

**Mechanism of Separate Clearing Batch Processing for Microfinance Banks (MFBs)**

1. Microfinance Banks (MFBs) are required to become Direct Members of Clearing House under Services Level Agreement (SLA) with the Clearing House. The Service Level Agreements (SLAs) between the MFBs and Clearing House should clearly describe their Roles and Responsibilities including Dispute Escalation and Resolution Mechanisms for clearing related issues.
2. The Clearing House will arrange to collect the outward financial instruments from MFBs for the preparation of outward clearing batches and delivery of inward instruments to MFBs that are payable or owed by them.
3. All MFBs will have Current Accounts with SBP BSC (Bank) Karachi to be used for the settlement of their clearing obligations. These Current Accounts will be made available in PRISM System; however, PRISM membership will not be mandatory for MFBs.
4. MFBs will set up Central Processing Unit for carrying out reconciliation of inward and outward instruments and crediting/debiting concerned branches from a centralized location. All other Direct Participants of Clearing House including MFBs shall also ensure that their inward and outward clearing entries are reconciled with the Clearing House on the same day. Any discrepancy should be taken up immediately and must be resolved by all the concerned parties within three (03) working days.
5. Clearing batches of MFBs will be segregated by the Clearing House for each clearing cycle and a separate batch for instruments drawn on or in favour of MFBs will be prepared and sent to PRISM system for settlement.
6. MFBs are required to maintain adequate funds / liquidity in their Current Accounts based on their existing and future clearing requirements to ensure timely settlement of their clearing obligations. MFBs shall constantly monitor and timely replenish funds into their Current Accounts to mitigate the Liquidity/Settlement Risk in PRISM. In case an MFB is unable to arrange / settle their clearing obligations within 30 minutes, SBP may take penal action including levying of penalties under applicable laws.
7. MFBs are required to establish Funding Arrangements (FA) / Credit Lines (CL) with Direct Participants of PRISM, enabling Direct Participants to replenish the Settlement Accounts of MFBs, as and when required within stipulated time. Confirmation of this arrangement should be sent to Payment Systems Department (PSD), SBP prior to the commencement of the Separate Clearing Batch Mechanism.
8. The Clearing House will allot unique code to each MFB and the same will become part of Magnetic Ink Character Recognition (MICR). MFBs are required to print and issue standardized cheque books as per the given format in CPD Circular No. 1 of 2014 dated January 30, 2014 and PSD Circular No. 01 of 2014 dated January 31, 2014 respectively. However, they may use the existing stock of cheques till December 31, 2015 after which it would be mandatory for them to get their cheques printed as per the new standard.
9. MFBs will provide contact details of their two designated officials for coordination with Clearing House and SBP within seven (07) days.

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