelope (ACE)

7.2 ELECTRONIC CHEQUE ENVELOPE

The Electronic Cheque Envelope encapsulates outward clearing items, inward clearing items, return items and acknowledgments. The specifications for all electronic cheque envelopes are contained in the AICS.

7.3 OUTWARD ELECTRONIC CHEQUE ENVELOPE

The Outward Cheque Envelope is generated by the presenting bank in accordance with AICS. It encapsulates the outward clearing items for that bank that are to be distributed as Inward Clearing to the issuing banks for each item.

7.4 OUTWARD RETURN ELECTRONIC CHEQUE ENVELOPE

The Return Cheque Envelope (ORE) is generated by the paying bank in accordance with AICS. It has the same fundamental structure and format as the OCE.

7.5 INWARD ELECTRONIC CHEQUE ENVELOPE

Inward Electronic Cheque Envelopes (ICE) are generated in accordance with AICS. They have the same structure and format as Outward Electronic Cheque Envelopes; however, Inward Electronic Cheque Envelopes are Bank-specific and only contain Cheque Detail Records for a single Bank, the paying Bank for those cheques.

7.6 INWARD RETURN ELECTRONIC CHEQUE ENVELOPE

Inward Return Electronic Cheque Envelopes (IRE) are generated in accordance with AICS. They have the same structure and format as the Outward Return Electronic Cheque Envelopes; however, Inward Return Electronic Cheque Envelopes are presenting Bank-specific and only contain return data records for cheques they presented and are now being returned. No Image is returned.

7.7 ACKNOWLEDGEMENT ELECTRONIC CHEQUE ENVELOPE

The Acknowledgement Electronic Cheque Envelope is generated by member Banks. It has the same structure and format as Outward Electronic Cheque Envelopes; however, the Acknowledgement Electronic Cheque Envelope only contains Cheque Detail Records for cheques issued by that Bank. The items presented in Acknowledgement Electronic Cheque Envelopes are intended solely for archive and will not contribute in any way to the clearing and settlement process.

7.8 ONLINE INQUIRY:

An archive is maintained in the BACPS for all the payment instruments cleared through the system. Member banks can trace any cheque transactions previously occurred through the `Online Inquiry ' window of the BACPS.

Annexure 1

PARTICIPATION AGREEMENT FOR BANGLADESH AUTOMATED CHEQUE PROCESSING SYSTEM (BACPS) & BANGLADESH ELECTRONIC FUNDS TRANSFER NETWORK (BEFTN) (on TK. 300 Non-Judicial Stamp)

This agreement is made on the date of ----th ---- of 20-- between Bangladesh Bank (BB, hereinafter referred to as the "Central Bank of Bangladesh") and . . . . . Bank LTD (hereinafter referred to as the "Participating Banking Company").

In consideration of the undersigned being admitted as a Participating Banking Company in the Bangladesh Automated Clearing House (BACH) constituting Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN) of the BB providing settlement and other services and of the mutual indemnification of the undersigned by each other Participating Banking Company of BACPS and BEFTN. The undersigned, which intends to act as a Participating Banking Company of BACPS and BEFTN hereby agrees with the BB, and with each other Participating Banking Company:

1. to comply with and be subject to the BACPS Operating Rules and Procedures (collectively referred to as the "BACPS Rules") and BEFTN Operating Rules (collectively referred to as the "BEFTN Rules") including descriptive requirements, as in effect from time to time;
2. to make all payments in time required by the BACPS Rules and BEFTN Rules including fees and charges set by BB from time to time;
3. to comply with all directions/guidelines issued by BB from time to time for smooth operation of BACH and national interest;
4. to indemnify and hold harmless the BB and each other Participating Banking Company from any and all costs, charges, claims, demands, expenses (including costs of investigation and attorneys' fees and expenses of litigation), losses, liabilities, damages, judgments, fines, penalties, interest, and amounts paid in settlement (each referred to herein as a "cost") arising from any failure on the part of the undersigned to exercise ordinary care or to comply with any of the provisions of the BACPS Rules and BEFTN Rules;
5. to comply with decision of the arbitration panel formed in BB to which a dispute between member banks (Participating Banking Company) are brought for resolution;
6. to accept the instruction of suspension either temporary or permanently from the operation of BACH by BB due to noncompliance of the instruction/guidelines/rules of BB for the continuous and smooth operation of BACH.

This agreement shall be governed by and construed in accordance with the laws of the People's Republic of Bangladesh.

This agreement shall be binding on the undersigned and its successors and assigns, except no Participating Banking Company may transfer or assign its rights or obligations hereunder except as expressly provided in the BACPS Rules and BEFTN Rules.

Date	(Participating Banking Company)
By:	Title:
(Signature)	

Accepted this _____ day of _____, _____
Bangladesh Bank:

By:	Title:
(Signature)	

Annexure 2: Return Reason Codes

CODE	REASON	RE-PRESENTABLE (R) NON RE-PRESENTABLE (N)
1.	Insufficient fund	R
2.	Amount in figure and word differs	N
3.	Stale Cheque	N
4.	Post Dated Cheque/Undated Cheque	R
5.	Drawers signature differs/Missing	N
6.	Payment stopped by Drawer	N
7.	Item represented too often/More than 03 times	N
8.	Incomplete or missing endorsement	R
9.	Forged endorsement	N
10.	Material alteration-Payee name/Amount/Date/Account Number	N
11.	Forged or unauthorized signature	N
12.	Missing Corporate Stamp	R
13.	Incorrect Amount/Cheque Number/ Account Number	N
14.	Item sent to the wrong bank/branch	R
15.	Account Closed/Dormant/Blocked	N
16.	Advice not received	R
17.	Duplicate Item-Previously Paid	N
18.	Incorrect Payee(Mismatch with advice)	N
19.	High value item presented to an ineligible branch	N
20.	Cheque not Activated/Intimation not received	R
21.	Cheque and Advice Data Mismatch	R
22.	07 (seven) Days Notice Required	R
23.	Test key required/differs	R
24.	Not Arranged for/Credit Limit Exceed	R
25.	Revenue Stamp Required/Not Sufficient	R
26.	Signature and Seal Required on the Stamp	R
27.	Budget Required/ Refer to the Issuer	R
28.	Item Required Re-validation	R
29.	MICR Data and Image Mismatch	R