



Reserve Bank of India

RBI to introduce 'Positive Pay System'

December 13, 2020

Relevant to all Mahindra Businesses

Background

- Under the positive pay system, the issuer of the cheque will be required to submit electronically, through SMS, mobile app, internet banking or ATM certain minimum details of that cheque like date, name of the beneficiary, payee, amount to the drawee bank.
- In order to check banking fraud, the Reserve Bank of India has decided to introduce from January 1, 2021, the 'positive pay system' for cheque, under which re-confirmation of key details may be needed for payments beyond Rs 50,000.
- Availing of this facility would be at the discretion of the account holder. However, banks may consider making it mandatory in case of cheques for amounts of Rs 5 lakh and above.

What is 'Positive Pay'?

- Positive Pay is essentially an automated fraud detection tool. It matches specific information related to the cheque presented for clearing, such as the cheque number, cheque date, payee name, account number, amount, and other details against a list of cheques previously authorized and issued by the issuer.

How will the system work?

- These details will be cross-checked before the cheque is presented for payment. In case any discrepancy is flagged by cheque truncation system (CTS) to the drawee bank and presenting bank, redressal measures would be undertaken, the RBI said.
- The National Payments Corporation of India (NPCI) will develop the facility of positive pay in CTS and make it available to participant banks.
- The RBI further said only those cheques that are compliant with positive pay system instructions will be accepted under the dispute resolution mechanism at the CTS

grids. Banks, however, will be free to implement similar arrangements for cheques cleared and collected outside CTS.

For Further Reading

1. <https://www.timesnownews.com/business-economy/personal-finance/planning-investing/article/new-rules-will-apply-to-clear-high-value-cheques-via-positive-pay-from-jan-1-know-details-here/695472>
2. <https://indianexpress.com/article/explained/positive-pay-system-bank-cheque-rs-50000-7111239/>
3. <https://www.financialexpress.com/industry/banking-finance/positive-pay-system-for-cheque-payments-to-come-into-effect-from-january-1-rbi/2091956/>