

ZAMBIA ELECTRONIC CLEARING HOUSE LIMITED

CHEQUE IMAGE CLEARING RULES

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1 PURPOSE

- 1.1 To establish the terms and conditions for the clearing and settlement of payment instruments and payment instructions through ZECH for participating participants of ZECH, for the governance of the operations of the ZECH and for matters incidental thereto.
- 1.2 These ZECH CIC Rules shall be an extension of and be read together with the ZECH General Rules as one document.
- 1.3 This Document is intended to help standardise the operations of the CIC Payment Streams in line with the National Payment System Reform Programme and encourage the banking industry to take advantage of new business methods, technology, facilities offered by ZECHL and help remove redundant practices.
- 1.4 The requirements detailed in this document are mandatory and are found in each appropriate section. In order to ensure rule clarity and avoid ambiguity the word 'shall' are used in the text.
- 1.5 CIC shall be used to collect amounts or make payments in Kwacha only within Zambia. Participating participants shall not accept foreign exchange amounts for collection.

2 COMMENCEMENT

With effect from 1st March, 2001 or as amended from time to time this document shall be referred to in the various aspects of electronic clearing of the CIC. No departure from the rules shall be allowed. If in doubt as to interpretation or application of these rules, contact the Bankers' Association of Zambia (BAZ) or the Zambia Electronic Clearing House Limited (ZECHL).

3 INTERPRETATION

In these rules unless inconsistent with the context or subject matter of a particular clause, the words and phrases following shall have the meanings stated below:

3.1 bank

A company authorised to conduct banking business in accordance with Banking and Financial Services Act, 2017.

3.2 Bank

The Bank of Zambia established in accordance with the Constitution.

3.3 BAZ

The Bankers' Association of Zambia.

3.4 BCR

Batch Control Record

3.5 Business Day

Any day that is not a Saturday, Sunday or a Zambian national holiday.

3.6 Clearing House Interface (CHI) Client

A Clearing House Interface (CHI) Client is a system that is supplied by ZECHL and enables a participant to connect to the ZECH system. It enables secure transmission of clearing files, checking of settlement positions for each current clearing session, transfer of non-clearing files, guest banking, messaging and reporting.

3.7 CI

Cheque Image

3.8 CIC

Cheque Image Clearing.

- 3.9 **CLC**
Code Line Clearing
- 3.10 **Clearing**
The receipt, exchange, and distribution of Eligible payment instructions by ZECH participating participants.
- 3.11 **Clearing Centre**
This is a center from where each participant's electronic files are pooled for transmission to the ZECH.
- 3.12 **Collecting Member**
A ZECH Member that sends Eligible Cheques through the ZECH
- 3.13 **Consolidated Net Settlement Position or CNSP**
The sum of all Net Settlement Positions from all sessions for Settlement at the Bank.
- 3.14 **Consolidated Net Settlement Statement**
The statement prepared by the ZECH of the participating participants' consolidated Net Positions.
- 3.17 **EJ**
Electronic Journal
- 3.15 **EDF**
Electronic Data File
- 3.16 **Eligible Cheque**
Any payment instrument (physical or electronic), which is permissible for exchange under these rules.
- 3.17 **Financial Institution**
A company other than a bank providing a financial service.
- 3.18 **Guest Bank**
The Guest Bank facility on the CHI Client system is used by a participant to upload or download clearing files to and from the ZECH in the event a participant experiences a network failure and cannot connect to the ZECH system.
- 3.19 **Head of Operations**
The Controlling Officer of the ZECH.
- 3.20 **MICR**
Magnetic Ink Character Recognition
- 3.21 **Net Settlement Position**
The balance arrived at (Net Credit or Net Debit), after offsetting all cleared Eligible Cheques (inwards" clearing) on ZECH participant, against all cleared Eligible Cheques ("Outwards" Clearing) in respect of a designated net settlement session.
- 3.22 **NSS**
Net Settlement Schedule
- 3.23 **Net Credit**
A positive Net Settlement Position
- 3.24 **Net Debit**
A negative Net Settlement Position

3.25 Participant

A member of a payment system that has been designated by the Bank of Zambia and participants in the Interbank Clearing System at ZECH.

3.26 Participating bank

A participating bank is a bank that directly participates in the Interbank Clearing and Settlement system or a bank that directly participates in the Interbank Clearing, but settlement is through a settlement sponsor bank.

3.27 Participating Financial Institution

A participating financial institution is a financial institution that directly participates in the Interbank Clearing but settles its settlement obligations through a settlement sponsor bank.

3.28 Payer's branch

The paying participant holding the payer's account to be debited.

3.29 Paying participant branch

The participant branch maintaining the payee's account to be debited.

3.30 Recalls

Recalls refers to files erroneously generated and initiated by the originating participant within the same interim session.

3.31 Reversal Files

Reversal Files refers to files generated to correct erroneously generated and processed files that have to be reversed by the originating participant. Reversal Files shall be generated within 5 business days from the date of the corresponding erroneous files.

The ZECH system shall not validate reversal files that are sent after the stipulated 5 business days. A participant shall send Reversal files as per Clause 13.

The participant has the right to debit all funds wrongly credited to a customer's account, where the account is funded, including accrued interest thereon to correct the anomaly without obtaining a customer's prior authority.

3.32 Returned Item

Any Eligible Cheque returned by the paying participant to the collecting participant for any reason within the time, allowed.

3.33 Settlement

The discharge of settlement obligations by participating banks through their current accounts held at the Bank by either debiting or crediting their consolidated net settlement position.

3.34 Settlement Instruction

An instruction given to the Bank by a participating bank or by the ZECH to effect settlement of one or more payment obligations or to discharge any other obligation of one participating bank to another participating bank.

3.35 Settlement Obligation

An indebtedness by one participant to another as a result of participating in ZECH.

3.36 Settlement Sponsor bank

A settlement sponsor bank is a bank that settles the settlement obligations on behalf of a participant.

3.37 Settlement Sponsored banks/financial institution

A participant whose settlement obligation is settled by a settlement sponsor bank.

3.38 Stale Cheque

A stale cheque is a cheque which is 6 months or older from the payment date and is as such inadmissible for clearing.

3.39 Undue Enrichment

A financial benefit received by a ZECH participant resulting from errors in clearing or delays in providing cleared funds to a beneficiary.

3.40 Unpaid cheque

An unpaid cheque is an Eligible Cheque that has been dishonored by the paying participant such as due to insufficient funds.

3.41 ZECHL participating participant

A bank or financial Institution that has been allowed to directly participate in the payment system in terms of these Rules.

3.42 The ZECH

The Zambia Electronic Clearing House is an interbank clearing facility operated by ZECHL.

3.43 ZECHL

Zambia Electronic Clearing House Limited, a limited liability company jointly owned by BOZ and BAZ established to conduct interbank clearing business.

4 ELIGIBLE CHEQUES FOR CHEQUE IMAGE CLEARING

4.1 The following eligible items will be processed in the CIC stream:

4.1.1 Bills of Exchange e.g. Cheques

5 RESPONSIBILITIES OF COLLECTING PARTICIPANT

5.1 The collecting participant shall thoroughly examine all Eligible Cheques that it collects. The collecting participant shall ensure that:

5.1.1 The MICR Code line is present

5.1.2 Drawer's name is present

5.1.3 Serial number is present

5.1.4 Payee's name is indicated

5.1.5 Date of the cheque is valid

5.1.6 Amount in words and figures match

5.1.7 Signatures are present

5.1.8 The Watermark is present in the cheque paper

5.1.9 Ultra Violet features are available on the cheque

5.1.10 All alterations are counter-signed except for the MICR Codeline where no other writings are allowed.

5.2 The collecting participant shall reject cheques presented to it that are:

5.2.1 Not written in black ink.

5.2.2 Mutilated.

5.2.3 Improperly drawn. i.e. incomplete details.

5.2.4 Materially scratched causing misreads.

5.2.5 Smudged.

5.2.6 Chemical or any manipulation

5.3 The collecting participant shall verify that the name of the designated payee/beneficiary on the cheque corresponds with the name of the beneficiary appearing on the deposit slip. In the event of discrepancies, it shall be the collecting participants' prerogative to decline the deposit.

5.4 The collecting participant shall ensure that the name of the payee on the cheque is captured as part of the data that is transmitted together with the image in the clearing file sent to the ZECH as specified in **Error! Reference source not found..**

5.5 Procedures for Handling Suspected Fraudulent Items

5.5.1 In the event that the collecting participant receives a suspected fraudulent item, the participant shall send the item for collection as per SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING on the day of receipt and notify the paying participant immediately to carry out further investigations.

5.5.2 The paying participant shall advise the collecting participant in writing the status of the cheque as per timelines in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.

5.5.3 The paying participant shall inform the Fraud Department or Police for further investigations.

5.5.4 If the item is found to be genuine, the paying participant shall settle the proceeds via RTGS as per timelines in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.

5.5.5 Once settlement is received from the paying participant, the collecting participant shall then credit the payee with the proceeds.

5.5.6 In all cases, the paying participant shall settle the value of the items presented to it by the collecting participant.

- 5.6 Prior to sending any Eligible Cheques through clearing, the collecting participant shall prepare Eligible Cheques as specified in **Error! Reference source not found..**
- 5.7 It shall be the responsibility of the collecting participant to make corrections and adjustments to unbalanced batches and ensure that the corrected batches are returned within the specified time for re-presentation.
- 5.8 All collecting participants shall do all that is possible to clear all Eligible Cheques received from customers on the same day to the paying participants via the ZECH.
- 5.9 Eligible Cheques for clearing shall be delivered or transmitted to the ZECH promptly at the agreed times on each Business Day as listed in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.
- 5.10 The collecting participants shall prepare 'Outwards' Clearing of Eligible Cheques in strict conformity with the requirements of the ZECH and as provided for in these rules and **Error! Reference source not found..**
- 5.11 The clearing system of the collecting participant may electronically endorse on the rear of a cheque with the following details:
 - 5.11.1 Participant name.
 - 5.11.2 Participant code.
 - 5.11.3 Participant branch name.
 - 5.11.4 Processing date.
 - 5.11.5 Processing time.
- 5.12 All items presented for clearing should thereafter be perforated for security reasons.
- 5.13 For the time being until after the establishment of a National Archive, the collecting participant shall retain physical cheques after capture and present images of all the cheques deposited for payment to the paying participant.
- 5.14 At designated intervals, deliver all the physical items received to the paying participant.
- 5.15 Where a cheque image is produced by the participant and issued to any third parties, all participating participants shall be required to provide undertakings to certify that the images are true copies of the original cheque.
- 5.16 Each Cheque captured in the Cheque Truncation system of the collecting participant shall be allocated a unique Document Reference Number (DRN) and an authenticating digital signature of the front and back images of the cheque as captured by the collecting participant's system.
- 5.17 Each participating participant shall be required to maintain a cheque archive of all the cheques in their custody for a statutory period of ten years.
- 5.18 The collecting participant shall ensure that the electronic data file delivered or transmitted to the ZECH conform to the formats and specifications contained in **Error! Reference source not found..**
- 5.19 **Unpaid Cheques from Paying Participants:**
- 5.19.1 The collecting participant shall give back to the depositor/s all cheques returned unpaid for reasons requiring further action by the drawer with the appropriate answers endorsed on the instruments. The cheques to be returned to the depositor/s include but not limited to:
 - 5.19.1.1 Refer to Drawer.
 - 5.19.1.2 Signature required.
 - 5.19.1.3 Post-dated cheque.
 - 5.19.1.4 Alteration requires drawer's signature/s.
 - 5.19.1.5 Stale cheques.
- 5.20 **Value-Dating:**
The Collecting Participant shall give value to cheques deposited by their customers as follows:
 - 5.20.1 Cheques deposited before 12:00 hours will be given T+1 value date, meaning that cheques will clear at 12:00 hours the next business day.

- 5.20.2 Cheques deposited after 12:00 hours will be given T+2 value date, meaning that cheques will clear at 12:00 hours the third business day.

5.21 Scanning Devices

- 5.21.1 Where a collecting participant uses scanning devices that have MICR encoding capabilities, it shall disable the encoding functionality.
- 5.21.2 The scanning devices shall only allow users to enter the Amount and the Payee's Name.

5.22 Preparation of Payment Instruments

- 5.22.1 The collecting participant shall ensure that batches do not include cheques above the item value limit or as amended from time to time before transmission and/or delivery to the ZECH.
- 5.22.2 ZECH shall collect a financial penal charge as shall be agreed from time to time for non-compliance.
- 5.22.3 Cheques drawn in excess of the ZECH threshold shall be returned to the Payees with answer "Exceeds ZECH limit".
- 5.22.4 All cheques shall be fully MICR encoded by the collecting participant as specified in the Zambia Paper, Cheque and MICR Specifications, before transmission or delivery to the ZECH.
- 5.22.5 All pins, staples, gem clips, receipts and other extraneous matters shall be removed from Eligible Cheques. Dog-ears shall be straightened before capturing cheque image for transmission to ZECHL.
- 5.22.6 Individual batches prepared for delivery to ZECHL shall have a maximum of 2,000 Eligible Cheques.
- 5.22.7 Each batch shall include either debit or credit items only and not both.
- 5.22.8 The collecting participant shall balance the Cheque images in each batch with the Batch Control Record (BCR) in the electronic data file.
- 5.22.9 The collecting participant shall encode each BCR with a distinct identification (ID) number.
- 5.22.10 The MICR coding, Header Record (HR) and electronic data file shall be in the format prescribed by the ZECH as specified in **Error! Reference source not found.**
- 5.22.11 Public keys shall also be exchanged between the ECH and participating participants as an additional security feature.
- 5.22.12 The time when the batch was prepared shall be shown on the electronic data file
- 5.22.13 The date of the batch shall be shown on the electronic data file
- 5.22.14 The ZECH participating participant shall authorize and identify Eligible Cheques for "Outwards" Clearing. All Eligible Cheques shall be stamped with the name of the collecting participating participant on the face of each Eligible Cheque with due care not to obliterate or make obscure: -
- 5.22.14.1 The amount in figures or the date of the item
- 5.22.14.2 The drawee Participant Name
- 5.22.14.3 Any information on the MICR Code Line.

5.23 Participant Stamps

- 5.23.1 The following information shall be mandatory on Participant Stamps:

- 5.23.1.1 Name of Participant and branch
- 5.23.1.2 Town or city
- 5.23.1.3 Date
- 5.23.1.4 Participant Sort Code

- 5.23.2 The following information shall be optional on Participant Stamps:

- 5.23.2.1 Department (optional)

5.23.3 The specifications of the Participant Stamp:

- 5.23.3.1 Standard size 35 mm square (see SCHEDULE I – SPECIFICATIONS FOR PARTICIPANT STAMPS).

5.23.4 Ink on Participant Stamp pads:

5.23.4.1 Only black ink shall be used on stamps.

5.23.5 The Placing of Participant Stamp on Physical Items

5.23.5.1 On corporate size cheques the Participant stamp shall be placed at the front within 3.5cm from the top or within 6.5cm from the bottom. On personal size cheques the Participant stamp shall be placed within 2.3cm from the top and 6.5cm from the bottom. On both corporate size cheques and personal size cheques the Participant stamp shall be placed above 16.5mm from the bottom and clear of the amount box.

5.23.5.2 For electronic stamp, the above specifications shall not apply.

5.23.5.3 Care should be exercised that Participant stamps are clearly legible and do not obliterate, or make obscure: -

- 5.23.5.3.1 The amount or date of the item
- 5.23.5.3.2 The preceding Participant's Participant stamp(s) on the item
- 5.23.5.3.3 The signature on the item, or
- 5.23.5.3.4 Any information in the MICR code line

5.23.6 Maintenance of Participant Stamps:

5.23.6.1 ZECH participating participant shall, within their own disciplines, designate responsibility to ensure that Participant stamps in use by their branches are maintained in such a condition as to provide clear and distinct impressions at all times

5.23.6.2 The participant stamp shall be placed within the areas of the cheque as detailed in Clause 30.22.5.1 above.

5.23.7 Cancellation of Participant Stamps

5.23.7.1 When a participant inadvertently applies its participant stamp to a cheque and wishes to cancel it, the participant stamp shall be ruled through with two parallel lines, with the word "Cancelled" appearing between them. Such cancellation shall be authenticated by way of a signature over a "Participant Signing Stamp" on the reverse of the cheque, stating clearly which Participant stamp has been cancelled, viz.:

"Our Participant stamp date .../.../... Erroneously impressed – cancelled on .../.../..."

5.24 Delivery of Eligible Images and Transmission of Electronic Data Files

5.24.1 The image and electronic data files shall be delivered or transmitted to the ZECH at the designated times stated in **Error! Reference source not found..**

5.24.2 The electronic data file shall be transmitted electronically using the CHI Client via dedicated network and exceptionally by external storage media in the event of a network failure.

5.24.3 The participant's representative shall deliver the external media to the ZECH or the nearest available participant under exceptional circumstances when there is a network failure. The outward files shall be encrypted to disk using the CHI Client before they are delivered to the ZECH or the nearest available participant for Guest-Banking.

5.24.4 At the ZECH or the nearest available participant, the encrypted outward files will be uploaded to ZECH using the Guest Bank facility on the CHI Client.

5.24.5 Each ZECH participating participant shall advise the ZECHL in writing of the level of authority given to each representative in respect of the delivery and the collection of files and reports.

5.25 **Preparation of Electronic Data File**

- 5.25.1 An Electronic Data File of the items and batches sent to the ZECH shall be generated to match the images.
- 5.25.2 Each image shall be digitally signed.
- 5.25.3 The Electronic Data File shall be encrypted using the encryption software specified by the ZECH and be transmitted electronically or exceptionally delivered on a corrupt-free acceptable removable storage media. If delivered on removable storage media, a letter signed by an authorised bank signatory shall accompany this. The removable storage media and the letter shall be placed in a sealed envelope.

5.26 **Cheque Image Standards**

- 5.26.1 Three images shall be captured from each cheque as follows:

- 5.26.1.1 One front image in Black and White in TIFF G4 format.
- 5.26.1.2 One front Image in Gray scale in JPEG format.
- 5.26.1.3 One back image in Gray scale in JPEG Image.

- 5.26.2 The quality of the Grey scale JPEG Image shall be as follows:

- 5.26.2.1 Resolution = 100 dpi
- 5.26.2.2 JPEG Quality = 80

- 5.26.3 The quality of the Black and White TIFF G4 Image for shall be as follows:

- 5.26.3.1 Resolution = 200 dpi

- 5.26.4 The size of each image shall not exceed 100 Kilobytes.

6 **ZECH OBLIGATIONS ON RECEIPT OF THE CIC FILE FROM THE COLLECTING PARTICIPANT**

- 6.1 ZECH shall check for online transmission of the Electronic Data Files.
- 6.2 ZECH shall match the Cheque Image with the Electronic Data File as described in **Error! Reference source not found.**
- 6.3 Where there are no errors or omissions, the ZECH shall process the Electronic Data Files and store them for settlement.
- 6.4 Where there are errors or omissions, the ZECH shall reject the file and advise the collecting participant accordingly accompanied by an Error File
- 6.5 After processing all CIC presentations for the clearing session, ZECH shall generate the Net Clearing Positions.

6.6 **Preparation of Outward Clearing for ZECH Participating Participants**

- 6.6.1 The ZECH shall prepare the outward clearings for collection or retrieval by collecting participants.
- 6.6.2 A Batch Control Record in the format provided in **Error! Reference source not found.** shall introduce each batch of Eligible Cheques.
- 6.6.3 The ZECH shall archive all data and images.
- 6.6.4 The ZECH shall backup all databases

6.7 **Net CIC Positions**

- 6.7.1 The ZECH shall generate the net CIC positions for all sessions.
- 6.7.2 The ZECH shall generate the following electronic reports:
 - 6.7.2.1 NSP for transmission to Bank of Zambia.
 - 6.7.2.2 NSP for each ZECH participating participant.

6.7.2.3 Electronic reports of:

6.7.2.3.1NSP

6.7.2.3.2Presentments

6.7.2.3.3Unpaid.

6.8 Notification of Net Settlement Positions

6.8.1 The ZECH shall notify the participating participant's designated office at the participating participant's Head Office of the Net Settlement Position.

7 RESPONSIBILITIES OF PAYING PARTICIPANT

It is the paying participant's responsibility to process and determine the fate of items presented to it by the collecting participant for settlement.

7.1 The Paying Participant's Obligations with respect to Outputs from the ZECH

7.1.1 The Paying Participant shall be responsible for downloading and collecting the electronic files, documents and reports from ZECH folders.

7.1.2 The electronic files for Inward Eligible Cheques shall be retrieved from the ZECH by an Authorised paying participant officer(s) as specified in the CIC guidelines.

7.1.3 Verify digital signatures accompanying each image file to ensure authenticity from the time of delivery by the collecting participant. Should the image fail digital signature verification, the paying participant should return the image with an appropriate answer.

7.2 Responsibilities of the Paying Participant with regard to Fating of "On-Us" Images Received

7.2.1 The paying participant shall scrutinize thoroughly all images of cheques received and pay in accordance with the mandates held.

7.2.2 While scrutinising Payment Instruments, any form of alterations to the following should be investigated:

7.2.2.1 Code Line

7.2.2.2 Drawer's name

7.2.2.3 Serial number

7.2.2.4 Payee's name

7.2.2.5 Date of the cheque

7.2.2.6 Amount in words and figures

7.2.2.7 Signatures

7.2.2.8 Apparent smudging on the face of the image

7.2.3 Where a paying participant receives a cheque with two or more different participant stamps applied on it and none of them is cancelled, the paying participant shall return the cheque unpaid to the latest participant that handled the cheque with the reason "Cheque crossed to two participants".

7.2.4 Where a paying participant receives a represented R/D cheque, the paying participant shall advise the ZECH in writing with a copy of the cheque. ZECHL shall then charge the collecting participant as per SCHEDULE V – ZECHL MAXIMUM CHARGES.

7.3 Unpaid Items

- 7.3.1 Unpaid Eligible Cheques shall be returned as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.
- 7.3.2 Each unpaid item shall attract the fee as specified in SCHEDULE VI – MAXIMUM CHARGES AND FEES as governed by the relevant statutory and regulatory laws.
- 7.3.3 In addition to the provisions in SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS the paying participant's Clearing Centre shall at all times advise the collecting participant by fax, phone or email of the dishonour of the Eligible Cheque. This advice shall be known as a YUFIG message.
- 7.3.4 The time limit for dispatching such electronic advice of dishonour (YUFIG) is the same as the time limit allowed for dishonour and return specified in SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.

7.4 Return of Eligible Cheques

- 7.4.1 The paying participant shall return images of all unpaid items together with their digital signatures within the agreed times.
- 7.4.2 Unpaid Eligible Cheques shall be returned by the paying participant to the collecting participant through the ZECH system.
- 7.4.3 The paying participant shall quote the appropriate return reason code on the electronic record the standard reason for return of the CIC Eligible Cheque.
- 7.4.4 Only answers listed in the APPENDIX II – STANDARD ANSWERS FOR RETURNED ITEMS shall be used.
- 7.4.5 A returned unpaid item with answer "Refer to Drawer" shall not be re-presented for payment ZECH system.
- 7.4.6 A returned unpaid item for technical reasons shall be re-presented for payment through the ZECH system.
- 7.4.7 The paying participant shall verify payment details contained in the electronic journals accompanying the image files and ensure that the details match. The paying participant shall also quote the appropriate return reason code on the electronic record.

7.5 Handling of Unpaid Items

- 7.5.1 An unpaid item shall be returned, with the appropriate reason code, through the ZECH system as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.
- 7.5.2 The maximum time limits for return and receipt by the collecting participant's/financial institution's branch of the Unpaid Eligible Cheques (business days from date the Eligible Cheque is interchanged through the local ECH to the paying participating participant in terms of SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS shall apply.
- 7.5.3 SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS shall apply in determining the maximum time limits for return by the paying participating participant and receipt by the collecting participating participant's branch of Unpaid Eligible Cheques
- 7.5.4 Maximum electronic notice periods and return times for Unpaid Items are listed in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.

7.6 Notification

- 7.6.1 Notification of dishonour as required by the Laws of Zambia shall also apply in these Rules, and in the times specified in SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.
- 7.6.2 Where a cheque is returned unpaid for any reason:
 - 7.6.2.1 The paying participant shall send an electronic notification or Yufig Message to the Collecting Participant via e-mail or fax or phone (later to be confirmed by fax if earlier sent via telephone)

irrespective of the value of the item and within specified timelines, as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.

7.6.2.2 YUFIG Messages shall be sent for all Day 2 returns as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.

7.6.3 Where a cheque is unpaid the same day, the collecting participant shall accept the unpaid item without a Yufig.

7.6.4 All YUFIG messages shall be sent to the Central Processing Center (CPC) of each participant through email, CHI Client, fax or phone (later to be confirmed by email/fax if earlier sent through telephone).

7.6.5 Formal notification shall be through a duly signed letter or form comprising the details prescribed under Rule 7.7.2.

7.6.6 Notwithstanding that notification has been given electronically the unpaid Eligible Cheque shall be returned to the collecting participant branch within the times for returning unpaid items as specified in SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.

7.7 Electronic Advice of Dishonoured Cheques

7.7.1 When sending an electronic advice of Dishonour, the dishonouring participant shall use the word "YUFIG".

7.7.2 The "YUFIG" message format for CTS items is as follows:

7.7.2.1	Reason for unpaying	.....
7.7.2.2	Processing Date	.....
7.7.2.3	Date on participant stamp	.....
7.7.2.4	Collecting participant's Clearing Centre	.....
7.7.2.5	Collecting participant's branch	.....
7.7.2.6	Amount on Cheque	.....
7.7.2.7	Cheque Serial Number	.....
7.7.2.8	Payee's Name on the cheque	.....
7.7.2.9	Paying participant's branch	.....
7.7.2.10	Drawers Name	.....
7.7.2.11	Signature	.....

7.7.3 YUFIG Date Format: DDMMYYYY shall be as follows: 31082012

7.7.4 All YUFIG messages shall be sent to the participants' CPCs via fax or phone (later to be confirmed by fax if earlier sent via telephone) or email.

7.7.5 Errors in either Outward or Inward Clearings shall be notified immediately by telephone to the participating participants concerned and settled through the next CIC clearing.

7.8 Treatment of YUFIG Messages in the T+1 era

7.8.1 Where a participant sends a YUFIG message, the sending participant shall ensure that it sends a copy of the image of the cheque within 48 hours after date of cheque deposit. Where a participant fails to send a copy of the image of the cheque, the collecting participant shall consider the cheque paid and proceed to credit the customer's account. Therefore, presentment of the image after 48 hours by the paying participant will be rejected by the collecting participant, as "Too late for acceptance". Consequently, the paying participant will defray any such losses arising from their failure to present the copy of the image within the agreed 48 hours.

7.8.2 Where a paying participant sends a YUFIG message and later decides to cancel it, the receiving participant shall report the erring participant to ZECHL who will penalize the erring participant in accordance with the rules to discourage such practices.

7.8.3 Where a participant fails to unpay cheques owing to system challenges:

7.8.3.1 It shall endeavour to advise other participants of its position and request for bilateral clearing.

7.8.3.2 Emergency conditions shall apply as per Clause 20.

8 BILATERAL CLEARING

8.1 Operations of the Bilateral Clearing Stream

8.1.1 Bilateral clearing shall be allowed in exceptional cases only. Bilateral clearing shall take place where the collecting participant inadvertently collects Eligible Cheques that:

8.1.1.1 Are mutilated.

8.1.1.2 The Clearing System fails to read MICR codeline.

8.1.1.3 Where previously returned unpaid for reason of "confirmation-awaited" (applicable to government cheques only) and cannot be normally processed through the ZECH.

8.1.2 ZECHL shall be notified of the details of cheques that will have been sent and received through bilateral clearing by way of monthly statistics showing the volumes and values by the first working day of the following month.

8.1.3 Where a cheque is processed through bilateral clearing, the Collecting participant shall notify the payee of the process and the expected value date.

8.1.4 Cheques collected for a particular participant shall be sent to its Head Office for exchange and settlement.

8.1.5 Bilateral Clearing shall operate every business day with the exception of weekends and national public holidays.

8.2 Bilateral Clearing Sessions

8.2.1 Bilateral cheques shall be cleared and settled within the Clearing Sessions as per SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.

8.3 Settlement for Bilateral Clearing Items

8.3.1 Settlement for bilateral clearing between the transacting participants shall be via RTGS at 10:00 hours as per SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.

8.4 Clearing Periods for Bilateral Clearing Cheques

8.4.1 All Bilateral Clearing Cheques shall be subject to the clearing period of T+3 as per SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.

8.4.2 T+3 shall commence on the day after the day of exchange.

8.5 Preparation of Bilateral Clearing Cheques

8.5.1 Participants shall ensure that the cheques are sorted by bank, tallied and sealed in envelopes.

8.5.2 The envelopes shall bear the paying participant's name, number of items delivered and total value.

8.6 Clearing Session Procedures

8.6.1 The collecting participant shall provide a listing of all the Bilateral Clearing Cheques and the total value of items cleared to the receiving participant (paying participant).

8.6.2 The receiving participant shall open the envelope and verify whether the items listed tally with the physical items.

8.6.3 The receiving participant shall acknowledge receipt of the cheques by signing on the listing submitted by the collecting participant.

- 8.6.4 The receiving participant shall reject the items presented by the collecting participant in the following events:
 - 8.6.4.1 A listing is not provided.
 - 8.6.4.2 The letter is not duly signed.
- 8.6.5 The collecting participant shall provide a clearing letter and schedule to the receiving participant.
- 8.6.6 Participants shall agree and confirm the Settlement Obligation by signing the clearing letter and schedule.
- 8.6.7 Where a paying participant fails to settle on time, the beneficiary participant shall report the defaulting participant to BOZ for appropriate action.
- 8.6.8 A participant that fails to settle on time shall be liable to pay a penalty to BOZ.
- 8.7 **Handling of Unpaid Items**
 - 8.7.1 All Unpaid items shall bear appropriate reasons for return.
 - 8.7.2 All Unpaid items shall be returned within the maximum time limits for return as per SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.
- 8.8 **Notification**
 - 8.8.1 Notification of dishonour as required by the Laws of Zambia shall also apply in these Rules, and in the times specified in SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.
 - 8.8.2 Where a cheque is returned unpaid for any reason:
 - 8.8.2.1 The paying participant shall send an electronic notification or Yufig Message to the collecting participant via e-mail or fax or phone (later to be confirmed by fax if earlier sent via telephone) irrespective of the value of the item and within specified timelines, as per SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES.
 - 8.8.2.2 Yufig Messages shall precede the delivery of the unpaid cheque to the collecting participant.
 - 8.8.2.3 All YUFIG messages shall be sent to the Central Processing Center (CPC) of each participant through email, CHI Client, fax or phone (later to be confirmed by email/fax if earlier sent through telephone).
 - 8.8.3 Formal notification shall be through a duly signed letter or form comprising the details prescribed under Rule 7.7.2.
 - 8.8.4 Notwithstanding that notification has been given electronically the unpaid Eligible Cheque shall be returned to the collecting participant branch within the times for returning unpaid items as specified in SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.
 - 8.8.5 The electronic notice shall contain the following:
 - 8.8.5.1 Reason for unpaying.
 - 8.8.5.2 Processing Date.
 - 8.8.5.3 Date on participant stamp
 - 8.8.5.4 Collecting participant's clearing centre
 - 8.8.5.5 Collecting participant's branch
 - 8.8.5.6 Amount on Cheque
 - 8.8.5.7 Cheque Serial Number
 - 8.8.5.8 Payee's Name on the cheque
 - 8.8.5.9 Paying participant's branch
 - 8.8.5.10 Drawers Name
 - 8.8.5.11 Signature

- 8.8.6 Errors in either Outward or Inward Clearings shall be notified immediately by telephone to the participating participants concerned and settled through the next Bilateral clearing.

8.9 ITEMS MISLAID BY A PAYING PARTICIPANT BRANCH

- 8.9.1 Items received by the paying participant's branch or its accounting centre and subsequently lost or mislaid in its own system may be debited to the paying participant's branch. Such debits shall, however, be subject to the same time limit as is applicable for the return of cheques as specified in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES. Sufficient details as provided on the clearing statement shall be provided in the debit to enable the collecting participant's branch to locate the source of the item.
- 8.9.2 Where items have been lost or mislaid in the system the participants shall make payment against images of the item upon receipt of an indemnity by the requesting participant.
- 8.9.3 Under no circumstance shall a collecting participant replace a lost item with a debit to the drawer's account.
- 8.9.4 When a participant's branch has been wrongly debited in this manner, it shall be entitled to reverse the item regardless of the time that has elapsed.
- 8.9.5 In these circumstances the issue should first be addressed at Administrative Office level between the two participants concerned.
- 8.9.6 Should the management also be unable to resolve the issue, they shall make reference to their respective Head Offices.

9 LIABILITY/DUTY OF CARE

9.1 Collecting participant's

- 9.1.1 In the absence of the physical instrument to assist the paying participant in the decision-making process "to pay or not to pay", it is incumbent upon the collecting participant to exercise due care to help minimise losses related to fraudulent activities. This is because the collecting participant is the first point of entry/truncation of the item into the Interbank Clearing System and has the privilege of having the physical instrument at hand for examination prior to truncating/processing it.
- 9.1.2 In carrying out the responsibility above, the collecting participant shall ensure that items so collected meet the generally agreed standards by undertaking visual/physical technicality checks. These include:
- 9.1.2.1 Valid date (shall not be stale or post-dated);
 - 9.1.2.2 Amounts in words and figures to match;
 - 9.1.2.3 Signatures shall be present;
 - 9.1.2.4 Code line shall be present and shall have the MICR attributes at capture;
 - 9.1.2.5 Alterations are counter-signed;
 - 9.1.2.6 Crossings are present;
 - 9.1.2.7 Visible mechanical or chemical tampering of instruments;
 - 9.1.2.8 Basic Security Features are visible;
 - 9.1.2.9 The account to which the proceeds of the cheque are deposited is the same as the one stated on the cheque etc.
- 9.1.3 In the event of a fraudulent cheque being presented liability rests with the payee irrespective of time lapse.
- 9.1.4 In view of the clause above, the application of Know Your Customer guidelines by all the participants will help reduce fraudulent activities in the Interbank Clearing System.

9.2 Paying participant's

9.2.1 It is the responsibility of the paying participant to pay the cheque image in accordance with the mandate given to it by the drawer of the cheque, as long as the image appears to be visually correct in every aspect namely:

- 9.2.1.1 Drawee participant, branch;
- 9.2.1.2 Name of drawer;
- 9.2.1.3 Payee's name shall be present;
- 9.2.1.4 Valid date (shall not be stale or post-dated);
- 9.2.1.5 Amounts in words and figures match;
- 9.2.1.6 Signature/s shall be present;
- 9.2.1.7 Code line shall be present;
- 9.2.1.8 Alterations are counter-signed;
- 9.2.1.9 Crossings are present.

10 ELIGIBLE CHEQUES INADVERTENTLY PAID

10.1 Paying Participants shall not return an Eligible Cheque after the time limit for returned items has expired.

10.2 The only exception to Clause 10.1 above is when in the determination of both the paying and the collecting participating participants' Head Offices there is a clear link based on fraud between the accounts maintained by both participating participants' customers the paying participant shall un-pay the fraudulent item without time limit. The collecting participating participant shall co-operate fully in the recovery of the said funds.

11 DISCREPANCY ITEMS

11.1 A discrepancy may arise because of wrongly capturing the amount of an Eligible Cheque and affect the status of the Interbank Clearing System. To resolve such anomalies, Discrepancy Files shall be generated.

11.2 Where the amount of an Eligible Cheque is captured wrongly:

- 11.2.1 Formal notification shall be sent to the paying or collecting participant whichever is applicable before sending the Discrepancy File;
- 11.2.2 The collecting participant shall send a discrepancy file to the paying participant to rectify the anomaly; or
- 11.2.3 The paying participant shall send a discrepancy file to the collecting participant to rectify the anomaly.

11.3 The Discrepancy File shall contain both the Discrepancy Amount and the Correct Amount together with the Codeline Data and the Cheque Image.

11.4 There shall be no time limit to the generation of Discrepancy File.

11.5 At all times, the participant generating the Discrepancy File shall notify the destination participant in writing its intention to send a Discrepancy File providing all the relevant data as stated below:

- 11.5.1 The amount of the discrepancy
- 11.5.2 The captured amount
- 11.5.3 The correct amount of the Eligible Cheque
- 11.5.4 The date when the Eligible Cheque was processed
- 11.5.5 Cheque number
- 11.5.6 The Drawee Branch
- 11.5.7 Drawer's name
- 11.5.8 Payee's name

12 RECALL OF ERRONEOUSLY GENERATED EJ FILES

- 12.1 The originating participant may erroneously send an EJ file to the ZECH. To resolve such an anomaly, the originating participant shall recall such erroneous file.
- 12.2 The originating participant shall perform a Recall procedure to recall the erroneous file. The Recall procedure entails recalling the entire file and shall be performed within the same interim session but before the distribution of files for that particular interim session. In the event that the interim session is closed, the originating participant shall instead send a Reversal File to the destination participant to rectify the anomaly.
- 12.3 Where a Recall procedure is performed:
 - 12.3.1 No formal notification shall be sent to the destination participant before initiating the recall procedure;
 - 12.3.2 The originating participant shall send a recall notification to the ZECH via the messaging facility informing them of the action taken.
 - 12.3.3 The recall procedure shall not affect the destination participant's position because the EJ shall not reach the destination participant.

13 REVERSAL OF ERRONEOUS EJ FILES/TRANSACTIONS

- 13.1 Where the originating participant may erroneously send an EJ file or transaction to another participant through the ZECH system and participates in the day's clearing. To resolve such an anomaly, the originating participant shall reverse such erroneous file or transaction by sending a reversal file to the destination participant through the ZECH.
- 13.2 A Reversal File shall be initiated by the originating participant any time after the distribution of the original file or transaction in order to reverse the affected file or transactions.
- 13.3 Where a Reversal File or Reversal Transaction is generated:
 - 13.3.1 The EJ reversal file/s or transaction/s shall be sent within 5 days.
 - 13.3.2 After 5 days, formal notification (Sybrin CHI Client Broadcast, letter, email or fax) shall be sent to the destination participant and ZECH before sending the correcting file or Transaction.
 - 13.3.3 Validation of reversal EJ files shall not be performed beyond 5 days.
 - 13.3.4 Where the originating participant reverses the entire file, the Reversal File shall contain the exact details of the transactions in all respects as the original file except for the File Type in the Header Record (HR).
 - 13.3.5 Where the originating participant reverses a Transaction(s), the Reversal File for the transaction(s) shall contain the exact details of the Original transaction(s) in all respects. The File Type in the HR shall contain the code for the EJ Reversal File.
 - 13.3.6 An EJ reversal file shall not be sent before the original EJ file is distributed.

- 13.3.7 Participants shall accept and process the EJ reversal files or transactions that have been verified without seeking the authority of the account holders to debit the account.

14 TREATMENT OF ERRONEOUS ELIGIBLE CHEQUES

14.1 Post-Dated Cheques

14.1.1 collecting participating participant

- 14.1.1.1 Collecting participant shall ensure that cheques deposited are perused at point of deposit by the collecting participant's branch, which shall return all post-dated items to the depositor.

- 14.1.1.2 As such cheques are refused for collection, but not dishonored, they should not bear the stamp of the collecting Participant.

- 14.1.1.3 Any participant stamp inadvertently applied on the face of the cheque shall be cancelled.

14.1.2 paying participating participant

- 14.1.2.1 Should any post-dated cheque not be detected at point of deposit, then the paying participating participant shall debit the collecting branch with the fee prescribed in SCHEDULE VI – MAXIMUM CHARGES AND FEES in respect of that item.

- 14.1.2.2 Where a paying participating participant suffers a loss as a result of the post-dated cheque being cleared to it by another participating participant, the paying participating participant shall claim the amount of interest involved, at the Bank of Zambia ruling rate of interest, from the presenting participant.

- 14.1.2.3 The collecting participant shall accept the debit provided that:

- 14.1.2.3.1 The debit shall have been presented not later than the time for returning unpaid items plus 2 days from the date of original clearing day.

- 14.1.2.3.2 Sufficient details shall have been given.

14.2 Treatment of Wrongly Cleared Eligible Cheques

- 14.2.1 A participating participant noticing or receiving notice of wrongly cleared (misdirected) Eligible Cheques shall notify the ZECH and the collecting participating participant of the error in writing.

- 14.2.2 The collecting participating participant shall collect the item from the paying participating participant and provide same day credit to the paying participating participant through Bank of Zambia in respect of the amount.

- 14.2.3 Where any incorrectly cleared Eligible Cheque cannot be delivered to the correct paying participant before clearing, the said item shall participate in the day's clearing. As such, the affected participant's account shall not be adjusted. The Eligible Cheque shall be presented in the following Business Days' clearing.

15 DISPUTE RESOLUTION

- 15.1 Where any dispute arises between participants, the participants shall in the first instance attempt to settle the dispute by mutual agreement within seven days of the aggrieved party notifying the other party of such grievance.

- 15.2 Where the parties fail to settle the dispute by mutual agreement, the aggrieved party may submit the relevant facts to ZECHL for the interpretation of the rules and guidance. Should the parties fail to agree to accept the guidance/recommendation provided by ZECHL to amicably resolve the issue, then the matter will be referred to the BAZ Technical Committee for further consideration. The recommendation

- however, shall not be binding upon any party to the dispute, unless all parties have so agreed in writing. Should the dispute not be resolved at this stage, the matter shall be referred to the BAZ Main Committee who may appoint an Adjudicator as provided for in the Banking Code of Practice of Zambia.
- 15.3 Where the dispute remains unresolved, the aggrieved party may refer the dispute to arbitration in accordance with the Arbitration Act.

16 COMPENSATION FOR UNDUE ENRICHMENT

16.1 bank to bank

- 16.1.1 A ZECH participating participant which benefits and is unduly enriched resulting from duplicates on CIC which puts the other participant in a position where they use their own money or they need to borrow to cover their position at BOZ, shall compensate the ZECH participating participant that suffered financially as a result.
- 16.1.2 The ZECH participating participant that has suffered loss shall notify the collecting participating participant of the duplicates on CIC in writing. In case of a dispute, the matter shall be determined in accordance with Section 15 - DISPUTE RESOLUTION of these Rules.
- 16.1.3 The paying participant shall settle the obligation through RTGS.
- 16.1.4 The amount of damage for undue enrichment shall be computed by applying interest to the principal value of the funds incorrectly received. The interest shall be calculated daily applying the Bank of Zambia Policy Rate at the date of the 'return item' and for each day the error or errors benefited or enriched the ZECH participating participant. The damages shall be paid to the participating participant who suffered financially.

16.2 Participant to Customer

- 16.2.1 A collecting participant that fails to provide cleared funds to its customers within the clearing period upon the receipt of credit in respect of a CIC transaction in its current account at the Bank of Zambia shall pay the beneficiary interest.
- 16.2.2 A collecting participant shall pay interest to its customer where it delays in crediting the customer's account with proceeds credited to the bank's account at Bank of Zambia in respect of a CIC transaction.
- 16.2.3 The collecting participant shall pay interest to a customer where it receives value for a CIC transaction and delays the crediting of such funds for more than one business day.
- 16.2.4 The interest in respect of CIC transaction shall be calculated daily by applying the Bank of Zambia Policy Rate prevailing at the date of the delay. This rate will apply each day the value of funds is delayed.

17 PENALTIES

17.1 Incorrect Out-Clearing (Sending Items to A Wrong Participant)

ZECHL shall fine a participating participant that incorrectly sends an item to a wrong participant as per SCHEDULE V – ZECHL MAXIMUM CHARGES. If the item was wrongly sent to a participant due to the cheque printer's printing wrong sort code, Clause 43.4 (Cheque Printing Errors) shall apply.

17.2 Re-presenting Cheques with Answer "Refer To Drawer"

ZECHL shall fine a participant that re-presents a cheque with answer "Refer To Drawer" as per SCHEDULE V – ZECHL MAXIMUM CHARGES.

17.3 Wrong Stamping

The Paying Participant shall advise ZECHL of cheques with participant stamps impressed in wrong places by the Collecting Participant contrary to Clause 30.22.5 and ZECHL shall penalise the erring participant as per SCHEDULE V – ZECHL MAXIMUM CHARGES.

- 17.4 Cheque Printing Errors**
The collecting participants shall advise ZEHL of suspected breaches of cheque printing by any printer. ZEHL shall then investigate the allegation and charge the defaulting paying participant as per SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.5 Cheques Printed by Unauthorised Printers**
The collecting participants shall advise ZEHL of suspected cheques printed by unauthorised cheque printers. ZEHL shall investigate the allegation and charge the defaulting paying participant as per SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.6 Cheque Designs and Printing Not Meeting the ZPC&M Specifications**
Accreditation to print cheques for participants in Zambia shall be withdrawn from printers printing cheques not meeting the requirements of the ZPC&M Specifications.
- 17.7 Delayed Credit**
Delayed credit is defined as a collecting participant's late giving of value and/or late crediting to a customer by a receiving participant. Where it is established that a participant failed to meet this requirement, BOZ shall charge the defaulting participant in accordance with SCHEDULE V – ZEHL MAXIMUM CHARGES of these rules. Where a participant experiences a system challenge, the concerned participant shall advise ZEHL who will in turn advise all the other participants of the emergency.
- 17.8 Late Settlement of Bilateral Clearing**
The collecting participant shall charge a paying participant for delay in settling its bilateral clearing obligation using the compensation under the undue enrichment formula. The minimum charge shall be K100.
- 17.9 Delayed Submission of Deposited Cheques**
Where a collecting participating participant fails to clear an Eligible Cheque received from its customer on the same day to the paying participating participants via the ZEHL, the collecting participating participant shall be fined as per SCHEDULE V – ZEHL MAXIMUM CHARGES. Where a participant experiences a system challenge, the concerned participant shall advise ZEHL who will in turn advise all the other participants of the emergency and shall not suffer any penalty.
- 17.10 Incorrect Return Reason**
This relates to a paying participant returning a payment instruction with an incorrect reason. Where this is established to be the case, ZEHL shall penalise the erring participant as per the SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.11 Items Cleared with Wrong Images**
The collecting participant or the paying participant shall be penalised by ZEHL for sending CIC transactions with wrong images as per the SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.12 Failure to Send Unpaid Images Within 48 Hours**
ZEHL shall fine a participating participant that fails to send Unpaid Images as per SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.13 Cancellation of Yufig Message by Paying Participant**
ZEHL shall fine the paying participant that cancels a Yufig Message that it had initially sent to the Collecting Participant as per SCHEDULE V – ZEHL MAXIMUM CHARGES.
- 17.14 Sending Discrepancy Files as Unpaid Items**
ZEHL shall fine the paying participant that sends discrepancy transactions as unpaids in order to correct the wrongly captured amounts by the collecting participant as per SCHEDULE V – ZEHL MAXIMUM CHARGES.

APPENDIX II – CIC FILE TYPES AND REPORTS

The CIC contains the following file types and reports. The file format specifications of these files shall be obtained from ZEHL. Only participants in CIC shall be availed the file format specifications.

1 CIC file types

1.1 Electronic Journal File

The Electronic Journal contains details of the Magnetic Ink Character Recognition (MICR) code line of all cheques to be exchanged on a Clearing day. Each journal record for a cheque shall be accompanied by two front images and one back image of the cheque as captured by the collecting participant in the format specified according to standards. Each image shall, in turn be accompanied by an electronic signature for verification.

Each Clearing Centre shall provide an Electronic Journal, to be transmitted to the Automated Clearing House or sent by Electronic media, for each of the Clearing Centre's.

1.2 Discrepancy File

The Discrepancy File details the results of a Clearing Centre reconciling the Electronic Journal records received from a Clearing Centre with the details contained in the images associated with each record in the Electronic Journal.

The Discrepancy File identifies differences between the amounts provided in the Electronic journal record and the amount as shown on the image of the same record.

The Discrepancy File identifies the EJ presentment whose amount was captured incorrectly by the collecting participant and the EJ presentment whose amount was captured and accepted by the issuing participant.

A file is produced by each Clearing Centre for each of the other Clearing Centre's.

A discrepancy file should only be created in a scenario in which the amount captured by the collecting participant differs from the amount on the cheque image and the Issuing participant chooses to correct the error and to debit their customer. In this scenario the Issuing participant will create a discrepancy file containing two records. The first record will have a Reason for Return code of "002 Discrepancy - Amount Wrongly Captured" and is the incorrect record as captured by the Collecting Participant. The Second record will have a Reason for Return code of "003 Free – Discrepancy – Amount Correctly Captured" and is the correct record as captured by the issuing Participant

1.3 Electronic Journal Reversal File

The Electronic Journal Reversal File contains details of the Magnetic Ink Character Recognition (MICR) code line of all cheques to be reversed on a clearing day. The purpose of the Electronic Journal Reversal File is to reverse a previous EJ file that been sent in error in a **prior** session. An EJ reversal files will be rejected if it is sent more than 3 days after the original EJ file had been processed. An EJ file and its corresponding EJ reversal file cannot participate in the same clearing session.

The EJ reversal file journals shall be an exact replica of the Electronic Journal Files journals except the EJ reversal file shall not contain an image. The EJ reversal file shall also contain the original EJ files serial number in the header of the file.

2 CIC Reports Dispatched by the ZECH

- 2.1 Inter-bank Returned Items Report
- 2.2 Inter-bank Clearing Statement (Inward and Outward)
- 2.3 Statistical reports
- 2.4 Post settlement clearing report

APPENDIX II – STANDARD ANSWERS FOR RETURNED ITEMS

A. CIC

Code	Description
000	No allocation
001	Account Closed
002	Amount Wrongly Captured
004	Drawer (Payer) deceased
005	Endorsement Irregular
006	Unable to clear (only when participant is closed and/or locked out of the clearing order)
007	Payment stopped by the drawer (NOTE: Extreme care shall be exercised when accepting this instruction. If the drawer has insufficient funds at the time of making the order or at the time the cheque is presented, the account shall attract the prevailing fee for R/D cheques).
008	Unpaid cheque being represented
009	Presentation Overdue
010	Account Frozen
013	Refer to Drawer – Insufficient funds
016	Refer to Drawer - Winding up petition presented.
017	Crossed to more than one participant
018	MICR Code line data and MICR Code Line Image Details Differ
019	No account (OR wrong account type) (NOTE: Extreme care shall be exercised when using this answer. If the drawer has no account how does he/she have a cheque book - check Dormant Account and Blocked Accounts and ascertain when and to whom the cheque book was issued before returning the cheque)
020	Account transferred
021	Confirmation Required (Applicable to BOZ only)
022	Cheques printed by unauthorised printers
023	Wrongly Delivered
024	Undersize Image / Image below minimum Computer image size
025	Excessive Image Skew
026	Piggy-Back Image
027	Oversize Image / Image above maximum computer image size
028	Horizontal streaks in Image
029	Image digital signature does not match
030	Time Barred
031	Image of Defaced cheque
032	Image too light or too dark
033	Image Digital Signature Missing
034	Image Fails Digital Signature Check
035	Can't read Image Date
036	Can't read Image Amount
037	Can't read Image Drawer Name
038	Can't read Image MICR code line
039	Cheque Unpaid because of suspected Criminal Activity
040	Date expired - Cheque stale

041	Cheque Post-dated
042	Date Irregular
043	Can't read Image Payee Name
044	Can't read Image Signature
045	Image Out of Focus
046	Payee Name Incomplete
047	Payee Name Irregular
048	Excessive spot noise in Image
049	Amount in Words and figures differ
050	Amount in words required
051	Amount in figures required
052	Amount in figures irregular (or incomplete)
053	Participants Crossing Stamp Required
054	Cheques crossed to two participants
055	Crossing Irregular
056	Endorsement requires participant's confirmation
057	Drawer's endorsement Required
058	Signature Differs from specimen held
059	Drawer's Signature(s) Required
060	Alteration, requires drawers signature
061	Payee's name required
065	Amount differs between Image and Data file
079	Name of Account missing on Image
081	Wrong return reason code used
082	Unpaid record does not march original presentment record
083	No allocation
084	Duplicate Cheque presented
085	Wrong currency used
086	Multiple return reasons on the cheque
086-199	Reserved for future use

APPENDIX III – VALID CIC CODES

1 General Record Codes

1.1 Control Record Codes

Code 00, 88 and 99 reserved for Header, Control Voucher and Trailer codes

Code	Description
00	Header Record
88	Control Voucher
99	Trailer Record

1.2 Control Voucher Types

Code 50 to 59 reserved for Control Voucher type Codes

Code	Description
50	EJ Presentment
51	EJ Unpaid

1.3 File Types

Code 30 to 50 reserved for Files Types

Code	Description
30	Electronic Journal (EJ) File
32	EJ Reversal File
33	Discrepancy File
38	Interbank Net Settlement File
39	Consolidated Net Settlement File

1.4 Currency Code

Code 60 to 79 reserved for Currency Codes

Code	Description	Currency Name
60	ZMK	Old Zambian Kwacha
61	USD	United States Dollar
62	GBP	United Kingdom Pound
63	EUR	Euro
64	ZAR	South African Rand
65	BWP	Botswana Pula
66	MWK	Malawi Kwacha
67	MZN	Mozambique Metical
68	NAD	Namibia Dollar

69	ZMW	Zambian Kwacha
70-79	Reserved for future use	

1.5 Charges and Fines

Code 400 to 450 reserved for Charges and Fines

CODE	INTERPRETATION
400	Invalid Account details in codeline or no codeline
401	Inter-bank Remittance Commission
402	Standard charge
403	Exception charge
404	Unpaid/Unapplied charge
405	Totals Error fine
406	Wrong Stamp fine
407	Clearing House fine
408 - 450	Reserved for future use

2 CIC Record Codes

2.1 CIC Presentment Types

Code 300 to 310 reserved for Presentment Types

Code	Description
300	Normal Presentment
301	Re-presentment
302 - 310	Reserved for future use

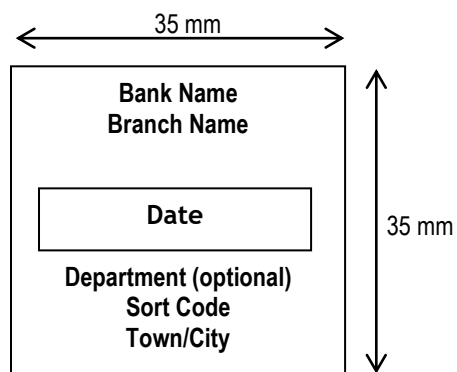
2.2 Voucher Transaction Codes

Code 01 to 19 reserved for Voucher Transaction Codes

Code	Description
01	Government Cheques
02	No allocation
03	No allocation
04	No allocation
05	No allocation
06	No allocation
07	No allocation
08	No allocation
09	No allocation
10	Personal Cheque which shall be presented through Interbank Clearing
11	Corporate Cheque which shall be presented through Interbank Clearing
12	Banker's Payment / Manager's Payment
14	No allocation
15	Zambian Travellers Cheque (Kwacha)
16	No allocation
17	No allocation
18	Promissory Notes; (similar in effect to a post-dated cheque)
19	No allocation

SCHEDULE I – SPECIFICATIONS FOR PARTICIPANT STAMPS

Standard size 35 mm x 35 mm



SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING

AREA	VALUE GIVEN AT START OF DAY	NOTICE OF UNPAID CHEQUES (YUFIG) (BY 16.00 HOURS)	SETTLEMENT TIME (BY 10:00 HOURS)
All towns	Day 4	Day 3	Day 4

SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES

CHEQUE IMAGE CLEARING					
CLEARING SESSIONS	TRANSMISSION END TIME	TRANSMISSION OF SETTLEMENT FIGURES TO BOZ	SETTLEMENT ON THE RTGS	CONFIRMATION OF SETTLEMENT BY BOZ	TRANSMISSION OF YUFIG MESSAGES
One	14:00 hours	15:10 hours	15:40 hours	16:00 hours	By 10:00 hours (the following business day)
Sub-Session 1	09:00 hours				
Sub-Session 2	10:00 hours				
Sub-Session 3	11:00 hours				
Sub-Session 4	12:00 hours				
Sub-Session 5	13:00 hours				
Sub-Session 6	14:00 hours				
Sub-Session 7	15:00 hours				

BILATERAL CLEARING				
CLEARING SESSIONS	DELIVERY TIMES	CUT-OFF-TIMES	SETTLEMENTS TIMES	BANK OF ZAMBIA CONFIRMATION TIMES
One	09:00 hours – 16:30 hours	16:30 hours	10:00 hours on the day of settlement (day 3)	10:30 hours on the day of settlement (day 3)

SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS

Maximum electronic notice periods and return of unpaid Cheque Image items drawn and collected on branches

a) Cheques Deposited BY 12:00 hours:

AREA	CHEQUE IMAGE INSTRUMENT (VALUE GIVEN AT 12:00 HRS OF DAY)	ELECTRONIC NOTICE (BY 10.00 HOURS)
All towns	Day 2	Day 2

ACTIVITY		TIME	DAY
For Cheques deposited BY 12:00 hours			
1	Customers deposit cheques at Collecting Participants	By 12:00 hours	One (say Monday)
2	Collected cheque image is Out-cleared electronically through the ZECH.	14:00 hours	One (Same Day Monday 14:00 hours)
3	ZECH distributes images of cheques to Paying Participants	Up to 14:30 hours	One (Same Day Monday)
4	Paying Participants receive on-us Cheque Images of cheques from other participants via the ZECH	14:30 hours	One (Same Day Monday)
5	Paying Participants update customers' accounts	14:30 hours to 24:00 hours	One (Same Monday at close of day)
6	Fating of payment instruments (cheque images)	14:30 hours of Day One to 10:00 hours of Day Two	One (Say Monday from 15:00 hours) to Two (say Tuesday before 10:00 hours)
7	Paying Participant advises Collecting Participant by Electronic Notification of all unpaid items (YUFIG)	Not later than 10:00 hours	Two (Say Tuesday)
8	Collecting Participant updates customers' accounts on the basis of YUFIG messages	Not later than 12:00 hours	Two (Say Tuesday)
9	Customers receive value (cleared irrevocable credit)	12:00 hours	Two (Say Tuesday)
10	Paying Participant Out-clears unpaid items.	By 14:00 hours	Three (Say Wednesday)
11	Collecting Participant collects unpaid items from paying participants via the ZECH	14:30 Hours	Three (Say Wednesday)
Session One Settlement			
12	Transmission of Session One Settlement figures to BOZ	14:30 hours	One (say Monday)
13	Session One Settlement on the RTGS	15:00 hours	One (say Monday)
14	Confirmation of Session One Settlement by BOZ	15:30 hours	One (say Monday)

b) Cheques Deposited AFTER 12:00 hours:

AREA	CHEQUE IMAGE INSTRUMENT (VALUE GIVEN AT 12:00 HRS OF DAY)	ELECTRONIC NOTICE (BY 10.00 HOURS)
All towns	Day 3	Day 3

ACTIVITY		TIME	DAY
For Cheques deposited BY 12:00 hours			
1	Customers deposit cheques at Collecting Participants	By 12:00 hours	Two (say Tuesday)
2	Collected cheque image is Out-cleared electronically through the ZECH.	14:00 hours	Two (Tuesday 14:00 hours)
3	ZECH distributes images of cheques to Paying Participants	Up to 14:30 hours	Two (Tuesday)
4	Paying Participants receive on-us Cheque Images of cheques from other participants via the ZECH	14:30 hours	Two (Tuesday)
5	Paying Participants update customers' accounts	14:30 hours to 24:00 hours	Two (Tuesday at close of day)
6	Fating of payment instruments (cheque images)	14:30 hours of Day Two to 10:00 hours of Day Three	Two (Say Tuesday from 15:00 hours) to Three (say Wednesday before 10:00 hours)
7	Paying Participant advises Collecting Participant by Electronic Notification of all unpaid items (YUFIG)	Not later than 10:00 hours	Three (Say Wednesday)
8	Collecting Participant updates customers' accounts on the basis of YUFIG messages	Not later than 12:00 hours	Three (Say Wednesday)
9	Customers receive value (cleared irrevocable credit)	12:00 hours	Three (Say Wednesday)
10	Paying Participant Out-clears unpaid items.	By 14:00 hours	Four (Say Thursday)
11	Collecting Participant collects unpaid items from paying participants via the ZECH	14:30 Hours	Four (Say Thursday)
Session One Settlement			
12	Transmission of Session One Settlement figures to BOZ	14:30 hours	Two (say Tuesday)
13	Session One Settlement on the RTGS	15:00 hours	Two (say Tuesday)
14	Confirmation of Session One Settlement by BOZ	15:30 hours	Two (say Tuesday)

SCHEDULE V – ZECHL MAXIMUM CHARGES

Description		Penalty
1.	Charges for incorrect out-clearing (sending items to a wrong participant)	ZMW50.00 per item
2.	Re-presentments of cheques with answer "Refer to Drawer".	ZMW100.00 per item
3.	Wrong Stamping	ZMW50.00 per item
4.	Cheque Printing Errors	ZMW50.00 per item
5.	Cheques printed by unauthorized printers	ZMW100,000 per each printer used
6.	Cheque Designs and Printing not meeting the ZPC&M Specifications	Withdrawal of accreditation to print cheques for participants in Zambia from the defaulting printer
7.	Delayed Credit	As per Clauses 43 – Compensation for Undue Enrichment
8.	Late Settlement Of Bilateral Clearing	ZMW1,000.00 per outstanding settlement.
9.	Delayed submission of deposited cheques	As per Clause 43 – Compensation for Undue Enrichment
10.	Incorrect Return Reason code	ZMW50.00 per item
11.	Items cleared with wrong images	ZMW50.00 per item
12.	Failure to send unpaid cheque images within 48 hours	ZMW50.00 per item
13.	Cancellation of Yufig message by paying participant	K 200.00 per message
14.	Sending Discrepancy transactions as unpaids in order to correct the wrongly captured amounts by the Collecting Participant	ZMK50.00 per item
15.	Clearing Foreign Currency cheques in Local Currency clearing	ZMK50.00 per item

SCHEDULE VI – MAXIMUM CHARGES AND FEES

Charge for unpaid items for lack of funds	Shall be in accordance with directives as issued by the Bank of Zambia as per Section 43 (1) of the National Payment Systems Act No. 1 of 2007 on cheques and Direct Debits instructions that are dishonored due to insufficiently funded accounts and as amended from time to time.
Charges for post-dated cheques	The Presenting Participant to be charged K50 for lack of due care.

SCHEDULE X – SUMMARY OF CHANGES SINCE 6TH MARCH 2020 ZECHL - CIC RULES

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
	All clauses with the following words: 1. 'Must' 2. 'Bank/Financial Institution' 3. Eligible Items	All clauses with the following words globally changed: 1. 'Must' to 'Shall' 2. 'Bank/Financial Institution' to 'Participant' 3. 'Eligible Items' to Eligible 'Cheques'
1	PURPOSE	PURPOSE
1.2	These ZECH CIC Rules shall be an extension of and read together with the ZECH General Rules as one document.	1.2 These ZECH CIC Rules shall be an extension of and read together with the ZECH General Rules as one document.
3	INTERPRETATION	INTERPRETATION
3.1	Bank A company that holds a banking license under the Banking and Financial Services Act 2000.	3.1 bank A company authorised to conduct banking business in accordance with Banking and Financial Services Act, 2017.
3.2	BOZ The Bank of Zambia.	3.2 Bank The Bank of Zambia established in accordance with the Constitution.
3.6	<i>Not available</i>	3.6 Clearing House Interface (CHI) Client A Clearing House Interface (CHI) Client is a system that is supplied by ZECHL and enables a participant to connect to the ZECH system. It enables secure transmission of clearing files, checking of settlement positions for each current clearing session, transfer of non-clearing files, guest banking, messaging and reporting.
3.17	Participating Non-Bank Financial Institution A Participating Non-Bank Financial Institution is a Non-Bank Financial Institution that directly participates in the Interbank Clearing but settles its settlement obligations through a Settlement Sponsor Bank.	3.17 Financial Institution A company, other than a bank, providing a financial service.
3.18	<i>Not available</i>	3.18 Guest Bank The Guest Bank facility on the CHI Client system is used by a participant to upload or download clearing files to and from the ZECH in the event a participant experiences a network failure and cannot connect to the ZECH system.
3.25	<i>Not available</i>	3.25 Participant A member of a payment system that has been designated by the Bank of Zambia and participants in the Interbank Clearing System at ZECH.
3.30	Recalls (Recall Files) Recalls refers to files erroneously generated and initiated by the Originating Bank within the same session.	3.30 Recalls Recalls refers to files erroneously generated and initiated by the originating participant within the same interim session.
3.30	Reversal Files Reversal Files refers to files erroneously generated, processed and participated in the day's clearing and have to be reversed by the originating bank/ financial institution which shall not be older than 5 business days for both CIC.	3.31 Reversal Files Reversal Files refers to files generated to correct erroneously generated and processed files that have to be reversed by the originating participant. Reversal Files shall be generated within 5 business days from the date of the corresponding erroneous files.

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
	<p>Beyond 5 days, there will be no validation. banks/ financial institution will send Reversal files as per Clause 13.</p> <p>No debit mandate will be required to effect reversal transactions on customers' accounts.</p>	<p>The ZECH system shall not validate reversal files that are sent after the stipulated 5 business days. A participant shall send Reversal files as per Clause 13.</p> <p>The participant has the right to debit all funds wrongly credited to a customer's account, where the account is funded, including accrued interest thereon to correct the anomaly without obtaining a customer's prior authority.</p>
3.38	<i>Not available</i>	<p>3.38 Stale Cheque A stale cheque is a cheque which is 6 months or older from the payment date and is as such inadmissible for clearing.</p>
3.40	<p>Unpaid Cheque An unpaid cheque is a returned item by the paying bank e.g. due to insufficient funds.</p>	<p>3.40 Unpaid cheque An unpaid cheque is an Eligible Cheque that has been dishonored by the paying participant such as due to insufficient funds.</p>
5	OPERATIONS OF THE ZECH	5 RESPONSIBILITIES OF COLLECTING PARTICIPANT
5.1	The collecting bank/financial institution shall scrutinize thoroughly all items that it collects. The collecting bank/ financial institution shall ensure that:	5.1 The collecting participant shall thoroughly examine all Eligible Cheques that it collects. The collecting participant shall ensure that:
5.2	<i>Moved from Clause 5.19</i>	5.2 The collecting participant shall thoroughly examine all Eligible Cheques that it collects. The collecting participant shall ensure that:
		5.2.1 Not written in black ink.
		5.2.2 Mutilated.
		5.2.3 Improperly drawn. i.e. incomplete details
		5.2.4 Materially scratched causing misreads
		5.2.5 Smudged
		5.2.6 Chemical or any manipulation
5.3	<i>Not available</i>	5.3 The collecting bank/financial institution shall ensure that the name of the payee on the cheque is captured as part of the data that is transmitted together with the image in the clearing file sent to the ZECH as specified in APPENDIX I – CHEQUE IMAGE CLEARING (CIC) SPECIFICATIONS.
5.6	Prior to sending any Eligible Items through clearing, the collecting bank/ financial institution shall prepare Eligible Items as Specified in these Rules.	5.6 Prior to sending any Eligible Items through clearing, the collecting bank/ financial institution shall prepare Eligible Items as specified in APPENDIX I – CHEQUE IMAGE CLEARING (CIC) SPECIFICATIONS.
5.19	The Collecting Bank shall reject cheques presented to it that are:	<i>Moved to become Clause 5.2</i>
5.19.1	Not written in black ink.	
5.19.2	Mutilated.	
5.19.3	Improperly drawn. i.e. incomplete details	
5.19.4	Materially scratched causing misreads	
5.19.5	Smudged	
5.19.6	Chemically manipulated	
5.21	1) Preparation of Payment Instruments	2) 5.22 Preparation of Payment Instruments
5.21.1	The collecting bank shall ensure that batches do not include cheques above K 25,000.00 or as amended from time to time before transmission and/or delivered to the ZECH.	5.22.1 The collecting participant shall ensure that batches do not include cheques above the item value limit or as amended from time to time before transmission and/or delivery to the ZECH.

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
5.21.2	ZECH shall collect a financial penal charge as shall be agreed from time to time for non-compliance. 3)	5.22.2 ZECH shall collect a financial penal charge as shall be agreed from time to time for non-compliance. 4)
5.21.4	All cheques shall be fully MICR encoded by the collecting bank as specified in the Zambia Paper, Cheque and MICR Specifications, before transmission or delivered to the ZECH.	5.21.4 All cheques shall be fully MICR encoded by the collecting bank as specified in the Zambia Paper, Cheque and MICR Specifications, before transmission or delivery to the ZECH.
5.21.6	Individual batches prepared for delivery to ZECHL shall have a maximum of 2,000 items.	5.21.6 Individual batches prepared for delivery to ZECHL shall have a maximum of 2,000 eligible items.
5.24	Delivery of Eligible Images and Transmission of Electronic Data Files	5.24 Delivery of Eligible Images and Transmission of Electronic Data Files
5.24.2	The Electronic data file shall be transmitted electronically via dedicated network and exceptionally by external storage media.	5.24.2 The electronic data file shall be transmitted electronically using the CHI Client via dedicated network and exceptionally by external storage media in the event of a network failure.
5.24.3	The bank's representative shall deliver the external media to the ZECHL under exceptional circumstances.	5.24.3 The bank's representative shall deliver the external media to the ZECH or the nearest bank/financial institution under exceptional circumstances when there is a network failure. The outward files shall be encrypted to disk using the CHI Client before they are delivered to the ZECH or the nearest bank/financial institution for Guest-Banking.
5.24.4	Not available	5.24.4 At the ZECH or the nearest bank/financial institution, the encrypted outward files will be upload to ZECH using the Guest Bank facility on the CHI Client.
6	ZECH OBLIGATIONS ON RECEIPT OF THE CIC FROM THE COLLECTING BANK	6 ZECH OBLIGATIONS ON RECEIPT OF THE CIC FILE FROM THE COLLECTING BANK
7.2	Responsibilities of the Paying Bank with regard to Fating of "On-Us" Images Received	7.2 Responsibilities of the Paying Participant with regard to Fating of "On-Us" Images Received
7.2.3	Where a paying bank receives a cheque with two or more different bank stamps applied on it and none of them is cancelled, the paying bank shall return the cheque unpaid to the latest bank that handled the cheque and quote the appropriate return reason code on the electronic.	7.2.3 Where a paying participant receives a cheque with two or more different participant stamps applied on it and none of them is cancelled, the paying participant shall return the cheque unpaid to the latest participant that handled the cheque with the reason "Cheque crossed to two participants".
7.4	Return of Eligible Items	7.4 Return of Eligible Items
7.4.1	5) The paying bank shall return all unpaid items images together with their digital signatures within the agreed times.	7.4.1 The paying bank shall return images of all unpaid items together with their digital signatures within the agreed times.
7.4.2	6) Unpaid Eligible Items shall be returned by the paying bank to the collecting bank through the ZECH.	7.4.2 Unpaid Eligible Items shall be returned by the paying bank to the collecting bank through the ZECH system.
7.4.5	7) A returned unpaid item with answer "Refer to Drawer" shall not be re-presented for payment through the ZECH.	7.4.5 A returned unpaid item with answer "Refer to Drawer" shall not be re-presented for payment through the ZECH system.
7.4.6	8) A returned unpaid item for technical reasons shall be re-	7.4.6 A returned unpaid item for technical reasons shall be re-

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
	presented for payment through the ZECH.	presented for payment through the ZECH system.
7.5 7.5.1	Handling of Unpaid Items 9) Any returned item shall be returned the following business date and shall contain the reason code and date through the ZECH.	7.5 Handling of Unpaid Items 7.5.1 An unpaid item shall be returned, with the appropriate reason code, through the ZECH system as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.
7.6 7.6.2.2	Notification Yufig Messages shall precede the electronic image for all Day 2 returns.	7.6 Notification 7.6.2.2 YUFIG Messages shall be sent for all Day 2 returns as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.
7.6.3	Where a cheque is unpaid the same day before settlement, a Yufig message may not be sent to the Collecting Bank.	7.6.3 Where a cheque is unpaid the same day, the collecting participant shall accept the unpaid item without a Yufig.
7.6.4	All YUFIG messages shall be sent to the Central Processing Center (CPC) of each bank via fax or phone (later to be confirmed by fax if earlier sent via telephone) or email.	7.6.4 All YUFIG messages shall be sent to the Central Processing Center (CPC) of each participant through email, CHI Client, fax or phone (later to be confirmed by email/fax if earlier sent through telephone).
7.6.5	10) Formal notification shall be by scanned copy/letter and original letter/to follow later.	7.6.5 Formal notification shall be through a duly signed letter or form comprising the details prescribed under Rule 7.7.2.
8 8.1 8.1.1.2	BILATERAL CLEARING 11) Operations of the Bilateral Clearing Stream 12) The Clearing System fails to read MICR.	8 BILATERAL CLEARING 13) 8.1 Operations of the Bilateral Clearing Stream 14) 8.1.1.2 The Clearing System fails to read MICR codeline.
8.1.2	15) ZECHL shall be notified of the cheques that have been sent for bilateral clearing by way of copies of the images that failed to read.	16) 8.1.2 ZECHL shall be notified of the details of cheques that will have been sent and received through bilateral clearing by way of monthly statistics showing the volumes and values by the first working day of the following month.
8.1.3	17) Bilateral Clearing shall be conducted in any town where there is more than one bank branch present.	8.1.3 Where a cheque is processed through bilateral clearing, the Collecting participant shall notify the payee of the process and the expected value date.
8.1.4	18) Items collected for a particular bank without a presence in that town shall be sent to the Collecting bank's / Financial institution's Head Office for exchange and settlement.	8.1.4 Cheques collected for a particular participant shall be sent to its Head Office for exchange and settlement.
8.2 8.2.1	19) Towns With More Than One Branch In A Town 20) Towns where banks/financial institutions have more than one branch shall select a clearing bank branch where such cheques shall be delivered for exchange with the other banks.	<i>8.2 Deleted</i> <i>8.2.1 Deleted</i>
8.2.2	21) Once the clearing branches have received the bilateral cheques, they shall then deliver them to the respective bank/ financial institution's branch clearing centre.	<i>8.2.2 Deleted</i>
8.2.3	22) The clearing bank/ financial institution's branch shall advise their central clearing centre at Head Office of the Net Settlement figure for settlement.	<i>8.2.3 Deleted</i>
8.4 8.4.1	Clearing Periods For Bilateral Clearing Cheques All Bilateral Clearing Cheques shall be subject to the clearing periods ranging between T + 4 and T + 11 as per SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.	8.4 Clearing Periods For Bilateral Clearing Cheques 8.4.1 All Bilateral Clearing Cheques shall be subject to the clearing period of T+3 as per SCHEDULE II – ELECTRONIC NOTICE PERIOD, GIVING OF VALUE AND RETURN FOR BILATERAL CLEARING.
8.4.2	Not available	8.4.2 T+3 shall commence on the day after the day of exchange.
8.5 8.5.1	23) Preparation of Bilateral Clearing Cheques Banks shall ensure that the cheques are sorted bank-wise, tallied and sealed in envelopes.	8.5 Preparation of Bilateral Clearing Cheques 8.5.1 Participants shall ensure that the cheques are sorted by bank, tallied and sealed in envelopes.
8.6 8.6.4	Clearing Session Procedures In the event that the Collecting Bank/ Non-bank Financial institution does not provide a listing, the collecting bank /	8.6 Clearing Session Procedures 8.6.4 The receiving bank/ financial institution shall reject the items presented by the collecting bank/ financial

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
	financial institution shall reject the items.	institution in the following events:
8.6.4.1	<i>Not available</i>	8.6.4.1 A listing is not provided.
8.6.4.2	<i>Not available</i>	8.6.4.2 The letter is not duly signed.
8.6.7	The collecting bank/ financial institution shall keep a copy of the clearing statement of the Settlement Obligation for each bank/ financial institution.	8.6.7 Deleted
8.6.8	Clearing bank/ financial institution branches shall send settlement figures to their Clearing Centres.	8.6.8 Deleted
8.6.9	Where a paying bank/financial institution fails to settle on time, the beneficiary bank/financial institution shall report the defaulting bank/financial institution to the Bank of Zambia for appropriate action.	8.6.7 Where a paying participant fails to settle on time, the beneficiary participant shall report the defaulting participant to BOZ for appropriate action.
8.6.10	A bank/financial Institution that fails to settle on time shall be liable to pay to the Bank of Zambia as per SCHEDULE IV – MAXIMUM ELECTRONIC NOTICE PERIOD AND RETURN OF ITEMS.	8.6.8 A participant that fails to settle on time shall be liable to pay a penalty to BOZ.
8.8	Notification	8.8 Notification
8.8.2.2	Yufig Messages shall precede the electronic image for all Day 2 returns.	8.8.2.2 Yufig Messages shall precede the delivery of the unpaid cheque to the collecting participant.
8.8.2.3	All Yufig Messages shall be sent to the Central Processing Center (CPC) or email.	8.8.2.3 All YUFIG messages shall be sent to the Central Processing Center (CPC) of each participant through email, CHI Client, fax or phone (later to be confirmed by email/fax if earlier sent through telephone).
8.8.3	Formal notification shall be by scanned copy/letter and original letter/to follow later.	8.8.3 Formal notification shall be through a duly signed letter or form comprising the details prescribed under Rule 7.7.2.
8.9	<i>Moved from Clause 14</i>	8.9 ITEMS MISLAID BY A PAYING PARTICIPANT BRANCH 8.9.1 Items received by the paying participant's branch or its accounting centre and subsequently lost or mislaid in its own system may be debited to the paying participant's branch. Such debits shall, however, be subject to the same time limit as is applicable for the return of cheques as specified in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES. Sufficient details as provided on the clearing statement shall be provided in the debit to enable the collecting participant's branch to locate the source of the item. 8.9.2 There items have been lost or mislaid in the system the banks/ financial institutions shall make payment against images of the item upon receipt of an indemnity by the requesting bank. 8.9.3 Under no circumstance shall a collecting bank/ financial institution replace a lost item with a debit to the drawer's account.

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
		8.9.4 When a bank's/ financial institution's branch has been wrongly debited in this manner, it shall be entitled to reverse the item regardless of the time that has elapsed.
		8.9.5 In these circumstances the issue should first be addressed at Administrative Office level between the two banks/ financial institutions concerned.
		8.9.6 Should the management also be unable to resolve the issue, they shall make reference to their respective Head Offices.
12	RECALL OF ERRONEOUSLY GENERATED EJ FILES	12 RECALL OF ERRONEOUSLY GENERATED EJ FILES
12.2	The originating bank/financial institution shall perform a Recall procedure to recall the erroneous file. The Recall procedure entails recalling the entire file and performed within the same session and before the closure of a particular session. In the event that the session is closed, the Originating Bank/ Financial Institution shall instead send a Reversal File to the destination bank/ financial institution to rectify the anomaly.	12.2 The originating bank/ financial institution shall perform a Recall procedure to recall the erroneous file. The Recall procedure entails recalling the entire file and must be performed within the same session and but before the closure of a that particular session. In the event that the session is closed, the originating bank/financial institution shall instead send a Reversal File to the destination bank/financial institution to rectify the anomaly.
13	REVERSAL OF ERRONEOUS EJ FILES/TRANSACTIONS	13 REVERSAL OF ERRONEOUS EJ FILES/TRANSACTIONS
13.1	The originating bank/financial institution may erroneously send or duplicate an EJ file or transaction to another bank/ financial institution. To resolve such an anomaly, the originating bank/ financial institution shall reverse such erroneous file or transaction by sending a reversal file to the destination bank financial institution via the ZECH.	13.1 The originating bank/financial institution may erroneously send an EJ file or transaction to another bank/financial institution via the ZECH and participates in the day's clearing. To resolve such an anomaly, the originating bank/financial institution shall reverse such erroneous file or transaction by sending a reversal file to the destination bank/financial institution via the ZECH.
13.2	A Reversal File shall be initiated by the originating bank/financial institution any time after the close of a session to reverse the entire file or affected transactions.	13.2 A Reversal File shall be initiated by the originating bank/financial institution any time after the distribution of the original file or transaction in order to reverse the affected file or transactions.
13.3.3	<i>Not available</i>	13.3.3 Validation of reversal EJ files shall not be performed beyond 5 days.
13.3.6	An EJ file and its corresponding EJ reversal file shall not participate in the same clearing session.	13.3.6 An EJ reversal file shall not be sent before the original EJ file is distributed.
13.3.7	Banks shall accept and process the EJ reversal file/s or transaction/s that has/have been verified without seeking the authority of the account holders.	13.3.7 Banks shall accept and process the EJ reversal file/s or transaction/s that has/have been verified without seeking the authority of the account holders to debit the account.
14	ITEMS MISLAID BY A PAYING BANK BRANCH	<i>Moved to Clause 8.9</i>
14.1	Items received by the paying bank's/ financial institution branch or its accounting centre and subsequently lost or mislaid in its own system may be debited to the collecting bank's/ financial institution's branch. Such debits shall, however, be subject to the same time limit as is applicable for the return of cheques as specified in SCHEDULE III – ZECH CLEARING SESSIONS, CLEARING, SETTLEMENT AND CONFIRMATION TIMES. Sufficient details shall be provided in the debit to enable the collecting bank's/ financial institution's branch to locate the source of the item.	
14.2	There items have been lost or mislaid in the system the banks/ financial institutions shall make payment against images of the	

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
	item upon receipt of an indemnity by the requesting bank.	
14.3	Under no circumstance shall a collecting bank/ financial institution replace a lost item with a debit to the drawer's account.	
14.4	When a bank's/ financial institution's branch has been wrongly debited in this manner, it shall be entitled to reverse the item regardless of the time that has elapsed.	
14.5	In these circumstances the issue should first be addressed at Administrative Office level between the two banks/ financial institutions concerned.	
14.6	Should the management also be unable to resolve the issue, they shall make reference to their respective Head Offices.	
15.2	15.2 Treatment of Wrongly Cleared Eligible Items	<i>Separated from Clause 14.2 to become Clause 15</i>
15.2.4	Any bank involved in a dispute with another bank/ financial institution, which cannot prima facie be settled by mutual agreement at the Head Office level may submit the relevant facts to ZEHL for the interpretation of the rules and guidance. Should the parties fail to agree to accept the guidance/recommendation provided by ZEHL to amicably resolve the issue, then the matter will be referred to the BAZ Technical Committee for further consideration. The recommendation however, shall not be binding upon any party to the dispute, unless all parties have so agreed in writing. Should the dispute not be resolved at this stage, the matter shall be referred to the BAZ Main Committee who may appoint an Adjudicator as provided for in the Banking Code of Practice of Zambia.	
15	<i>Moved and separated from Clause 14.2 to become Clause 15</i>	<p>15 DISPUTE RESOLUTION</p> <p>15.1 Where any dispute arises between participants, the participants shall in the first instance attempt to settle the dispute by mutual agreement within seven days of the aggrieved party notifying the other party of such grievance.</p> <p>15.2 Where the parties fail to settle the dispute by mutual agreement, the aggrieved party may submit the relevant facts to ZEHL for the interpretation of the rules and guidance. Should the parties fail to agree to accept the guidance/recommendation provided by ZEHL to amicably resolve the issue, then the matter will be referred to the BAZ Technical Committee for further consideration. The recommendation however, shall not be binding upon any party to the dispute, unless all parties have so agreed in writing. Should the dispute not be resolved at this stage, the matter shall be referred to the BAZ Main Committee who may appoint an Adjudicator as provided for in the Banking Code of Practice of Zambia.</p> <p>15.3 Where the dispute remains unresolved, the aggrieved party may refer the dispute to arbitration in accordance with the Arbitration Act.</p>

REFERENCE CLAUSE	CURRENT WORDING	NEW AMENDED WORDING BY BANKS
16	ARCHIVING OF PHYSICAL ELIGIBLE ITEMS	<i>Clause 16 Deleted</i>
16.1	ZECHL shall establish an archive facility for physical Eligible Items on behalf of the participating banks/ Financial Institutions.	
16.2	Its operations shall be governed by rules to be agreed upon by all the participating banks/ financial institution. The rules of the archiving facility shall be an addendum to the ZECH Rules.	
16.3	Banks shall ensure that the cheques are prepared as follows:	
16.3.1	Sorted bank-wise.	
16.3.2	Sorted date-wise.	
16.3.3	Accompanied by a listing.	
16.4	Cheques submitted without listings for paid cheques shall be rejected.	
16	COMPENSATION FOR UNDUE ENRICHMENT	16 COMPENSATION FOR UNDUE ENRICHMENT
16.1	bank to bank	16.1 bank to bank
16.1.2	The ZECH participating bank/ financial institution that has suffered loss shall notify the collecting participating bank/financial institution of the duplicates on CIC by way of a telephone to be followed with a letter. In case of a dispute, the matter shall be referred to BAZ Secretariat for resolution.	16.1.2 The ZECH participating participant that has suffered loss shall notify the collecting participating participant of the duplicates on CIC in writing. In case of a dispute, the matter shall be determined in accordance with Section 15 - DISPUTE RESOLUTION of these Rules.
16.1.4	The amount of damage for undue enrichment shall be computed by applying interest to the principal value of the funds incorrectly received. The interest shall be calculated daily applying the weighted average yield rate on the 91 Day Treasury Bill in the auction immediately preceding the date of the 'return item' in effect on each day the error or errors benefited or enriched the ZECH participating bank/financial institution. The damages shall be paid to the participating bank(s)/financial institution(s) who suffered financially.	16.1.4 The amount of damage for undue enrichment shall be computed by applying interest to the principal value of the funds incorrectly received. The interest shall be calculated daily applying the Bank of Zambia Policy Rate at the date of the 'return item' and for each day the error or errors benefited or enriched the ZECH participating participant. The damages shall be paid to the participating participant who suffered financially.
16.2	Bank to Customer	16.2 Bank to Customer
16.2.3	The Paying Bank shall pay interest to a customer where it receives value for a CIC transaction and delays the transfer of such funds for more than one business day.	16.2.3 The Paying Bank shall pay interest to a customer where it receives value for a CIC transaction and delays the crediting of such funds for more than one business day.
16.2.4	The interest in respect of CIC transaction shall be calculated daily by applying the weighted average yield rate on the 91-day Treasury Bill in the auction immediately preceding the date of the delay. This rate will apply each day the value of funds is delayed.	16.2.4 The interest in respect of CIC transaction shall be calculated daily by applying the Bank of Zambia Policy Rate prevailing at the date of the delay. This rate will apply each day the value of funds is delayed.


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	<p>APPENDIX I – CHEQUE IMAGE CLEARING (CIC) SPECIFICATIONS</p> <p>3.2 EJ Record Formats</p> <p>EJ NORMAL PRESENTMENTS EJ UNPAIDS DISCREPANCY FILE RECORD EJ REVERSAL PRESENTMENTS EJ REVERSAL UNPAIDS</p> <table><tr><th>Field</th><th>Field Name</th><th>Start Column</th><th>Field length</th><th>Format</th><th>Contents</th></tr><tr><td>11.</td><td>Collection Account Detail</td><td>57</td><td>50</td><td>X(50)</td><td>Alpha numeric that accepts space padded.</td></tr></table>	Field	Field Name	Start Column	Field length	Format	Contents	11.	Collection Account Detail	57	50	X(50)	Alpha numeric that accepts space padded.	<p>APPENDIX I – CHEQUE IMAGE CLEARING (CIC) SPECIFICATIONS</p> <p>3.2 EJ Record Formats</p> <p>EJ NORMAL PRESENTMENTS EJ UNPAIDS DISCREPANCY FILE RECORD EJ REVERSAL PRESENTMENTS EJ REVERSAL UNPAIDS</p> <table><tr><th>Field</th><th>Field Name</th><th>Start Column</th><th>Field length</th><th>Format</th><th>Contents</th></tr><tr><td>11.</td><td>Collection Account Detail</td><td>57</td><td>50</td><td>X(50)</td><td>This field will be populated with name of the appearing on cheque. Alpha numeric that accepts space padded.</td></tr></table>	Field	Field Name	Start Column	Field length	Format	Contents	11.	Collection Account Detail	57	50	X(50)	This field will be populated with name of the appearing on cheque. Alpha numeric that accepts space padded.
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	(iv)	Between non-Lusaka branches and branches in other zones e.g. Mufulira and Lundazi, Livingstone and Isoka, Chinsali and Namwalaetc	Day 12	Day 10	Day 11																																																																			
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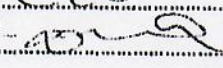


SCHEDULE VII – PARTICIPANTS SIGNATURES

1. For Bank of Zambia

Name..... LAZAROUS KAMANGA
Position..... DIRECTOR - BANKING, CURRENCY AND PAYMENT SYSTEMS
Signature.....  04/02/2021

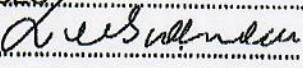
2. For Zambia National Commercial Bank Plc

Name..... LINDA C. SITUMBELO
Position..... A/C EO
Signature.....  31/08/2020


3. For Absa Bank Zambia Plc

Name..... Mizinga S. Mulu
Position..... Managing Director
Signature..... 

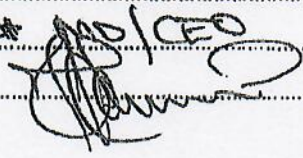
4. For Citibank Zambia Limited

Name..... Lowani Chibesakunda
Position..... CEO
Signature..... 

5. For Stanbic Bank Zambia Limited

Name..... Leina Gabaraane - 01/09/2020
Position..... Chief Executive
Signature..... 

6. For Standard Chartered Bank Zambia Plc

Name..... Herman Kasikanda
Position..... MD / CEO
Signature..... 

7. For Indo-Zambia Bank Limited

Name... SUNIL KUMAR
Position... CHIEF MANAGER - OPERATION
Signature... S-I

8. For Cavmont Bank Limited

Name... MANTANO
Position... CEO
Signature...

9. For Zambia Industrial Commercial Bank (Zambia) Limited

Name... IGNATIUS MWANZA
Position... CHIEF EXECUTIVE OFFICER
Signature... M

10. For Investrust Bank Plc

Name... Simangolwa Shakalina
Position... Managing Director
Signature...

11. For Bank of China (Zambia) Limited

Name... Wang Qi
Position... Managing Director
Signature...

12. For BancABC Zambia Limited

Name... JAMES KONYI
Position... CEO
Signature...

13. For AB Bank Zambia Limited

Name... Nurullo Mashrabov

Position... CHIEF BUSINESS OFFICER

Signature... 

14. For First National Bank Zambia Limited

Name... SYDON LONGWE

Position... Chief Executive Officer

Signature... 

15. For First Capital Bank (Zambia) Limited

Name... JOSE DATA


Position... CHIEF FINANCIAL OFFICER

Signature... 

16. For First Alliance Bank Zambia Limited

Name... Kuldip Paliwal

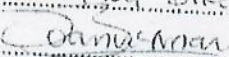
Position... Managing Director

Signature... 

17. For Access Bank Zambia Limited

Name... JOANA BANNERMAN

Position... MANAGING DIRECTOR

Signature... 

18. For Ecobank Zambia Limited

Name... Olatodji B. Chamel Ognin

Position... MANAGING DIRECTOR

Signature... 

19. For United Bank for Africa Zambia Limited

Name... C-HINEBU OBETA

Position... MD / CEO

Signature... 