



GUIDELINES ON STANDARDIZATION OF PAYMENT ORDERS AND DEMAND DRAFTS

STATE BANK OF PAKISTAN
PAYMENT SYSTEMS DEPARTMENT

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A. Preamble

State Bank of Pakistan issued guidelines on Standardization of Security features and Layout of cheques vide PSD's Circular No.1 of 2014 and CPD's Circular No.1 of 2014 for minimum requirements in respect of security features and printing techniques of cheques.

Standardization of cheques covered 82% of the financial instruments processed through clearing cycle. Payment Orders (POs) and Demand Drafts (DDs) processed through clearing cycle also constitutes significant volume i.e. 14% of total clearing volume. Therefore by standardizing POs and DDs, SBP will be able to standardize 96% of total financial instruments processed by Clearing House.

Standardization of POs and DDs comprises "Minimum Security Features" in the paper of POs and DDs by introducing Watermark, Anti-Forgery Ink, Ultraviolet Fibers etc. In the area of layout, MICR line, name of Drawee Bank Branch, Maintenance of Purchaser's record by the respective bank branch etc. have been introduced.

Above security features and layout improvements will reduce the risk of the fraud perpetrated through tempering of POs & DDs to a greater extent. Therefore, standardization of POs and DDs will also safeguard the interest of general public by reducing the incidence of counterfeiting risk. Standardization of POs and DDs will bring uniformity and facilitate clearing process of these instruments. Further, process of manual re-entering/repairing of information of these instruments will be minimized thus resulting into more efficient processing in clearing.

B. Definitions

For the purposes of these guidelines:

1. **Payment Order (PO):** A cheque like instrument issued by bank on the request of its customers or in payment of its own expenses or dues, drawn on itself, to pay a specified sum of money to the order of specified person. Payment orders are usually issued by the banks on receipt of full amounts involved, which means that it would not be returned unpaid due to lack of funds; it is also called banker's cheque.
2. **Demand Draft (DD):** An order to pay money, drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand.
3. **Clearing Bank Specification 1 (CBS1):** Security stationery for Payment Orders and Demand Drafts shall be printed on CBS-1 paper which must conform to International Standards. CBS-1 specifications of BPD Circular No.19 of 2003 dated 25th June 2003 for cheques are also applicable on POs / DDs.

4. **Watermark:** Watermark can be single or multi tone, however no part of Watermark should appear in area specified for Magnetic Ink Character Recognition (MICR) line as referred in CPD Circular No. 1 of 2014 dated 30th January, 2014.

5. **MICR:** The Magnetic Ink Character Recognition (MICR) Line also called as MICR line must consist of Payment Order/Demand Draft number, bank and currency code. The MICR line should be according to E-13 B font format across left bottom side.

6. **UV Marker:** The paper used for PO and DD must contain at least one Invisible Ultraviolet (UV) security feature such as UV fibers, UV Hi- Lites or any other as referred in CPD Circular No. 1 of 2014 dated 30th January, 2014.

7. **2D Bar Code:** A 2D (two-dimensional) barcode is a graphical image that stores information both horizontally and vertically. 2D Bar code can store information up to 7,089 characters.

1. Layout of Payment Orders and Demand Drafts

The recommended features for a standardized POs and DDs are outlined as under:

1.1 Size of PO & DD

The standard Length and Height of POs and DDs should be 19.5 cm and 8.5 cm respectively, while their weight should not be less than 80 GSM. The Font Size of POs and DDs should be between 8 to 9 points except the Bank's name and Logo. A separate line may be printed to differentiate the POs/DDs from customer cheques.

1.2 Data Elements

The following data elements are designated as Areas of Interest (AOI) of POs and DDs. The point wise brief description of the contents of PO and DD is as follows: -

1.2.1 Account Payee only

It is mandatory to print 'Account Payee Only' in two transverse lines on top left corner of every PO and DD.

1.2.2 Bank Name & Logo

The Bank name and its Logo should be printed on top centre of the POs and DDs.

1.2.3 Branch Name, Code and City

The Bank name along with branch name & code and city should be written/stamped/printed under the name of the Bank.

1.2.4 Pay Order number

PO and DD number should be printed on top right side of each PO and DD.

1.2.5 Stationery/Reference number

Stationery/Reference Number will be written under POs and DDs number. The purpose of the Stationary /Reference number is to locate the details of the instrument through a number.

1.2.6 Date

The Date must be printed in lucid background as DDMMYY.

1.2.7 Payee's Name:

In POs, the payee's name should start with the words '**Pay to**' before marking the designated space by horizontal marked line followed by the words '**or order**'. On the other hand, in DD, the payee's name should start with the words "**On Demand Pay**" before marking the designated space by horizontal marked line.

Further, Payee's full name should be printed on the POs and DDs and no abbreviations are accepted except legal one is allowed, in the case of corporate entities.

1.2.8 Amount in Words

The amount in words may be printed in the designated space identified by two parallel horizontal lines. The line shall begin with the phrase "Rupees" in case of POs and Domestic DDs and "For the sum of" for Foreign Currency DDs respectively.

1.2.9 Convenience Amount Scan Area:

Convenience Amount Scan area is represented by a rectangular box preceded by PKR or FCY in which POs and DDs are issued within.

1.2.10 Amount in Figures

The amount in figures shall be printed in 'convenience amount scan area' represented by a rectangle box preceded by PKR or FCY in which POs and DDs are issued within.

1.2.11 Name of Purchaser

The details of purchaser must be maintained by banks in application form. CNIC number, in case of a walk in customer, NTN in case of corporate customer and passport No. of foreigner must be recorded in application form.

1.2.12 Authorized Signatories

POs and DDs must be signed by two officials of bank; however, at least one of them must have Power of Attorney. Further, the word 'Authorized Signatory' should be mentioned under signature line. The Authorized Signatory must mention Power of Attorney or Attorney Number, below the signature.

1.2.13 MICR

The Magnetic Ink Character Recognition (MICR) generally known as MICR line consists of number of Pay Order /Demand Draft or Stationery Number, Bank Code and Currency Code and should be located across left bottom side.

1.2.14 Drawee Bank / Branch

Drawee Bank/Branch must be mentioned on every DD.

2. Security Features of Payment Orders and Demand Drafts

- a. The banks are required to ensure that all Payment Orders (POs) and Demand Drafts (DDs) must carry bank's logo or name as a standardized Watermark visible only if these instruments are placed against a light.
- b. The water mark should be single or multi tone and it should not affect Magnetic Ink Character Recognition (MICR) coding recognition.
- c. The paper used for POs and DDs must contain at least one Invisible Ultraviolet (UV) security feature such as UV fibers.
- d. The space on the POs and DDs allocated for the amount in figures & words and name of payee must contain Anti Forgery Ink.
- e. POs and DDs should be printed on CBS-I paper.

2.1 Verification related aspects:

- a. Banks/DFIs should take all steps to ensure availability of instrument verification measures such as Ultraviolet (UV) markers at their branches as well as at all clearing units.
- b. The banks should preferably use 2D (two-dimensional) Barcode which is a graphical image that stores information both horizontally and vertically.
- c. Banks are responsible to impart training of relevant staff on the above mentioned security features and assessing the genuineness of POs and DDs.

STANDARDIZATION ON LAYOUT AND SECURITY FEATURES
OF PAYMENT ORDERS & DEMAND DRAFTS

Specimen of Pak Rupee Payment Order

<div>Account Payee Only</div> <div>Bank Name & Logo Branch name & Code</div> <div>Pay to _____ or Order Rupees _____ _____</div> <div>Please do not write below this line.</div>	<div>P.O. No. Stationary/Ref No:</div> <div><table border="1"><tr><td>D</td><td>D</td><td>M</td><td>M</td><td>Y</td><td>Y</td></tr></table></div> <div>PKR <div></div></div> <div><div>_____ Signatory PA/Attorney No</div><div>_____ Signatory PA/Attorney No</div></div>	D	D	M	M	Y	Y
	D	D	M	M	Y	Y	
MICR							

STANDARDIZATION ON LAYOUT AND SECURITY FEATURES
OF PAYMENT ORDERS & DEMAND DRAFTS

Specimen of Pak Rupee Demand Draft

<div style="border: 1px solid black; width: 150px; height: 100px; transform: rotate(-45deg); display: flex; align-items: center; justify-content: center; margin-bottom: 20px;">Account Payee Only</div> <div style="text-align: center; margin-bottom: 20px;">Bank Name & Logo Branch name & Code</div> <div>On Demand Pay _____ Rupees _____ _____ Drawee Bank/Branch Please do not write below this line.</div>	<div style="text-align: center; margin-bottom: 20px;">D.D. No. Stationary/Ref No:</div> <table border="1" style="margin: 0 auto; text-align: center; width: 200px;"><tr><td>D</td><td>D</td><td>M</td><td>M</td><td>Y</td><td>Y</td></tr></table> <div style="margin-top: 20px;">PKR </div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"><div style="width: 45%; text-align: center;">_____ Signatory PA/Attorney No</div><div style="width: 45%; text-align: center;">_____ Signatory PA/Attorney No</div></div>	D	D	M	M	Y	Y
D	D	M	M	Y	Y		
MICR							

STANDARDIZATION ON LAYOUT AND SECURITY FEATURES
OF PAYMENT ORDERS & DEMAND DRAFTS

Specimen of Foreign Currency Demand Draft

<div>Account Payee Only</div> <div>Bank Name & Logo Branch name & Code</div> <div>On Demand Pay _____ For the sum of _____ _____ Drawee Bank/Branch</div> <div>Please do not write below this line.</div>	D.D. No. Stationary/Ref No:							
	<table border="1"><tr><td>D</td><td>D</td><td>M</td><td>M</td><td>Y</td><td>Y</td></tr></table>		D	D	M	M	Y	Y
	D	D	M	M	Y	Y		
	FCY	<div></div>						
<div>_____ Signatory PA/Attorney No</div>	<div>_____ Signatory PA/Attorney No</div>							
MICR								