

FAQ on Cheque Standards and Specifications

1. Why do we need standards for cheques?

It is worth looking at the current cheque clearing process, which is performed based on guidelines, but not on strict standards for cheques. It has been noticed over the years that the quality of cheques vary substantially across banks and a large number of cheques are rejected by the sorters at the Clearing House as unreadable due to poor quality, errors in encoding of the MICR characters in the code line and mismatch of the size of the cheques. Rejected cheques require manual re-entering of correct information. The end result is delays and inefficiencies.

These inefficiencies could be addressed to a large extent if the Clearing House receives cheques of a reasonable quality, which are compatible with the sorters at the Clearing House. This has necessitated the introduction of a uniform set of standards that would, not only increase efficiency of the current cheque clearing process, but will definitely speed up cheque clearing at the high speed sorters at the Clearing House.

Globally, a cheque is deemed to be a payment instrument, which is easily readable by the banks and their customers. On the other hand, a cheque should also be a convenient payment instrument to banks and customers as it is the most widely used low value payment instrument. This requires increasing the efficiency of the current cheque clearing process, which depends on standardization of design, layout and printing of cheques, as well as improving the quality and accuracy of printed or written information.

It needs to be noted that the cheque, as any other paper-based payment instrument, is susceptible to forgery and counterfeiting, due to the fast-paced developments on the technology front. To ensure that cheques are trusted as a secured payment instrument, minimum security features are being introduced to make cheque frauds and forgeries difficult and enabling easier detection.

Furthermore, the introduction of a modern electronic cheque clearing system such as a Cheque Truncation System (CTS) requires “image friendly” standards and specifications over and above those required under the current cheque clearing process. Standardized cheques is a pre-requisite to introducing such a modern electronic cheque clearing system. The introduction of “image friendly” cheque standards and specifications will pave the way for any future endeavours to introduce such modern systems.

Having considered all these factors, the Central Bank of Bahrain has taken this initiative to introduce national standards for cheques, for clearing by the Clearing House.

2. What are these new Cheque Standards and Specifications?

These are the national standards stipulated by the Central Bank of Bahrain for designing, printing and completion of cheques, which are cleared in the Clearing House. The accuracy and quality of cheques, along with their compatibility with the technical specifications of automated sorters at the Clearing House (or modern cheque imaging machines in the future) will be enforced by these Standards and Specifications. It is mandatory for all retail banks to adopt these standards.

3. Are these Cheque Standards and Specifications applicable to all types of cheques?

Yes. They are applicable to all cheques that are printed by the retail banks as well as their customers in the Kingdom of Bahrain or elsewhere and cleared by the Clearing House. These include banker's draft, dividend warrant, pay order, or other documents issued by a Clearing House member retail bank, drawn on a bank in the Kingdom of Bahrain and payable in Bahraini Dinars.

4. Have the Cheque Standards and Specifications changed the current specification in respect of MICR code line?

No. The current MICR code line specification will continue to prevail. The new Cheque Standards and Specifications will necessitate the banks to follow standards, particularly on MICR ink quality and print precision, to facilitate easy recognition of the MICR code line by the current cheque sorters and any other cheque processing equipment that may be introduced in the future.

5. When will these Cheque Standards and Specifications be implemented?

The Central Bank of Bahrain has issued a Directive on the Cheque Standards and Specifications to retail banks on 28th July, 2009. Banks can now issue new design cheques. However, all cheques which will be issued by banks to their customers after 1st January, 2010 must comply with these new Standards and Specifications.

6. How can I find out whether my cheque meets new Cheque Standards and Specifications?

At a glance, the new cheque should look as below:

The image shows a sample cheque form with a large, diagonal 'SAMPLE' watermark. The form is divided into several sections by dashed lines. At the top left, there are fields for 'Bank Logo, Bank Name' and 'Branch Name, Address'. To the right of these is a 'Date' field with a grid for entering the date. Below the bank information, there is a 'Pay' section with the text 'Pay against this cheque' and 'أو لخاصته' (or for its use), followed by a line for 'Bahraini Dinars'. To the right of the 'Pay' section is a 'Name of Cheque' field. Below the 'Pay' section, there is a 'Drawer Name (Corporate/Personal)' field, followed by 'Logo (if desired), Address' and 'Account Number'. At the bottom left, there is a 'Signature' field with the instruction 'Please do not write or sign below this line'. To the right of the signature field is a 'MICR Line' field. The form also contains Arabic text: 'التاريخ' (Date), 'الدفعوا مقابل هذا الشيك' (Pay against this cheque), 'أو لخاصته' (or for its use), 'الرقم' (Number), 'التوقيع' (Signature), and 'يرجى عدم الكتابة أو التوقيع تحت هذا الخط' (Please do not write or sign below this line). There is also a small 'BD' label near the 'Pay' section.

The easiest way for the public to identify the new cheque is by reviewing the following:

- There is only a single size for all cheques (for corporates and personal), cleared by the Clearing House. The length will be 7 inches (177.799 mm) and the height will be 3½ inches (88.899 mm).
- The background colour of the new cheque is very light.
- The new design cheque has a standard layout for the following areas to enter mandatory information:
 - Date;
 - Name of the bank on which the cheque is drawn (drawee bank);
 - Name of the person to whom the amount is payable (Payee);
 - Amount in words;
 - Amount in figures;
 - Signature(s) of the person(s) (drawer) who issues the cheque; and
 - Details about the drawer.
- The background behind the above mentioned areas is plain with a very light background colour. Accordingly, you would not find any complex or colourful backgrounds or designs in these areas of the cheque.
- To enter the date, eight separate boxes have been provided for each digit of the date. The “Date” box is printed with very light contrast lines. The location of the “Date” box is the top right corner of the cheque.
- There is a rectangular box on the right hand side of the cheque to enter the amount in figures. The location and format of the “Amount in Figures” box is common to all cheques.
- There are also a number of other changes, both, to the front and the back of the cheque.

7. Do I have to change the way I complete a cheque?

We wish to highlight the following regarding the use of your new design cheque:

- Make sure that you write the name of the payee and amount in words, clearly and correctly. Always fill out your new cheques using an ink pen or a ballpoint pen with black or dark blue permanent ink. Do not use a pencil, light coloured or fluorescent or non permanent ink to complete the cheque;
- Write the date inside the “Date” box clearly in dark permanent ink. The date format allows to write the date using either Arabic or English;
- Write or enter the amount inside the “Amount in Figures” box. Write the amount in figures as close to the “BD” label as possible to avoid any fraudulent alteration of the amount in figures;
- If you print the amount in figures using a typewriter or a computer, print the currency symbol together with the amount in figures by the same device. Print in black or dark blue ink the protecting asterisks (*) immediately after the “BD” or “د.ب” label and before the amount in figures;

- If you print the amount in words using a typewriter or a computer, insert asterisks (*) in black or dark blue ink before the amount in words. If you wish to print the amount in words in English using a typewriter or a computer, make sure to left justify the amount in words. If in Arabic, the amount in words should be right justified, and be preceded by asterisks (*);
- If you wish to print the payee name in English on the cheque using a computer or a typewriter, please note to left justify the payee name and fill the space to the right of the payee name with asterisks (*) in black or dark blue ink. If you wish to enter the payee name in Arabic, right justify the name and fill the space to the left of the payee name with asterisks (*);
- Do not write or sign on the space allocated for the MICR code line [measured 5/8 inch (15.875 mm) vertically from the bottom of the cheque] to ensure accurate reading of MICR printing. There should be no stamping (including company rubber stamp), perforations, stapling or any other intrusion in this area. Do not let your signature overlap the MICR Code line or the “Amount in Figures” box;
- Do not use italics or slanted fonts;
- If you use a typewriter to write your instructions on the cheque, use ribbons of dark colours (black or dark blue). Do not use total transfer (correctable) ribbons.
- If you use a computer to enter information on the cheque, please use a well maintained printer with permanent dark ink (black or dark blue) ribbons. If you use an ink jet printer or a laser printer, do not let the ink to penetrate the cheque paper and the printer, as it can adversely affect the security features.
- Do not circle or underline any information on the cheque;
- Do not use carbon or carbon-back ink for transfer to the second copy of the cheque.
- Do not use facsimile signature, as it has a potential to disappear in the image of the cheque.
- Do not fold or mutilate the cheque as it can damage the data on the MICR line. Envelopes used for mailing cheques should be sufficiently large to enclose the cheque without folding.
- Do not write on the left side of the back of the cheque as it is reserved for clearing purposes.

8. Is a bank free to use any background colour for cheques?

Yes, the background colour is not a concern in new Cheque Standards and Specifications. However, the colour should be image-friendly (scan non-readable) particularly in all the areas mention in question 6 above. Light pastel colours are suitable for background screening and hence, heavily reflective ink, heavy inks and dark colours should not be used.

9. What will happen to the post-dated cheques I have already issued?

Post-dated cheques will continue to be cleared until 1st of August, 2011.

10. What impact do the new specifications have on existing cheque security features?

Banks should apply the mandatory security features to their cheques. They can apply additional security features which are compatible with image capturing technology. Any security feature used on cheques must not interfere with the MICR line or other areas mentioned in question 6, either before or after imaging.

11. What is an “image friendly” cheque?

In the future, the introduction of modern systems such as Cheque Truncation System (CTS) will necessitate clearing of cheques using electronically captured images of cheques. This will require the overall design of the cheque to facilitate vital information (printed and hand-written) to be readily legible when viewing its image, rather than the physical cheque itself. Image friendly cheques ensure:

- Capturing of MICR code line data and all essential information in the cheque by the imaging process;
- Usability and legibility of the cheque image;
- Small file sizes of electronic images, which will help in transferring and storing such captured images in an economical manner; and
- Automated data recognition, if necessary.

12. What will happen if I am using the old design cheques or cheques that do not fully comply with the new Cheque Standards and Specifications?

You can use old design cheques that you have already obtained from your bank until 1st August, 2011. This grace period will allow you to use up your current cheque leaves stock. We strongly recommend that you use up cheques that do not meet the new standards as soon as possible and prepare for the transition.

If a Cheque Truncation System (CTS) is implemented before the two (2) year grace period, such old design cheques will be cleared until 1st August, 2011 at a fee which will be equal to that of the transaction fee of the CTS.

After 1st August, 2011 old design cheques may be cleared by charging a penalty fee. This will be decided and announced in advance.

You must be aware that you will use old design cheques at your own risk and you may not be able gain from the benefits of a faster and safer clearing under the CTS, which may be introduced in the future. You may possibly incur a penalty charge for clearing your old design cheques at that stage.

13. Where can I go for more information on cheque standards?

Your bank is well equipped to provide you with more information on this matter.