



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 705
Series of 2010

Subject : **Revised Check Clearing and Settlement Processes**

Pursuant to the Monetary Board Resolution No. 1811 dated 16 December 2010, Circular No. 681 dated 08 February 2010 is hereby amended as follows:

Section 1. The Revised Check Clearing and Settlement Processes as embodied in Circular No. 681 dated 08 February 2010 shall become effective as follows:

Clearing Exchanges	From	To
1. Integrated Greater Manila Local Exchanges (Integrated GM LX)	01 January 2011	24 January 2011
2. Regional Local Exchanges (RLX)	01 January 2011	01 July 2011

Provided, That for RLX, the extended deferral from 24 January 2011 to 01 July 2011 shall refer only to the provision of Circular No. 681 on the mandatory return of checks drawn against insufficient funds or credit, checks drawn against closed accounts and/or checks with stop payment orders, (i.e., not later than 7:30 AM of the next clearing day following the original presentation to PCHC or RCC), subject to the condition that checks returned due to insufficiency of funds or credit shall no longer be allowed to be covered or funded after the day they were presented to PCHC or RCC.

Section 2. Section X203 and Subsection X203.1 of the Manual of Regulations for Banks are hereby combined and amended to read as follows:

"Section X203 Returned Checks

"A. Checks Without Sufficient Funds/With Stop Payment Orders .
To complement the provisions of Batas Pambansa Blg. 22 (An Act Penalizing the Making or Drawing and Issuance of a Check Without Sufficient Funds or Credit), the following regulations shall govern checks drawn against insufficient funds and checks drawn against closed accounts:

- a. The drawee bank shall affix to the check a Return Stamp indicating therein the date when the check is returned and the reason for the refusal to pay the same to the holder thereof.
- b. For checks which shall be dishonored or returned by reason of insufficiency of funds or credit, the drawee bank shall indicate the

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remark or notation "*Drawn Against Insufficient Funds*", "*No Funds*", or "*Insufficient Funds*" on the Return Stamp. For checks which shall be dishonored or returned for the reason that such is drawn against a closed account, the drawee bank shall indicate the remark or notation "*Account Closed*".

- c. Notwithstanding receipt of an order to stop payment, the drawee bank shall likewise indicate in the Return Stamp, the remarks or notations mentioned in Item "b" hereof indicating that there were no sufficient funds in or credit with such bank for the payment in full of such check or the account is closed, if such be the fact. The bank shall also indicate receipt of a stop payment order.

"For checks which shall be dishonored for the reason that payment has been stopped, the following shall be observed:

- a. The drawee bank shall affix to the check a Return Stamp indicating therein the date when the check is returned and the reason for the refusal to pay the same to the holder thereof.
- b. The drawee bank shall indicate the remark or notation "*Payment Stopped*" or "*With Stop Payment Order*" on the Return Stamp.

"A Check and Other Cash Item (COCI) dishonored for the reason that such is drawn against insufficient funds or credit, or is drawn against a closed account, or payment thereof has been stopped shall be returned by the drawee bank to the negotiating bank not later than 7:30 AM on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

"(1) For Local Exchanges

"There shall only be one (1) clearing window for COCIs returned due to insufficient funds or credit, closed account and/or stop payment order in the Integrated GM LX and RLX.

"The settlement of interbank transactions vis-à-vis covering reserve requirement/deficiency of banks' demand deposit account (DDA) is shown in *Appendix 39*.

"The AM returned COCI clearing window for COCIs dishonored due to insufficiency of funds or credit, closed account and/or stop payment order in the Integrated GM LX and in the RLX shall be conducted from 2:00 AM to 7:30 AM on the clearing day immediately following the original date of presentation of the COCI to PCHC or RCC.

"Returned COCI in the AM clearing window shall be given value on the same date as the date of original presentation of the COCI to PCHC or RCC. The amount of debits and credits on the date of original presentation shall be reversed to the extent of the amount of credits and debits arising from the returned COCI. The process restores the balances

of the demand deposits of banks with the BSP to their position prior to the settlement of the clearing results affected by the COCI later returned due to insufficient funds or credit, closed account and/or stop payment order.

"(2) For Integrated GM Outward to Region, Integrated GM Inward from Region and Region to Region Clearing Operations

"A COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order shall continue to be covered by Circulars issued by BSP and relevant PCHC Clearing House Rules and Regulations.

"(3) COCI not Coursed Through the Clearing System

"A COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order which was not coursed through the clearing system shall be returned by the drawee bank to the holder or the negotiating bank, as the case may be, not later than the banking day following the date the COCI is presented for payment with the drawee bank.

"The negotiating bank shall, in turn, return a COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order to the holder not later than the banking day following its receipt of the dishonored COCI from the drawee bank.

"B. Checks Dishonored due to Technical Reasons. A COCI dishonored due to technical reasons other than stop payment order shall be returned by the drawee bank to the negotiating bank not later than the afternoon regular clearing.

"x x x."

Section 3. Effectivity. This Circular shall take effect fifteen (15) calendar days after publication either in the Official gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor