

202 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:

- (1) The Drawee bank shall generate and transmit to the Presenting bank through the Check Image Clearing System (CICS), the pertinent electronic documents¹ containing information on the dishonored check or the check clearing item including the date when the check is returned and the reason for the refusal to pay the same to the holder thereof.
- (2) Notwithstanding receipt of an order to stop payment, the Drawee bank shall likewise indicate that there are no sufficient funds or credit with such bank for the payment in full of such check or that 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 indicate in the electronic documents² the date when the check is returned and the reason for the refusal to pay the same to the holder thereof; and
 - (b) The Drawee bank shall indicate the remark or notation "Payment Stopped" or "With Stop Payment Order" on the pertinent electronic documents.
- (3) The Presenting bank, on the other hand, shall generate the necessary documents³ with the images of the clearing item printed with information on the reason for the dishonor. This document, together with the original check, shall be handed over to the depositor which shall serve as the official notification on the return or the dishonor of the check.
 - (4) In front of the original check to be handed over to the depositor, the Presenting bank shall affix a return stamp, indicating therein the date when the check is returned and the reason for refusal to pay the same to the holder thereof.

b. *Checks dishonored due to technical reasons*

In a similar manner, the Drawee bank shall generate and transmit to the Presenting bank, through CICS pertinent electronic document/s⁴ containing information on the dishonored check

or the check clearing item including the reason for the refusal to pay the same to the holder thereof. The Presenting bank, on the other hand, upon receipt of the electronic document/s, shall likewise generate the necessary documents⁵ with the images of the clearing item printed with information on the reason for the dishonor. The same procedure of affixing a return stamp on the check to be handed over to the depositor shall be observed.

c. The Drawee bank shall transmit the electronic documents⁶ relative to the dishonor to the Presenting bank within the prescribed period or not later than the cut-off time indicated in *Appendix 35* for returned items in accordance with the following procedures:

- (1) The settlement of interbank transactions vis-à-vis covering reserve requirement/deficiency of banks' demand deposit account (DDA) is shown in *Appendix 35*;
- (2) The AM clearing window for clearing items dishonored due to insufficiency of funds or credit, technical reasons, closed account and/or stop payment order shall be conducted from 4:31 PM of the same day up to the cut-off time indicated in *Appendix 35* for returned items; and
- (3) Returned clearing item in the AM clearing window shall be given value on the same date as the date of original presentation of the Checks and Other Cash Items (COCI) to PCHC. 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 clearing item. The process restores the balances of the demand deposits of banks with the Bangko Sentral to their position prior to the settlement of the clearing results affected by the clearing items later returned due to insufficient funds or credit, closed account and/or stop payment order.

(Circular Nos. 986 dated 29 December 2017, and 924 dated 07 September 2016)

Footnotes

1. Such as but not limited to the Return Image Cash Letter (Return ICL) containing the dishonored Regular Clearing Item [i.e., electronically generated document showing a Check Image with Electronic Payment Information transmitted via CICS to the Drawee bank for collection of the amount]. Image Cash Letter (ICL) is an ANSI standard interface file specifications (X9.100-187) for electronic exchange of check and image data. It is generated by the front-end system of a Presenting bank or Drawee bank containing CICS Items transmitted to the Drawee bank or Presenting bank, respectively.
2. Such as but not limited to the Return Image Cash Letter (Return ICL) containing the dishonored Regular Clearing Item [i.e., electronically generated document showing a Check Image with Electronic Payment Information transmitted via CICS to the Drawee bank for collection of the amount]. Image Cash Letter (ICL) is an ANSI standard interface file specifications (X9.100-187) for electronic exchange of check and image data. It is generated by the front-end system of a Presenting bank or Drawee bank containing CICS Items transmitted to the Drawee bank or Presenting bank, respectively.

3. Such as but not limited to the Return Check Advice (RCA)
4. Such as but not limited to the Return ICL containing the dishonored Regular Clearing Item [i.e., electronically generated document showing a Check Image with Electronic Payment Information transmitted via CICS to the Drawee bank for collection of the amount]. ICL is an ANSI standard interface file specifications (X9.100-187) for electronic exchange of check and image data. It is generated by the front-end system of a Presenting bBank or Drawee Bank containing CICS Items transmitted to the Drawee bank or Presenting bank, respectively.
5. Such as but not limited to the RCA
6. Such as but not limited to the Return Image Cash Letter (Return ICL) containing the dishonored Regular Clearing Item [i.e., electronically generated document showing a Check Image with Electronic Payment Information transmitted via CICS to the Drawee bank for collection of the amount]. Image Cash Letter (ICL) is an ANSI standard interface file specifications (X9.100-187) for electronic exchange of check and image data. It is generated by the front-end system of a Presenting bank or Drawee bank containing CICS Items transmitted to the Drawee bank or Presenting bank, respectively.