ANENXURE- G

RELEVANT EXTRACTS OF THE MICR PROCEDURAL GUIDELINES

Standardisation of Cheque Forms

2.1 To facilitate MICR based Cheque Processing, instruments passing through clearing are required to be issued in standard format and defined size of 8" x 3 2/3". The instruments should be printed on MICR grade quality paper with a "read band" of 5/8" in width reserved at the bottom on which essential particulars occur in special MICR ink in the E-13B Font. Cheques are printed by approved security printers forming part of a panel which is maintained by the Indian Banks' Association.

MICR Code Line Structure

2.2 The code line occurring in the Read Band is divided into five fields with distinct delimiters separating each field, the details of which are as under:

(i) **Cheque serial number** of six numeric digits preceded and followed by a delimiter. The alpha-numeric prefix to the serial number normally used by banks should be printed outside the code line in close proximity, just above the read band, in normal ink.

(ii) **Sort field or the city / bank / branch code number** consisting of nine digits followed by a delimiter. The first three digits represent the city, the next three indicate the bank and the last three digits signify the branch. The nine digit sort code is unique for any bank branch in the country.

The bank code is a three digit code number allotted to the bank on an all-India basis. Allotment of bank codes is centralised at the office of the Chief General Manager, Department of Payment & Settlement Systems, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Mumbai – 400 001 and applications have to be routed through the President of the respective Clearing House of which the bank is a Direct member. Sub-members are (may) required to present and receive the clearing instruments through a Sponsor Bank who is a (Direct) member of the Clearing House.

The branch code is the last three digits of the nine digit sort code and is unique to a branch in a city. Allotment of branch codes is by the respective Regional Offices of RBI under which jurisdiction the Clearing House operates generally the service branch of a bank is allotted the branch code of '001'.

A Sub-member will be treated as if it were a branch of the sponsoring bank. It would have the bank code number allotted to the sponsor bank to be followed by the branch code which would normally commence from 251.

A full list of nine digit code number allotted to each bank / branch along with the three letter alphabetical abbreviations for the clearing stamp could be obtained from the President of the concerned Clearing House.

(iii) **Account number field,** consisting of six digits followed by a delimiter, is an optional field. In the case of Government Cheques issued by RBI alone, the account number is of seven digits. The Government Account number is 10 digits in length – 7 digits occurring in the Account number field and three in the transaction code field.

(iv) **Transaction code field** comprising of two digits in all instruments except Government cheques drawn on RBI which have a 3 digit transaction code. Control documents – batch and block tickets - have a three digit representation in the transaction code field.

(v) **The last field represents the amount field** and consists of 13 digits bounded on both sides by a delimiter. The amount is encoded in paise without the decimal point.

Issue of MICR Cheque Books

2.3 Each member bank should ensure that the cheque books issued by its branches to account holders are in the MICR format. Before bulk printing the cheque books for the first time, adequate number of specimen cheque leaves could be forwarded to the nearest MICR Cheque Processing Centre for being tested with reference to the quality of MICR paper / printing, on the reader / sorter.

2.4 Corporate customers or other account holders like Central or State Government Departments, who print their cheques which are drawn on the branches of member banks should be individually advised to print the cheque leaves in the MICR format with pre-printed MICR code line. Specimen cheque forms / 'at par' items etc. could, if desired, be tested at the nearest MICR processing centre before bulk orders are executed. This applies to Continuous Stationery cheques as well. In case of non-testing and consequent high reject rates on pre-printed field, penalties may be levied on the drawee bank.

Non-Standard Instruments to be Standardised

2.5 Constituents of banks including Central and State Government offices who issue instruments like income tax / sales tax refund orders, Government Pay Orders, etc., should be advised, by the banks on which such instruments are drawn, to make arrangements to issue the instruments in the standard MICR format to facilitate processing them on Reader / Sorters. Non-standard instruments may not form part of the cheque clearing.

MICR CHEQUE PROCESSING EQUIPMENTS

2.6 The following are the MICR cheque processing equipments:

(i) MICR Document Encoder

The encoder is a table top machine which can print the coded particulars of cheques and other payment instruments in magnetic ink on the 5/8" read band at specified position. The conventional encoder has a keyboard and a programmable journal printer (i.e. lister). It endorses on the reverse of the instrument a fixed or variable stamp. The encoder has the facility to proof the pay-in-slip amount or control totals simultaneously by marking off successive amounts of encoded cheques thus arriving at a zero balance when all the cheques are encoded and bringing out discrepancies, if any, in the totals or errors during encoding. The figures are cumulated to enable encoding of the control documents viz., Batch and Block tickets. The encoders are also programmed to simultaneously affix / print the Clearing Endorsement Stamp on the reverse of the instrument, in the format prescribed. Encoders with compatibility to PCs are available, as also are power encoding machines and encoders with limited sorting facilities. Encoding work could either be decentralised at branches or centralised at the Service branch depending on the logistic in the bank. Clustering of encoding work at some branches to take care of smaller branches in the vicinity is another option available.

(ii) Reader Sorter

A Reader / Sorter is a device that reads the MICR encoded documents and sorts (direct) them to one of the many pockets as per the pre-determined sort pattern / programme. Most reader / sorters can operate on off-line mode as well as on-line with a host computer. Documents are fed automatically from an input hopper, which can handle documents of various sizes simultaneously. The documents travel past an electronic field which magnetises the characters and symbols in the MICR read band and generates distinct wave patterns intelligible to the machine. The physical sorting of cheques on the machine is carried out under the control of a computer program. This sort program, while directing the documents to the designated pockets, simultaneously captures and stores the information in the MICR code line on the cheques. The information captured from the documents is simultaneously stored on disk / tape, etc., and used for further processing. In case certain information is not read due to defective printing, encoding, etc., the cheque is directed to a 'Reject' pocket along with the control documents. These are taken out and the missing information is completed by manually keying in the data.

(iii) Image Capture

Image capture and image processing technology is a recent development in document processing by which the image of a payment instrument is captured simultaneously when it is processed on reader / sorters by adding an image capture module and related software. The images so captured are stored on magnetic media for retrieval and processing. The images can be displayed on a screen and copies can be printed. It is also possible to transfer the image data to banks through magnetic media or through the communication backbone. The availability of image files enhances the processing quality and speeds up reject recapture, balancing, etc. The stored

images could also be retrieved at a later date to facilitate quick reconciliation of clearing differences.

ENDORSEMENTS ON CHEQUES

Special Crossing Stamp

2.7 All cheques received for collection over the bank's counters are required to be branded with the bank's special crossing stamp.

Other Endorsements

2.8 Apart from the endorsements which are already made on the cheque when the customer has deposited the cheque for realisation, there are two categories of endorsements / stamping which are made by the collecting bank during the cheque processing – the Clearing stamp and the bank's certification or confirmation of various endorsements on the cheque and an undertaking to the effect that the proceeds will be credited to the payee's account on realisation.

Clearing Stamp

2.9 The clearing stamp indicates particulars regarding the name of the presenting bank / branch (alpha codes), date of presentation and the type of clearing. Encoding machines are programmed to affix the clearing stamp on the reverse of the cheque simultaneously while encoding the amount.

Confirmation of Endorsements

2.10 As regards the confirmation / certification of endorsements, the attention of member banks is invited to the Uniform Regulations and Rules of the Clearing Houses providing that once the clearing stamp is affixed, it could be presumed that the collecting bank confirms the previous endorsements and undertakes to credit the party's account on realisation and no specific endorsement / certificate of confirmation to this effect on the instrument.

Technical Specifications for Printing of Standard Cheque Forms and Forms of other Payment Instruments

Part I - Specifications for cheque paper

A. General

1. Paper to be supplied should be flat and without curl.
2. To be free from dust / fluff / pinholes / specks and metallic inclusions.
3. To be printed on the smoother (felt) side.
4. To be smooth and free from embossment or heavy engraving.
5. Moisture content : 4 - 6%
6. The paper supplied by the paper manufactures should be exactly "square" cut so that no further trimming is required to be done by the printers to make it square.
7. Continuous light band watermark to be incorporated in the security paper in such a fashion that it shall not appear in the 5/8" clear band on each cheque.

B. Sensitized security cheque paper

(i)	Basic Weight	95 g.s.m. ± 5%	
(ii)	Thickness	Nominal thickness of 110 Micro Metre.	(± 5%)
(iii)	Smoothness Bendtsen	Both sides	Not greater than 160 c.c. per min.
(iv)	Stiffness		
	Taber	Cross Direction	1.2 minimum
		Machine Direction	3.0 minimum
	Clerk	Cross Direction	60 minimum
		Machine Direction	150 minimum
(v)	Porosity Gurley	25 Secs. per 100 c.c. minimum	
(vi)	Tear Elmendroff	Both Directions	80 gms. minimum
(vii)	Brightness		70-75
(viii)	Shade		Standard shade.

Other properties including security features will be normal for this grade of paper.

C. Supply of paper

It would be the responsibility of the banks to supply paper to printers.

Part II - Printing Specifications

1. Size

The instruments should be in uniform size of 8” x 3 2/3”.

2. Counterfoils for cheques

Banks have decided that the cheque forms will be issued to customers without counterfoils. To enable the customers to maintain a record of the cheques issued by them either blank slips of ordinary paper with printed columns may be provided along with the cheques for recording the particulars or provision be made on inside covers. Banks should ensure that the slips provided have sufficient space for the customer to record the particulars of cheques issued as well as deposits made and the balance in the account.

3. Cheque Design

Each bank may have its own design, background printing, logo, etc.

4. Cheque format

In order to bring uniformity in the cheques and draft forms, their formats have been standardized.

5. Cheques to be issued in loose leaf form / book form

Whether the cheques / drafts should be printed in loose leaf form (shrink packed) or in book form, will be advised by banks to printers. If they are to be printed in book form, banks may advise the printers the binding margin to be kept along side perforation. The perforation should be deep to enable the customer to tear off the cheque leaf without difficulty.

6. Colour of ink for printing MICR code line

It is preferable to use black magnetic ink for the MICR code line.

7. Security paper printing & storage

The bank should, by inspection, verify whether the printers have taken adequate steps in this regard.