

# MASERU IMAGE AUTIOMATED CLEARING HOUSE RULES

## CHAPTER 1

### 1.1 INTRODUCTION

- 1.1.1 The rules contained in this document relate to the Maseru Image Automated Clearing house (hereinafter called “the MIACH”) which is a facility provided by the Payments Association of Lesotho (hereinafter called “PAL”) to facilitate the clearing and payment of electronic cheques transactions among banks in Lesotho. The MIACH provides the facility for the exchange of electronic files containing cheque data and images.
- 1.1.2 These rules shall apply to all participants of MIACH without any exceptions and all signatories to the rules shall be legally bound.
- 1.1.3 The rules may be amended from time to time by the PAL in consultation with the Central Bank of Lesotho as a regulator.
- 1.1.4 The PAL shall formally communicate any changes to all the members in writing within fourteen days of such change. A list of MIACH Participants is contained in Schedule 9.

### 1.2 MIACH MANAGEMENT COMMITTEE

- 1.2.1 There shall be a management committee for the MIACH, each member bank shall be represented at the committee by Head of Operations or Senior Manager.
- 1.2.2 The committee shall elect one of their own to be Chairman. The Chairman shall be elected according to the MIACH bank number sequence and the term shall be 2 years. The Vice chairman shall be elected according to the next available bank number.
- 1.2.3 The MIACH Management committee shall meet every month and submit their minutes to the PAL.
- 1.2.4 The Quorum of the committee shall be three members of which must include the Chairman or Vice Chairman.

1.2.5 The Committee shall be charged with the responsibility of administering the Payment Clearing House Rules, and making recommendations on MIACH operations to the PAL:

1.2.6 The voting shall be by simple majority.

1.2.7 A bank shall cease to be a member of the committee when it ceases to be a member of the Cheque Clearing House.

## 1.2 SCOPE

These Rules apply to all paper-based payment items that are eligible for MIACH, set out in Chapter 3, section 8.

## 1.3 DEFINITIONS

Unless inconsistent with the context, the terms used in these rules have the following meanings:

**“Archive”** means a repository used to store and index Images and associated information, including MICR line information, item sequence number, and full audit trail information, for necessary retention and accessibility.

**“Bank”** means a company that holds banking licence under the Financial Institutions Act, 2012, and which has been admitted as a member of the MIACH.

**“Business day”** means any day, which the Central Bank of Lesotho and PAL have designated as such, or any day, on which the CBL and the MIACH are open for business.

**“Clearing”** means the exchange of electronic journals and cheque images and calculation of gross bilateral obligations of banks. A workflow diagram is shown as Schedule 2.

**“IQA”** means Image Quality Analysis.

**“KYC”** Means Know Your Customer.

**“LACH”** means Lesotho Automated Clearing House.

**“LSW”** means Lesotho Wire, a system of Real Time Gross Settlement of payment instructions used by the CBL as a system operator to settle obligations by banks or clearing system operators for and on behalf of banks.

**“CDV”** means Cheque Digit Verification.

**“Item Limit”** means individual transaction limit of not more than M100,000.00.

**“MIACH”** means Maseru Image Automated Clearing House.

**“Participant”** means a member of the MIACH.

**“Public Key Infrastructure (PKI)”** means a set of cryptographic techniques in which two different keys (private and public keys) are used for encrypting and decrypting data. The private key is kept secret by its holder while the public key is made available to communicating entities.

**“Returned MIACH Item”** means the corresponding payment information of a MIACH-eligible Item that is returned to the Presenting Bank in accordance with and for any reason permitted by these Rules.

**“Clearing centre”** is the centre from where each bank’s electronic files are pooled for transmission to the MIACH.

**“Issuing bank”** is the bank that issues cheques to customers. These cheques should conform to the agreed standards as specified in Standards for Cheques and Debit Vouchers Document.

**“MIACH Management Committee”** is a committee that comprises a representative from each participating bank to the MIACH.

**“Magnetic Ink Character Recognition (MICR)”** means the machine recognition of numeric data printed with magnetically charged ink.

**“Material Alteration”** means an unauthorized change to one or more of the completed details of an originally authorized Item.

**“Participating Bank”** means a clearing bank authorised to transact directly in the MIACH.

**“Paying Bank”** means the Bank upon which a cheque or other item is drawn.

**“Presenting Bank”** means the receiving bank, presenting a cheque or other items for collection to the clearing house.

**“Post-Dated Cheque”** is a cheque whose date is ahead than the date of presentation or deposit.

**“Receiving participant”** means, with respect to electronic journals, the bank that receives them through the MIACH.

**“Receiving participant”** means, with respect to electronic journals, the bank that receives them through the MIACH.

**“Sending participant”** means, the bank that receives cheque deposits and with respect to electronic journals, the bank that sends them through the MIACH.

**“Sending participant”** means, the bank that receives cheque deposits and with respect to electronic journals, the bank that sends them through the MIACH.

**“Sponsored bank”** is the bank that clears cheques through an agent clearing bank.

**“Stale Cheque”** is a cheque whose date is over six months back.

**“Shall”** indicates a mandatory requirement.

**“Should”** is a preferential requirement.

**“May”** indicates an acceptable option.

**“Storage devices”** refers to moveable external disks and/or CD's.

**“Truncation Point”** is a point from which physical movement of an instrument is stopped, here the image and data will be captured and transmitted to the service branch. A bank may have multiple truncation points.

**“Unqualified Item”** refers to an item which does not meet the criteria of a MIACH-eligible Item.

## **1.4 PURPOSE OF THE MIACH RULES ARE**

- 1.4.1 To provide for rules and management of cheque truncation in Lesotho aiming at reducing cost and clearing cycle of the instruments.
- 1.4.2 To define the rights and responsibilities of presenting and paying banks in the MIACH payment stream.
- 1.4.3 To provide for minimum standards in respect to technical and operations requirements for the cheque truncation; and
- 1.4.4 To facilitate the implementation of an effective and efficient payment system in the Lesotho banking industry.
- 1.4.5 Any new bank opening for business and wishing to participate in the MIACH, after the introduction of these rules, shall adhere to the standards and these rules from the first day of admission.

## **1.5 REVIEW OF THE MIACH RULES**

These rules will be subject to review from time to time by the MIACH management committee and approved by the PAL Board.

Any suggestions for amendments to the Rules from members should be forwarded to the PAL Operations Manager or Chairperson of the MIACH Management committee.

## **1.6 RESPONSIBILITY FOR ADHERING TO THE MIACH RULES**

1.6.1 The MIACH Rules are owned by the PAL

1.6.2 As the objective of automating clearing is to speed up the processing of Inter-bank payments, it is vital that all banks co-operate by adhering to these rules. Non-compliance with the standard requirements will compromise the smooth operation of the system and its related entities and will result in penalty fees being imposed on the bank at fault. Schedule 3

1.6.3 In this regard, the controlling authority in each bank are required to institute tight control/supervision mechanisms to ensure that these rules are strictly adhered to.

## **1.7 AVAILABILITY OF THE MIACH RULES**

The MIACH Rules will be available to all participants and are confidential to the industry.

## **1.8 BUSINESS CONDUCT**

- 1.8.1 These clearing rules shall apply to Maloti transactions only.
- 1.8.2 The members will conduct their business in the utmost good faith without negligence so as to minimise risk inherent in the participation in the clearing arrangements, whether such risk arises before, during or after the clearing process.
- 1.8.3 Members shall promptly and diligently adhere to all risk containment measures as may be defined by PAL from time to time.
- 1.8.4 Any post-dated or stale cheques must not be accepted for clearing, the receiving bank should not accept such cheques and the paying bank must return such cheques as unpaid.
- 1.8.5 Both the presenting bank and the paying bank shall be liable for payment of a stale or post-dated instrument.

## **1.9 ADDRESS AND NOTICES**

- 1.9.1 Any written notices to the MIACH in respect of these rules shall be addressed to;

The Chairperson  
Payments Association of Lesotho  
Central Bank of Lesotho  
Cnr Moshoeshoe and Airport Rds  
P O Box 1184  
**Maseru 100**

- 1.9.2 Any written notice to members pertaining to these rules shall be addressed to the members at such addresses as they may designate from time to time by the Chairman of the MIACH Management Committee. Properly addressed notices shall be effective when received and acknowledged.

## **1.10 GOVERNING LAW**

The transactions covered by these rules shall be subject in all respects to the Laws of the Kingdom of Lesotho.

## **1.11 EFFECTIVE DATE**

These rules shall become into effect on **DD/Month**, 2013 after being signed by all participating members.

## **PART 2 – OVERVIEW OF THE MIACH**

### **2.1 OBJECTIVES OF THE MIACH**

The MIACH shall:

2.1.1 Enable efficient cheque clearing and ensure faster settlement of cheque transactions through elimination of laborious process of transporting and exchanging of physical cheques among participating banks. The Cheques once truncated, clearing will be based through exchange of electronic journal files and cheque images. Electronic journals are transmitted by Clearing Centres to the MIACH. Transmission of these files is done throughout the day. Cut off time for processing the files shall be determined by the MIACH Management Committee from time to time. However participants shall not transmit files for processing after the cut-off time. There shall be no uncleared items in the MIACH overnight.

NOTE: The MIACH shall not process the physical cheques.

2.1.2 Maintain data and electronic images of all processed transactions

2.1.3 Settle through the LSW System. The MIACH shall be responsible for the validity and accuracy of the files. However, individual banks shall remain responsible for meeting the Statutory Requirements of the CBL.

2.1.4 Carry out all such other activities as are incidental or conducive to the attainment of all the foregoing objectives.

### **2.2 ELIGIBILITY AND MEMBERSHIP**

#### **2.2.1 Qualification for Membership:**

Membership of the MIACH is mandatory to all banks licensed in Lesotho issuing and/or accepting cheques from customers for presentation to other banks in Lesotho.

#### **2.2.2 Application for Membership**

Application for membership shall be made to the office of the PAL. The MIACH Management Committee must vet and recommend an application for approval of membership to the Chairperson of PAL Board subject to fulfilling the conditions in 2.4.

#### **2.2.3 Notification of new member to participants.**

When a new member is admitted to the MIACH, the PAL Operations Manager shall inform all existing members in writing.

## **2.2.4 Condition and qualifications for membership:**

All applicants to the MIACH shall be required to satisfy the following:

2.2.4.1 Must be licensed to operate as a Commercial Bank by the Central Bank of Lesotho under the Financial Institutions Act 2012 (or any subsequent revisions).

2.2.4.2 Must be an accepted member of PAL

2.2.4.3 Must be accepted member of good standing of Lesotho Wire and maintain settlement account with the Central Bank of Lesotho.

2.2.4.4 Must have the technical competence to participate in the MIACH; The MIACH management Committee to ensure that the prospective member has all hardware and the required licensed software to be able to participate in the MIACH and that their infrastructure can interface with the MIACH system

2.2.4.5 That the MIACH Management Committee as per its mandate has inspected the following technical infrastructure of the new member and confirmed that it is in place;

Hardware and Software requirements

2.2.4.5.1 Secure Imaging system.

2.2.4.5.2 A network link to MIACH primary site.

2.2.4.5.3 UV ready scanner as recommended by MIACH.

2.2.4.5.4 Interface to MIACH.

2.2.4.5.5 STP interface to LSW.

2.2.4.6 Meet all prudential regulatory requirements and other CBL supervisory requirements for registered commercial banks.

2.2.4.7 Demonstrate by successful testing that its admission to the MIACH shall not adversely affect the interbank exchange, clearing and settlement system.

2.2.4.8 The successful testing shall be subject to completing the following procedure and a formal sign off by all participating members.

- a) That all banks should have backup sites in place and confirm that they will all connect to MIACH backup servers' site before the Test exercise.
- b) All members to submit confirmed names, email address & phone numbers for individuals responsible for the exercise for easy communication.
- c) That the test result form be circulated to all members before the start of exercise.
- d) All participating members shall receive test packs prior in readiness for the test exercise.

- e) That all members will start sending the transactions at the agreed time of 8:00 and the cut off time for sending transactions at 14:00 hrs
  - (i) After cut off time all members will fill up the test result form and send it to PAL Operations Manager via email.
  - (ii) MIACH will compile the report and communicate to all members the results of the first day test by 12:30 the following day.
  - (iii) Members should meet after the exercise to tally the figures and discuss the errors experienced during the exercise. MIACH to communicate.
  - (iv) Members should confirm with MIACH the number of files sent (Bank to MIACH) so that the failed files should be detected before cut off time.
- f) Members should record all data files sent/received and compare with Settlement reports from MIACH.
- g) Malfunction/Breakdown of the MIACH Backup server or any software related problems during the exercise should be communicated in time to the member Banks through PAL Operations Manager.
- h) At least a copy of the Test from each member Bank should be handed over to PAL Operations Manager.
- i) After the successful first day, members shall proceed to the second day of testing.
- j) The same process will apply for day two with members concentrating on unpaying cheques with specific reasons on the test result form.
- k) After a successful day two, process No. e) will be repeated and a formal sign off by each bank will be submitted to PAL Operations Manager.

#### 2.2.4.9 All members of the MIACH to sign off the tests.

Pay an admission fee in full payable in advance by all new MIACH members, and any subscription fees or charges that the MIACH Management Committee may require from all members of the MIACH from time to time.

### **2.3 Banks as Participants under these Rules**

All banks in Lesotho admitted to the MIACH in their own capacity or acting as agents for the other banks not in the Payment Clearing House are participating banks in accordance with these rules

### **2.4 Sponsored Banks**

2.4.1 Non-member banks shall use existing participating banks as their agents to represent them in the MIACH. The agency fees in such cases shall be negotiated and agreed between the parties concerned.

2.4.2 The sponsorship agreement between the sponsoring bank and the sponsored bank shall be assessed by the MIACH Management Committee before the sponsorship agreement takes effect

2.4.3 Any participating bank acting as an agent for other bank(s) shall ensure that the bank it represents in the MIACH adopts its Bank Sort Code on all transactions. Distinct branch codes to differentiate from the sponsoring bank's own branches shall be agreed upon and notified to all participating banks.

2.4.4 A sponsored bank that has been suspended from the clearing house shall however be allowed to continue to maintain its bank sort code on all transactions.

## **2.5 Membership Fees**

2.5.1 Members of the MIACH shall pay an annual membership fee and/or a monthly processing fee based on directive by PAL Board. The fees may be revised by the PAL Board from time to time.

2.5.2 On admission, new member banks shall be requested to pay an admission fee. Both the annual membership fees and the admission fees shall be paid to PAL.

2.5.3 The fees shall be used to meet running costs and such other uses relevant to the operations of MIACH.

## **2.6 WITHDRAWAL OF MEMBERSHIP**

Membership from MIACH shall be withdrawn on the following grounds:

2.6.1 When the PAL Board on recommendation from the MIACH Management Committee is convinced in its opinion that the Member is in serious breach of these rules.

2.6.2 When a member does not meet its clearing obligations for lack of funds for three days in any working month.

2.6.3 When a member is suspended or removed from membership of LSW.

2.6.4 When a member or holding company of the Member is in receivership or liquidation, or is dissolved or declared insolvent.

2.6.5 When a bank voluntarily decides to withdraw by giving a notice of 30 (thirty) calendar days.

2.1.1 A bank in distress shall be allowed to participate in the MIACH through a sponsoring bank.

- 2.2.1 The PAL Board on recommendation from MIACH Management Committee shall decide and approve the suspension of a member, provided that the member to be suspended or expelled shall first be given an opportunity to be heard.
- 2.3.1 The PAL Board shall advise the CBL of any suspension of member(s) within 24 hours of the suspension taking effect.
- 2.4.1 A member of the MIACH Management Committee whose bank has been suspended or expelled from MIACH shall cease to be a member of the committee.

## **2.2. PROCEDURE FOR WITHDRAWAL**

The procedure to be adopted for withdrawal of membership shall be as follows:-

- a) The clearing house representative shall make a report on the incident and submit it to the Chairman of the MIACH Management Committee.
- b) The chairman of the MIACH Management committee shall urgently convene a special meeting to discuss and if necessary endorse the withdrawal.
- c) In the case of 2.8.1.2, the matter shall first be referred to the Committee for their recommendation to the PAL Board within seven days. The bank involved shall present its case.
- d) Following the endorsement of the withdrawal, PAL Operations Manager shall inform all member banks to soft delete the sort codes for banks who have ceased to be members of the clearing house.

## **3.2. Re-admission of a Member**

- 2.1.1 A suspended or expelled bank shall be considered for re-admission on the following conditions:

2.2.3.1.1 When such a member applies for re-admission. Admission shall in all cases be at the sole discretion of the PAL Board.

- 2.2.1 The PAL Board on recommendations from the MIACH Management Committee shall decide and approve the re-admission of a suspended or expelled bank based on the report of CBL.
- 2.3.1 A member applying for re-admission shall be required to pay a re-admission fee as decided by the PAL. The fee shall be credited to the PAL Account.
- 2.4.1 The PAL Board shall review the re-admission fee from time to time.

## **2.2 LOCATION OF THE CLEARING HOUSE**

- 1.2. The MIACH shall be located within premises as determined by the PAL. Initially it will be hosted at CBL offices.
- 2.2. PAL in liaison with the CBL shall report to all members of the MIACH any changes in the location or operations of the MIACH.

## **PART 3: MANAGEMENT OF THE MIACH**

### **3.0 GENERAL PRINCIPLES FOR THE OPERATION OF THE MIACH**

#### **3.1 MIACH Host Service Provider**

##### **3.1.1 Premises**

The MIACH host Service Provider shall provide premises for primary and alternative backup premises and connectivity between the two sites.

##### **3.1.2 Computer Systems**

The hardware and software to be used at the live site and backup site of the MIACH host service provider premises shall be owned and maintained by the PAL.

#### **3.2 ROLES AND RESPONSIBILITIES**

##### **3.2.1. The PAL shall**

3.2.1.1 have the ultimate authority in the contractual obligations of the MIACH;

3.2.1.2 own the MIACH operations and the necessary computer systems (hardware and software) at both live site and back up site;

3.2.1.3 enter into agreements with approved software suppliers for the maintenance of the MIACH system software.

### **3.3 PAL Operations Manager Representative**

The PAL Operations Manager shall:

3.3.1 report to the PAL Board;

3.3.2 be a member of the MIACH Management Committee;

3.3.3 liaise with, and be the single point of contact to the PAL for the MIACH Operations;

3.3.4 be authorised to enter the MIACH premises at any time during business hours. However, any access to the MIACH Server room shall be authorised by the hosting entity;

3.3.5 make recommendations for the introduction of a Change Control Procedure for amendments to the MIACH systems and agreements. This shall involve documenting the procedures, agreeing the procedures with the hosting entity and the MIACH Management Committee;

3.3.6 manage the Change Control Procedure for amendments to the MIACH systems and agreements;

3.3.7 issue revised MIACH Rules to all members of the MIACH and any stakeholders at the discretion of the MIACH Management Committee;

3.3.8 if advised by a member of the MIACH or the hosting entity of suspected, or attempted fraudulent activities, report the situation to the relevant authorities;

3.3.9 authorise the imposition of all MIACH levied fines as contained in Schedule 3. The hosting entity will be responsible for identifying and notifying PAL Operations Manager on participating banks sending corrupt files, files containing viruses or inconsistent to agreed standards to the MIACH;

3.3.10 arbitrate on all differences and disputes reported between banks and the MIACH that remain unresolved for seven days;

3.3.11 jointly with the hosting entity draw-up a Business Resumption Plan for the MIACH and obtain the agreement of PAL. Twice a year test and review the Business Resumption Plan for the MIACH;

3.3.12 ensure that each bank has Business Resumption Plan in place and obtain confirmation from each clearing bank that the facilities are regularly tested at least twice each year;

3.3.13 seek authority from PAL Board Chairperson, after consultation with the CBL to declare a non-clearing day. A non-clearing day may be declared because of industrial action, serious file corruption at the MIACH or Unscheduled Public Holidays etc.

### **3.4 MIACH Host and Service Provider**

The host and service provider shall:

3.4.1 provide space for the MIACH Operations, including handling of diskettes/CDs and the computer systems;

3.4.2 Provide staff to:

3.4.2.1 Start up the computer system(s) each clearing day;

3.4.2.2 in case of a participant's system failure receive diskettes/CDs from members of the affected bank;

3.4.2.3 operate the computer system, including Virus checking, running File Authentication System (FAS) and running File Management System (FMS);

3.4.2.4 generate and issue reports (sent electronically) for members of the MIACH and the CBL;

3.4.2.5 take back-ups of the system daily and store offsite;

3.4.2.6 install and test the Back-ups on the system at the alternative premises for the MIACH at least once monthly;

3.4.2.7 load and commence testing program amendments by the end of the business day following receipt from the vendor;

3.4.2.8 assist PAL in checking File Formats for new members and resolve problems related to the software;

3.4.2.9 ensure adequate security of the MIACH operations and the computer systems, including limiting access to the MIACH to only authorised personnel and access to the computer system (hardware and software). Check all diskettes/CDs received from members to ensure that they are virus free and incoming settlement files are not corrupted;

3.4.2.10 ensure that passwords shall be held securely and shall in addition be held in safes agreed by PAL to ensure the continued operability of the system in the event of the MICH host's offices being destroyed;

3.4.2.11 ensure the services provider's premises for the MIACH, the operators and the system are available to the MIACH from 08:00 to 17:00 hours each business day and on such other days and hour as agreed;

3.4.2.12 accept the computer systems as delivered and amendments derived from the agreed change control;

3.4.2.13 monitor performance of the MIACH members and advise the PAL Operations Manager of infringement.

3.4.2.14 through the Help Desk liaise with, and be the single point of contact for the MIACH;

3.4.2.15 advise PAL of any suspected criminal activities observed;

3.4.2.16 monitor the performance of the system and forward recommendations for enhancements to PAL;

3.4.2.17 advise PAL of the need to invoke the MIACH Resumption Plan;

3.4.2.18 advise members of the MIACH whenever a virus is detected, initiate investigations into the cause, and ensure that the MIACH system is properly cleaned.

### **3.5 The Central Bank of Lesotho (as a regulator)**

3.5.1 The CBL shall conduct oversight functions of the operations of the MIACH in line with payment systems policies as may be formulated from time to time.

- 3.5.2 Nothing in these rules shall preclude the CBL (as regulator) from acting in accordance with its powers as provided in the CBL Act 2000 and the Payment Systems Act, 2013 (*hopefully to be enacted*).

## **3.6 The Presenting Bank**

### **3.6.1 Preliminary Verification**

As the payment processing is done on the basis of images, the onus of due diligence shifts to the Presenting Bank for validation of the physical instrument. The Presenting Bank shall observe reasonable precautions such as verifying the tenor of the instrument, physical feel of the instrument and identifying evidence of tampering that is visible to the naked eye including compliance with the mandatory security features specified in the Lesotho Cheque Standards.

For enhanced attention, based on exceptions, the banks shall employ suitable risk management techniques. The Presenting Bank takes full responsibility for collecting on behalf of the intended paying bank and exercises due diligence as per the standard banking conditions and the minimum security standard specified in the Lesotho Cheque Standards. The presenting bank shall ensure that the cheque they are presenting confirms to the Lesotho Cheque Standards.

### **3.6.2 Crossing**

All cheques received for collection over the bank's counters is required to be branded with the bank's special crossing (where applicable) and presentation stamp prior to scanning.

### **3.6.3 Return Processing**

The Central Clearing Center of the Presenting bank shall receive the return exchange file/s for each return session containing the returns on the presentation lodged by them. An item may be returned as long as its clearing period has not expired, and a session is available for the particular clearing type. The return file shall contain the item detail and return reason code. It shall be the responsibility of the presenting bank to generate the return memo to the customer from the information in the return file.

### **3.6.4 Capture of Images and Data**

The images of all the instruments in a batch / file shall be duly captured along with MICR data using scanners set up for the purpose. The amount needs to be captured/ keyed in to complete the data record.

### **3.6.5 Reject Repair and Balancing**

The banks shall have proper systems and procedures in place to ensure that the rejects of the MICR line are appropriately repaired and the batch file is balanced before the same is uploaded from the capture system to the Clearing House. Banks are required to pass on the value

in the MICR repair tag for any correction / changes / rejects on the MICR band of the cheques in the capture files.

### **3.7 Escalation Procedure**

If the host entity and PAL Operations Manager are unable to resolve MIACH operational problems they shall immediately refer the issue to the PAL Board Chairperson.

## **PART 4 - PRESENTATION AND EXCHANGE**

### **4.1 Bank Sort Codes**

Bank sort codes will be used to facilitate the automation of the clearing process of payment instruments.

Bank sort codes shall be assigned by LACH. Banks intending to open a new branch or agency that will be issuing cheques shall notify LACH and request to be allocated a sort code within their range. LACH shall notify the applying bank of the correct sort code.

LACH shall circulate an updated sort code list to all members from time to time, and members shall be required to update their list as per the circulated sort code list. **Refer to schedule 6 for the current sort code list**

### **4.2 Cheque image features**

#### **4.2.1 Data Standards**

The prescribed data standards shall be ANSI X9.37.

#### **4.2.2 Value Limits on cheque truncation**

All cheques are eligible for cheque truncation subject to value limits that may be imposed by the CBL from time to time. No cheque shall have transaction value above the prescribed limit.

#### **4.2.3 Retention of original cheque**

The minimum retention period of physical cheques shall be subject to provisions of Payments Systems Act. The electronic image shall be retained for a minimum period of ten (10) years.

#### **4.2.4 Data Storage**

In order to benefit from total cost of deployment, efficiency and control, the MIACH shall keep copies of the cheque images. This excludes **on-us** cheques.

#### **4.2.5 Minimum Storage Standards**

The Cheque front shall be stored in Grey Scale format, while Black and White format shall be used for the cheque rear.

#### 4.2.6 Scanning Standards

The scanning shall conform to the prescribed standards which are, for front side, grey scale 100 DPI 8 bit (256 level) in JFIF format with JPEG compression, and front and back bi-tonal (black and white), 200 DPI TIFF image. Compression techniques used are JPEG for grey scale image and CCITT G4 standards for the bi-tonal. The image quality assurance (IQA) is required at the scanning stage so that the images meet the processing quality standards. The image specifications are as follows:

No.	Image	Type	Minimum	DPI	Format	Compression
1	Front	Grey Scale		100	DPI	JFIF JPEG
2	Front	Black & White		200	DPI	TIFF CCITT G4
3	Reverse	Black & White		200	DPI	TIFF CCITT G4

Front UV image too?

The background of the cheques shall be image-friendly. There shall be no dark background.

#### 4.2.7 Image Quality Checking

The banks need to perform IQA validations at the capture system. Each image shall have an IQA indicator tag indicating the outcome of the IQA test carried out by the capture system.

The threshold values for different IQA parameters shall be intimated to the banks by the MIACH from time to time. The banks shall take care to synchronize the IQA parameters at the capture system, to avoid excessive rejection at the clearing house

#### 4.2.8 Handing IQA Failure

The Clearing House retains the right to define threshold limits on items failing IQA, and invoke penalty provisions for its violations.

#### 4.2.9 Digital Signatures

The use of the Public Key Infrastructure (PKI) ensures data authenticity, integrity and non-repudiation, adding strength to the entire system. The Presenting Bank is required to affix digital signature on the image and data at the point of truncation. The digital signatures used for the processing activity shall have an unexpired life of at least one month. The image and data are secured using the PKI throughout the entire cycle covering capture system, the presenting bank, the clearing house and the paying bank.

#### 4.2.10 Connectivity

Images accompanied by the MICR line data, shall be duly encrypted & digitally signed and transmitted over a dedicated network connecting all the transmission centres with the MIACH.

#### 4.2.11 Transmission of Image

The capture system shall transmit the MICR data and images of the cheques to its MIACH Interface electronically and/or on the media. Banks may have procedures in place to optimise bandwidth and ensure that the branches upload their presentation in over a period of time rather than sending all the images and data relating to the day's clearing of the branch at the end of the day or at a given point of time.

#### **4.2.12 Media Based Transmission of Exchange Files**

In the event of a network failure or in case where the clearing centre is offline , the application should allow for data and image files to be exchanged with the MIACH using different types of Electronic medium. The same PKI algorithm that is used during network transmission should be used to create the files for transfer using physical media options.

### **4.3 Transaction flow**

#### **4.3.1 DAY 1**

##### **4.3.1.1 In branches of Banks**

Customers give their instructions to bank/branch as cheques to be deposited.

##### **4.3.1.2 Transaction Processing at bank/branch**

4.3.1.2.1 Cheques are scanned through the transport scanners to capture the MICR code line and images back and front. **(Format and resolution to be defined)**

4.3.1.2.2 Operators manually key in the amount on the workstations.

4.3.1.2.3 Operators manually key in code line repairs for all instruments whose code line cannot successfully be read by the MICR Reader.

4.3.1.2.4 Banks should create and maintain an audit trail of clearing cheques processed on each day.

4.3.1.2.5 Electronic files comprising cheque images and code line data are created and transmitted to the MIACH throughout the day. In case of system failure data shall be captured on a CD/flash disks and delivered to the MIACH.

4.3.1.2.6 Since the clearing process falls under full truncation cheques deposited shall be retained by the receiving bank/branch until such a time when the participating banks agree to exchange the paper cheques with issuing bank for safe keeping.

4.3.1.2.7 A separate file containing data shall be created to update the host system of each bank.

4.3.1.2.8 The electronic images will be archived but still available to the participants for a period of **XXX**... Months/years.

Note: cheques that fail cheque digit verification (CDV) during scanning must be verified with the drawee bank before any attempt to repair the code line is done.

#### **4.3.2 Transaction Processing at the MIACH**

4.3.2.1 All **cheque electronic journal files** and **image data files** should be received by MIACH by 11:00 hours for first settlement at 12:00 hours and by 16:00 hours for the second settlement.

4.3.2.2 The presenting bank shall ensure that every cheque record submitted has a corresponding image. Files that contain items with no images shall be returned to the sending bank by MIACH without being processed. A receipt file shall be sent to each bank to confirm receipt of their journal files.

4.3.2.3 The MIACH exchanges electronic images and data. A settlement file shall be created and transmitted to LSW System for final settlement by 12:00 hours during first settlement and 16:50 hours during second settlement. LSW settlement shall be at 12:30 and 17:00 hours respectively to enable banks fund their accounts accordingly.

4.3.2.4 The settlement file shall contain Net settlement obligations of all clearing banks.

4.3.2.4 The cheque image files and the code line data files received by the MIACH shall be transmitted to the various Paying/drawee banks by 12:20 hours and 16:45 hours respectively.

4.3.2.5 The settlement data from MIACH shall form the legal basis for settlement.

4.3.2.6 Electronic Final Confirmation Net Settlement List shall be transmitted to each bank from MIACH by 16:30 hours.

#### **4.3.3 Transaction Processing at the drawee bank/branch**

4.3.3.1 Drawee banks shall receive the **cheque electronic journal files**, **image data files** and **unpaid electronic journals** duly encrypted by the MIACH. The receiving banks shall decrypt the files to update (upload onto) their host systems.

#### **4.3.4 DAY 2**

##### **4.3.4.1 Processing of returns**

4.3.4.1.1 Electronic journal for unpaid items shall be transmitted to the MIACH by the drawee bank by 11:00 hours. Unpaid cheque records shall be transmitted to the collecting bank by the MIACH by 12:20 hours. The electronic unpaid journal shall contain all the details of the cheque as originally sent with the reason for return.

4.3.4.1.2 Any cheque not returned unpaid by first settlement window on a second day after presentation at the MIACH shall be deemed to be paid. **The collecting bank shall therefore treat funds as cleared after settlement at end of day on the second day from the day of deposit.**

4.3.4.1.3 The collecting bank shall return the image of unpaid cheque to the depositor.

4.3.4.1.4 The value for unpaid items will be reversed through the settlement file from the MIACH sent to the LSW System.

4.3.4.1.5 Unpaid cheques which fail to be reversed electronically due to expiry of clearing period or otherwise shall be initiated through the exchange of physical **claim forms. Refer to schedule 7 for standards for claim forms.**

4.3.4.1.6 The cut off time for telephonic advice of unpaid items is 14:00hrs. Where a bank is experiencing system problems, communication must be sent to all members as soon as possible.

**Note: Claim forms should be treated as controlled stationery and must be printed on each participating member's letter-head and allocated unique serial numbers.**

#### **4.4 REASONS FOR RETURN ON CLAIM FORMS**

Cheques shall be returned unpaid with the appropriate reason codes. Refer to Schedule 8 – Return Reason Codes.

Where the Paying Bank fails to include the reason codes for returning a transaction, the Collecting Bank shall not accept the returned items the reason being “failure to include reasons for return by Paying Bank”.

The reason codes are subject to review and a Service Provider should take this into account when designing its system.

#### **4.5 Handling of physical paid cheques**

4.5.1 The collecting bank shall arrange to exchange with the payment bank physical cheques as and when it is necessary through the nearest branch.

4.5.2 The records in the Electronic Journal file(s) shall be kept by MIACH either in live environment or online archive for a period as per the Financial Institutions Act, 2012.

## **4.6 CHEQUES CONTAINERS AND STORAGE DEVICES**

### **4.6.1 Storage Devices**

Storage devices used for settlement, exchange and electronic journal files should be presented in sealed envelope or casing to the MIACH. If envelopes or casing are used they shall:

4.6.1.1 Be clearly marked to identify the presenting bank

4.6.1.2 Be able to withstand physical pressure without bursting

4.6.1.3 Protect the storage devices from physical damage and electro-magnetic fields

4.6.1.4 Keep the storage devices within acceptable operating temperatures and humidity

4.6.1.5 Be made from anti-static material.

## **4.7 EXCEPTIONAL HANDLING OF VOUCHERS**

### **4.7.1 Non-standard vouchers**

Cheques of different sizes from the specified in the Standards for Cheques and Debit Vouchers Document shall not be processed through MIACH. Where such cheques submitted to the MIACH, the presenting bank shall be liable to penalty charges.

### **4.7.2 Non-MICR Cheques**

Non-MICR cheques shall not be accepted in the system. The presenting bank shall be liable to penalty charges if such cheques are passed through to MIACH. Cheques with a magnetic code-line that fail CDV test should be examined and referred to the issuing bank to see if they are counterfeit.

### **4.7.3 Mutilated Vouchers**

All banks shall educate and encourage their staff and customers in the correct procedures for handling cheques in order to prevent rejects.

In particular:

4.7.3.1 Customers should be encouraged to complete cheques in the manner detailed in this Part and to be encouraged to use Black Ink when issuing cheques.

4.7.3.2 Customers and bank staff should not:

- a) use staples, pins or paper clips to hold vouchers and/or cheques together
- b) “spike” vouchers or cheques at any stage of processing
- c) fold or crease vouchers or cheques
- d) deface cheques in any way.

4.7.3.3 Collecting bank staff shall check that customers have completed cheques correctly and that;

4.7.3.4 The drawer’s signature, date and cheque amount are present in the appropriate area.

4.7.3.5 The code-line details or any other pre-printed information has not been altered.

4.7.3.6 Customers and staff shall place stamps and endorsements only in the designated areas.

4.7.3.7 Customers and staff shall not change any of the pre-printed detail on a cheque or deface the cheque.

4.7.3.8 Altered cheques shall not be accepted.

#### **4.8 Bank Cheques (consider to move the section to another place)**

Banker’s Cheques provide customers with the facility of a cheque guaranteed by the issuing bank that funds are available. Such cheques cannot be unpaid because of lack of funds. They shall only be unpaid if they are subject to criminal interference and/or technical irregularities.

#### **4.9 Management of corrupt files/unpaid transactions and cheque images**

##### **4.9.1 Corrupt files;**

4.9.1.1 The MIACH shall notify the sending bank and request that a good copy of the file should be submitted within 30 minutes.

4.9.1.2 If the sent data from the clearing bank is corrupt or unreadable the concerned bank should be notified and the bank should replace it within 30 minutes.

4.9.1.3 Failure to submit readable data by the cut off time shall result into excluding the unreadable data from the day's clearing. However, the collecting bank shall still be liable to settle inward clearances.

4.9.1.4 In the event of the MIACH System technical failure, the hosting entity shall liaise with PAL Operations Manager and MIACH service provider (SYBRIN) expeditiously. Specific obligations on the part of SYBRIN on timely resolution of technical problems are included in the service level agreement.

#### **4.9.2 Settlement of Unpaid and Disputed Transactions;**

The figures provided by the MIACH to the CBL for settlement through LSW shall show the totals for transactions being returned Unpaid or Unapplied or being in dispute on the day of exchange of files.

#### **4.9.3 Retrieval of cheque images and physical cheques:**

4.9.3.1 Banks shall ensure that retrieval of electronic cheque images under dispute shall be done within one hour;

4.9.3.2 The individual bank storage facilities shall ensure that retrieval of a physical cheque under dispute shall be done within 48 hours.

### **4.10 STAMPS AND ENDORSEMENTS**

#### **4.10.1 Position of Stamps and Endorsements**

##### **4.10.1.1 General Requirements**

4.10.1.1.1 The positioning of Stamps and Endorsements is restricted to the following regulations in order to minimise the chance of obscuring other details on the cheque:

- a) the ONLY stamp on the front of any cheque shall be the receiving stamp of the collecting bank branch;
- b) the cheque shall also be endorsed on the rear by the collecting bank.

4.10.1.1.2 All stamps and endorsements placed on the cheque shall:

- a) be right way up i.e. not angled or upside down;

- b) not be placed in any area other than those mentioned in 7.1.2 below;
- c) show clearly the details of the stamp or endorsement.

#### 4.10.1.2 Position of Stamps

The collecting bank shall place their receiving stamp in the area on the front of the cheque as shown below as the STAMP area which is the region on the left side of the cheque, below the DRAWEE BANK NAME and above the clear MICR band. The height of the stamp must not exceed 33mm.

No stamping is permitted in any other area on the face of the cheque.



#### 4.10.1.3 Position of Endorsements

Banks shall place processing endorsements on the reverse (back) of the cheques. These endorsements should not overlap any stamp, other endorsements, or infringe the rear of the clear MICR band.

### 4.11 SECURITY AND CONTINGENCY

#### 4.11.1 Security

The Clearing Centres and the MIACH shall be a high security area not only for each bank's operations, but also for all other banks in Lesotho. Therefore each Clearing Centre shall ensure that the strictest security and tested contingency arrangements are in place. Any laxity of any kind could cripple banking operations. The CBL shall twice a year

conduct oversight activities to ensure that all Clearing Centres comply with minimum security and contingency arrangements. **Schedule 5** provides details of minimum security arrangements which banks need to comply with.

The following basic rules shall apply:

4.11.1.1 Access to the MIACH and individual Clearing Centres shall only be by pre-authorised personnel.

4.11.1.2 Maintenance of software and hardware, modification of parameters, and installation of replacement software shall respect the Four Eyes Principle under the control of PAL and Hosting entity. The MIACH shall maintain a diary (audit trail) of changes made.

4.11.1.3 Operations in Clearing Centres of each bank should be segregated to limit the opportunities for collusion.

4.11.1.4 The MIACH and individual banks shall ensure the integrity of the files being exchanged and that files are free of viruses.

#### **4.11.2 Contingency Arrangements**

NOTE: In line with Banks' accounting systems, Clearing Centres and the MIACH will need to be equipped with sufficient equipment and standby power to continue in the event of equipment or power failure.

In particular, the reliance upon electro-mechanical equipment such as cheque scanners will require more capacity to be available than normal

#### **4.11.3 Industrial Action and Civil Unrest**

4.11.3.1 In the event that industrial action to one or more banks or Clearing Centres prevents orderly completion of the clearing process; the MIACH may exclude the affected bank from the day's clearing. If the impact is likely to affect the position of other banks negatively, all charges arising from this disruption shall be borne by the bank involved in the industrial action.

4.11.3.2 In the event that Civil Unrest affects one or more banks or clearing centres and prevents orderly completion of the clearing process then the MIACH may exclude the affected bank from the day's clearing. If the impact is likely to affect the position of the other banks negatively, all charges arising from this disruption shall be waived. MIACH shall however continue to operate under such circumstances.

#### **4.11.4 Equipment Failure**

Clearing Centres should be equipped with sufficient units to cater for the greater of the annual “peak of peaks” or the average monthly peak with one of each type of unit out of service and still meet their commitments.

#### **4.11.5 Power Failure**

Clearing Centres should have sufficient stand-by power to continue operations in the event of the Power Supply Utility failing to deliver.

#### **4.11.6 Loss of Clearing Centre**

Each Clearing Centre shall establish the necessary standby arrangements for continued operation in the event of the Centre being destroyed (e.g. in the event of a fire at the centre).

4.11.6.1 The minimum requirement for Clearing Centre contingency arrangements shall ensure that a Clearing Centre is able to accept and give value for all In-clearing.

Any of the following three options is acceptable:

- a) a Clearing Centre may have its own dedicated warm site Clearing Centre to be used in the event of disaster;
- b) two or more Clearing Centres may jointly own a warm site Clearing Centre for use by any of the banks in the group;
- c) a Clearing Centre may make a bilateral arrangement with another Clearing Centre to process their work in the event of a disaster.

4.11.6.2 In the event that Clearing Centres need to invoke contingency arrangements they shall:

- a) notify PAL Operations Manager of their intention to invoke their contingency arrangement;
- b) make all necessary transport arrangements for staff, and the movement of cheques, other documents and exchange files between the Standby Centre and banks, branches and the MACH;
- c) be responsible for ensuring sufficient personnel is available to cover the stand-by operation.

#### **4.11.7 Loss of Clearing House**

The MIACH Backup site shall be the alternative location for electronic files exchange.

#### **4.11.7.1 Exchange Files and Settlement Files sent by the MIACH**

As a precautionary measure, all Clearing Centres should retain for a minimum of three months copies of all files passed and received from the MIACH. Copies of files may be used for the resolution of differences.

#### **4.11.7.2 Retention of Cheques and Control Vouchers**

Customers and collecting banks are entitled to request and receive evidence of a payment transfer at any time up to ten years after the transaction. Therefore the MIACH-Archive shall retain the electronic records of the instruments for a period of ten years.

### **4.12 Queries**

#### **4.12.1 Response time for Queries**

Queries raised by a clearing bank on another bank should be timely responded to at least within a maximum of five working days. After seven working days of a query being outstanding the bank seeking redress may approach PAL Operations Manager for arbitration.

#### **4.12.2 Arbitration Procedure**

- 4.12.2.1 The affected/aggrieved bank should write to PAL Operations Manager and present a written report of facts immediately a dispute has arisen and attach all relevant correspondence. The bank reporting the dispute should highlight the rule under which it is seeking arbitration. PAL Operations Manager shall resolve the dispute within seven working days in accordance with the MIACH rules.
- 4.12.2.2 All disputes between member banks which remain unresolved after escalation to the PAL Operations Manager shall be reported to the MIACH Management Committee chairperson for resolution. The chairperson may then arrange for an arbitration panel to resolve the dispute. The panel shall include the Chairperson of the committee, a representative from PAL, and any 3 committee members.
- 4.12.2.3 The Chairperson shall call for a meeting to address the dispute with the panel and parties involved in the dispute. The panel

shall give its ruling after hearing from both parties within three days.

- 4.12.2.4 The decision arrived at by the arbitration panel shall be respected by both parties.
- 4.12.2.5 If either party is not satisfied with the decision, they may appeal to PAL Board through the Board Chairperson for a final decision on the matter. If either party is still not satisfied with PAL Board's ruling, the matter may be further pursued in the Court of Law. In all the appeal stages the preceding decisions will not be referred to.
- 4.12.2.6 Either of the above committees, may at its own discretion, levy a fine of M 1,500.00 on either party where such party is found not to have acted in good faith.
- 4.12.2.7 In the event of failure by any of the affected banks to attend any hearing of either committee without due notice having been given, an ex-parte decision shall be made and the absent party shall be liable to pay a fine of M 2,500.00.

#### **4.13 LIMIT OF LIABILITY**

The MIACH shall not be liable for any loss suffered by any member as a result of negligence by another participating member or the Hosting Entity.

The MIACH shall be indemnified by all participating members from losses resulting from systems malfunctioning unless proven beyond reasonable doubt that the loss is a result of negligence on part of the MIACH Staff. In any event, the liability to any loss by the MIACH shall be limited to the maximum of M 2,000 or a portion therefore.

#### **Schedule 2: MIACH Workflow**

*Flow diagram to be added and synchronize the times.*

Process flow from the presenting bank to paying bank

- i. Data Capture  
The cheque is dematerialised by the bank where the cheque is initially presented.
- ii. Data and Image Exchange  
The Clearing House acts as an intermediary for data and image flow between the presenting and the paying bank.
- iii. Data and Image Archive:

MIACH shall be the Central Image Archive for storage and certification of cheque images. The paying bank may request for any image from MIACH for the purpose of proof of payment. Such data retrieval shall be provided on online real time basis.

1. Cheques are batch processed through MICR scanners, amounts entered by Proof of Deposit (POD), and images captured.
2. Images and code line data from Banks' Clearing Centres transmitted to MIACH continuously throughout the day and latest by 16:00 hours.
3. MIACH shall process the first settlement report by 12:30 hours and last settlement report at 16:30 hours each day except Saturday where there will only be one settlement report at 12:30 hours.
4. Settle in LSW at CBL at 17:00 hours each day.
5. Inward Clearing (images and code lines) transmitted to Drawee Banks by 16:50 hours.
6. Images transmitted to National Cheque Archives at end of day.

### **SCHEDULE 3: FINES, FEES AND PENALTIES**

#### **PART 1 FEES**

##### **Membership fee**

Any new member to the MIACH shall pay an entry membership fee of **M 50,000.00** on admission

Members shall pay annual membership fees and or transaction fees as recommended by the MIACH Management Committee and approved by PAL Board from time to time.

##### **Re-admission fees**

A suspended member of the MIACH shall pay a fee of **M 50,000.00** on re-admission.

#### **PART 2: FINES AND PENALTIES**

##### **Non-Standard cheques**

The Collecting (Presenting) Bank may claim through MIACH from the Paying (Drawee) Bank **M 200** for every non-standard cheque presented for clearing.

### **Non-Standard Images**

The Paying (Drawee) Bank may claim from the Collecting (Presenting) Bank **M 50** for every non-Standard image presented. In addition such items may be returned unpaid. Non- Standard images should be attached when presenting the claim.

### **Oversized files**

Members sending files beyond agreed stipulated size limits which end up overloading the network and causing unnecessary system delays shall be fined **M1,400** per file.

### **Cheques with alternations**

Presentation of cheques with alteration/erasures which are visible under the UV light/watermark light thus leading to fraud, the presenting bank shall be fined **M 5,000** per incident.

### **Duplicated cheques**

Presenting bank shall ensure that their clearing application can detect duplicated cheques. Paying bank shall equally ensure that their host application can prevent the payment of duplicated cheques. Both presenting and paying banks shall be equally liable in the event of loss. In addition each bank will be fined **M 5,000** per incident.

### **Sending old files**

Members sending old files for whatever reason shall be fined **M1,400** per file payable to MIACH.

### **Settlement Differences**

Banks may claim through PAL from the MIACH **M 100** per file if the total of the payments is different from the corresponding total in the file.

### **Unpaid transactions**

Failure to return an unpaid instrument within the stipulated clearing period without notice to the presenting bank, the paying bank shall be liable for any loss and fined for **M1,500** per incident.

Presenting bank's failure to honour the notice of return (unpaid transaction notification) from the paying bank duly served within the presentment day, the presenting bank shall be fully liable.

### **Delayed data transmission**

Delay in transmission of cheques which made a customer to suffer a loss as a result of delay in getting value, the presenting bank shall pay a penalty equal to the value of cheques involved.

### **Wrong Stamping**

The paying bank may claim from the collecting bank **M 20.00** per item identified as having stamping errors. (Return Reason code 52).

### **Cheque Printing Errors**

Members of the MIACH should advise PAL Operations Manager of suspected breaches of the cheque design agreement in the Standards. The MIACH shall then appoint an independent assessor to investigate the allegation. A charge of **M 10,000** shall be borne by the drawee bank which may in turn claim from the printer if the allegation is proven.

### **Cheques not printed by an authorised printer**

The paying bank shall pay to the collecting bank **M 2,500** per item for each cheque not printed by an authorised printer and **M 50,000.00** to PAL.

### **Designs not meeting the Agreement**

Authorisation to print cheques for banks in Lesotho shall be withdrawn from printers printing cheques not meeting the requirements of the agreement in the Standards.

### **Late availability**

Late Availability is defined as lateness in delivery of files that are being presented for clearing.

On instructions from PAL a clearing bank shall pay a maximum of **M2,500** to the MIACH on each occasion they are late in delivering files to the MIACH without prior approval for extension.

The MIACH may waive these fines, or make a smaller fine, if the clearing bank notifies it in advance or if the delay was caused by events that could not have been reasonably anticipated.

If a clearing bank continually fails to meet the delivery schedules the MIACH may in extreme situations exclude that bank from the clearing.

### **Virus Infection**

A clearing bank shall pay **M 2,500** to the MIACH per file presented at the MIACH with a virus.

**Corrupt Data**

A clearing bank shall pay **M 1,500** to the MIACH per file presented at the MIACH with corrupt data.

**Late Settlement of unpaid cheques**

A Clearing Bank shall be required to settle all claims pertaining to unpaid cheques within a period on five (3) working days. Failure to do so shall attract a penalty fee of **M2,500** per entry regardless of the amount involved.

**Insufficient funds**

A clearing bank that has insufficient funds at settlement time shall pay **M10,000** to PAL in addition to whatever charges by the Settlement operator.

**All fines and penalties will be instituted on any member by the MIACH Management Committee through the PAL.**

**SCHEDULE 4: SAMPLE MICR CHEQUE**



## **SCHEDULE 5: MINIMUM SECURITY CONTINGENCY ARRANGEMENTS *(More to be added)***

### **Goal**

To lay down standards for MIACH users regarding their access to MIACH owned information.

### **Scope**

Access to all MIACH information in electronic format systems.

### **Ownership**

Payments Association of Lesotho is the owner of these standards.

### **Security Procedures**

The MIACH shall verify the authenticity of the source of items as follows:

- i. All Outward Cheque data files will be digitally signed and encrypted by the Presenting bank before transmission to MIACH;
- ii. All inward Cheque data files will be digitally signed and encrypted by MIACH before being transmitted to the Paying bank.
- iii. Each Participating bank shall prevent any disclosure of any aspects of the security procedures offered by the MIACH.
- iv. The Participating bank shall notify the LACH and or PAL Operations Manager immediately if the confidentiality of these security procedures is compromised, and shall act to prevent the security procedure from being further compromised.

### **Compliance**

Deviations from these standards must be justified and then approved in writing by Payments Association of Lesotho representative. Non-compliance with the items of this standard without authorisation will result in disciplinary action being taken.

## **SCHEDULE 6: SORT CODES**

### **BANK AND BRANCH SORT CODES STANDARDS**

#### **1. INTRODUCTION**

These codes specify the Bank Sort Codes which will facilitate the automation of the clearing process of payment instruments.

As the objective of automating the clearing function is to speed up the processing of inter-bank payments, it is vital that all clearing banks co-operate by adhering to application of these codes.

## 2. BANK CODES

<u>Clearing Member Bank</u>	<u>Bank Code</u>	<u>FI Code</u>
Central Bank of Lesotho	<b>0004</b>	<b>70</b>
First National Bank Lesotho	0003	74
Nedbank Lesotho Limited	0002	71
Standard Lesotho Bank	0001	73

## 3. BANK, AREA AND BRANCH SORT CODES

### Bank/Branch codes

Bank/Branch	Member/FI/Branch Code	Branch Code Range	
		From	To
<b>Central Bank of Lesotho</b>		586-000	586-999
<b>Bank Member code</b>	0004		
<b>FI code</b>	70		
<b>Branch Code</b>	586-611		
<b>Standard Lesotho Bank</b>		060-000	069-000
<b>Bank Member code</b>	0001		
<b>FI code</b>	74		
<b>Branch Codes</b>			
Tower	062-067		
City	060-667		
Pionner Mall	062-967		
Mohale'shoek	060-767		
Leribe	060-867		
Mafeteng	060-967		
Butha Buthe	061-167		
Teyateyaneng	062-167		
Maputsoe	<b>062-267 (061-067)</b>		
Industrial	062-367		
Quthing	062-467		
Mokhotlong	062-567		
Qacha'snek	062-667		
Thaba Tseka	062-767		
Roma	062-867		
Cathedral	063-067		

Maseru Mall	063-167		
<b>First National Bank Lesotho</b>		280-000	289-000
<b>Bank Member code</b>	0003		
<b>FI code</b>	71		
<b>Branch Codes</b>			
Maseru	280-061		
Kingsway	280-261		
Maputsoe	281-161		
<b>Nedbank Lesotho Ltd</b>			
<b>Bank Member code</b>	0002		
<b>FI code</b>	73		
<b>Branch Codes</b>			
Maseru	390-161	390-000	399-000
Maputsoe	390-261		
Mohale's hoek	390-361		
Mafeteng	390-461		
Butha-Bothe	390-561		
Roma	390-661		
Hlotse	390-761		
Pioneer Mall	390-861		
Maseru Mall	390-961		
<b>Lesotho Post Bank</b>		500-001	500-999
<b>Bank Member code</b>	0005		
<b>FI code</b>	72		
<b>Branch Codes</b>			
Maseru	500-100		
Semonkong	500-120		
Machache	500-130		
Mapoteng	500-250		
Pitseng	500-320		
Katse	500-333		
Maputsoe	500-350		
Mapholaneng	500-520		
Thaba tseka	500-550		
Quthing	500-700		
Mt.moorosi	500-750		
Qachas nek	500-600		
Hlotse	500-300		

## SCHEDULE 8: RETURN REASON CODES

Code	Description
01	Wrongly delivered
02	Document mutilated Staples, Pins, Clips
03	Cheques mutilated
04	Cheque mutilation requires confirmation
05	Cheque previously advised missing
06	Cheque previously advised missing found at Clearing Centre
07	Signature differs from specimen held
08	Second signature required
09	Third signature required
10	Cheque defaced
11	Unapplied and unpaid transaction record
12	Cheque unpaid Criminal activities suspected.
13	Cheque stale
14	Post-dated cheque
15	Date irregular
16	Date required
17	Payee name incomplete
18	Payee's name irregular
19	Amount in words and figures differ
20	Amount in words required
21	Amount in figures required
22	Amount in figures irregular or incomplete
23	Banks Crossing Stamp required
24	Amount in words irregular
25	Crossing irregular
26	Endorsement requires bank's confirmation
27	Drawer's endorsement required
28	Drawers Signature Required
29	Drawers Confirmation required
30	Endorsement irregular
31	Alteration requires Drawer's signature
32	Payees Name required
33	Cheque Represented
34	Effects not cleared
35	Insufficient funds Refer to drawer.
36	Invalid account number
37	Account Blocked
38	Account transferred

39	Customer Deceased
40	Account closed
41	Title of account required
42	Account frozen
43	Payment stopped by the drawer
44	Payment stopped confirmation awaited
45	Unable to clear, bank closed or locked out
46	Invalid account details on codeline or codeline missing
47	Interbank remittance commission
48	Standard charges
49	Exception charges
50	Unpaid/unapplied charges
51	Wrongly cleared item
52	Wrong stamp fine
53	Drawers signature differ from specimen held
54	Clearing house fine

## SCHEDULE 9: LIST OF MASERU IMAGE AUTOMATED CLEARING HOUSE PARTICIPANTS

By signing this schedule, each signatory binds itself to each of the other signatories, as well as to any signatory which signs this Schedule hereafter, upon the terms and conditions of the Clearing Agreement to which this Schedule is annexed, and hereby becomes a system participant in the Payments Association of Lesotho.

### Payments Association of Lesotho Schedule "1A" List of Participants in the Cheque Truncation PCH Agreement

NAME	COMPANIES ACT REG. NO.	Financial Institutions ACT REG. NO. <sup>1</sup>	STREET ADDRESS	POSTAL ADDRESS & Email address	TELEFAX NO.	DATE	SIGNATURE
Central Bank of Lesotho	CBL Act 64/2000		Corner Airport & Moshoeshoe Road, Maseru	P.O. Box 1184 Maseru, 100	22310051 or 22310557		
First National Bank of Lesotho	2008/729	N/A	Corner Kingsway & Parliament Road, Maseru	P.O Box 11902 Maseru 100	22317047		

<sup>1</sup> The Financial Institutions are issued with a certificate which has no number.

<b>Nedbank Lesotho</b>	<b>92/191</b>	<b>N/A</b>	<b>117 Griffith Hill, Maseru</b>	<b>P.O. Box 1001 Maseru 100</b>	<b>2231</b>
<b>Standard Lesotho Bank</b>	<b>94/165</b>	<b>n/a</b>	<b>Kingsway, Maseru</b>	<b>P.O. Box 1053 Maseru, 100</b>	<b>2232</b>