



Digital Innovation & Settlements Department

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## Pakistan Express Clearing System (PECS) Rules

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## 1. Authority

These Rules are issued by the State Bank of Pakistan in exercise of the powers vested under the Payment Systems and Electronic Fund Transfers (PS&EFT) Act, 2007.

## 2. Definitions

- 2.1 **Assigned Branch** means a branch designated by a financial institution to receive, process, and clear cheques on behalf of another branch of the same financial institution.
- 2.2 **Bank** means a banking company as defined in the Banking Companies Ordinance, 1962.
- 2.3 **Bureau Service** means the image-capture service of the Clearinghouse used by a presenting institution as a backup and business-continuity arrangement.
- 2.4 **Cheque** has the same meaning as defined in Negotiable Instruments Act, 1881.
- 2.5 **Clearing Calendar** means the schedule of business days, sessions and cut-off times maintained under the authority of SBP.
- 2.6 **Compliant Scanner** means a scanner conforming to the scanner specifications agreed between the Clearinghouse and member financial institutions and producing exact electronic images to the agreed Image Quality Assurance standards.
- 2.7 **CPU (Central Processing Unit)** means a centralized processing location that receives, validates, routes and processes instruments for one or more home branches in accordance with configured routing rules.
- 2.8 **Defer for Physical (DFP)** means the status by which a paying institution, unable to reach a final decision on the Electronic Image, requests delivery of the original instrument before recording a final fate.
- 2.9 **Designated Branch** means a branch of the presenting institution equipped with a Compliant Scanner to truncate instruments at the point of deposit.
- 2.10 **Drawee/Paying Institution** means the institution on which the instrument is drawn and which records the Pay or No-Pay decision on the Electronic Image.
- 2.11 **Electronic Image** means the exact image of a paper-based payment instrument in electronic form and is generated, written and signed using a secure system authorized by SBP.
- 2.12 **Fate** means the Pay, No-Pay or Defer for Physical outcome recorded by the paying institution on the Clearinghouse system.
- 2.13 **Finality** has the same meaning as defined in PRISM+ operating Rules, 2026.
- 2.14 **Force Majeure** means any delays or failures in the performance of a Clearinghouse and/or Presenting/Paying Institutions and to the extent it is caused by the occurrences or circumstances beyond reasonable control of Clearinghouse and/or Presenting/Paying Institutions, including but not limited to, acts of God, fire, strikes or other labor disturbances, riots, civil commotion, war or any other causes similar to those specified herein.
- 2.15 **Genuineness Warranty** means the warranty given by the presenting institution as to the genuineness and apparent good order of the physical instrument on physical inspection.
- 2.16 **Grievance Redressal Process** means the complaint-handling mechanism of a participating institution through which an unresolved PECS complaint is escalated.
- 2.17 **Home Branch** means the branch associated with the account on which the cheque is drawn. It is the branch which serves as the destination for cheque routing and processing, unless overridden by centralized processing or other bank-defined routing rules.

- 2.18 **Image Quality Assurance (IQA)** means the agreed standards, between the Clearinghouse and participating institutions, that a captured image must satisfy before presentment.
- 2.19 **Multilateral Net Settlement Batch (MNSB)** means the net position of all participants submitted by the Clearinghouse to SBP for settlement.
- 2.20 **Participating Institution/Financial Institution** means a member institution of the Clearinghouse that participates in the clearing process under the Truncation System.
- 2.21 **Payment Order** has the same meaning as defined in guidelines issued by SBP vide PSD circular No. 4 of 2015.
- 2.22 **Presenting / Collecting Institution** means the institution at which the beneficiary deposits the instrument and which captures and transmits the Electronic Image and clearing data to the Clearinghouse.
- 2.23 **Presentment Session** means the clearing window within which presenting institutions lodge Electronic Images and clearing data.
- 2.24 **PRISM+ / RTGS** means the real-time gross settlement system of SBP.
- 2.25 **Return Session** means the clearing window within which the paying institution must record Pay, No-Pay or Defer for Physical.
- 2.26 **Clearinghouse** means the Clearinghouse authorized by SBP for clearing operations.
- 2.27 **Secure System** means infrastructure compliant with the Payment Systems and Electronic Fund Transfers Act, 2007 and other applicable laws, incorporating end-to-end encryption, multi-factor authentication, tamper-evident audit logs, PKI digital signatures and any other applicable requirement.
- 2.28 **Truncated Cheque** has the same meaning as defined in PS&EFT Act, 2007

### 3. Scope and Application

These Rules shall apply to:

- PKR-denominated cheques and functionally equivalent clearing instruments, including payment orders and banker's cheques, presented for collection through interbank clearing.
- All scheduled banks, microfinance banks and financial institutions participating in interbank cheque clearing; whether as presenting institution, paying institution or both.
- The Clearinghouse.

### 4. Exclusions

Any instrument which by their nature or under law requires presentation of the original instrument, or is otherwise excluded by SBP, shall be processed outside the truncation flow. Non-standardized Instruments and Instruments settled on intra-bank or bilateral basis shall be excluded from the scope of these Rules.

### 5. Roles and Responsibilities

#### 5.1 Presenting/Collecting Institution

The presenting/collecting institution shall be responsible for:

- Receiving the original instrument presented for clearing and assessing its genuineness and validity based on, among others, the following parameters:
  - Color copy/fake paper by using UV marker
  - Date of the Cheque (not stale or post-dated cheques)
  - Consistency between the amount in words and figures

- Presence of the required endorsement (signature)
- Whether signature appears to be printed or stamped
- Absence of material alteration (doubtful/ cutting, overwriting or alteration without signature)
- Whether the instrument is torn or mutilated
- Payee particulars, including name (Self, Cash, without name) and correctness of the crossing
- Capturing the electronic image of the instrument compliant with the IQA standards using only the approved scanners, together with the required clearing data set.
- Carefully validating the captured data including but not limited to amount, drawee routing and branch code, instrument number and account number.
- Marking the physical instrument as truncated in order to avoid duplicate presentation.
- Transmitting the Electronic Image and data to the Clearinghouse portal within the Presentment Session cut-off and monitor its fate on the portal.
- Verifying the genuineness and apparent good order of the physical instrument on physical inspection.
- Retaining the physical instrument securely from capture until its collection by the Clearinghouse on the periodic delivery cycle and hand it over to the Clearinghouse.
- Crediting the customer upon Finality of the transaction.
- Funding the settlement account to meet any net-debit position and reconcile presented, settled, returned and deferred items on daily basis.

## 5.2 Drawee/Paying Institution

The Drawee/Paying institution shall be responsible for:

- Retrieving the presented Electronic Image and data from the Clearinghouse portal within the applicable clearing window.
- Examining the instrument for any apparent alterations and verifying the instrument number against the institution's records to confirm that it was duly issued by the bank and has not already been paid.
- Verifying drawer's signature, account status, available balance, and any special instructions including stop or hold.
- Taking the Pay or No-Pay decision and record its fate on the Clearinghouse portal, by the Return Session cut-off. Where a final decision cannot be reached on the image, record DFP within cut-off session with a valid reason.
- Establishing an electronic mechanism accessible to its customers, such as through banks' mobile app and internet banking, through which a drawer may, prior to presentment, submit details of instruments such as instrument date, payee name, and amount where the amount of the instrument exceeds Rs. 500,000. Where the presented instrument does not match the details so submitted, the drawee institution may take appropriate action to determine the genuineness of instrument before deciding its Fate.
- The electronic mechanisms established under the preceding rule for submission and comparison of instrument details shall serve as operational fraud mitigation measures. Their operation shall not be construed as altering, limiting, or determining the rights, obligations, duties, or liabilities of any participant under the Negotiable Instruments Act, 1881, or any other applicable law.
- The paying institution shall make available the Electronic Image of the paid instrument in mobile apps of their respective customers.
- Maintaining sufficient funds in its settlement account in PRISM+ in a timely manner to meet any net-debit position
- Reconciling the presented, settled, returned and deferred items on daily basis.

### 5.3 The Clearinghouse

The Clearinghouse shall be responsible for:

- Operating the clearing system, validating the images received from presenting institution, performing duplicate detection, and making each item available to the relevant paying institution for decision making.
- Providing Bureau Service to presenting institution in contingency or lack of operational scanning capability; capturing images to the IQA standards; maintaining chain of custody over instruments received; and ensuring integrity of capture and transmission for bureau-scanned items.
- Maintaining record of each item's fate; computing the net position across all participants; generating the MNSB; and submitting it to PRISM+ as a Special Participant within the settlement window.
- Collecting the retained physical instruments, if so required, from presenting institution and delivering them to the respective paying institution by maintaining the chain of custody and a delivery audit trail.
- Maintaining the Clearing Calendar and cut-off times as per SBP instructions.
- Maintaining the master clearing record, timestamps and audit trail.
- Operating the automated notification system and agreed business-continuity procedures.
- Conducting the Vulnerability Assessment and Penetration Testing (VAPT) of the PECS system, data submission interfaces, and supporting infrastructure each year by an independent third party. Any critical or high severity vulnerability shall be remediated immediately with a summary of testing results and remediation status reported to SBP.
- Requiring certificate-based authentication, under the Public Key Infrastructure (PKI) established, for all access to the PECS portal and for all submission of data and images to the Clearinghouse, in addition to the role-based access controls.

### 6. Clearing Cycles

Clearing shall operate through Truncation Cycles for standard instruments, and Non-Truncation Cycles for non-standard instruments and for instruments requiring physical inspection that remain unresolved during a Truncation Cycle.

### 7. Deferrals, Returns and Return Integrity

#### 7.1 Defer for Physical (DFP)

If a Paying Institution is unable to reach a final decision based on electronic image and requires the original instrument to make a Pay or No-pay decision, it may mark the fate of instrument as DFP. It is not a general-purpose deferral and shall not be used to delay clearing.

##### 7.1.1 Permitted grounds for DFP

A paying institution may record DFP only where a final decision can not be taken solely on the basis of Electronic Image, due to following reasons:

- (a) the image quality is inadequate for reliable verification or a material feature is not legible;
- (b) material alteration is suspected and cannot be confirmed, or a part of the image required for deciding the fate is excluded;
- (c) signature verification cannot be completed reliably, or the drawer's signature is suspected to be forged or unauthorized; or
- (d) any other exception as defined by SBP from time to time.

## 7.2 No-Pay effect

A No-Pay decision shall carry a standardized return reason code from the catalogue of codes as decided between the Clearinghouse and participating members. The practice of delaying clearance of instruments by marking them as returned or invoking Defer for Physical, without proper cause, is prohibited and shall be treated as a serious compliance failure.

## 7.3 DFP and Returns integrity

Each participating institution shall maintain a branch-wise register of all instruments returned and all items marked DFP, recording the reason code, the timestamp, the relevant bank-official and the eventual resolution.

# 8. Settlement

## 8.1 Submission & Settlement

The Clearinghouse shall compute the net position of every participant from the recorded fates and shall submit one MNSB per cycle to PRISM+ as a Special Participant. Settlement of the MNSB constitutes as final and irrevocable settlement in accordance with the Payment Systems and Electronic Fund Transfers Act, 2007. A participant in a net-debit position shall hold sufficient balance in its settlement account to meet the settlement obligation.

## 8.2 Failure to settle

Where a participant in a net-debit position is unable to settle within the prescribed window, the failure-to-settle provisions of the PRISM+ Operating Rules shall apply, which may include recalculation, unwinding of the batch or re-submission, and any late-settlement penalty or charges. Participants shall remain liable for their clearing obligations notwithstanding any operational failure.

# 9. Data Security and Retention

## 9.1 Security of data transmission and systems

Instruments' images shall be captured, transmitted, processed, stored and retained in a secure system, to preserve the confidentiality, integrity, authenticity and availability of Electronic Images and clearing data, and to protect them against loss, unauthorized access and undetected alteration, from the time of capture through archival.

## 9.2 Retention

Electronic cheque images and associated clearing records form part of the electronic transaction record and shall be retained in accordance with Section 7 of the Payment Systems and Electronic Fund Transfers Act, 2007. Retention of original physical instruments shall continue to be governed by existing policies, practices and applicable legal and regulatory requirements.

# 10. Compensation and Recovery

## 10.1 Delayed credit and recovery

The Presenting Institution shall immediately credit the payee's account once fate of the instrument is updated on the PECS portal. Where the payee's account is not credited in a timely manner, the compensation policy of Electronic Fund Transfers (EFT) Regulations issued by SBP vide PSD Circular No. 3 of 2018 shall apply.

## 10.2 Direct customer loss

Where a customer suffers a direct loss and the customer was neither complicit in fraud nor grossly negligent, the responsible institution shall compensate the customer. The claim shall be acknowledged within two (2) business days of receipt and resolved within ten (10) calendar days of acknowledgment.

### **10.3 Forged or Counterfeit Instruments**

In case the drawer denies having authorized the payment and claims the cheque is fraudulent or materially altered, the paying institution shall request retrieval of the original Instrument and shall pursue recovery in accordance with law. Where the paying institution has reasonable grounds to conclude that a paid instrument was forged or counterfeit, it shall refer the matter to the presenting institution under the Genuineness Warranty together with the supporting evidence. The presenting institution shall take up the matter with its customer and shall provide its findings to the Paying bank as to whether the warranty has been breached. Where breach of the Genuineness Warranty is established, the presenting institution shall recover the amount from the beneficiary and reimburse the paying institution. The decision on such a referral shall be finalized within ten (10) days of the referral by the paying institution.

## **11. Business Continuity and Bureau Service**

### **11.1 Continuity**

Continuity of clearing shall be supported through appropriate contingency arrangements in the event of failure of a participant's scanning capability, connectivity or premises, or of the Clearinghouse's own systems.

Where a branch has no operational scanning capability or experiences an outage, the presenting institution may route physical instruments to the nearest Designated Branch or use the Bureau Service of the Clearinghouse. The Clearinghouse shall scan and capture the instruments, in accordance with IQA standards, into the clearing system, while ensuring the overall integrity of the instrument.

### **11.2 Participant contingency plans**

Each participant shall maintain a documented contingency plan for scanning, connectivity and portal access, including alternate capture sites and recourse to the Clearinghouse, and shall test it at least bi-annually.

### **11.3 Clearinghouse continuity**

The Clearinghouse shall operate business-continuity arrangements for the system and the delivery function. The Clearinghouse service shall maintain a recovery time objective of not more than two (2) hours and a recovery point objective of not more than fifteen (15) minutes for PECS-critical functions. The backup service shall operate on infrastructure independent from the location and technology stack from the primary systems of the Clearinghouse, and shall be tested at least bi-annually, with the results reported to SBP.

### **11.4 Unavailability of the Clearinghouse**

Where the services of the Clearinghouse are not available, the Clearinghouse shall establish a mechanism for communication of the clearing obligations to the participating institutions and submission of MNSB to SBP via alternative modes.

Participating institutions shall also devise internal mechanisms to settle their clearing obligations through their respective branches, treasuries or head offices using PRISM+.

## **12. Notification, Reporting and Oversight**

### **12.1 Notification and Response**

The Clearinghouse shall operate an automated notification system to alert paying and presenting institutions to clearing events, including presentment, availability for decisioning, fate updates, DFP status and settlement. Participating Institutions shall act promptly on notifications; debit or credit customer accounts accordingly upon clearance and notify customers through communication channels like SMS, email, in-app notifications or similar channels.

## **12.2 Reporting**

The Clearinghouse shall maintain the master clearing record, timestamps and audit trails and shall make them available to the participants for reconciliation and dispute resolution. Each participant shall reconcile its presented, settled, returned and deferred items against the master clearing record of the Clearinghouse and against its settlement account on daily basis. SBP may inspect, call for records/MIS, and take supervisory or enforcement action in accordance with applicable laws and regulations in respect of non-compliance.

## **12.3 Internal Controls and Audit**

Each participant shall establish internal controls to ensure compliance with these Rules and shall subject the truncation process to periodic internal audit to ensure compliance with the overall PECS integrity.

## **13. Customer Awareness and Disclosure**

Participating institutions shall create public awareness, through print, electronic and social media, regarding proper presentment of cheques and the safeguards that reduce fraud and forgery risk under truncation, including the significance of correct crossing and legibility. Participants shall prominently display the customer presentment cut-off time for each clearing cycle at all branches and on their websites. They shall further inform customers of their rights in respect of instruments cleared under PECS, including the right to a certified copy of a paid instrument, the applicable timelines for disputing a wrongly charged or wrongly cleared instrument and the complaint escalation route available to them.

## **14. Dispute Resolution**

A customer with an unresolved complaint concerning an instrument cleared under PECS, including wrongful debit, non-credit, or a dispute as to a compensation claim, may escalate the matter through the Grievance Redressal Process of the relevant participating institution.

**Annexure A — Acronyms**

| Acronym    | Expansion                                               |
|------------|---------------------------------------------------------|
| BCP        | Business Continuity Plan                                |
| CBC        | Call Back Confirmation                                  |
| CH         | Clearinghouse                                           |
| CPU        | Central Processing Unit                                 |
| DFP        | Defer for Physical                                      |
| DI&SD      | Digital Innovation & Settlements Department             |
| EFT        | Electronic Fund Transfer                                |
| FI         | Financial Institution                                   |
| IBCS       | Image Based Clearing System                             |
| IQA        | Image Quality Assurance                                 |
| MFA        | Multi-Factor Authentication                             |
| MFB        | Microfinance Bank                                       |
| MIS        | Management Information System                           |
| MNSB       | Multilateral Net Settlement Batch                       |
| PECS       | Pakistan Express Clearing System                        |
| PKI        | Public Key Infrastructure                               |
| PKR        | Pak Rupee                                               |
| PRISM+     | Pakistan Real-time Interbank Settlement Mechanism Plus  |
| PS&EFT Act | Payment Systems and Electronic Fund Transfers Act, 2007 |
| PSD        | Payment Systems Department                              |
| RPO        | Recovery Point Objective                                |
| RTGS       | Real Time Gross Settlement                              |
| RTO        | Recovery Time Objective                                 |
| SBP        | State Bank of Pakistan                                  |
| VAPT       | Vulnerability Assessment and Penetration Testing        |