

FAQS - CHEQUES

1. What happens if I issue a cheque and my account does not have sufficient funds?

When a cheque is issued with insufficient funds in the account, you run the risk that the cheque may not be honoured. For a cheque that is dishonoured due to insufficient funds, banks impose two types of fees: a handling/ administrative fee for the return of the cheque, and a charge for incidental overdraft (OD) interest to cover the bank's loss in overnight interest.

When a cheque is drawn on your bank and deposited at the payee's bank, your bank pays the proceeds of the cheque to the payee's bank on the day the cheque is cleared and your account is debited on the same day. If the account has insufficient funds, the bank may not honour the cheque.

As the decision to honour or return the cheque is made on the next business day your account will show an overdraft on the day the cheque was cleared. This happens automatically even if you do not have a pre-arranged OD facility. If the bank decides to return the cheque, the amount is credited back to your account. But because the amount of the cheque was funded by your bank on the day the cheque was cleared, your bank was "out of pocket". An overnight incidental OD interest charge is thus imposed.

The banks' standard Terms and Conditions provide for them to levy the necessary interest charges if your account goes into an overdraft position due to insufficient funds.

To avoid such charges, you should monitor your account regularly and issue cheques only when there are sufficient funds in your accounts.

2. Can I encash a cheque at a branch of the bank other than the one which issued the cheque?

Many retail banks in Singapore allow customers to encash cheques at branches other than the home branch of the account holder. For control reasons, limits could be placed on the amount withdrawn. However, there are a few banks that do not allow encashment other than at the home branch as they do not have an on-line system to verify customers' signatures.

3. What precautions should I take to ensure that a cheque I receive will be honoured?

It is the general practice to ask to see the identity card of the payer and record his/her personal particulars, including address and telephone number. Personal cheques can bounce for various reasons, so accepting personal cheques means accepting the risks attached. Any business, as a matter of prudence, should conduct its own credit assessment of the parties it deals with before entering into a business transaction and agreeing on the mode of payment. Banker's cheques or cashier's orders provide assurance that payment will be honoured.

4. What is the banking practice relating to cheques that are not crossed, with the payee's name/NRIC number indicated and the word "bearer" cancelled?

As a general rule, if the word "bearer" is deleted and the cheque is not crossed, banks would allow only the named payee to obtain cash for the cheque.

Cheque Truncation System

The Cheque Truncation System (CTS) is an online image-based cheque clearing system implemented on 12 July 2003.

1. Are all banks in Singapore on CTS?

All banks that issue SGD cheques and local USD cheques are on CTS.

2. What should I do if I receive a non CTS-compliant cheque?

You should ask for a new CTS-compliant cheque from the drawer.

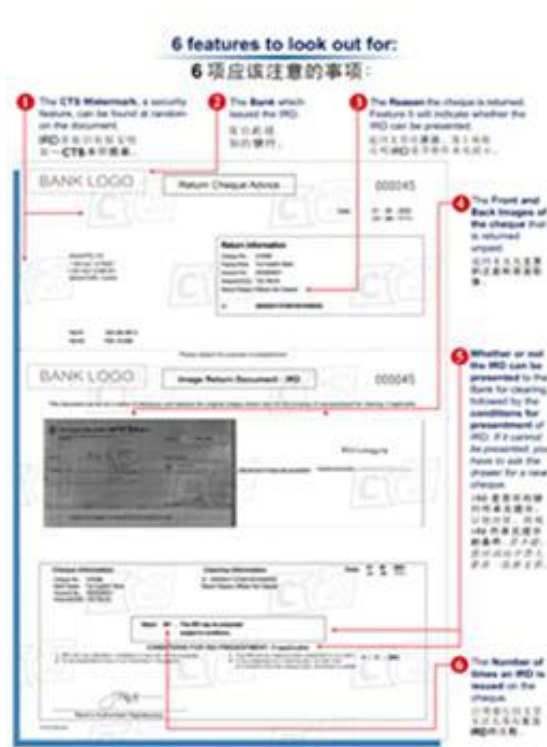
3. Under CTS, can I alter a cheque?

Yes, provided you endorse the alterations with your full signature.

Image Return Document (IRD)

1. What is an IRD?

Under CTS, when a cheque that you have deposited into your account is returned unpaid, you will receive an IRD instead of the cheque. The IRD serves as a notice of dishonour and replaces the original cheque for the purpose of re-presentation for clearing under CTS. It is a legally recognised replacement of the original cheque for re-presentation. Here is a specimen IRD showing the features to look out for.



2. Why can't the bank return the original unpaid cheque?

As CTS uses electronic images, the physical cheque is removed from the clearance process once you present it at your bank.

3. Will banks impose a charge for the issuance of IRDs?

Other than returned cheque charges, there are no additional charges for the issuance of IRDs. However, a retrieval charge of \$50 may apply if you want the original cheque returned --- provided that the cheque is still in the bank's warehouse.

4. What are the IRD's security features?

Each IRD is serialised and printed on CTS watermark paper as well as controlled strictly by the participating banks.

5. What should I do if I receive an IRD?

You should look at the bottom half of the IRD to determine the reason why the cheque is unpaid as well as whether you can present the IRD to the bank.

6. What must I do if I can present the IRD to the bank for clearing?

You should detach the IRD from the Return Cheque Advice and deposit it at any branch of the same bank at which you first deposited the cheque.

7. What should I do if I cannot present the IRD to the bank for clearing?

You should exchange the IRD for a new cheque from the drawer.

8. Is it permitted to make alterations on the IRD, e.g. have the drawer sign on it if the cheque was unpaid because of missing or irregular signature?

Alterations are not allowed on IRDs as any changes will not correspond to the scanned image of the original cheque held by the Presenting Bank. You should ask the drawer to give you a fresh cheque.

9. Can I present a torn or mutilated IRD?

No. You should ask the drawer for a new cheque.

10. What should I do if I have misplaced or lost an IRD that can be presented?

As an IRD is a substitute of the dishonoured cheque, you should treat a misplaced or lost IRD as if it were a lost cheque. You should ask the drawer for a new cheque. The drawer should also put a stop payment instruction on the lost IRD.

11. If an IRD is presented and returned, will the same IRD be used again?

No. A new IRD will be generated for each return of the same cheque. Hence, if an IRD is presented and subsequently returned, another IRD will be generated stating clearly that it is the Second IRD.

12. What are the benefits of the IRD over the old return cheque process?

You will be able to read in a one-page document:

- i. the return reason
- ii. whether it can be presented
- iii. whether you should obtain a new cheque from the drawer
- iv. the validity period of the IRD and
- v. the number of times the IRD has been presented

5-Day Clearing Week

The 5-Day Clearing Week means that on Saturdays, there will be no crediting or debiting of customer accounts with cheques, GIRO or Interbank funds transfers. Clearing of funds will take place Mondays to Fridays only. This change took effect on 15 May 2006.

What does the 5-Day Clearing Week mean for cheque clearing and banking transactions on Saturdays?

A. Cheques:

Cheque deposited on	Funds available
Thursday (before cutoff time)	Friday (after 2pm)
Thursday (after cutoff time)	Monday (after 2pm)
Friday (before cutoff time)	Monday (after 2pm)
Friday (after cutoff time)	Tuesday (after 2pm)
Saturday	Tuesday (after 2pm)

B. Banks with branch banking on Saturdays:

Cheques will be accepted for deposit but funds will be made available only on Tuesdays after 2pm. Cash cheques can be en-cashed at the drawer's bank. Cheques for deposit into an account may be marked and drawn on, provided both the payee and the drawer are from the same bank. A handling fee will be charged for this.

C. GIRO/ Standing Instruction:

No crediting or debiting of customer accounts on Saturdays via GIRO.

D. Electronic Banking Services (eg ATM, Internet Banking and Phone Banking):

Customers can transfer funds from one account to another account within the same bank 24/7.

CHEQUE CLEARING

All banks in Singapore that clear SGD and local USD cheques have implemented an online image-based cheque clearing system called the Cheque Truncation System (CTS) from 12 July 2003.

With CTS, cheques are scanned when deposited and their electronic images, instead of the physical cheques, are transmitted throughout the entire clearing cycle. CTS enhances the operational workflow of banks by eliminating the need to move cheques physically from one bank to another. Cheques, in a standardised size, are used under the new system.