



GUIDELINES FOR THE CLEARING HOUSE

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INTRODUCTION

THE MECHANIZED CLEARING HOUSE

The mechanised processing of cheques using Magnetic Ink Character Recognition (MICR) technology is being introduced in Myanmar. The clearing house will thereafter be referred to as a ‘mechanised clearing house’ (MCH). This document formalizes the clearing house guidelines and describes the rights and obligations of Members and the procedures to be followed at the banks and at the clearing houses operated by the Central Bank of Myanmar (CBM). Currently these clearing houses are located in Yangon, Nay Pyi Taw and Mandalay. Settlement of the clearing balances will continue to take place on the books of the CBM and the net settlement files will be manually uploaded to the banks’ settlement accounts in the Central Bank of Myanmar Financial Network System (CBM-NET).

The utilisation of the MCH in no way impinges upon, nor alters, the relationship between a commercial bank and its customer. MCH will comprise the member clearing banks which are registered and the Central Bank of Myanmar. Members may initiate amendments in accordance with the Procedures for Amending the Guidelines as prescribed herein. It is envisaged that these Guidelines will be reviewed annually and revised where necessary.

These Guidelines apply to all Payment Items processed in the MCH. The clearing banks are required to understand and are expected to comply fully with these Guidelines. These Guidelines shall be construed in accordance with, and governed by, the laws of Myanmar.

A.1 Glossary

The following terms have the meanings indicated unless a contrary intention appears.

Term	Description
“Account” or “Settlement Account”	The Settlement Account maintained by Clearing House Members on the books of the central bank
“Bank”	A Clearing House member licensed under the Banks and Financial Institutions Law and for the purpose of clearing includes the Central Bank of Myanmar
“Bank Draft”	An unconditional payment instrument drawn by a bank against its own account

Term	Description
"Banking Day"	A day not being a Saturday, Sunday or Public Holiday on which Member banks are open for general banking business in Myanmar and on which the Clearing House is open for the exchange of Payment Items among all participating banks.
"Branch"	Includes any office, centre, or other organizational unit which carries on banking business on behalf of and in the name of the Member.
"CBM-NET FTS"	The real-time gross settlement system operated by the CBM for the transfer of funds among financial institutions
"Central Bank of Myanmar" or "CBM" or "the Bank"	The central bank, licensed under the Central Bank of Myanmar Act (2013)
"Cheque"	An instrument that orders a bank to pay on demand a specific amount of money from a person's account to the person in whose name the cheque has been issued.
"Clearing"	The process of exchange of the Payment Items that the financial institutions have accepted, and the calculation and reconciliation of the net amounts due to or by the participating institutions prior to settlement.
"Clearing House"	The central location and processing mechanism operated by the central bank through which Member banks agree to exchange Payment Items. Settlement of the Items exchanged occurs at a designated time.
"Collecting Bank" or "Negotiating Bank" or "Receiving Bank"	The bank/ branch at which a cheque is first delivered by or on behalf of the Beneficiary/Payee for collection. The Collecting Bank presents the Item for payment through the Clearing.
"Direct Presentation"	The direct delivery of an item to the Drawee at its head office or at the branch on which the Payment Item is drawn and for which immediate value is received
"Drawee" or "Paying bank"	The bank to which a Payment Item is addressed, and which is directed (by the deposit account holder) to pay the amount of money therein mentioned.

Term	Description
“Drawer”	A person, individual or corporate, that originates and issues an order directing the payment of an amount by way of a Payment Item against a deposit account it holds with the Drawee.
"Endorsement”	A signature made by a holder on an instrument when negotiating (transferring) the Item to another person, or the stamp placed by a bank on the instrument for the purpose of clearing.
“Image”	The copy of the Instrument created through a scanning process.
“Instrument”	The means of payment or type of operations which can be processed by the Clearing House.
“Irregular Item”	An Item not suitable for processing on a reader/sorter, such as a mutilated Item where the bottom or right-hand edges are torn or undecipherable
“Item”	Same as a <i>Payment Item</i>
“Item in Dispute”	A returned Item that the Drawee dishonours and that the Collecting Bank believes was not returned in accordance with these Guidelines.
“Manager’s Cheque”	A Payment Item issued by a Member and drawn on itself for the purpose of ordering a payment to be made to a payee.
“Mechanized Clearing House” or “MCH”	The use of readers and sorters to sort and distribute Payment Items and determine the multilateral net settlement balances from the clearing process
“Member”	A Financial Institution that participates in MCH.
“MICR”	Magnetic Ink Character Recognition – the machine-readable characters printed with ink containing particles of a magnetic material
“MICR-encoding”	The application of magnetic ink characters on the line at the bottom of the Cheque or Payment Item, which facilitates processing by use of readers/sorters.
“Negotiating Bank”	Same as <i>Collecting Bank</i> or <i>Receiving Bank</i>

Term	Description
“Payee”	The beneficiary named by the Drawer on the Payment Item.
"Payment Item" or “Item”	Any approved clearing item as provided under section 1 of the Guidelines.
“Post-dated Item”	One charged to, or settled by, the Paying Bank on a date sooner than the date of the Item.
“Receiving Bank”	Same as <i>Collecting Bank</i> or <i>Negotiating Bank</i>
“Recourse Period”	The period within which the Paying Bank /Drawee must return an item to the Negotiating Bank. In Myanmar this is three (3) Banking days, day one being the day of receipt at the Clearing House.
“Returned Item”	A Payment Item received by the Drawee and subsequently returned unpaid through the Clearing.
“Settlement Account” or “Account”	The Settlement Account maintained by a Member on the books of the central bank
Issuing bank	An issuing bank is a bank that issue cheque for its customer (debtor) and, upon clearing, debits from its customer’s account (debtor).
Creditor bank	A creditor bank is a bank that has a net positive balance with other banks after clearing and its balance is settled by crediting to its current account with CBM.
Debtor bank	A debtor bank is a bank that has a net negative balance with other banks after clearing and its balance is settled by debiting from its account with CBM.
Irregular cheque	An irregular cheque is a cheque that could not be processed by MICR Encoder.
Replacement cheque	A replacement cheque is a cheque that is used to replace the irregular cheque and dishonored cheque if there are cheques that cannot be processed by MICR devices for reasons.
Dishonored cheque	A cheque that is returned unpaid by the bank on which it was drawn due to lack of sufficient funds.

A.2 General Guidelines

A.2.1 Items Acceptable for Clearing

2.1.1 Introduction

This Guideline outlines the general requirements with respect to Items acceptable for Clearing.

2.1.2 Criteria for Clearing Items

Only Payment Items specified in the Guidelines may be exchanged through the Clearing. Payment Items exchanged through the Clearing shall be payable on demand or otherwise conform to the Guidelines as to value date, be drawn on or payable through a Member and be endorsed or guaranteed as specified in the Guidelines.

2.1.3 Approved Classes of Clearing Items

The following classes of Items are approved for Clearing

- a) Paper based Payment Items including Cheques, Drafts, Manager's Cheques and any other paper-based Payment Items denominated in the local currency (Kyat)
- b) Returned Items previously exchanged in the clearing
- c) Any other items approved by the MCH from time to time

Cheques and other paper based items must be MICR-encoded to facilitate processing by means of readers/sorters in the Clearing House.

A.2.2 Disqualifying Conditions

2.2.1 Items in Dispute

No Item in dispute shall be re-introduced into the Clearing.

2.2.2 Post-Dated Items

No Item that is post-dated shall be introduced into the Clearing. A post-dated Item is one charged to the paying bank on a date sooner than the date of the Item.

2.2.3 Month-Dated Items

An Item not bearing the day of the month shall not be introduced into the Clearing prior to the first business day of the month indicated on the Item.

2.2.4 Conditional Statements

- d) Where an Item bears a conditional statement, on its face or on the reverse, such condition shall not be binding on the Negotiating Bank.

For the purpose of this subsection, conditional statements include:

- (i.) "Void if over X Kyat" or
- (ii) "Not valid after [a certain date]"

A.2.3 Processing of Clearing Items

2.3.1 Introduction

Each Member shall exercise reasonable effort to reduce to a minimum the number of Irregular Items in the Clearing.

2.3.2 MICR-Encoding

All Items shall be MICR encoded as to amount prior to exchange.

2.3.3 Responsibility for Encoding and Encoding Errors

- a) Each presenting bank shall, prior to presentation, enter in magnetic ink on the face of an Item the amount for which it is drawn, so that this information may be read by a reader/sorter.
- b) In the event of an encoding error, the bank making the error shall indemnify and hold harmless the bank on which it is drawn to the extent of the difference between the encoded amount entered on the face of the Item and the actual value of the Item.
- c) Any such Item should be settled by direct claim on the bank making the erroneous entry and the claim must be made within fifteen (15) days of the date of the error. If the collecting bank encodes a lesser amount than the actual value the issue of claim or compensation does not arise.

2.3.4 Correction of Encoding Errors

All MICR-encoding errors identified during processing shall be corrected before the Item is exchanged.

2.3.5 Segregation into Streams

Payment Items shall be prepared by each Member and segregated according to the following streams.

- e) Encoded (Qualified) Items
- f) Returned Items
- g) Irregular Items: This stream includes Items not suitable for processing on a MICR reader/sorter, such as mutilated Items where the bottom or right-hand edges are torn rendering the MICR-line undecipherable

2.3.6 Exchanging the Items

With respect to the exchange of Payment Items:

- a) A complete list of Items (with totals) in the order of the contents, indicating the processing date and the name of the Member delivering the Items, shall accompany each bundle;

- b) The Member receiving shall immediately verify the contents and total of the delivery and promptly advise the Member delivering of any discrepancy.
- c) The receiving Member shall give notice to the delivering Member of any discrepancy between the bundles received and supporting listing (Delivered Cheque List).

2.3.7 Imaging

Prior to the exchange of Items, each delivering Member shall retain an image of all Items. In the event it has an equipment malfunction, the delivering Member shall make alternative arrangements for bilateral exchange with each receiving Member.

2.3.8 Direct Presentation

Any member shall be at liberty to present during banking hours any cheques, drafts or other Payment Items drawn on a Member in local currency directly to the Drawee branch for payment.

- i) Direct presentation of items must be made during banking hours of Members.
- ii) Members should notify each other from time to time of changes in their banking hours.
- iii) Settlement of instruments by direct presentation shall be made by Manager's Cheque or electronic transfer via CBM-NET to the Member's Settlement Account at the central bank.

For this purpose each Member is required to provide the central bank and other Members with an updated list of the addresses of its branches.

A.3 Endorsement of Payment Items

A.3.1 Introduction

This Guideline outlines procedures for the endorsement of Payment Items acceptable for Clearing.

A.3.2 "Requirement to Endorse"

Each Member which is party to the Clearing of an Item, beginning with the receiving bank and ending with the Drawee, shall endorse or otherwise place an identifying mark on the Item to facilitate tracing.

A payee's endorsement is not required where a cheque is deposited to the credit of a person's account and that person is the same person as the named and intended payee on the cheque.

Items made payable to "Cash" must be endorsed by the drawer.

A.3.3 “Guarantee of Endorsement”

The endorsement of the collecting bank shall be deemed to guarantee the genuineness of all endorsements or lack of endorsement regardless of amount. The receiving bank hereby indemnifies the paying bank against any claims that may arise with respect thereto.

A.3.4 Forms of Endorsement

Endorsements, mechanical or otherwise, must include the following:

- i) Member name and Branch domicile;
- ii) Date; and
- iii) Teller identification

A.3.5 Reader/Sorter Technology

Where a reader/sorter is equipped to supply an endorsement, this feature shall be utilized in respect of Items passing through the machine.

A.4 Returned Items

A.4.1 Introduction

This section outlines procedures, timeframes and responsibilities whenever an Item is exchanged through the Clearing for payment and payment is refused or cannot be obtained and where the Drawee returns the item through the Clearing.

Nothing in this rule precludes a Drawee or a receiving bank from exercising their rights and seeking redress outside of the Clearing. Before seeking redress through the courts, the parties must exercise the options available with respect to Arbitration.

A.4.2 Scope

The procedures, timeframes and responsibilities set out in this Guideline shall:

1. Apply to each Member, and shall limit the degree to which they can seek recourse from other members through the Clearing for Items which are either dishonoured or otherwise not able to be processed by the Drawee;
2. Not apply to an Item presented at, and settled directly by, the Drawee bank unless the Item bears a forged endorsement.

A.4.3 Reason for Return

Subject to the exceptions in sections A.3.4 and A.3.5 below, an Item may be returned through the Clearing by the Drawee if, for any valid reason, the Item cannot be paid.

A.4.4 Certification before Clearing

3. A Drawee may not return an Item that it certified before the Item was introduced into the Clearing, unless the Item is returned for the reason that an endorsement is forged, missing or incomplete or for the reason that the Item has been altered subsequent to certification or where the item has been fraudulently negotiated.
4. A Drawee may not return a Manager's Cheque properly prepared and disbursed, unless the Item is returned for the reason that an endorsement is forged, missing or incomplete or for the reason that the Item has been altered subsequent to issuance or where the item has been fraudulently negotiated.

A.4.5 Time Limitation for Return

An Item that is received through the Clearing that cannot be paid must be returned through the Clearing or by Direct Presentation to the collecting bank within the stipulated recourse period, i.e. within three (3) banking days after presentation at the clearing house.

A.4.6 Forged endorsement

There is no time limitation if an Item is being returned for the reason "Forged endorsement". If however, it is being returned outside of the normal recourse period of three (3) banking days, it must not be sent through the Clearing.

In returning an Item with a forged endorsement, the Drawee shall provide the receiving bank with a declaration signed by the Payee, that the endorsement is a forgery.

A.4.7 Duplicate Items

Where both an original and its replacement have been paid, the second Item paid shall be returned, for the reason "Duplicate Payment", together with supporting explanation of the facts.

A.4.8 Prohibition on Re-Cleared Items

An Item which has been returned for any reason shall not be re-presented through the Clearing by the receiving bank a second time.

A.4.9 Rights of Drawee Bank

Where a receiving bank has introduced an Item into the Clearing a second time in contravention of section A.4.8 , the following procedures shall apply:

- a) The Drawee may provide details of the Item to the receiving bank and the central bank stating that the receiving bank has contravened section A.4.8

- b) The Drawee will obtain immediate reimbursement by requesting the central bank to debit the receiving bank for the amount of the Item.

A.4.10 Claims against Drawee

Where the receiving bank considers that the Drawee did not return an Item in accordance with these Guidelines, it may declare the Item to be in dispute pursuant to section A.5 and require the Drawee to reimburse it for:

- a) The amount of the Item; and
- b) Interest calculated in accordance with section A.6.

A.4.11 Enfacement of Returned Item

Each returned or dishonored Item shall bear across the face of the Item a clear indication of the reason for the return.

Where an Item does not carry the required enfacement, the receiving bank shall require the Drawee to apply the required stamp before returning the Item to the customer.

A.4.12 Item Incorrectly Amount Encoded

An Item is deemed to be incorrectly amount encoded when the MICR-encoded amount differs from the amount written in figures on the face of the Item.

5. Each item incorrectly MICR amount encoded for a difference of over K10 shall be returned to the receiving bank. If an Item is returned for another reason such as "Payment Stopped" or "Not Sufficient Funds" (NSF) in addition to "Item incorrectly amount-encoded", it shall be enfaced appropriately indicating that reason, in addition to the notation "Item incorrectly amount encoded".
6. No Item incorrectly MICR amount-encoded for a difference of K10 or less shall be returned for the reason "Item incorrectly amount-encoded".
7. The receiving bank which initially amount encoded the item shall indemnify and hold harmless the bank on which the item is drawn to the extent of the difference between the encoded amount entered on the face if the Item and the actual value of the item plus any interest income foregone or interest expense charged as a consequence of the error from the date the instrument was debited to the drawer's account to the date of settlement of the claim, provided the error is detected within thirty (30) days from the date that the item was first cleared.
8. Where the MICR encoded amount differs from the amount expressed in words on the face of an Item, but is identical to the amount written in figures, the Item shall be returned for the reason "words and figures differ" within the timeframes stipulated in these Guidelines.

A.4.13 Stale Dated Items

Each Item dated more than six months prior to presentment for payment may be returned unpaid for the reason "Stale Dated".

A.5 Accounts of Deceased Customers

A.5.1 Introduction

This Guideline outlines the procedures relating to credits for deposit to the account of a deceased customer and also to debits, and shall be construed in accordance with and governed by the laws of Myanmar.

A.5.2 Notice of Death

Notice of death shall be deemed to have been received when any branch of a bank has caused any account record(s) of a deceased person at that bank/branch to bear or carry a notation or message to the effect that the person is deceased.

A.5.3 Action after Notice

Each Payment Item received in favour of any deceased person, after notice of death has been received pursuant to section A.4.2, shall be returned. The Bank shall not pay an Item drawn on an account of its customer or permit the account to be debited after receiving notice of the customer's death.

A.5.4 Joint Accounts

Each Payment Item received in favour of a living person having a joint account with a deceased person shall be accepted, notwithstanding that the other account holder of the joint account is deceased.

A.6 Items in Dispute

A.6.1 Introduction

This Guideline outlines the procedures by which a receiving bank may place an Item in Dispute, and the means by which the dispute can be resolved.

A.6.2 Notice

A receiving bank that disputes a Returned Item shall give notice in writing to the Drawee within five (5) banking days following receipt of the Returned Item. The notice shall state the reason for the dispute. Where such notice is given in accordance with this rule the parties to the dispute shall proceed to achieve resolution under this rule before proceeding to Arbitration unless otherwise agreed.

A.6.3 Item in Dispute

The Item in Dispute shall not be cleared back to the Drawee but shall be held by the negotiating bank pending resolution of the dispute.

A.6.4 Acknowledgement

The Drawee shall acknowledge in writing the notice of dispute within five (5) Banking Days of its receipt.

A.6.5 Failure to Resolve

Where the dispute cannot be resolved at the local (Operations) level it should be escalated to the appropriate authority within the Institution.

A.6.6 Resolution Panel

Where the dispute cannot be resolved at the level referred to in section A.6.5, it may be referred to a resolution panel of representatives from Member institutions for a determination of whether the Guidelines have been correctly followed.

A.6.7 Arbitration

Where the foregoing procedures do not resolve the dispute, the parties may proceed to Arbitration in the manner provided in the Arbitration Act of Myanmar.

A.6.8 Interest

A claim for loss of interest on float shall be calculated pursuant to Guideline A.6, except that interest shall be calculated from the date of the notice of the dispute.

A.6.9 Effect on Other Obligations

A reference to Arbitration shall not preclude the parties from their contractual obligations to each other except where the dispute necessarily requires that the obligation ceases until the determination of the Arbitration. For the avoidance of doubt where the dispute relates only to payment of a particular Item then the reference to Arbitration shall not preclude the parties from making payment on any other Item not the subject of the dispute.

A.7 Extension of Recourse

A.7.1 Introduction

A request for an extension of recourse can only originate with the Paying Bank. This should only be done in exceptional circumstances where the Paying Bank is unable to return its in-clearing items within the normal recourse period due to circumstances outside its control. Inability to process due to inadequate resources, including staff shortages or other management issues are not considered to be adequate reasons.

A.7.2 Request for Extension of Recourse

A request for an extension of recourse may be considered in the following circumstances:

- a) Where a significant portion of the physical items delivered to the Paying Bank is subsequently lost due to extenuating circumstances (e.g. courier accident, missing/stolen bag etc.);
- b) Where in-clearing items are not processed on the day of receipt due to significant “technical difficulties” such as:
 - i) Interruption of communication services
 - ii) Interruption of computer facilities
 - iii) Failure of equipment;
- c) Where in-clearing items are not processed on the day of receipt, due to emergency conditions affecting individual institutions and not the entire industry, such as:
 - i) Civil Unrest
 - ii) Strike
 - iii) Natural Disaster
 - iv) Fire
- d) Where the central bank directs or approves the closure of banks as a result of “national events” such as an election or a state of emergency.

The bank must disclose the reason or circumstances giving rise to the request.

Outside of a directive by the CBM, the decision to extend recourse is entirely at the discretion of the receiving bank(s).

A.8 General provisions

A.8.1 Purpose and objectives of the clearing house policy and operation guidelines

- The purpose of the clearing house policy and operation guidelines (hereinafter referred as Guidelines) is to provide necessary arrangement for the smooth and efficient clearing of payment instruments that banks issue, and thereby to contribute to the safe and efficient payment and settlement system.

A.8.2 Application of Guidelines

- The Guidelines shall be applied to the clearing houses of which operations are managed by the Central Bank of Myanmar (hereinafter

referred as CBM).

- When a new clearing house operated by the third party is established, new guidelines for a new clearing house shall be prepared and to be consistent with the Guidelines and subject to approval of CBM.

A.8.3 Management of clearing house

- CBM shall manage the operations of each clearing house.
- CBM shall incur no other liability or responsibility than that falling upon the conduct of CBM.
- Member banks shall cooperate for orderly and efficient clearing operations.
- CBM shall designate authorized officials for the management of the clearing house, and notify their names and titles to the member banks.

A.8.4 Membership

8.4.1 Eligibility of membership

- CBM shall be always a member by its character to manage the clearing houses.
- Banks licensed by CBM shall be eligible to be members of the clearing house.
- Banks shall have the current account of CBM.

8.4.2 Admission of membership

- A bank that wishes to participate in the clearing shall submit a written application by using a form as in the attachment to CBM one month in advance for admission, provided it agrees to comply with the Guidelines of the clearing house.
- The bank shall designate one branch or head office in the area of operation of the clearing house that represents each member bank for participation in the clearing.
- Each member bank shall be represented in the clearing house by its authorized official as representative who shall deliver and receive financial instruments for clearing. Such representative may be assisted by other staff of the bank, when required. Member banks may depute at any time any other representative who may be an officer or a member of clerical staff of the bank to the clearing house for delivering/receiving documents to be cleared.
- Provided that banks which are already members of the clearing house on

the date of issuance of these Clearing House Policy and Operation Guidelines need not apply for the membership.

8.4.3 Resignation of membership

- A member bank that wishes to resign from the clearing shall inform CBM with a written notice one month in advance for resignation by using a form as in the attachment.

8.4.4 Succession of membership

- A newly established bank by merger or acquisition shall be able to succeed a membership held by a bank that is merged or acquired, and shall inform CBM its succession accordingly.
- A member bank that wishes to succeed a membership shall inform CBM with a written notice one month in advance for succession by using a form as in the attachment.

8.4.5 Cessation of membership

- A member shall cease to be a member in any of the following events:
 - (a) its banking license is lifted,
 - (b) it ceases to carry on business, and/or
 - (c) it fails to meet its clearing liability.

8.4.6 Membership list

- CBM shall update the membership list and inform it to member bank
- CBM also shall update and disseminate bank and branch codes list. Bank code (three digits) should be allocated by CBM, and branch codes (four digits) should be decided by each member bank and registered in the system by CBM.

A.8.5 Operation and maintenance charges

- CBM may charge the member banks for expenses to operate and maintain facilities and equipment installed in the clearing house.
- The maintenance charges shall consist of fixed amounts equal to all the members and variable amounts calculated according to transaction volumes.
- The maintenance charges, based on invoice from CBM, shall be debited monthly to the members' current account with CBM.

A.8.6 Meeting of members

- Members shall meet at the request of one of the authorized officer of

CBM, or at one third of total representatives, specifying the agenda of the meeting.

- Each member shall have one vote by its authorized representative. Members may send substitutes on behalf of the representative.
- Meeting of the members shall be chaired by the authorized officer of CBM.
- The quorum shall consist of three quarters of the member banks.
- A resolution of the meeting shall be adopted by a majority of the attendants. When deemed necessary by the chairperson, a resolution shall be adopted by three quarters of attendants.
- Minutes of meetings shall be recorded and be available for the members.

A.8.7 Amendments/alterations of the Guidelines

- CBM shall make amendments or alterations as and when deemed necessary.
- The Guidelines shall be amended or altered at the members meeting by a majority of the members with condition of prior consent of CBM.
- CBM shall advise alterations or amendments to the members accordingly.

A.9 Clearing and Settlement

A.9.1 Business Manual

- Details of clearing settlement operations are described in the Business Manual for MCH.

A.9.2 Location of clearing houses

- The clearing houses locate at the premises of CBM in Nay Pyi Taw, Yangon, and Mandalay.

A.9.3 Payment instruments for clearing

- Payment instruments for clearing shall be Cheques, Payment Orders and other payment instruments (hereinafter referred as Cheques) specified by CBM.
- Clearing houses shall handle Cheques denominated only in Kyat.

A.9.4 Standardized forms

- For the smooth clearing operations, CBM shall specify the physical size and other conditions of Cheques. Member banks shall not be allowed to use other forms for clearing.

- Member banks shall be responsible to take necessary measures for the security of instrument documents such as forgery prevention.
- Non-standardized Cheques shall not be subject to clearing.

A.9.5 Record keeping

- Member banks shall keep the record of clearing and settlement for the period that CBM specifies.

A.9.6 Schedule of clearing and settlement process

- There will be one clearing on each business day.
- Clearing and settlement process shall follow the timetable as determined by CBM.
- When any extension or changes of the schedule is deemed necessary, CBM shall inform the member banks of the changes in advance.

A.9.7 Preparation for clearing

- Receiving banks shall encode MICR (magnetic ink character recognition) on Cheques, aggregate Cheques, make up "Delivered Cheque Slip", and hand them to the clearing house. In case that Cheques and "Delivered Cheque Slip" are not readable by the MICR reader/sorter, "Replacement Cheque" shall be prepared to replace these irregular cheques.
- Receiving banks shall bring in Cheques with "Delivered Cheque Slip" to the clearing house.
- Receiving banks shall be responsible to ensure the correctness of the items to bring in the clearing house.

A.9.8 Clearing

- At the clearing house, CBM officials shall inspect the correctness of the items on delivered Cheques/Slips.
- In case that any incorrectness is found at the clearing house, the representative or authorized staff of member banks may cancel the Cheques and recreate the "Delivered Cheque Slip", with permission of the authorized officer of CBM for valid reasons.
- After the inspection process, the clearing house shall conduct bank-wise cheque sorting and produce "Clearing Settlement List" and "Clearing House Abstract" as clearing reports for each bank and CBM.
- CBM shall provide "Delivered Cheque List" , "Clearing House

Settlement List (for settlement bank) ,"Clearing House Abstract", "Received cheque list" to member banks, respectively.

A.9.9 Settlement

- CBM shall aggregate and calculate net positions (clearing balances) of members. These data shall be transferred to CBM-NET for settlement.
- CBM-NET shall debit the balances of debtor banks and transfer the balances of creditor banks only when every debtor banks' balances are debited.
- Debtor banks shall be responsible to keep the sufficient balance for the settlement.

Dishonored cheque

- Issuing banks shall bring back their processed cheques and check sufficiency the customers' account balances.
- When issuing banks find out the dishonored cheque , issuing banks inform that of receiving bank and CBM.
- Dishonored cheque processed in the clearing shall be treated by two ways as follows:
- The dishonored cheque shall be settled directly between issuing bank and receiving bank using CBM-NET.
- The issuing bank shall bring back the dishonored cheque to the clearing house and reverse clearing shall be conducted on the following day.
- CBM shall in no way be liable for the claims arising in respect of dishonored cheque. Such claims shall be settled directly between the members.

A.9.10 Default of members

- In the event of a member bank defaulting in meeting its liabilities on account of clearing at the settlement time, clearing and settlement will be conducted without the defaulting bank on the following day.

A.9.11 Contingency management

- In the event of natural disaster, failure of equipment or any other occasions that prevent normal operations of clearing house, CBM shall decide necessary actions to be taken and advise member banks accordingly.

A.10 Attachments

1 List of members

The list of members could be as follows:

<i>Bank and code</i>	<i>Representative branch and code</i>	<i>Representative(s) and title(s)</i>
<i>ABC Bank 001</i>	<i>abc Branch 0123</i>	
⋮	⋮	
<i>XYZ Bank 099</i>	<i>def branch 0012</i>	

2 Bank code list for MICR coding

<i>Bank</i>	<i>Code</i>
<i>CBM</i>	<i>001</i>
<i>MEB</i>	<i>002</i>
<i>MFTB</i>	<i>003</i>
<i>MICB</i>	<i>004</i>
<i>MADB</i>	<i>005</i>
<i>GEB</i>	<i>006</i>
<i>MCB</i>	<i>101</i>
<i>Yadanabon</i>	<i>102</i>
<i>FPB</i>	<i>103</i>
<i>MBL</i>	<i>104</i>
<i>YCB</i>	<i>105</i>
<i>Yoma</i>	<i>106</i>
<i>MOB</i>	<i>107</i>
<i>TFB</i>	<i>108</i>
<i>KBZ</i>	<i>109</i>
<i>AYB</i>	<i>110</i>

<i>Bank</i>	<i>Code</i>
<i>SMIDB</i>	<i>111</i>
<i>GTB</i>	<i>112</i>
<i>RDB</i>	<i>113</i>
<i>IBL</i>	<i>114</i>
<i>CB</i>	<i>115</i>
<i>AGD</i>	<i>116</i>
<i>AYA</i>	<i>117</i>
<i>MAB</i>	<i>118</i>
<i>UAB</i>	<i>119</i>
<i>MMB</i>	<i>120</i>
<i>CHDB</i>	<i>121</i>
<i>NSB</i>	<i>122</i>
<i>SHWE</i>	<i>123</i>
<i>BTMU</i>	<i>201</i>
<i>OCBC</i>	<i>202</i>
<i>SMBC</i>	<i>203</i>
<i>UOB</i>	<i>204</i>
<i>Bangkok Bank</i>	<i>205</i>
<i>ICBC</i>	<i>206</i>
<i>May Bank</i>	<i>207</i>
<i>Mizuho</i>	<i>208</i>
<i>ANZ</i>	<i>209</i>

3 Application form

4 Resignation form.

5 Succession form.

6 Report of dishonored cheque.

7 Charges

CBM Fee Schedule may describe charges regarding clearing.

8 Clearing Schedule

To be decided

<i>Clearing Time</i>	<i>11:00 to 13:30</i>
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Note: Text for cases of extension could be posted.

9 Documents list

A document list should be attached to briefly describe documents to be prepared and submitted by member banks as well as documents produced by CBM. The following is one example:

Title	Description	Produced by	Received by	Time
Delivered Cheque Slip	A slip encoded by MICR encoder with the aggregate amount of cheques	Receiving bank	Clearing House (CBM)	Before clearing
Replacement Cheque	A cheque encoded by MICR encoder to replaces an irregular cheque.	Receiving bank	Clearing House (CBM)	Before clearing
Delivered Cheque Completion List	A report that shows reported numbers and completed numbers of cheques, and its difference.	Clearing House (CBM)	Members	After clearing
Clearing House Abstract	A report that shows abstracts of completed delivered and received numbers of a member bank versus others.	Clearing House (CBM)	Members	After clearing

Clearing Settlement List	A report that shows the settlement amount in CBM-NET and its breakdown by members.	Clearing House (CBM)	Members	After clearing
Received Cheque List	A list of completed received cheques for a member bank (by a cheque level).	Clearing House (CBM)	Members	After clearing
Delivered Cheque List	A list of completed delivered cheques for a member bank (by a cheque level).	Clearing House (CBM)	Members	After clearing

10 Business manual

The business manual for members should be attached.