

**GUIDELINES ON THE HANDLING OF RETURNED CHECKS UNDER THE  
MICR/AUTOMATED CHECK CLEARING SYSTEM  
(Appendix to Item a of Sec. 202)**

**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 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.
2. For checks which shall be dishonored or returned by reason of insufficiency of funds or credit, the drawee bank shall indicate the 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".
3. 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 "2" 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 Checks 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 Philippine

Clearing House Corporation (PCHC) or RCC.<sup>1</sup>

*(1) For Local Exchanges*

There shall only be one (1) clearing windows for COCI 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-i-vis covering reserve requirement/deficiency of banks' DDA is shown in *Appendix 35*.

The AM returned COCI clearing window for COCI 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 one (1) day immediately following the original date of presentation of the COCI to PCHC or RCC.

Returned COCI in the AM clearing windows 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 Bangko Sentral 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 regulations issued by Bangko Sentral 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 shall be returned by the drawee bank to the negotiating bank not later than the afternoon regular clearing.

*(1) For Local Exchanges*

There shall be two {2} separate clearing windows for COCIs returned due to technical reasons in the Integrated GM LX and RLX.

The settlement of interbank transactions vis-i-vis covering reserve requirement/deficiency of banks' DDA is shown in *Appendix 36*.

- (a) AM Returned COCI Clearing - The AM returned COCI clearing window for COCIs dishonored due to technical reasons 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 Bangko Sentral to their position prior to the settlement of the clearing results affected by the COCI later returned due to technical reasons.

- (b) PM Returned COCI Clearing - The PM returned COCI clearing window for COCIs dishonored due to technical reasons shall coincide with the afternoon regular clearing. Such returned COCI shall be given value on the date the returned COCI was presented to PCHC for the Integrated GM LX or to RCC for the RLX.

*(2) For Integrated GM Outward to Region. Integrated GM Inward from Region and Region to Region Clearing Operations*

A COCI dishonored due to technical reasons continues to be covered by circulars

issued by Bangko Sentral and relevant PCHC Clearing House Rules and Regulations.

*(3) COCI not Coursed Through the Clearing System*

A COCI dishonored due to technical reasons 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 due to technical reasons to the holder not later than the banking day following its receipt of the dishonored COCI from the drawee bank.

*(Circular No. 924 dated 07 September 2016)*

**Footnotes**

1. See schedule of revised clearing and settlement process shown as footnote of Sec. 203