



## Guidance Note – Image Clearing System Update

### Background:

In March 2017 the Cheque and Credit Clearing Company (C&CCC) – in its capacity as operator of the UK cheque clearing system - announced details of the launch of an image-based cheque clearing system, which will speed up cheque processing in the UK, replacing the current 2-4-6 system that has been in place since 2007.

This initiative was facilitated by an enabling legislative act of parliament, the 'Small Business, Enterprise and Employment Act 2015,' which received Royal Assent in March 2015 and was followed by a subsequent legislative change in 2016. The concept of the new system is that image based clearing will replace the current exchange of paper cheques between clearing banks – so that cheques paid in on a business day will clear on the next business day - with funds available to withdraw by 23.59 on the next business day at the latest (although the majority of banks and building societies are likely to allow access their funds earlier in the day). Consequentially - these faster timelines mean that the money will leave the account of the payee under the faster timescales too.

Cheques will still be written or printed and issued in the same way as they always have been and the recipients of cheques will still be able to pay them in in the normal variety of ways with some banks offering new ways such as capturing imaging via their banking app on smartphones.

The TA Forum recognises that this change will impact Transfer Agency cheque processing / settlement models. Banks have indicated that they are implementing this change in phases – based on what the banking community term 'Inclearing' and 'Outclearing'. It is important to understand the difference between in-clearing and out-clearing in order to understand the impact that a planned phased introduction of out-clearing will have on corporates and issuers / receivers of cheques.

### Out-clearing

Out-clearing is the part of the clearing process where customers pay cheques which could be drawn from various different banks into a branch of their own bank and the cheques are sent 'out' for clearing at a regional centre. The cheques drawn on other banks are sent to the Central Exchange where they are then couriered onto the other banks for 'In Clearing'. For a TA this is the process of receiving /paying in cheques inwards to the TA managed accounts.

### In-clearing

In-clearing is the part of the clearing process where a bank receives the physical cheques paid into other banks that have been drawn on their bank, from the Central Exchange, and make a 'Pay / No Pay' decision. For a TA this is the process of issuing outgoing cheques from the TA managed accounts.

#### Important Information

This document has been compiled for the use of TA Forum members only and is for guidance purposes and must not be distributed further. Where any firms require further clarification, we suggest that they contact their bank or Cheque and Credit Clearing Company. For any queries regarding this document, please contact [enquiries@thetforum.co.uk](mailto:enquiries@thetforum.co.uk)



### **Timeline and monitoring brief**

Under the legislation - all banks and building societies had to be live and enabled for in-clearing on the new Image Clearing System on the 30th October 2017 - however only a small number of accounts at some banks and building societies will be live for out-clearing and clearing cheques in the faster timescales from this date. The remaining banks and building societies will gradually roll out out-clearing from this date onwards into 2018 and at some stage in the second half of 2018 (the programme completion date is end of 2018), all of the UK's banks and building societies will clear all cheques via the image-based system to the faster timescale.

The TA Forum will undertake a monitoring brief and knowledge sharing /communication approach (including updates to this page) in respect of this phased introduction of outclearing to gauge impact to TA models as more information and clarity emerges from the banks on the timeline, at present the majority of our member firms are not anticipating a change to existing processing models until such time as all banks have successfully enabled out-clearing.

## **Guidance Note updated June 2019- Image Clearing System Update**

### **Timeline and monitoring brief**

In conjunction with their Clients and Banking partners the TA community have independently made changes to their systems to support out-clearing, and as a result some TA firms are now live with some Banks.

The TA Forum continue to undertake a monitoring brief and knowledge sharing /communication approach until they are all live.

The completed roll out for all TA firms is anticipated to be live with out-clearing by the end of 2019.

#### **Important Information**

This document has been compiled for the use of TA Forum members only and is for guidance purposes and must not be distributed further. Where any firms require further clarification, we suggest that they contact their bank or Cheque and Credit Clearing Company. For any queries regarding this document, please contact [enquiries@thetaforum.co.uk](mailto:enquiries@thetaforum.co.uk)