Financial support for implementing Positive Pay System under Financial Inclusion Fund (FIF) to RCBs for enhancing customer security for cheque based transactions

The Positive Pay System has been introduced by Reserve Bank of India w.e.f. 01 January 2021 vide their Circular No. DPSS. CO. RPPD. No.309/0.07.005/2020-21 dated 25 September 2020 to enhance the safety of cheque based transactions of Rs.50,000/- and above, applicable to all banks including StCBs and DCCBs. The Positive Pay System (PPS) enables an additional security layer to the cheque clearing process, where the beneficiary submits the cheque for clearing and the presented cheque details are compared with the details i.e. name of the payee, date of the cheque, cheque number and amount, etc. provided through Positive Pay System.
2. Based on the request received from RCBs, for providing support for implementation of PPS, the Advisory Board of FIF has approved the scheme for providing grant assistance for implementation of PPS in RCBs. The details of the scheme are as under:

i) **Scheme**: The scheme is named “Financial support for implementing Positive Pay System under FIF to RCBs for enhancing customer security for cheque based transactions”.

ii) **Objective**: The objective of the scheme is to reimburse the expenditure incurred by RCBs towards implementation of Positive Pay System facility.

iii) **Eligible Institutions**: All licensed Rural Cooperative Banks (StCBs and DCCBs) that have implemented Core Banking Solution (CBS) and already implemented Positive Pay System facility or are in the process of implementing the same are eligible to avail assistance under the scheme.

iv) **Extent of Support**: One time support shall be provided on reimbursement basis to the extent of 90% of actual expenditure incurred, subject to the limit of Rs.5.00 lakh per RCB.

v) **Components of support**: The components of support are one-time software application development, implementation cost and operational expenditure including AMC for one year towards providing Positive Pay System.
across all banking channels available with the bank viz., internet banking, SMS, mobile App, ATM, etc.

vi) Awareness Creation: RCBs implementing the scheme need to create awareness about PPS as part of their customer education process through various means i.e. financial literacy program, display in the branch/office, website, ATMs, Mobile Demo Vans, etc.

vii) Procedure to be followed by banks to avail grant support:

a. Banks may submit the proposal for sanction and claim as per Annexure – III and IV of Circular No.105/DFIBT-04/2019 dated 23 April 2019 to the concerned Regional Office of NABARD.

b. Banks, which are seeking FIF grant under the scheme for the first time, may execute a Memorandum of Agreement with NABARD as per Circular No. 52/DFIBT-05/ 2018 dated 20 March 2018.
Positive Pay System for Cheque Truncation System

Please refer to the Statement on Developmental and Regulatory Policies dated August 6, 2020 wherein Reserve Bank of India (RBI) had announced introduction of Positive Pay System for Cheque Truncation System (CTS).

2. The concept of Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures.

3. National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of ₹50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of ₹5,00,000 and above.

4. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids. Member banks may implement similar arrangements for cheques cleared / collected outside CTS as well.
5. Banks are advised to create adequate awareness among their customers on features of Positive Pay System through SMS alerts, display in branches, ATMs as well as through their web-site and internet banking.

6. Positive Pay System shall be implemented from January 01, 2021.

7. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Yours faithfully

(P Vasudevan)
Chief General Manager