



CENTRAL BANK OF SEYCHELLES

P. O. Box 701, Victoria, Seychelles

PRESS RELEASE

Victoria – October 27, 2010

CAPPING OF DOMESTIC CHEQUES

Following the press release dated the 6th of October, 2010 regarding the capping of domestic cheques, the Central Bank of Seychelles (CBS) has noted the concerns raised by some areas of the business sector with regards to this move. Prior to the decision to introduce the cap of R100,000 discussions were held with several stakeholders including the Seychelles Chamber of Commerce and Industry, the Ministry of Finance, and the Revenue Commission. Nevertheless, the CBS recognizes the importance of involving the broader business community in this exercise and to this end, discussions will be conducted with other stakeholders in the coming weeks with a view to reviewing the level to be capped to an amount that will be acceptable to all stakeholders. However, the implementation date on the new limit on cheques remains the 1st of April, 2011 and the new limit will be announced in due course.

The CBS would like to point out that capping of cheques is a practice that is becoming increasingly common internationally. Most SADC countries, as well as some advanced economies either have a mandatory capping of cheques, or a policy that discourages usage of cheques for large transaction. As such, the move by CBS is merely one to bring Seychelles in line with international practice to encourage the use of electronic means of payment and settlement.

There are several advantages to having a cap on large cheques. One is same day clearing. Moreover, a cap on large cheque amounts eliminates the risk of cheque fraud and the high probability of default by payer. The CBS recognizes certain disadvantages of the capping of cheques such as higher charges for electronic fund transfers. In this regard it has already begun discussions with commercial banks with a view to minimizing these costs. Furthermore, given the relatively small number of high value payments, the costs to businesses will be minimal.

To ensure a smooth transition to the introduction of the cap on April 1, 2011, the CBS is encouraging the public to begin making use of the CBS Immediate Transfer Service (CBSITS) available at all commercial banks to effect high value payments. This SWIFT operated facility aims at strengthening risk management and allows for easy, timely and more secure settlement of payments which gives same day value to the transactions. In the meantime the CBS will work with commercial banks to put in place appropriate mechanisms that would facilitate the transition.

The CBS counts on the co-operation of the general public and businesses in the endeavour to modernise the National Payment System and make this project successful.

For more information and benefits of capping of cheques, kindly make reference to the following link on the CBS website <http://www.cbs.sc/pressrelease.html>

The capping of cheques is in line with international best practices to minimize risk and to ensure the safety and efficiency of the National Payment System. It is a common fact that cheque fraud in conjunction with the high probability of default by the payer is a huge concern for the banking industry and retailers alike. The capping of cheques is expected to encourage the public to use alternative methods, thereby reducing the risk of cheque fraud.

Q - What is value capping?

It is a limit set on amounts. Once the limit has been set, cheques in excess of this amount will NOT be processed through the Seychelles Bankers Clearing House from 1st April 2011.

Q - What are the benefits associated with value capping?

The benefits associated with the capping on cheques include:

- Mitigation of incidents of fraud carried out through the use of cheques
- Enhancement of the safety, speed and efficiency of the Payment System in the Seychelles as all high value payments in excess of cap limit will be directed through the CBS Immediate Transfer Service (CBSITS)
- This will lead to quicker availability of funds in payee accounts

Q - What is CBSITS?

This service is a SWIFT operated facility which aims at strengthening risk management and improving efficiency in the payment system. The CBSITS allows easy, timely and more secure settlement of payments and such settlement is undertaken using the “CBSITS” arrangement which gives same day value to the transactions and subsequently the beneficiary customers can access their funds on the same day.

The CBSITS was implemented on *September 01, 2009 by* the Central Bank of Seychelles in consultation with Seychelles Bankers Association. All commercial banks are currently participating in the CBSITS and are able to provide this service to all their customers in all their branches. Customers are required to directly instruct their banks to make payments to the receiving banks.

Q - Which payments are effected by this directive?

All payments in local currency.

Q-Does value capping also include Bankers Cheques?

Value capping will affect all cheques, including banker’s cheques and corporate cheques.

Q- Are payments through CBSITS safe?

Payments through CBSITS are made Via the SWIFT (Society of World Wide International Funds Transfer) network, which is a safe money transfer network. This is a channel that facilitates immediate transfer of funds and information in a secure channel.

Q - How is CBSITS different from the cheque payment system?

A cheque is a debit instrument whose payment is deferred i.e. will take place in future in Seychelles is T + 3 working days; that is a customer will receive value after three working days. CBSITS operates on a credit push i.e. the customer/payer must have funds in his account at the time of issuing the instructions for payment.

Q- What are the requirements for CBSITS?

To make a CBSITS payment one requires: Beneficiary name, Beneficiary Bank and branch, Beneficiary account number, value date of payment, amount and sender/receiver information.

Q- What evidence do I receive that I have made a CBSITS payment?

Your bank will provide you with an advice as is currently the procedure for cash or cheque deposits.

Q – How does this change impact statutory payment like trades tax and/or GST? Payment to Customs for clearance of goods is normally done through cheques as per requirements. How will this process be handled?

It affects large statutory payments which are done to CBS and hence these payments shall be done via CBSITS in your commercial bank. Payments to Government bodies will also have to be routed through CBSITS if amount is greater than the limit and your bank will provide you with a slip (evidence) of payment made.

Q- A bounced cheque gives a beneficiary “physical” evidence of non-payment by drawer and helps in lawsuits. Does CBSITS take care of this aspect?

In CBSITS a payment cannot bounce since it’s a credit push i.e. the customer must have sufficient funds at the time of initiating the payment.

Q- Under what circumstance can a bank reject or not apply a payment received through CBSITS?

A bank may not apply a payment if the beneficiary details are different from records held or there has been notification of fraudulent activity.

Q - Would the remitting customer get back the money if it is not credited to the beneficiary’s account? When?

Yes. It is expected that the receiving bank will credit the account of the beneficiary instantly. If the money cannot be credited for any reason, the receiving bank would have to return the money to the remitting bank within a reasonable amount of time.

Q- When can a customer make CBSITS payments?

CBSITS payments can be made during normal banking hours. These times may vary with each commercial bank.

Q- Can CBSITS payments be back-dated?

No, but they can be future dated.

Q- Are the CBS and Commercial Banks ready for the capping of cheques?

Yes, the project has been on the table for quite a while. All parties have been actively involved throughout the project. Actually, all Commercial Banks are currently using the CBSITS for inter-bank transactions; hence this would not be a new concept. An implementation phase of six months has been granted to all stakeholders to ensure their readiness and preparedness in all aspects. This should cover elements such as proper advices given to customers.

Q- Has Commercial partners been involved in the consultation process?

Prior to launching the project a meeting was held with the Chambers of Commerce, the Ministry of Finance, Commercial Banks and CBS Officials. All parties were given ample opportunities to raise their concerns. After much consultation with all parties, it has been agreed that we are ready to move on with the project with effect from the 1st of April, 2011.

The CBS would like to reassure the public that the project is in the best interest of the general public. It is to be noted that the capping of cheques has been implemented in regional countries such as Kenya, Tanzania, Namibia, Botswana, Swaziland, and Uganda and have proven to be very successful and effective.