



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

August 7, 2012

CB Circular No: 13/2012

To : All Commercial Banks

INTRODUCTION OF CHEQUE TRUNCATION CLEARING SYSTEM IN ZAMBIA

Reference is made to the above subject.

The Bank of Zambia in collaboration with the Bankers Association of Zambia (BAZ) and the Zambia Electronic Clearing House Limited (ZECHL) has completed the final stages of the Cheque Truncation System project (CTS) and is now ready to begin implementation. Cheque truncation involves clearing of cheques using cheque images which are sent between banks. This is in contrast to the current clearing method which involves the capture of and transportation of the physical cheques to the two central clearing centers in Lusaka and Kitwe for exchanging.

With the implementation of cheque truncation, the following benefits will accrue to banks and the public:

- It will eliminate the cumbersome physical presentation of cheques and save time and costs associated with handling physical cheques
- The clearing period will be shortened and standardized across the country to one clearing day (T+ 1). This means that value on the cheque will be given a day after the date the cheque is deposited and thus facilitate early access to funds by the customers.
- It will improve the velocity of cash flow between transacting parties in the economy owing to reduced clearing periods.
- It will reduce risks associated with manual handling and physical movement of cheques.
- It will reduce the incidence of cheque related frauds.
- It will introduce efficiency in the work processes for banks as truncation will reduce the work time and manpower required at the branches manning these activities.
- Encourage the wider use of cheques in the settlement of payment.

To facilitate a smooth implementation of the new cheque clearing system, new cheques will be introduced with enhanced security features which will be consistent with the operational requirements of the new system. Consequently, all Commercial banks will be required to issue new cheque books with the enhanced security features to their customers by **17th August, 2012**.

However, the old cheques will be allowed to run concurrently with the new cheques for a maximum period of six months from the date of implementation. The current cheques will therefore not be acceptable after the **15th February, 2013**.

Kindly advise your customers accordingly.



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DEPUTY GOVERNOR – OPERATIONS

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