

# Extending Cheque Truncation to Retail Banking

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Many financial institutions throughout India (and the rest of the world) are taking advantage of the legislative and market support for cheque truncation systems (CTS) to lower operational costs associated with processing cheques. Two CTS applications being implemented globally by banks include branch image capture (BIC) and remote deposit capture (RDC). In our August issue, Panini shared a global perspective on RDC; this issue will focus on extending the capabilities of CTS to retail banking by

truncating cheques in the bank branches and converting them to digital transactions.

Operational models for branch image capture (BIC) include front counter (or teller) capture, back counter (or batch) capture, and hybrid (nodal

collaborated with the bank to initiate the pilot. Utilizing Panini Vision X® cheque scanners, member banks of the New Delhi Clearing House are currently capturing cheque images in their branch back offices and sending the captured data to a central facility for truncation and clearing under Reserve Bank of India's supervision. As a result of the successful transition to cheque truncation in New Delhi, an additional cheque truncation pilot is expected to begin soon in the Chennai Region. Panini, the global market leader in check scanner deployment, has already started working with many local banks and technology companies to duplicate the success for the new pilot. The entire nation is expected to have a fully implemented Cheque Truncation System by 2013-14.

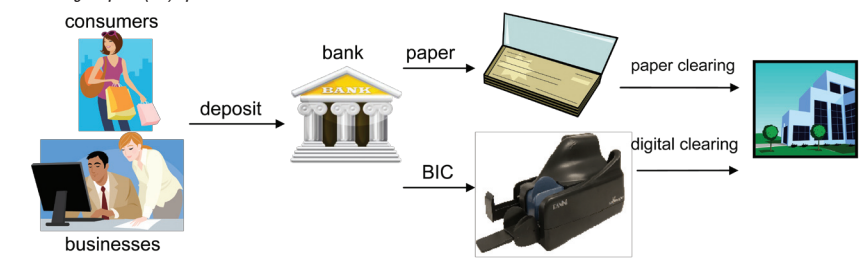
The benefits of extending cheque truncation to the retail banking channel, established in the New Delhi pilot, include operational and transportation savings, process efficiencies, accelerated clearing, and fraud reduction. Additional and more significant benefits can be realized by implementing CTS at the front counter, or bank teller stations. By scanning cheques at the earliest point of presentation, financial institutions eliminate the need for downstream processing and operations center costs. Transactions can also be proofed and balanced in real-time, with the customer present; reducing the number of fraudulent items accepted and potential customer service issues. Additionally, if bank tellers aren't focusing on processing paper items during a transaction, they will have more time to interact with the customer and provide better service. There are many success stories from financial institutions around the world. Case studies can be viewed at <http://www.panini.com/marketing-center/case-studies>.

Cheques are an important and substantial component of the payments market in India, and cheque truncation offers financial institutions the opportunity to control the costs and processes associated with the cheque at both the retail bank and remote business level. With legislative support already in place for CTS, Indian banks are in a great position to begin taking steps toward more efficient and cost effective payment processing.

## DEFINITIONS

- **Cheque Truncation System (CTS)** – ability to convert paper check deposit transactions to digital transactions by capturing an image of the check (front and back) and MICR codeline.
- **Remote Deposit Capture (RDC)** – enables businesses, and potentially consumers, to make cheque deposits directly to their bank account from their office utilizing cheque capture technology (scanner and software).
- **Branch Image Capture (BIC)** – truncation of paper deposits made at the bank branch to digital transactions.

Branch Image Capture (BIC) Operational Model



branch) using regional centers and/or centrally located branch locations. Currently, in the New Delhi Region, the Reserve Bank of India is leading a cheque truncation project using the back counter capture model (back office). The project began in 2008; Panini and local technology companies