

**RESPONSE TO  
FEEDBACK RECEIVED**

28 July 2023

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

**MAS**

Monetary Authority of Singapore

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## 1 Preface

1.1 On 2 November 2022, the Monetary Authority of Singapore (“MAS”) consulted on proposed initiatives to (i) eliminate centrally cleared cheques issued 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.

1.2 The consultation period closed on 13 December 2022. MAS thanks all respondents for their contributions. The list of respondents is in **Annex A**.

1.3 MAS, in collaboration with the cheques sunseting workstream of the Payments Council (“Workstream”) and the Sunsetting Cheques Workgroup of the Association of Banks in Singapore (“ABS SCWG”), has carefully evaluated the feedback and where appropriate, incorporated the relevant suggestions into the roadmap to terminate the SGD Cheque Truncation System (“CTS”) in the medium term. Comments that are of wider interest, together with responses from MAS and our collaborators, are set out in this paper.

## 2 Barriers in switching to non-cheque alternative payment methods

**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.**

### Overview

2.1 MAS sought comments on whether there was any remaining rule, regulation or industry practice that prevented the use of e-payments to and from corporates. A fact-finding exercise earlier conducted by the Workstream had not found any other legislative provision that needed amendments to enable the use of e-payments for payments to and from corporates, apart from amendments to industry rules and practices in the legal and property sectors that were already in progress.

### Feedback

2.2 Respondents did not surface any existing regulations or rules that prevented the use of e-payments to and from corporates. However, some respondents highlighted specific industry practices in the casino and finance sectors that continue to use cheques. Other respondents also noted that cheques are commonly used for payments to and from estate accounts,<sup>1</sup> and generally by corporates which prefer to use cheques in their business processes.

2.3 The practices highlighted were:

- (i) Casino services. Casinos may issue cheques when making payments to their patrons. Such casino-issued cheques may subsequently be presented at other casinos, including foreign casinos, in exchange for funds.
- (ii) Financial services. Cheques are used by individuals when making retail investments, deposit transactions, and insurance payments. Cheques are also used by financial institutions (“FIs”) to settle securities-related transactions and make payments to their wealth management clients.

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<sup>1</sup> An estate account is a bank account opened under a person’s name after they have passed away. It is the account where the personal representative of the deceased receives and makes payments on behalf of the deceased.

- (iii) Estate accounts. Cheques are used for payments from estate accounts that do not have access to internet banking services. Cheques may also be used for payments to estate accounts, where payers do not have the account details of such estate accounts.
- (iv) Business processes. Some corporates prefer to use cheques in their business processes as cheques can be prepared in advance and presented by any staff member. Conversely, the use of e-payments requires the holder of the corporate bank account to approve a payment at the point of transaction. The physical form of a cheque also allows payers to provide additional payment information, e.g. by attaching documents to the cheque or writing on the cheque.

2.4 Respondents reiterated that cheques are commonly used in the property and legal sectors, in line with the Workstream’s observations in its fact-finding exercise. Some respondents noted that while the Legal Profession (Solicitors’ Accounts) Rules had been amended to allow the use of e-payments for the payment of monies out of client accounts, the requirement for such e-payments to be made with the authorisation of two solicitors using biometric authentication made it operationally and technically difficult to do so.

#### Response

2.5 MAS acknowledges that change management measures will be required for certain services to help cheque users transition to e-payments. Nevertheless, existing e-payment solutions can be used for the highlighted practices for casino services, financial services, estate accounts and other business processes, as these practices are not solely dependent on the use of cheques. MAS encourages corporates to work with their banks to adopt e-payment solutions in lieu of cheques and adapt their business processes around the use of e-payments rather than cheques.

2.6 For payments from estate accounts, some banks already allow personal representatives of estate accounts to make payments via internet banking. Other banks are considering the possibility of enabling e-payments to be made from estate accounts in future. For payments to estate accounts, corporates should adapt their processes to enable the use of e-payments, such as by collecting the account details of such estate accounts.

2.7 For property conveyancing, the Electronic Deferred Payment (“EDP”) solution, which will be launched by 2025, can serve as a cheque alternative for property

transactions. More information on the EDP solution can be found in **Annex B**. The Singapore Land Authority is also developing a Digital Conveyancing Portal (“DCP”) that seeks to digitalise the existing manual and paper-based conveyancing process. The DCP, which will be developed in phases, is targeted for full commissioning in 2026. The DCP will cover public and private sector housing, industrial and commercial property transactions, and will eliminate the need for cheques in the conveyancing process with virtual conveyancing accounts.<sup>2</sup>

2.8 The Law Society of Singapore has completed its review of the operational and technical challenges relating to the use of e-payments for the payment of monies out of client accounts and has published a revised Practice Direction 3.3.11 for its members. The revised Practice Direction 3.3.11, which came into operation on 23 May 2023, clarifies the technical requirements for digital payments from client accounts.

**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.**

### Overview

2.9 The Government has been making steady progress in its use of e-payments as part of Singapore’s Smart Nation journey. The Government is supportive of the proposal to eliminate corporate cheques by 2025, and government agencies will continue to undertake the necessary changes to move away from accepting corporate cheques. Nonetheless, the Government recognises that there may be last mile challenges as government agencies transition away from the use of cheques.

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<sup>2</sup> For inclusivity, the DCP would allow users who struggle with e-payment to use cheques or cashier’s orders (to pay into the virtual conveyancing accounts) for the purposes of completion of the transaction. Further, as part of DCP’s business continuity plan, DCP will allow the use of cheques or cashier’s order to complete the transaction should the e-payments module be unavailable.

2.10 As such, MAS sought comments on whether there were any barriers to moving away from cheques for transactions with the Government. These barriers could be in the form of requirements preventing the use of non-cheque payment methods, or the lack of suitable payment solutions for certain payments to and from government agencies. MAS also sought feedback on difficulties faced in switching away from cheques to e-payments or other non-cheque payment methods for payments to and from government agencies.

#### Feedback

2.11 Respondents did not surface any existing requirement that prevents the use of non-cheque payment methods for payments to and from government agencies. However, respondents highlighted two use cases where cheques continue to be used in practice:

- (i) Property-related transactions. Cheques are commonly used in property-related transactions, such as the payment of stamp duties to the Inland Revenue Authority of Singapore, and flat purchases from the Housing Development Board.
- (ii) Transactions with the Ministry of Law (“MinLaw”) Insolvency & Public Trustee’s Office (“IPTO”). Cheques are commonly used for payments to the IPTO. For instance, cheques are issued to the Official Assignee appointed by the Court for bankrupt insurance policyholders.

2.12 Some respondents suggested for agencies to publish their bank account details publicly so that members of the public can make bank transfers in lieu of cheques when transacting with government agencies.

#### Response

2.13 For property-related transactions, as shared above, e-payment alternatives such as the EDP and DCP can be used, once available, instead of cheques.

2.14 Regarding payments to the IPTO, as of Dec 2022, MinLaw’s e-Collection Portal has been updated to allow the use of e-payments via PayNow, eNETS Debit and eNETS Credit. IPTO has moved all services for payments to the e-Collection portal on 15 Jan 2023. Corporates that are unable to use the e-Collection Portal may also work with the IPTO to make payments via other e-payment methods.

2.15 On the suggestion for agencies to publish their bank account details publicly, agencies had considered but decided not to do so. This is to avoid receiving unsolicited payments, or payments without adequate information on the payer’s identity and purpose of payment. Government agencies will continue to provide e-payment methods,

such as PayNow, NETS and GIRO, along with instructions on how to use these e-payment methods, such that corporates and individuals can transact easily with government agencies.

**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.**

### Overview

2.16 MAS had assessed that the payment needs of cheque users can already be addressed by existing payment methods available to the public today, such as e-payments (e.g. GIRO, FAST, MEPS+ and PayNow), debit and credit cards, cashier's orders, telegraphic transfers, and cash. MAS sought comments on whether there were specific forms of cheque usage that could not be addressed by these alternative payment methods.

### Feedback

2.17 Respondents identified four use cases where cheques are the more convenient or suitable payment instrument. These are:

- (i) Payments via cashier's orders. Cashier's orders are cheques issued by banks, where money is instantaneously withdrawn from the payer's account and held in the bank's own account until the payee deposits the cashier's order. Cashier's orders give payees greater certainty of payment as the bank safeguards the funds and ensures that the cashier's orders do not bounce.
- (ii) Payments to payees with unknown account details. A payer may choose to issue a cheque with a payee's name and send the cheque to the payee's mailing address, where the payer does not have the payee's account details. Such situations may arise when making payments to estate accounts as well as to payees that are uncontactable.
- (iii) Payments to payees without a Singapore bank account. A payer may choose to issue to a payee a bearer cheque, which can be encashed at the issuing bank, where a payee does not have a Singapore bank account. Such payees may include short-term foreign visitors and foreign workers who have yet to set up a bank account.
- (iv) Payments via blank cheques. Payers can issue a blank cheque to a payee, which allows the payee to fill in the amount to be paid.



Response

2.18 MAS understands that some cheque users may find it more convenient to issue a cheque for certain use cases, as a cheque user can issue a cheque in the payee's name, or to the bearer of the cheque, without the payee's account details. Nevertheless, given the proliferation of cheaper, more efficient, and safer alternative payment methods that corporates and individuals can use in place of cheques, MAS is of the view that the payment needs of corporates and individuals can continue to be well-served even after the elimination of corporate cheques by 2025 and the eventual termination of the CTS in the medium term.

2.19 Furthermore, cashier's orders will continue to be available as a non-digital alternative payment method to cheques, as banks may continue to provide physical cashier's orders for use even after the elimination of corporate cheques by 2025. The EDP solution, once available, will also allow its users to issue cashier's orders digitally.

2.20 For payments to payees with unknown account details, a payer can make use of PayNow to make payments to such payees conveniently and instantaneously, as PayNow enables payments to be made using only the payee's PayNow proxy. Where PayNow cannot be used, payers may continue to use cashier's orders to make payments. A payer may also opt to request a payee's account details, where possible, such that fund transfers can be made with GIRO, FAST or MEPS+.

2.21 For payments to payees without Singapore bank accounts, payers can rely on easily available bank or non-bank remittance services to transfer funds to the foreign bank accounts of such payees. Payers may also continue to use cashier's orders to make payments.

2.22 MAS notes that some cheque users may currently use bearer cheques and blank cheques. However, such forms of cheques are not commonly used and are susceptible to misuse. When issuing a blank cheque, a payer cedes control to the payee over the amount to be paid, which may lead to erroneous payments. The transferability of a bearer cheque also creates the risk of the payment being made to an unintended payee if the cheque is misplaced or stolen. As such, there are currently no plans to replicate the functions served by bearer cheques and blank cheques in any alternative payment method. MAS encourages users of bearer cheques and blank cheques to consider existing and safer alternative payment methods to meet their payment needs.

2.23 The financial industry will continue to collectively review the customer journeys for each cheque use case to establish greater industry alignment on the appropriate

payment solutions that are made available to corporates and individuals. For example, a solution similar to GovCash can be explored to allow payees with unknown bank account details or payees without a Singapore bank account to encash their payments at ATMs located across Singapore.<sup>3</sup>

### 3 Electronic Deferred Payment solution

**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.

#### Overview

3.1 MAS sought comments on the EDP solution, an e-payment alternative for a payer to: (i) make a deferred payment ("Payment EDP"); or (ii) issue a cashiers' order ("Cashier's Order EDP"), without the need for cheques.

#### Feedback

3.2 Most respondents were supportive of the EDP solution. A few respondents suggested that the EDP solution may not be needed as there are existing payment methods that allow payers to make post-dated payments, e.g. scheduled payments, standing instructions and direct debit arrangements.

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<sup>3</sup> GovCash is a payment mode that allows Singapore citizens to withdraw their government benefits in cash from over 500 OCBC ATMs located across Singapore, at any time of the day. Recipients are not restricted by bank's operating hours. Recipients need only enter their 8-digit Payment Reference Number (sent to them via a letter), their NRIC number, and pass the facial verification.

3.3 Respondents noted that it was important for the EDP solution to provide payers and payees with the ability to cancel a Payment EDP or Cashier's Order EDP, as well as notifications when a Payment EDP or Cashier's Order EDP is created. Respondents indicated that payers and payees should also be notified of any change to the status of a Payment EDP or Cashier's Order EDP that has been created, such as when the Payment EDP or Cashier's Order EDP is cancelled or presented.

3.4 Several respondents sought greater clarity on other potential features of the EDP solution:

- (i) whether a payer can change the details of a Payment EDP or Cashier's Order EDP prior to presentment by the payee;
- (ii) whether a Payment EDP can be presented automatically on the deferred date,<sup>4</sup> without the need for the payee to initiate presentment;
- (iii) whether a payee can re-present a Payment EDP if presentment was unsuccessful due to insufficient funds in the payer's account;
- (iv) whether a payee's change in PayNow proxy after EDP Creation and prior to the deferred date will affect the Payment EDP or Cashier's Order EDP created;
- (v) whether a payee can receive payment from a Payment EDP or Cashier's Order EDP via a different bank account from that indicated during the creation of the Payment EDP or Cashier's Order EDP;
- (vi) whether there are any transaction limits for a Payment EDP or Cashier's Order EDP;
- (vii) whether there is a validity period for a payee to present a Payment EDP or Cashier's Order EDP; and
- (viii) whether a Payment EDP or Cashier's Order EDP will remain valid if the payer becomes deceased prior to presentment.

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<sup>4</sup> The deferred date is the date on which the payee can receive payment via the Payment EDP or Cashier's Order EDP.

3.5 Some respondents asked if all banks are required to offer the EDP solution and if these banks can choose to participate only as a payer bank or payee bank.

3.6 Some respondents suggested that the EDP solution should leverage existing payment rails to minimise participating banks' implementation and operational costs. The EDP solution should also be centralised to allow ease of integration by participating banks.

#### Response

3.7 MAS thanks all respondents for their useful suggestions on the design of the EDP solution. MAS notes that payment users in Singapore have a wide variety of payment methods to choose from. FAST and GIRO, in particular, enable payers to make fund transfers, including post-dated payments, through direct debits and credit transfers. While GIRO transaction limits are high and require up to three working days for transactions to be settled, FAST enables real-time payments with a per transaction limit of S\$200,000. PayNow additionally enables payments to be sent through FAST and GIRO using a payee's PayNow proxy. Most payments can and should continue to be served by a combination of FAST, GIRO and PayNow, as well as other existing payment methods.

3.8 The EDP solution is not intended to replace existing payment methods. Instead, it will supplement these payment methods by providing an electronic means to perform deferred payments and issue cashier's orders. The EDP solution will therefore only offer features that allow it to serve as a viable e-payment alternative for these two specific forms of cheque usage. The EDP solution will not cover other forms of cheque usage that will not be replicated, e.g. bearer cheques and blank cheques.

3.9 The EDP solution will be designed to have a simple user flow limited to the necessary functions for the aforementioned forms of cheque usage. This will allow participating banks to implement the EDP solution by 2025. The EDP solution will leverage one or more of the existing payment rails to effect payments and will be subject to the payment rail's specifications on transaction limits and availability.

3.10 MAS and the ABS SCWG have carefully considered the requests for greater clarity around other potential features of the EDP solution. MAS and the ABS SCWG agree that allowing payers and payees to cancel a Payment EDP or Cashier's Order EDP, as well as allowing the EDP solution to provide payers and payees with notifications when a Payment EDP or Cashier's Order EDP is created or presented, are key features essential to the viability of the EDP solution. These features will be made available in the EDP solution.

3.11 However, a payer will not be allowed to modify the details of a Payment EDP or Cashier's Order EDP, e.g. the deferred date or the amount to be paid, once the Payment

EDP or Cashier's Order EDP is created. The payer will need to cancel and issue a new Payment EDP or Cashier's Order EDP, which the payee will be notified of. This is similar to how a post-dated cheque that has been provided to the payee cannot be amended unilaterally by the payer, unless the payer requests the payee to return the cheque so that amendments can be made. This will avoid potential disputes over payments made using the EDP solution and ensure that the EDP solution is intuitive and easy to use.

3.12 Presentment is a key feature of cheques today that will be available in the EDP solution based on bank customers' needs. A payee may not always choose to present a post-dated cheque or cashier's order that has been received. Similarly, a payee using the EDP solution should be able to choose whether to present a Payment EDP or Cashier's Order EDP.

3.13 In line with the current practice for cheques, the validity period of a Payment EDP or Cashier's Order EDP will be six months from the deferred date. Payees must present the Payment EDP or Cashier's Order EDP before expiry.

3.14 Re-presentment of a Payment EDP will not be allowed if there are insufficient funds in the payer's account, as re-presentment of post-dated cheques is not commonly allowed currently.

3.15 A change in a payee's PayNow proxy after EDP Creation will not affect the Payment EDP or Cashier's Order EDP created. The payee's PayNow proxy is only used to perform a lookup of the payee's account details during EDP Creation, such that the Payment EDP or Cashier's Order EDP can be created against the payee's account. In the same vein, payees will not be able to receive payment from a Payment EDP or Cashier's Order EDP via a different bank account from that which was indicated during EDP Creation.

3.16 The handling of Payment EDPs or Cashier's Order EDPs issued by deceased payers will align with existing procedures for the operation of bank accounts of deceased account holders. Should an account holder who has issued a Payment EDP or Cashier's Order EDP become deceased, the account will be placed under estate management and the Payment EDP or Cashier's Order EDP will have to be claimed against the estate account.

3.17 The ABS SCWG will take the other design suggestions received from the consultation feedback into consideration, where relevant and appropriate.

**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.**

### Overview

3.18 Section 47(2) of the Bills of Exchange Act 1949 affords holders of a bill (such as a cheque) which is dishonoured by non-payment an immediate right of recourse against the drawer and indorsers. As the EDP solution is intended to serve as an alternative to post-dated cheques, MAS sought comments on whether legislative provisions should be provided to afford 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. MAS also sought comments on whether there were means other than legislative amendments available to enable Payment EDPs to be used in place of post-dated cheques.

### Feedback

3.19 Respondents broadly indicated that while underlying commercial agreements may be sufficient to protect payees from an unsuccessful Payment EDP that has failed as a result of insufficient funds in the payer’s account, it could be beneficial to introduce legislative amendments to give payees additional protections via a similar statutory right of recourse currently offered to cheques under section 47(2) of the Bills of Exchange Act. Respondents noted that the EDP solution should be supported by a strong legal framework, with clear roles and responsibilities set out among the participants of the EDP solution, regardless of whether such legislative amendments are introduced.

### Response

3.20 While the feedback received suggests a slight preference for the introduction of such legislative amendments, MAS assesses that a more comprehensive review will be required to determine the need for these legislative amendments, as well as the potential consequences of making these legislative amendments. MAS will work with the relevant stakeholders in the banking and legal sectors to conduct this review.

## **4 Initiatives to eliminate corporate cheques and encourage cheque users to switch to alternative payment methods**

**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.**

### Overview

4.1 MAS proposed several initiatives to eliminate corporate cheques, and to assist and encourage remaining users of centrally cleared cheques in switching to alternative payment methods. The initiatives relate to: (i) public communications; (ii) change management; and (iii) new payment solutions to be built. MAS sought feedback on whether these proposed initiatives were deemed to be sufficient.

### Feedback

4.2 Respondents expressed broad support for the proposed initiatives. Regarding change management, respondents emphasised that the charges to be imposed for cheque usage should be significant to ensure that cheques are costlier to use than e-payments. Respondents suggested that the financial industry aligns on an effective date to implement these cheque charges, as well as a baseline rate to be charged. Some respondents suggested that implementing earlier cut-off times for cheque deposits and ceasing cheque outsourcing services to corporates would further help to eliminate the use of corporate cheques. One respondent sought clarity on whether bank drafts will continue to be available.

4.3 Regarding public communications, respondents suggested for MAS and ABS to coordinate financial industry-wide guidance to the public and work with other relevant associations to promote public awareness of the initiatives to eliminate cheque usage. Some respondents emphasised that public education and assistance should be given to user groups that may face challenges transitioning away from cheques, e.g. those without Singapore bank accounts, seniors, users that are less digitally savvy, and other users with difficulties accessing e-payments. Concerns regarding the safety and security of e-payments should also be addressed in these public communications.

4.4 Several respondents sought clarity on the timeline for the elimination of centrally cleared cheques issued by individuals (“retail cheques”). These respondents noted that corporates and banks will continue to incur costs to receive and process retail cheques, as individuals may continue to use cheques beyond 2025.

4.5 Respondents also provided several suggestions on ways to enhance the accessibility and adoption of e-payments by corporates and individuals in Singapore, including assisting e-payment users in recalling erroneous payments.

#### Response

4.6 The financial industry will commence the implementation of the proposed initiatives given the broad support received. All Domestic Systemically Important Banks (D-SIBs) in Singapore will commence charges for SGD-denominated cheques by 1 November 2023,<sup>5</sup> while the rest of the banks will do so by 1 July 2024. As cheque usage falls and clearing costs per cheque rise significantly, the charges will allow banks to recover the cost of providing cheque services to their customers. Reflecting cheque processing costs through charges also serves to give payment users accurate information on the cost of using cheques compared with other payment methods. Payment users may then choose to switch to cheaper and more convenient alternative payment methods, where available. While there were suggestions for the financial industry to align on a baseline rate to be charged, the financial industry will not do so in view of anti-competition rules.

4.7 While MAS had earlier proposed for FIs to collectively cease the issuance of new cheque books to all corporates by end-2024, FIs will only do so in 2025, after the launch of the EDP solution. This will give corporates more time to transition away from cheques to the EDP solution and other alternative payment methods.

4.8 Banks will discontinue offering cheque outsourcing services and bank drafts to corporates, in line with the aim of eliminating corporate cheques by 2025.

4.9 MAS agrees that effective public communication is essential to the roadmap to terminate the CTS in the medium term. MAS will work closely with ABS and other government and industry stakeholders to raise public awareness of the elimination of corporate cheques by 2025 and address concerns which the public may have around the use of e-payments, while providing support for those that may face challenges in their transition to alternative payment methods.

4.10 Regarding the timeline to eliminate retail cheques, MAS is further studying the use of cheques by individuals and will develop appropriate initiatives to encourage these users to switch from cheques to other forms of payment. Thereafter, MAS will conduct a

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<sup>5</sup> These banks are Citibank, DBS Bank, HSBC, Maybank, OCBC, Standard Chartered Bank and UOB.



second public consultation to set out the proposed initiatives and timeline to eliminate retail cheques and terminate the SGD CTS.

4.11 MAS and the relevant stakeholders will take in suggestions to enhance the accessibility and adoption of e-payments into consideration, where relevant and appropriate.

## 5 Termination of USD cheque clearing services

**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. 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.**

### Overview

5.1 MAS proposed for the financial industry to consider the termination of the USD cheque clearing services in Singapore by 2025. MAS sought comments on whether there were specific forms of USD-denominated cheque usage that could not be addressed by alternative payment methods and whether USD-denominated cheque users would continue using USD-denominated cheques if they became costlier than alternative payment methods.

### Feedback

5.2 Respondents did not raise any specific use cases where telegraphic transfers cannot be used as an alternative to USD-denominated cheques. However, some respondents expressed a preference for USD-denominated cheques as they were considerably cheaper than telegraphic transfers currently. USD-denominated cheques were also deemed to be slightly more convenient as they require fewer payee account details and can potentially be settled faster than telegraphic transfers.

5.3 Most respondents were of the view that cheque users are price-sensitive and will switch to cheaper alternatives if charges for the use of USD-denominated cheques increase significantly. Respondents believed that USD-denominated cheque users would adapt well to alternative payment methods, as most USD-denominated cheques are used for payments between corporates, which are already well-served by e-payments. A few

respondents suggested that implementing a deadline to eliminate the use of USD-denominated cheques would be effective in decreasing usage significantly.

5.4 A few respondents also suggested that existing payment rails could be enhanced in the future to offer settlement in USD.

#### Response

5.5 MAS understands that there are alternative payment methods to USD-denominated cheques available today, as banks in Singapore provide multi-currency bank accounts that offer the ability to make inter-bank telegraphic transfers and intra-bank fund transfers. Proprietary USD payment methods offered by various payment service providers and FinTechs are also readily available.

5.6 Given the feedback received, the financial industry will implement charges for USD-denominated cheques for both corporate and retail users, to allow banks to recover the cost of providing cheque services to their customers and reduce the disparity in pricing between USD-denominated cheques and telegraphic transfers. Charges for USD-denominated cheques, like charges for SGD-denominated cheques, will give payment users accurate information on the cost of using USD-denominated cheques compared with other payment methods, and allow them to switch to cheaper and more convenient alternative payment methods where available. MAS will continue to monitor the usage of USD-denominated cheques before setting out further initiatives and timelines for the termination of the USD CTS in the second public consultation.

5.7 As with SGD payments, MAS encourages corporates to work with their banks to adopt existing alternative solutions, such as telegraphic transfers, in lieu of USD-denominated cheques, and adapt their business processes around the use of such alternative solutions.

### **MONETARY AUTHORITY OF SINGAPORE**

28 July 2023

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON THE ROADMAP TO  
TERMINATE THE SGD CHEQUE TRUNCATION SYSTEM - ELIMINATING CORPORATE  
CHEQUES BY 2025**

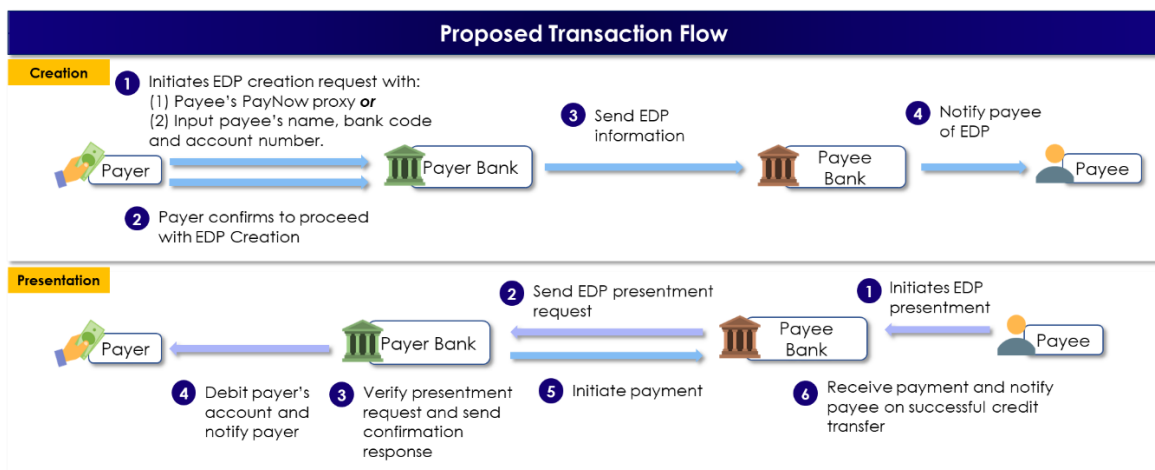
1. Accenture
2. Chang Hwa Commercial Bank Limited
3. Deutsche Bank entities in Singapore
4. HL Bank Singapore
5. HSBC Bank Limited
6. Law Society of Singapore
7. Marina Bay Sands Pte Ltd
8. Maybank Singapore Limited
9. MUFG Bank Limited
10. OCBC Limited
11. RHB Bank Singapore
12. Securities Association of Singapore on behalf of following member firms: CGS-CIMB Securities (Singapore) Pte Ltd, CMC Markets Singapore Pte Ltd, DBS Vickers Securities (Singapore) Pte Ltd, Endow.us Pte Ltd, IFAST Financial Pte Ltd, IG Asia Pte Ltd, Lim & Tan Securities Pte Ltd, Maybank Securities Pte Ltd, OCBC Securities Pte Ltd, Phillip Securities Pte Ltd, Tiger Brokers (Singapore) Pte Ltd, UOB Kay Hian Pte Ltd
13. Singapore Life Ltd
14. Sumitomo Mitsui Banking Corporation Singapore
15. Visa Worldwide Pte Ltd
16. Seventeen (17) respondents requested for confidentiality of identity.

**INFORMATION ON THE ELECTRONIC DEFERRED PAYMENT SOLUTION**

The Electronic Deferred Payment (“EDP”) solution will provide a simple e-payment solution which a payer can use to: (i) make a deferred payment (“Payment EDP”); or (ii) issue a cashiers’ order (“Cashiers’ Order EDP”), without the need for cheques. The EDP will ride on the existing payment rail and will be subject to the underlying rail’s specifications on transaction limits and availability. The EDP solution will be ready by 2025.

*Transaction Flow for Payment EDP*

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 indicative transaction flow for a Payment EDP is illustrated below.



*Transaction Flow for Cashier’s Order EDP*

The indicative 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 indicative transaction flow for a Cashier’s Order EDP is illustrated below.

