

CONSULTATION PAPER

P011 - 2022

2 November 2022

Roadmap to Terminate the SGD Cheque Truncation System – Eliminating Corporate Cheques by 2025

MAS

Monetary Authority of Singapore

Contents

1	Preface.....	3
2	Introduction.....	5
3	Observations from User Surveys and Studies	11
4	Proposed Initiatives.....	16

1 Preface

1.1 The Monetary Authority of Singapore (“MAS”) sets out in this consultation paper proposed initiatives to:

- (i) eliminate centrally cleared cheques used by corporates (“corporate cheques”) by 2025; and
- (ii) assist and encourage remaining users of centrally cleared cheques (including individuals) that are able to switch to alternative payment methods to do so.

These initiatives form part of a roadmap to terminate the SGD Cheque Truncation System (“CTS”) in the medium term.

1.2 The proposals set out in this consultation paper are made in collaboration with the cheques sunseting workstream of the Payments Council¹ (“Workstream”). Please refer to **Annex B** for the list of members in the Workstream.

1.3 MAS invites financial institutions (“FIs”), members of industry associations, government agencies and members of the public to submit feedback on the proposed initiatives.

Please note that all submissions received may be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:

- (i) their whole submission or part of it (but not their identity), or**
- (ii) their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.4 Please submit written comments through the link below by 13 December 2022:

<https://form.gov.sg/635a3932cf043700126bc616>

¹ The Payments Council was established by MAS in 2017 as an industry coordination body that fosters innovation and collaboration in the payments industry, with the mission to make e-payments simple, seamless, and secure for all Singaporeans. The Payments Council comprises leaders from banks, payment service providers, businesses, and trade associations.

1.5 Should you encounter any technical difficulties in your submission, you may submit your comments using the feedback template at **Annex C** to paymentsdev@mas.gov.sg.

1.6 Please note that as this is a collaborative effort among MAS, the Payments Council and the Association of Banks in Singapore (“ABS”), any feedback collated may be reviewed by any Payments Council member and its organisation, and any member of the ABS.

2 Introduction

2.1 Cheques are a paper-based payment instrument used to make recurring and ad hoc payments, such as the payment of bills and the purchase of goods and services. Cheques can come in different forms and may also include (but are not limited to) bearer cheques and cashier's orders. In Singapore, FIs clear SGD- and USD-denominated cheques through a cheque truncation system – the CTS – which is operated by the Banking Computer Services Pte Ltd ("BCS"). FIs that participate in the CTS are billed for the clearing and associated services provided by BCS.² FIs also bear their own costs to process cheques. FIs which offer cheques for free for individual or corporate use currently fully subsidise the related cheque clearing and processing costs for their customers.

Transitioning Away from Cheques

2.2 Singapore aims to be a Smart Nation – one that embraces innovation and harnesses technology to increase the productivity of our businesses and enhance the welfare of our citizens. As part of this Smart Nation vision, MAS is facilitating Singapore's transition into an innovative e-payments society where everyone has easy access to swift, simple, and secure payments. In August 2016, MAS articulated strategies to promote e-payments in Singapore in the "Singapore Payments Roadmap"³ report co-authored with KPMG. The report highlighted that the reliance on cash and cheques by corporates and individuals led to sub-optimal business processes and contributed to the relatively high cost of payments⁴ to the economy. **As such, the report recommended that eliminating the use of cheques could accelerate Singapore's transition to more efficient and secure e-payment methods and provide gains to the economy.** Singapore's aim to be cheque-free was set out in a keynote speech⁵ by then-Minister for Education and then-MAS Board Member Mr Ong Ye Kung on 20 June 2018. Instead of cheques, consumers would use e-payment solutions that are cheaper, more efficient, and safer to make payment transactions. To achieve this, MAS has worked closely with the financial industry and other government agencies to drive the adoption of e-payments in Singapore and help corporates and individuals move away from the use of cheques.

² Banks participating in the CTS are currently charged S\$0.40 per cheque transacted based on 2021 transaction volume.

³ The "Singapore Payments Roadmap" may be accessed at:

<http://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Press%20Releases/Singapore%20Payments%20Roadmap%20Report%20%20August%202016.PDF>.

⁴ The cost of processing cash and cheques was estimated to be 0.52% of Singapore's gross domestic product.

⁵ "E-Payments for Everyone" – Keynote Speech by Mr Ong Ye Kung, Minister for Education and MAS' Board Member, at the 45th Annual Dinner of The Association of Banks in Singapore on 20 June 2018: <https://www.mas.gov.sg/news/speeches/2018/epayments-for-everyone>.

2.3 Correspondingly, the cheque transaction volume in Singapore has steadily declined in recent years – with the volume per annum having fallen almost two-thirds from 61 million in 2016 to less than 24 million in 2021. The share of cheque transaction volume as a proportion of payments using Fast and Secure Transfers (“FAST”), Inter-bank GIRO (“GIRO”) and cheques, has also fallen sharply from 32% in 2016 to only 7% in 2021. This demonstrates that corporates and individuals have been actively switching away from cheques to other alternative payment methods to make or receive payments. **Box 1** sets out a list of alternative payment methods, including e-payment solutions, that are available to corporates and individuals.

Box 1: Other Payment Methods Available Today

Alternative payment methods that corporates and individuals can use in place of cheques include e-payment solutions that MAS had worked with the industry to develop. Cash and other instruments are also available for corporates and individuals that prefer not to use e-payments.

Existing Payment Method	Details
E-Payments	
GIRO	GIRO is a retail payment system that enables customers of participating banks to make inter-bank SGD fund transfers in Singapore through direct debits ⁶ and credit transfers ⁷ . While the transaction limits for fund transfers via GIRO are high and can meet the needs of most use cases, the fund transfers are not instant and will require up to three working days to be made available in the receiving account.
FAST	FAST is a retail payment system that enables customers of the participating banks and non-bank FIs (“NFIs”) to transfer SGD funds from one bank or NFI to another in Singapore instantly. FAST is available 24/7 and has a per transaction limit of S\$200,000.
PayNow ⁸	PayNow is a proxy addressing service which enables corporates and individuals to link a proxy to a bank account, or Virtual Proxy Address to an e-wallet. The proxies available for

⁶ A direct debit is an arrangement made by bank customers with a billing organisation to debit a designated bank account to pay regular bills such as utilities and insurance premiums.

⁷ In credit transfers, payers instruct their banks to debit their accounts and transfer the funds to the payees.

⁸ More information on PayNow can be found at: <https://www.abs.org.sg/consumer-banking/pay-now>.

	individuals are mobile number and national identity document number (NRIC number or FIN), and the proxy available for corporates is their Unique Entity Number. After a payer successfully looks up a payee's account details on PayNow by entering a proxy, the payment will be sent through FAST or GIRO to complete the transaction.
MAS E-Payments System ("MEPS+")	MEPS+ is the real-time gross settlement system used to settle high value, time critical, inter-bank SGD payments and inter-bank obligations arising from financial market transactions in Singapore.
Telegraphic Transfers	Telegraphic transfers are primarily utilised for international wire transfers for non-SGD transactions via the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") network. Payments can be made with a wide range of currencies and take one to five business days, depending on factors such as the financial institution, the currency transacted, or the location of the counterparty. Payers will require the payee's name, account number, bank name and SWIFT bank identifier code to make payment.
E-wallets	E-wallets are payment accounts that contain e-money. E-money refers to the electronically stored monetary value in an e-wallet. E-wallets allow their users to store and use e-money to pay for goods and services. E-wallets may include physical prepaid cards and app-based mobile wallets.
Other payment methods for payments to merchants	Other payment methods that are used for payments to merchants include debit and credit cards and the NETS Electronic Funds Transfer at Point-of-Sale ("EFTPOS"). The Singapore Quick Response Code Scheme ("SGQR") ⁹ , introduced by IMDA and MAS in September 2018, allows merchants to accept payment by way of multiple payment schemes using a single SGQR label.
Cash and other instruments	
Cash	Cash will continue to be widely accepted in Singapore. ¹⁰

⁹ More information on SGQR can be found at: <https://www.mas.gov.sg/development/e-payments/sgqr>.

¹⁰ Reply by Mr Ong Ye Kung, Minister for Transport, on behalf of Mr Tharman Shanmugaratnam, Senior Minister and Minister In Charge of MAS, at Committee of Supply 2021 - Amendment M0120, M0150, U0024, P0159, U0296, U0259, U0592: <https://www.mas.gov.sg/news/parliamentary-replies/2021/reply-to-cos-cuts-at-cos-2021>.

Cashier's Orders	A cashier's order, also known as banker's cheque, is a cheque issued by a bank. When purchased from the bank, money is instantaneously withdrawn from the payer's account and transferred into the bank's own account until the payee deposits the cashier's order. The bank safeguards the funds and ensures that the cheque does not bounce.
GovCash	GovCash is a payment mode that allows Singapore citizens to receive their payouts from Government agencies in cash from over 500 OCBC Bank ATMs located across Singapore, using a unique Payment Reference Number sent via SMS or post. Citizens do not need to have an account with OCBC Bank to use this service.

Rising Costs of Central Cheque Clearing

2.4 **It has become increasingly challenging for the financial industry to sustain CTS operations on a commercial basis as cheque usage continues to decline.** A continued decline in cheque transaction volume will significantly increase the CTS' operating costs per cheque transacted as the costs involved in operating the CTS are highly fixed. Should the cheque transaction volume decline 30% year-on-year starting from 2021, the cheque clearing costs per cheque is projected to minimally quintuple to a price ranging between S\$2 and S\$6 by 2025. Cheque clearing cost per cheque could rise even more sharply if corporate and individual users fully switch from cheques to alternative payment methods for all small-value transactions, and only use cheques for large-value transactions¹¹. In these scenarios, it is likely that cheque usage will become significantly more expensive for corporate and individual users as FIs will no longer be able to subsidise these cheque clearing costs for their customers. MAS observes that this has been the case in other countries where cheque usage within their jurisdictions had been significantly reduced, such as Netherlands and Norway, where cheque usage was priced at €37.50 (approximately S\$50) and 43.25 NOK (approximately S\$6) respectively in 2017.¹² It should be noted that FIs also incur other operating costs to process cheques, in addition to these cheque clearing costs. These other operating costs will similarly be difficult for FIs to sustain as the cheque transaction volume falls significantly.

¹¹ For example, if the annual cheque transaction volume falls to 114,000 (the number of cheques for amounts larger than S\$500,000 in 2020), the cheque clearing cost per cheque could rise to S\$80.

¹² Based on the foreign exchange rates in October 2022.

Eliminating Corporate Cheques by 2025

2.5 As corporates and individuals continue to switch from cheques to other preferred e-payment solutions in the coming years, clearing costs per cheque will likely increase to an amount higher than what FIs or their customers will be willing to pay. In such a situation, the value of maintaining CTS operations on a continuing basis will be diminished, as FIs will have to incur ongoing systems costs just to clear a small number of cheques. This is especially so with the wide availability of cheaper and more convenient alternative payment methods.

2.6 **MAS has therefore worked closely with the financial industry to develop a roadmap to terminate the CTS in the medium term, via a two-pronged approach: (i) taking concerted measures to eliminate corporate cheques¹³, which make up a substantial portion of the cheque transaction volume in Singapore, by 2025; and (ii) assisting and encouraging the remaining users of centrally cleared cheques (including individuals) to switch to alternative payment methods where possible.** This approach aims to significantly drive down the residual use of centrally cleared cheques such that the CTS can eventually be terminated.

2.7 Section 3 of this consultation paper highlights key observations on cheque usage by corporates, individuals, and government agencies. Section 4 elaborates on MAS' proposed initiatives, taking into account the aforementioned observations on cheque usage. The proposed initiatives are also aligned with the approaches taken by other countries that have eliminated or significantly reduced cheque usage within their jurisdictions. **Box 2** sets out examples of such countries and summarises their respective adopted approaches.

2.8 **MAS intends to assess the feedback received on the proposed initiatives before setting out timelines and further proposals in a future public consultation on the termination of the CTS.**

Box 2: How Other Countries Have Successfully Eliminated Cheque Usage

Some countries have taken steps to eliminate the use of cheques amidst falling usage. These countries' approaches towards eliminating cheques provide useful reference points for Singapore to consider in its roadmap to terminate the CTS. A study on the experiences of Netherlands, Denmark, and Norway in eliminating the use of cheques

¹³ The elimination of corporate cheques will apply to all entities with local corporate bank accounts. It will not be applicable for micro, small and medium enterprises which do not have corporate bank accounts, are exempted from the Business Names Registration Act 2014 and have not registered with the Accounting and Corporate Regulatory Authority.

highlighted the importance of: (i) the role of the public sector in leading the efforts; (ii) making alternative payment options available to consumers; and (iii) a concerted and coordinated push by industry to phase out cheque usage, including reflecting the higher processing costs per cheque in the charges paid by users of cheques.

Jurisdiction	Approach
Netherlands	<ul style="list-style-type: none"> • In 2002, major Dutch banks, supported by the Finance Ministry, collectively agreed to impose charges for cheque usage. For example, one bank had over the years increased charges to deposit a cheque from €12.50 in 2009 to €37.50 in 2017. • In 2003, the central clearing and settlement house stopped accepting cheques for clearing and reverted to bilateral clearing. • In 2005, a joint foundation by banks and retailers was established to actively promote card payments on a national and regional level. • By 2021, all Dutch banks had stopped accepting all forms of cheques and the central cheque clearing facility in the Netherlands was terminated.
Denmark	<ul style="list-style-type: none"> • In 2005, legislation was passed to require all public sector agencies to be able to send and receive e-invoices, and require all citizens and businesses to hold a bank account for the receipt of e-payments from the public sector. • E-payment alternatives, including cards, mobile payment apps and the real-time payment system, were promoted on a national-level in a coordinated manner. • In 2017, all banks in Denmark jointly decided to stop accepting inter-bank cheques. House cheques, while available today, are not being used to a substantial degree. • Today, the central cheque clearing facility in Denmark is still able to support cheque transactions but is not being used to do so. The facility is expected to be fully decommissioned in 2026.
Norway	<ul style="list-style-type: none"> • In the 1970s, a study by the central bank criticised the provision of payment services for free, and suggested for payment instruments to be priced, especially for costly ones (e.g. cheques). • Bank charges per cheque transaction had risen from 4.31 NOK in 1990, to 15.06 NOK by 2000, and 43.25 NOK in 2017. As the fees for cheques continually increased over time, and e-payment alternatives such as payment cards (e.g.

	<p>EFTPOS) and GIRO became more commonplace and relatively cheaper, cheques in Norway fell out of mainstream use.</p> <ul style="list-style-type: none"> • Today, cheques are still cleared centrally but cheque usage is low.
--	---

3 Observations from User Surveys and Studies

Payments To and From Corporates

3.1 In July 2021, MAS convened a Workstream under the ambit of the Payments Council to coordinate the financial industry’s efforts to sunset cheques in Singapore. As a first step, the Workstream conducted a fact-finding exercise between October 2021 to March 2022, comprising surveys and focus group discussions with corporates from high cheque usage industries¹⁴. The fact-finding exercise provided insights into existing cash and cheque usage in these industries, as well as the challenges faced by these industries in switching to alternative e-payment solutions.

3.2 Based on the fact-finding exercise, it was observed that corporates in high cheque usage industries were already working towards the greater adoption of e-payments (e.g. GIRO, FAST and PayNow) when making or receiving payments¹⁵. However, some corporates still use cheques due to their perceived ease of use and low cost, or where cheques are preferred by their counterparties. Other corporates also use post-dated cheques as a promissory note to represent an intent to pay.

3.3 Participants in the fact-finding exercise highlighted several considerations that should be addressed by the proposed initiatives. These considerations can be summarised into the following key areas:

- (i) *Clear and timely communication* – Participants emphasised that **clear messaging of the direction towards eliminating centrally cleared cheques** will be needed to change existing customer preferences and encourage

¹⁴ The Workstream’s surveys and focus group discussions with industry members from high cheque usage industries covered the small and medium enterprises, construction, real estate, legal and insurance industries. The exercise was facilitated by these industries’ respective industry associations, namely the Association of Small & Medium Enterprises (ASME), the Singapore Contractors Association Limited (SCAL), the Real Estate Developers’ Association of Singapore (REDAS), the Law Society, the General Insurance Association of Singapore (GIA) and the Life Insurance Association (LIA).

¹⁵ In terms of inbound and outbound cheque volume, of the 82% of respondents that still issued cheques, 60% of them issued less than 30 cheques a month. Of the 89% respondents that still received cheques, 68% received less than 30 a month. Approximately 30% of respondents issued or received cheques with a value of more than S\$200,000, but these cheques only accounted for less than 5% of the total cheques transacted for most respondents.

corporates to move away from legacy practices that stipulated the use of cheques. There should be **early notice of any measure taken** to eliminate centrally cleared cheques such that corporate users have sufficient time to adapt. The financial industry should promote **greater awareness of e-payment solutions** among corporate users and increase user confidence in using these alternative payment methods in place of cheques.

- (ii) *Holistic change management* – Participants did not highlight any existing regulation that prevented corporates from switching from cheques to e-payment solutions. However, certain industry rules and practices that stipulated the use of cheques, such as those related to property conveyancing, were identified.¹⁶ Participants suggested that **existing industry rules and practices should be reviewed** to ensure that e-payment solutions can be used in place of cheques. Existing regulations should also be reviewed to support the greater use of e-payments by corporates.

Participants suggested that appropriate incentives and disincentives should be considered to encourage behavioural change. Participants were of the view that **greater price differentiation between cheques and e-payment solutions**, such as through the reflection of higher cheque clearing costs in the charges paid by the payers or payees of cheques, would deter cheque usage and promote the use of e-payments.

- (iii) *Introduction of new e-payment solutions* – Participants highlighted that post-dated cheques are occasionally used as a form of promissory note in some transactions (e.g. as a refundable deposit). **A new e-payment solution that can address such use cases should be developed.**
- (iv) *Transitional arrangements* – Participants opined that some corporates and individuals may still prefer **some flexibility to use paper-based instruments such as cashier's orders or cash** for certain use cases even after centrally cleared cheques are eliminated.

3.4 MAS and the Workstream understand that the relevant authorities are working on the necessary amendments to the industry rules and practices, including those relating to property conveyancing, to allow the use of e-payments. Aside from these amendments, MAS and the Workstream did not find any other legislative provision that needed to be amended to enable e-payment solutions to be used for payments to and from corporates.

¹⁶ Participants had also highlighted rules within the Legal Profession (Solicitors' Accounts) Rules; these rules have since been amended to allow the use of e-payments for the payment of monies out of client accounts.

Question 1. MAS seeks comments on whether there is any remaining rule, regulation or industry practice that prevents the use of e-payments for payments to and from corporates.

Payments Between Individuals

3.5 In addition to the study conducted for the “Singapore Payments Roadmap”, MAS commissioned a study in 2021 on the impact of MAS’ “E-Payments Awareness Campaign”¹⁷ on the public’s awareness and adoption of e-payments. Both studies provided MAS with insights into cheque usage for payments between individuals. Cheques were found to be the least used payment method¹⁸ – less than two in ten respondents to the 2021 study had used cheques at least once in the last quarter. Cheques were also least perceived to be simple to use, safe and widely accepted. While an individual’s choice of payment instrument varied according to circumstance, cheque usage by individuals was already significantly lower compared to e-payments and cash across most situations. Cheques were largely only preferred by seniors who were comfortable with using cheques to make higher-value payments, or where the payer did not have the bank account details of the payee.

Payments To and From Government Agencies

3.6 The Government has been making steady progress in its use of e-payments as part of Singapore’s Smart Nation journey. The Government has set specific key performance indicators in the Digital Government Blueprint to drive adoption of e-payments across government agencies. These efforts have been successful. Cash and cheque usage for all government payment transactions have decreased from 5.4%¹⁹ in 2018 to less than 1.3%²⁰ in 2021. More specifically, cheque usage²¹ for government payment transactions has also fallen in recent years from 1.4%²² in 2020 to 0.9%²³ in 2021.

¹⁷ The E-Payments Awareness Campaign was conducted from March to November 2021. The objective of the campaign was to increase the adoption of e-payments and raise the awareness of simple cyber hygiene measures that the public can take to make e-payments safely.

¹⁸ The payment methods covered in the 2021 study were cash, cheques, and e-payments such as NETS, EZ-Link cards, credit and debit cards, PayNow, mobile banking, e-wallets, and mobile payments.

¹⁹ Approximately 3 million cash and cheques transactions in 2018.

²⁰ Approximately 1.4 million cash and cheques transactions in 2021.

²¹ Cheque usage for government services was only tracked separately from cash from 2020.

²² Approximately 1.1 million cheques.

²³ Approximately 0.98 million cheques.

3.7 Nevertheless, cheques continue to be used for certain payment transactions to and from government. In 2021, for transactions with corporates, inbound cheques (i.e. cheques issued to government agencies) included those for corporate income tax payments, while outbound cheques (i.e. cheques issued by government agencies) were generally for payments to suppliers. For transactions with individuals, most inbound cheques were for transactions with the Central Provident Fund (“CPF”) and the Inland Revenue Authority of Singapore, such as CPF contributions and income tax payments. Most outbound cheques were for government disbursements, such as GST Vouchers and Workfare Income Supplement.

3.8 Government agencies intend to further reduce outbound cheque usage by moving to e-payment solutions. For instance, GST Vouchers are no longer disbursed via cheques. Instead, e-payment modes are used in conjunction with non-electronic payment options such as GovCash. Agencies will also continue efforts to further integrate e-payment solutions such as GIRO and PayNow, as well as relatively newer solutions such as eGIRO²⁴ or GovCash, for transactions with the Government.

3.9 The Government is supportive of the proposal to eliminate corporate cheques by 2025. Government agencies will undertake the necessary changes to manifest this. As an example, while cheques are typically used during the government tender process today (even though cheques are not required for tender deposits), sufficient support may be needed to guide tenderers to use alternative payment methods such as e-payments. There will also be a need for greater public awareness of the concerted move to eliminate corporate cheques by 2025 and the roadmap to eventually terminate the CTS. The Government welcomes feedback on this consultation paper and will work with businesses to make the proposed transition.

Question 2. MAS seeks comments on whether there is any existing practice or requirement that prevents the use of non-cheque payment methods for payments to and from government agencies. MAS also seeks comments on whether there is any new payment solution that is required to facilitate payments to and from government agencies.

Question 3. MAS seeks feedback from corporates and individuals on whether there may be any difficulty faced in switching from cheques to e-payments or other non-cheque payment methods for payments to and from government agencies.

²⁴ eGIRO enables customers of participating banks to set-up recurring payment instructions with billing organisations instantly through their websites, without the need for paper-based Direct Debit Authorisation forms or wet signatures.

Alternative Payment Methods to Centrally Cleared Cheques

3.10 Based on these observations, MAS assesses that most of the payment needs of cheque users can already be addressed by existing payment methods available to the public today. Singapore is therefore in a good position to eliminate corporate cheques by 2025. However, there is scope for the financial industry to develop a new **Electronic Deferred Payment (“EDP”) solution**, to provide an e-payment alternative to the use of post-dated cheques as a promissory note.²⁵ The EDP solution is elaborated on in Section 4 of this consultation paper.

3.11 The list of suggested alternative payment methods for common use cases for cheques is set out at **Table 1**.

S/N	Use Case	Suggested Alternative Payment Methods	
		Small-Value Payments	Large-Value Payments
1	Recurring or ad hoc payments ²⁶ , where: <ul style="list-style-type: none"> (i) the payee’s account details can be obtained; (ii) the payee has registered with PayNow; or (iii) the payment is made at the payee’s point-of-sale 	<ul style="list-style-type: none"> • GIRO • FAST • PayNow • Any other payment method including debit and credit cards, e-wallet transfers, or NETS EFTPOS • Cash 	<ul style="list-style-type: none"> • GIRO • MEPS+ • Cashier’s orders • Proposed EDP solution (once available)
2	Recurring or ad hoc payments, where: <ul style="list-style-type: none"> (i) the payee’s account details cannot be obtained; and 	<ul style="list-style-type: none"> • Cashier’s orders • Cash 	

²⁵ The proposed EDP solution is also envisioned to allow users to issue cashier’s orders.

²⁶ For property conveyancing, FAST and PayNow can be used for small-value transactions, while MEPS+ can be used for large-value transactions.

	(ii) the payee has not registered with PayNow	
3	USD-denominated cheques	<ul style="list-style-type: none"> • Telegraphic transfers
4	Post-dated payments	<ul style="list-style-type: none"> • Proposed EDP solution (once available)

Table 1: Common Use Cases and Suggested Alternative Payment Methods

3.12 FIs may continue to provide cashier’s orders for use even after the elimination of corporate cheques by 2025, to provide corporates with the flexibility to use paper-based instruments for certain use cases. However, FIs may stop allowing bearer cheques to be issued, as the financial industry has observed that the use of bearer cheques is very limited.

Question 4. MAS seeks comments on whether there are specific forms of cheque usage (including bearer cheques) that cannot be addressed by the suggested alternative payment methods.

4 Proposed Initiatives

4.1 MAS assesses that there are several initiatives that will be essential to eliminate corporate cheques, and to assist and encourage remaining users of centrally cleared cheques in switching to alternative payment methods. **These initiatives relate to: (i) public communications; (ii) change management; and (iii) new payment solutions to be built.** MAS views that the proposed initiatives should be prioritised by the financial industry²⁷ to ensure that corporates and individuals have sufficient time, support, and access to the appropriate alternative payment methods to switch away from centrally cleared cheques such that the CTS can eventually be terminated.

4.2 The three key groups of proposed initiatives are listed at **Table 3**.

²⁷ The implementation of the proposed initiatives will be coordinated by the Sunsetting Cheques Workgroup convened by ABS (“ABS SCWG”). The ABS SCWG was convened to consider and drive the implementation of the recommendations made by MAS and the Workstream.

S/N	Initiative
<i>Public Communications</i>	
1	Early commencement of industry-led publicity on the elimination of corporate cheques by 2025
2	Step up education to assist and encourage cheque users in switching to e-payments and other alternative payment methods
<i>Change Management</i>	
1	Cease issuance of new cheque books to corporates
2	Reflect higher processing costs per cheque in the charges paid by payers and payees of cheques
3	Provide appropriate incentives to switch to e-payments
4	Use masked names instead of nicknames for PayNow lookups
<i>Build New Payment Solutions</i>	
1	Build EDP solution for use in place of post-dated cheques and cashier's orders

Table 3: Three Key Groups of Proposed Initiatives

4.3 MAS recognises that certain groups of individuals that currently use centrally cleared cheques may be unable, or find it difficult, to switch to alternative payment methods. **The CTS is therefore likely to be kept operational for a period beyond 2025 to cater to the needs of these remaining individual users of centrally cleared cheques, even after eliminating corporate cheques by 2025.**

4.4 The proposed initiatives are elaborated on below. Thereafter, **Box 3** provides greater clarity on MAS' policy intent regarding individual users of centrally cleared cheques and how the proposed initiatives relate to them.

Initiatives on Public Communications

4.5 **Early commencement of industry-led publicity on the elimination of corporate cheques by 2025.** MAS proposes that the financial industry commences publicity efforts to raise the public's awareness of the nation-wide plan to eliminate corporate cheques by 2025. The publicity efforts should explain the various proposed initiatives that will be undertaken to achieve this move and the intent to eventually terminate the CTS in the medium term. The financial industry's publicity efforts will be supported by ABS and MAS.

4.6 **Step up education to assist and encourage cheque users in switching to e-payments and other alternative payment methods.** MAS proposes that the financial industry steps up efforts to educate corporates, in particular smaller businesses, and individuals on how to use e-payment solutions in place of cheques for various use cases. The financial industry will dedicate resources and provide the necessary support to help these businesses and individuals review their existing practices and processes that involve the use of cheques, and switch to suitable alternative payment methods.

Initiatives on Change Management

4.7 **Cease issuance of new cheque books to corporates.** Many FIs currently still issue cheque books to their corporate and retail customers for business and personal transactions. However, some FIs have already stopped issuing cheque books to certain customer segments. MAS proposes that FIs collectively cease the issuance of new cheque books to all corporates by end-2024 with the objective of eliminating corporate cheques by end-2025. FIs may continue issuing new cheque books to individuals beyond 2024.

4.8 **Reflect higher processing costs per cheque in the charges paid by payers and payees of cheques.** As cheque usage falls and clearing costs per cheque rise significantly, FIs will no longer be able to fully subsidise cheque clearing costs for their customers and provide cheques to their customers for free. MAS proposes that the higher processing costs per cheque incurred by FIs (including cheque clearing costs) be reflected in the charges paid by the payers and payees of both corporate and retail cheques (i.e. centrally cleared cheques used by individuals). This will serve to disincentivise the continued use of cheques where cheaper and more convenient alternative payment methods are available.

4.9 **Provide appropriate incentives to switch to e-payments.** In contrast with the highly fixed operating costs of the CTS, the costs of operating more efficient and scalable e-payment systems such as FAST and GIRO are expected to fall on a per transaction basis as e-payment adoption grows. MAS proposes that FIs pass on these cost savings to their customers via appropriate incentives to better reflect the lower costs of using e-payments. This will further encourage their customers to switch from cheques to cheaper e-payment solutions.

4.10 **Use masked names instead of nicknames for PayNow lookups.** Fund transfers via PayNow offer a convenient e-payment alternative in place of cheques. When making a payment to an individual via PayNow, a payer performs a lookup of a payee's account details using that payee's proxy (e.g. mobile number). If the lookup is successful, that payee's nickname will be shown to the payer so that the payer can ascertain that the right payee has been indicated. However, as payees are free to choose their own nicknames when registering with PayNow, it may be difficult for a payer to verify whether the right payee has indeed been selected. MAS proposes that the financial industry replace the use

of nicknames with masked names²⁸ for PayNow lookups, so that masked names are shown to payers instead. This will reduce the risk of erroneous payments and engender greater confidence in the use of PayNow in place of cheques.

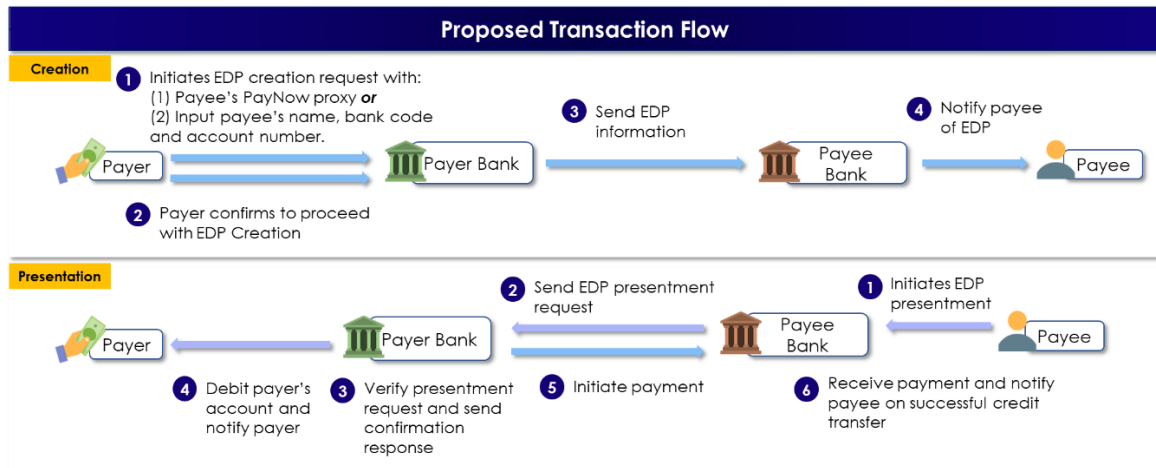
Initiative to Build New Payment Solutions

4.11 **Build EDP solution for use in place of post-dated cheques and cashier's orders.**

MAS proposes for the financial industry to build an EDP solution. This EDP solution will provide an e-payment solution which a payer can use to: (i) make a deferred payment ("Payment EDP"); or (ii) issue a cashier's order ("Cashiers' Order EDP"), without the need for cheques. The proposed EDP solution will leverage existing payment rails, such as FAST, GIRO and MEPS+, to effect payments. The proposed EDP solution will also make use of PayNow to allow payers to identify payees conveniently when making payments via the EDP solution.

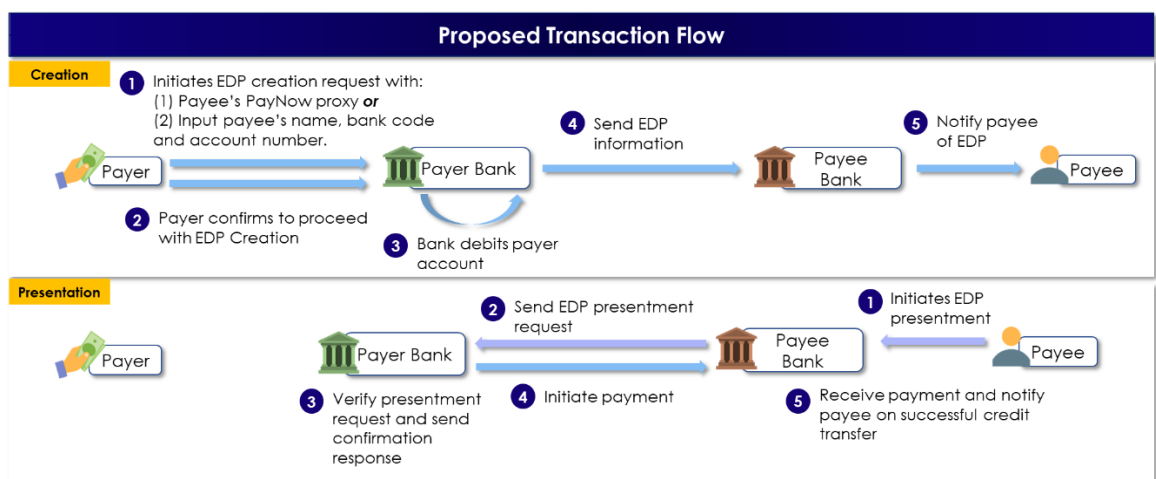
4.12 When making a Payment EDP, a payer will initiate an "EDP Creation Request" with their bank by indicating either: (i) the payee's name, bank code and account number; or (ii) the payee's PayNow proxy, which allows the EDP solution to perform a lookup of that payee's account details. The payer will also indicate a date on or after the date on which the EDP Creation Request is initiated ("deferred date"). The deferred date is the date on which the payee can receive payment via the Payment EDP. Once the payer verifies that the information indicated is accurate and confirms the EDP Creation Request, the payer's bank will send the EDP information to the payee's bank. The payee's bank will then notify the payee that a Payment EDP has been made. To receive payment, the payee will initiate an "EDP Presentment Request" with their bank on or after the deferred date, which will be sent by the payee's bank to the payer's bank. After the payer's bank has verified the EDP Presentment Request, the payer's bank will send a confirmation response back to the payee's bank, debit the payer's account and notify the payer. The payer's bank then initiates payment to the payee's bank, which will credit the funds to the payee's bank account and notify the payee once the credit transfer is successful. The Payment EDP can be cancelled by either the payer or the payee at any time after the initiation of the EDP Creation Request and before the initiation of the EDP Presentment Request. The proposed transaction flow for a Payment EDP is illustrated at **Picture 1**.

²⁸ Masked names are names with certain characters replaced with symbols, which allow individuals to be recognised without revealing the individuals' full names.



Picture 1: Proposed Transaction Flow for Payment EDP

4.13 The proposed transaction flow for Cashier's Order EDP is largely similar to that for a Payment EDP. The main difference between the two transaction flows is that the payer's bank immediately debits a payer's bank account when that payer initiates an "EDP Creation Request" for a Cashier's Order EDP. This is akin to how a payer's bank currently debits a payer's bank account immediately when that payer purchases a cashier's order. The proposed transaction flow for a Cashier's Order EDP is illustrated at **Picture 2**.



Picture 2: Proposed Transaction Flow for Cashier's Order EDP

4.14 MAS will consider feedback from the public on whether any legislative amendment is necessary to provide to the payee of an unsuccessful Payment EDP a statutory right of recourse against the payor, where the failure of the Payment EDP is due to insufficient funds in the payer's account. In the absence of such a statutory right of

recourse²⁹, the payee may still pursue any other rights or causes of action that it has against the payer, to obtain payment from the payer.

Question 5. MAS seeks comments on whether the proposed EDP solution can eliminate the need for post-dated cheques used as a form of promissory notes; and if not, whether there are other features that the proposed EDP solution will require to eliminate the need for post-dated cheques. MAS also seeks comments on specific features of the EDP solution, as feedback from the public would be useful to guide the financial industry on the final design of the EDP:

- (i) the ability for either the payer or payee to cancel an EDP;
- (ii) the provision of notifications to the payer and payee when an EDP is made; and
- (iii) the potential ability for a payer's bank to automatically initiate payment to a payee's bank, and that payee's bank to automatically credit the funds to a payee's bank account.

Question 6. MAS seeks comments on whether it is necessary to amend legislation to provide to the payee of an unsuccessful Payment EDP a right of recourse against the payer, where the failure of the Payment EDP is due to insufficient funds in the payer's account. In particular, MAS seeks comments from the legal community on whether there are means other than legislative amendments to enable the proposed Payment EDP to be used in place of post-dated cheques.

Box 3: How the Proposed Initiatives Relate to Individual Users of Cheques

Corporate cheques account for a substantial portion of the cheques cleared through the CTS in Singapore today, unlike retail cheques. That said, MAS is mindful that certain groups of individuals may be unable, or find it difficult, to switch to other alternative payment methods. This could be due to a lack of familiarity with digital solutions, including e-payment methods.

MAS recognises the importance of ensuring that Singapore's e-payment journey is inclusive. No individual payment user should be left behind because of an inability to adopt e-payments. As such, while MAS is proposing measures to eliminate corporate cheques by 2025, MAS intends to provide the remaining individual users of centrally cleared cheques with a longer runway to switch to alternative payment methods. The

²⁹ An example of a statutory right of recourse is set out in section 47(2) of the Bills of Exchange Act 1949, where the holder of a bill which is dishonoured by non-payment has an immediate right of recourse against the drawer and indorsers.

CTS is therefore likely to be kept operational for a period beyond 2025 to cater to the needs of such individual users. This approach will also provide government agencies and the financial industry with more time to understand the concerns of these groups of individuals, and consider ways to help them switch to alternative payment methods. The Government will look into what transitional support may be needed for retail cheque users, who may be unable to transition to alternative payment methods.

The proposed initiatives set out in this consultation paper are also intended to assist and encourage the individual users of centrally cleared cheques to switch to alternative payment methods, even as the CTS is kept operational for a period beyond 2025. They provide individuals with the impetus, confidence and support necessary to make the transition away from centrally cleared cheques, and place Singapore in a good position to eventually terminate the CTS after the needs of the remaining individual users of centrally cleared cheques are addressed.

The proposed initiatives relate to individual users of centrally cleared cheques in the following ways:

- *Public communications* – The financial industry should tailor publicity and education efforts to assist and encourage individual users of centrally cleared cheques to migrate to alternative payment methods, including e-payment solutions, where possible.
- *Change management* – Unlike the proposal for FIs to collectively cease the issuance of new cheque books to all corporates by end-2024, FIs may continue to issue cheque books to individuals beyond 2024. However, FIs should start to reflect higher unit cheque processing costs in the charges paid by both corporate and individual payers and payees of cheques. Individual users of centrally cleared cheques should expect the cost of using such cheques to rise progressively in the coming years as cheque transaction volume falls.
- *New payment solutions* – The proposed EDP solution can be used by both corporate and individual users as a more efficient and convenient method to issue post-dated cheques and cashier's orders. MAS will also work with the financial industry to explore other options for remaining individual users of centrally cleared cheques where needed.

Question 7. MAS seeks comments on whether the proposed initiatives are sufficient to eliminate corporate cheques by 2025, and assist and encourage remaining users of centrally cleared cheques (including individuals) to alternative payment methods to do so; if not, whether there are other essential initiatives that should be pursued.

Termination of USD Cheque Clearing Services by 2025

4.15 MAS proposes that the financial industry can consider the termination of USD cheque clearing services in Singapore by 2025. The financial industry has observed that

the usage of USD-denominated cheques in Singapore is very low. The volume of USD-denominated cheques transacted in Singapore per annum has fallen by 45%, from 820,000 in 2018 to 450,000 in 2021³⁰. As the USD-denominated cheque volume continues to decline, the unit clearing costs of USD-denominated cheques will rise in tandem with that of SGD-denominated cheques. It is likely that USD-denominated cheques will no longer be a desired payment method once FIs reflect these rising unit clearing costs in the charges paid by users of USD-denominated cheques. In that scenario, MAS views that USD cheque clearing services in Singapore can be terminated as corporates and individuals can still rely on telegraphic transfers to make or receive payments in USD.³¹

Question 8. MAS seeks comments on whether there are specific forms of USD-denominated cheque usage that cannot be addressed by alternative payment methods such as telegraphic transfers.

Question 9. MAS seeks comments on whether users of centrally cleared cheques would still use USD-denominated cheques if the charges for the use of USD-denominated cheques were to increase significantly and become higher than that of alternative payment methods such as telegraphic transfers. MAS also seeks comments on how users will adapt if USD cheque clearing services in Singapore were terminated.

³⁰ Rounded to the nearest 10,000.

³¹ The use of telegraphic transfers for cross-border transactions (across all currencies) rose substantially from 2018 to 2021. This suggests that telegraphic transfers are already well-used for cross-border payments and are a viable alternative payment method to USD-denominated cheques.

LIST OF QUESTIONS

- Question 1.** MAS seeks comments on whether there is any remaining rule, regulation or industry practice that prevents the use of e-payments for payments to and from corporates.13
- Question 2.** MAS seeks comments on whether there is any existing practice or requirement that prevents the use of non-cheque payment methods for payments to and from government agencies. MAS also seeks comments on whether there is any new payment solution that is required to facilitate payments to and from government agencies..... 14
- Question 3.** MAS seeks feedback from corporates and individuals on whether there may be any difficulty faced in switching from cheques to e-payments or other non-cheque payment methods for payments to and from government agencies..... 14
- Question 4.** MAS seeks comments on whether there are specific forms of cheque usage (including bearer cheques) that cannot be addressed by the suggested alternative payment methods.....16
- Question 5.** MAS seeks comments on whether the proposed EDP solution can eliminate the need for post-dated cheques used as a form of promissory notes; and if not, whether there are other features that the proposed EDP solution will require to eliminate the need for post-dated cheques. MAS also seeks comments on specific features of the EDP solution, as feedback from the public would be useful to guide the financial industry on the final design of the EDP:
- (i) the ability for either the payer or payee to cancel an EDP;
 - (ii) the provision of notifications to the payer and payee when an EDP is made; and
 - (iii) the potential ability for a payer’s bank to automatically initiate payment to a payee’s bank, and that payee’s bank to automatically credit the funds to a payee’s bank account.....21
- Question 6.** MAS seeks comments on whether it is necessary to amend legislation to provide to the payee of an unsuccessful Payment EDP a right of recourse against the payer, where the failure of the Payment EDP is due to insufficient funds in the payer’s account. In particular, MAS seeks

comments from the legal community on whether there are means other than legislative amendments to enable the proposed Payment EDP to be used in place of post-dated cheques.21

Question 7. MAS seeks comments on whether the proposed initiatives are sufficient to eliminate corporate cheques by 2025, and assist and encourage remaining users of centrally cleared cheques (including individuals) to alternative payment methods to do so; if not, whether there are other essential initiatives that should be pursued.22

Question 8. MAS seeks comments on whether there are specific forms of USD-denominated cheque usage that cannot be addressed by alternative payment methods such as telegraphic transfers.23

Question 9. MAS seeks comments on whether users of centrally cleared cheques would still use USD-denominated cheques if the charges for the use of USD-denominated cheques were to increase significantly and become higher than that of alternative payment methods such as telegraphic transfers. MAS also seeks comments on how users will adapt if USD cheque clearing services in Singapore were terminated.....23

**LIST OF MEMBERS IN THE CHEQUES SUNSETTING WORKSTREAM OF THE
PAYMENTS COUNCIL**

Members**Organisation****Co-chairs**

Jasmin Ng

DBS Bank

William Ang

Standard Chartered Bank

Industry Representatives

Koh Yeong Kheng

Association of Small & Medium Enterprises

Denis Lau

BCS

Kevin Tay

BCS

Eric Huang

DBS Bank

Tony Yong Tong Tay

DBS Bank

Tesy Mathew

DBS Bank

Jon Lee

Federation of Merchants' Associations Singapore

Mahohar Murali

Mastercard

Lim Chee Hau

OCBC Bank

Chow Cheok Kai

OCBC Bank

Wei Chan

Restaurant Association of Singapore

Wayne Han

Standard Chartered Bank

Yue Wai Wah

UOB Bank

Ng How Xiang

UOB Bank

Hoong Chiming

UOB Bank

Kara-Mae Lim

Visa

Roy Choudhury

Visa

Government Agency Representatives

Jo Yeo

MAS

Terence Tang

MAS

Tan Chong Rong

MAS

Li Zheng

Smart Nation and Digital Government Office

Edmund Lee

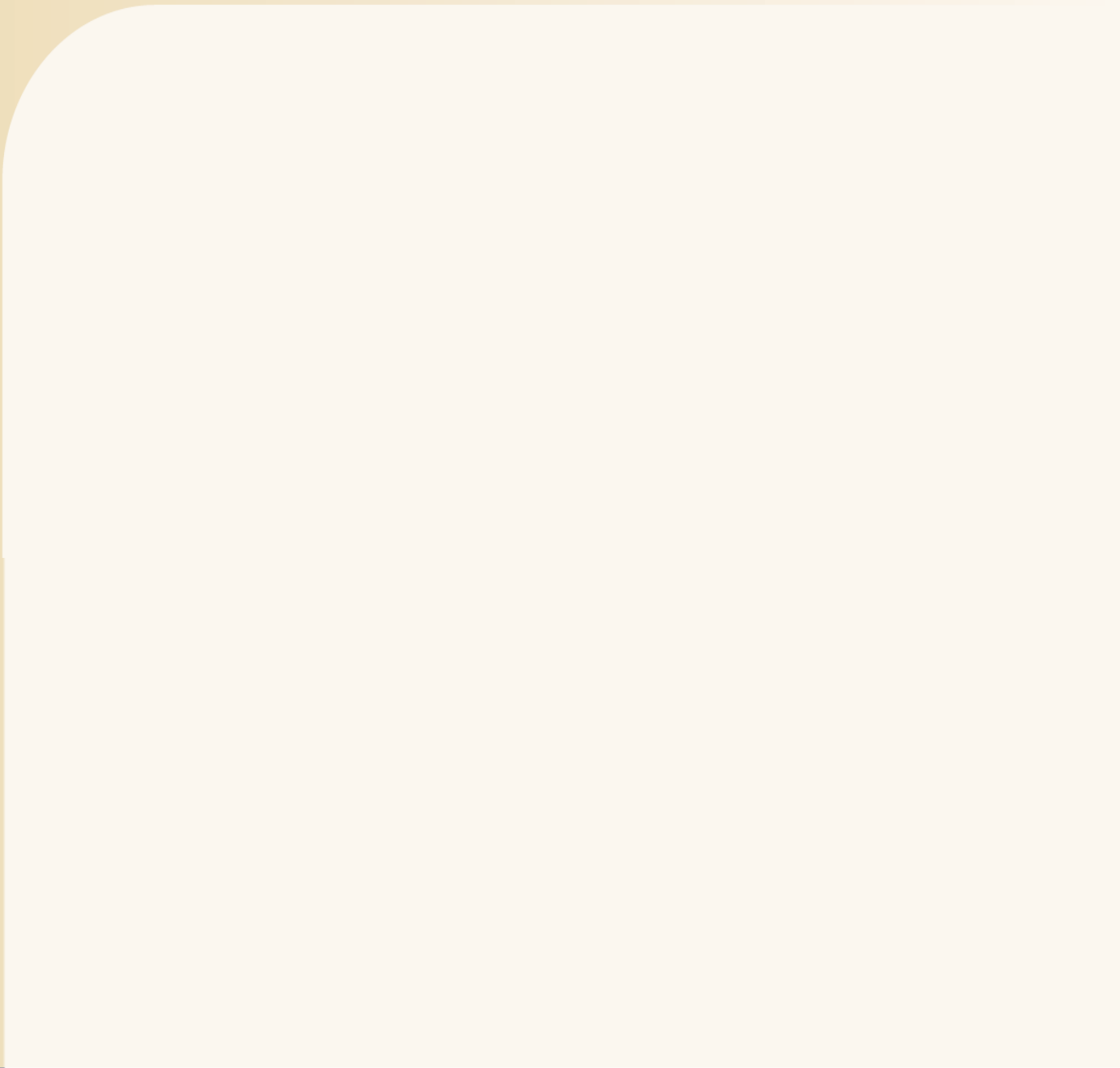
Smart Nation and Digital Government Office

Clarence Chong

Smart Nation and Digital Government Office

Joel Tan

Smart Nation and Digital Government Office



Monetary Authority of Singapore