

Cheque Clearing (CITS)

The Image Clearing System (Cheque Imaging and Truncation System-CITS) was launched in May 2006, fundamentally transforming cheque processing by enabling digital images of cheques to be exchanged between banks strengthen the national retail payment infrastructure. This process eliminated the actual cheque movement in cheque clearing and reduced the delays associated with the movement of cheques. This in turn increases efficiency, reduces operational costs, and expedites the clearing process across the nation. CITS handles all the domestic interbank rupee cheque and draft clearings in the country.

CITS Operating under the provisions of the Payment and Settlement System Act No. 28 of 2005 that stipulates procedures for automated cheque clearance, the introduction of Cheque Imaging and Truncation System revolutionized the clearing process moving from physical cheque to an image-based clearing mode. This has brought down the clearing cycle to one working day from a previous three to five-day period due to elimination of physical movement the instrument. This has also enabled the banks to save time and processing costs and offer extended time for their customers to submit cheques, which has provided greater convenience to all banking customers. With the introduction of CITS in 2006, Sri Lanka became the 1st in South Asia and 2nd in the world to have rolled out such world-class payment and settlement infrastructure to enable nationwide cheque clearance.

Further, Sri Lanka is the 1st country in South Asia to launch the Online Transfer Mode of CITS, which replaced the inefficient practice of transferring the last mile of cheque images through compact discs (CDs)

Online data submission mode gives the banks the ability to submit cheque images and the MICR data of physical cheques to LankaPay via a secure Virtual Private Network (VPN) with end-to-end encryption. During the implementation of CITS a standard cheques template have been introduced in Sri Lanka to standardize cheques issued by licensed commercial banks and reduce incidence of fraud.