

CHEQUE TRUNCATION SYSTEM (CTS)



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CHEQUE TRUNCATION SYSTEM

CTS stands for Cheque Truncation System. It is a cheque clearing system undertaken by the Reserve Bank of India (RBI) for faster clearing of cheques.



CHEQUE TRUNCATION SYSTEM

CTS is an online image-based cheque clearing system where cheque images and Magnetic Ink Character Recognition (MICR) data is captured at the collecting bank branch and transmitted electronically.

The earlier system relied on the MICR. MICR is the machine readable nine digit code found at the bottom of every cheque leaf. This code helped in bank and branch-wise sorting of cheques but physical delivery of cheques still continued.



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In the new system, cheque truncation eliminates the need to move the physical instruments across branches. This results in reduction of time required for payment, cost of transit and delays in processing.



How does it work?



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In the earlier system, you presented a cheque to your bank, which sent the cheque to a clearing house, after which the money was credited to your account.

It usually took 3 days on an average to clear cheques as it involved physical movement of cheques.



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How CTS changed it?



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- CTS clears cheques based on electronic images.
- Physical transfer of cheques between banks has ended.
- The new system allows clearing of cheques in 1 day on an average.



Benefits of CTS



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- Time, money and manpower spent on physical movement of cheques from banks to clearing house are eliminated.
- Clearing related frauds become less probable.
- Possibility of cheques lost in transit is eliminated.



Highlights of CTS cheques



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- All CTS cheques carry a watermark, with the words 'CTS-INDIA', which become visible when held against any light source.
- Pantograph (wavelike design) with hidden / embedded word 'VOID' become clearly visible in photocopies of a cheque.
- 'CTS 2010' is printed on the left hand side of cheque leaf near perforation.



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To conclude, CTS has brought elegance to the entire activity of cheque processing & clearing and offers several benefits to banks in terms of cost and time savings, including human resource rationalization, cost effectiveness, business process re-engineering and better customer service.



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Hope you have now understood the process of Cheque Truncation System.



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