

BANCO CENTRAL DE TIMOR-LESTE
INSTRUCTION N° 03/2015
ON THE CLEARING OF INTERBANK CHEQUES

Considering the exclusive responsibility granted to Banco Central de Timor-Leste under Article 29 n° 1 of Law n° 5/2011 of June 15 to regulate, license, register and supervise clearing systems, the need to provide the legal basis for a continuing manual system for clearing interbank Cheques in Timor-Leste following the introduction of the R-TiMOR Automated Transfer System and the need to manage and reduce the financial risks associated with the processing of Cheques through the Cheque Clearing House.

Taking into consideration the need to provide legal certainty by defining the rules, procedures and responsibilities for clearing Cheques between Banks licensed to operate in Timor-Leste.

For that purpose, Banco Central de Timor-Leste issues the following Instruction in order and for the purpose of defining the governance arrangements for the Cheque clearing process; establishing the multilateral netting arrangements associated with the Cheque clearing process; defining the settlement arrangements for cleared Cheques and establishing the responsibilities for managing the credit and liquidity risks associated with the settlement of Cheque Clearing House balances.

Finally, taking into account that pursuant to the Strategy for the Development of the National Payment System, the Banco Central de Timor-Leste assumed as an objective and priority, the increase of payments through electronic means and the progressive reduction of the use of Cheques, aiming to reinforce the security and efficiency of the payments executed in the country.

The Governing Board of the Banco Central de Timor-Leste, under the provisions of Articles 29 n° 1, 45 d) and 65 of Law n° 5/2011 of June 15 on Organic Law of the Central Bank, approves the following Instruction:

Article 1

Definitions

In this Instruction, unless otherwise stated, the terms bellow shall have the following meanings:

- a) "Bank" means a financial institution providing banking services that is licensed and supervised by the Banco Central de Timor-Leste under Law n° 5/2011 of June 15, and subject to the UNTAET Regulation 2000/8 on Bank Licensing and Supervision;
- b) "BCTL" means the Banco Central de Timor-Leste;
- c) "Business Day" means every day on which Banks are open for business in Timor-Leste;
- d) "Cheque" means a bill of exchange drawn on a Bank and payable on demand, issued on a bank account located in Timor-Leste and payable in the country;
- e) "Cheque Clearing House" means a central location or central processing mechanism established by BCTL through which Banks agree to exchange Cheques;
- f) "Collateral Account" is an account established by a Participant at the BCTL with funds deposited for the purpose of reducing the risk associated with settlement of the Cheque clearing;

- g) “Emergency” means any act of nature, war (whether declared or not), invasion, revolution, insurrection, labour action or other acts of a similar nature or force majeure that affects the ability of a Participant to participate in the implementation of this Instruction;
- h) “Participant” shall mean a Bank that is a participant of the Cheque Clearing House;
- i) “Payment” or “Item” means a Cheque or other eligible instrument to be presented at the Cheque Clearing House for collection;
- j) “Presenting Bank” means with respect to a Cheque, the Bank that submits the Cheque to the Cheque Clearing House;
- k) “Procedures” means the steps prescribed by the BCTL for sending Cheques to, and receiving Cheques from, the Cheque Clearing House;
- l) “Receiving Bank” means with respect to any Cheque, the Bank on which the Cheque is drawn that receives the Cheque from the Cheque Clearing House;
- m) “Returned Payment” means a Cheque dishonoured for any of the reasons set out in Annex I of this Instruction;
- n) “R-TIMOR” is an automated interbank transfer system operated by BCTL for the electronic clearing and settlement of non-cheque payment items;
- o) “Settlement Account” is the account held at the BCTL in the name of a Bank and across which transfers take place in order to settle money transactions, including settlement of clearing balances; and
- p) “Superintendent” shall be the person nominated by the BCTL to oversee the daily operations of the Cheque Clearing House.

Article 2

Purpose and scope

1. This Instruction establishes the rules and procedures associated with the Cheque Clearing House for clearing interbank Cheques in Timor-Leste.
2. This Instruction shall apply to all Banks.

Article 3

Participation

1. The Participants of the Cheque Clearing House shall be Banks, or branches of Banks, licensed by the BCTL and approved for participation in the Cheque Clearing House. Such Participants are referred to as “Direct Participants”.
2. Banks or branches of Banks that are not Participants shall be represented in the Cheque Clearing House by direct Participants, and are referred to as “Indirect Participants”.
3. The BCTL shall be a Participant in the Cheque Clearing House for its own purposes.
4. Additional Banks, or branches of Banks, may become Participants in the Cheque Clearing House as they may apply and are approved for participation by the BCTL. Such Banks will be added on the first day they commence business, or such other date as the BCTL shall determine.

5. A Bank may cease to be a Participant of the Cheque Clearing House provided it has made suitable arrangements with another Direct Participant to handle Cheques on its behalf in an acceptable manner.
6. The BCTL shall determine the continuing participation status of a Participant in the event that the Participant is placed in administration, receivership, liquidation or similar arrangements.

Article 4

Clearing Superintendent

1. The daily operations of the Cheque Clearing House shall be conducted under the supervision of a Superintendent appointed by the BCTL.
2. The Superintendent shall be responsible for assuring the compliance of all Participants with this Instruction and other operating procedures of the Cheque Clearing House.
3. In the event of any dispute arising between representatives of Participating Banks, when delivering or accepting payments or in connection with settlement amounts due to or from Participants, the decision of the Superintendent shall be accepted temporarily, subject to ratification by the BCTL.
4. In the event a dispute continues after settlement, it shall be resolved directly between the Banks concerned.

Article 5

Requirements of Participants

1. An authorised representative shall represent each Direct Participant at each clearing session.
2. The authorised representative must have the delegated authority to present and receive items in the Cheque Clearing House, and to prepare and sign relevant clearing vouchers. A copy of the delegated authority must be submitted to the BCTL.
3. Every Direct Participant must attend every session of the Cheque Clearing House, whether or not it has items to present.
4. The authorised representative must be present at the Cheque Clearing House at or before the appointed time for the commencement of the clearing session.

Article 6

Requirement to Submit Cheques

1. Participants are expected to utilise the Cheque Clearing House to send eligible Cheques to other Participants.
2. Any bilateral exchange of payments other than at the established Cheque Clearing House meeting times is permitted only upon mutual and specific agreement between the appropriate Participants.

Article 7

Eligible Payment Instruments

1. Eligible instruments that may be presented to the Cheque Clearing House include Cheques, interbank debits or acceptances, bills, promissory notes and other paper drawings (collectively referred to as "Items") as may be approved from time to time by the BCTL.
2. Items with a nominal value over US\$200,000 (two hundred thousand US dollars) shall not be eligible for presentation to the Cheque Clearing House.
3. Dishonoured items, as described in Article 13 of this Instruction, shall also be eligible instruments.
4. Cheques must be submitted on forms that meet the relevant standards issued by the BCTL.

Article 8

Clearing Hours

1. The Cheque Clearing House shall conduct clearing activities, at a venue determined by the BCTL, on every Business Day except days specified by the BCTL as non-banking days in Timor-Leste (every such day being a "Clearing Day"), from 9:30 a.m. until 10.00 a.m. or such other time as the clearing is complete (a "Clearing Session").
2. If a Participant expects to be unable to present all Items during a Clearing Session, it shall first deliver at the correct time the clearing vouchers relating to the dishonoured Item(s) which it had returned, in accordance with this Instruction.
3. An authorised representative arriving more than five minutes late at any Clearing Session without prior notification to and approval of the Superintendent shall not be permitted to present and deliver items for the clearing at such session; provided, however, such representative shall be required to accept Items from other Participants for clearing.
4. No representative shall depart the Clearing Session prior to the announcement of its closure by the Superintendent.

Article 9

Presentation Requirements

1. Each Participant shall submit to the Cheque Clearing House, at least 30 minutes prior to the commencement of a Clearing Session, details of eligible Items and/or a summary in electronic format, in the format determined from time to time by the BCTL.
2. All Items to be exchanged are to be listed (in duplicate) and presented by the Participant holding the Item ("Presenting Bank") in the same order as listed, together with an electronic file containing the details of the Items presented in a format prescribed by the BCTL. The list shall be stamped with the name of the Presenting Bank.
3. Each Item to be exchanged shall bear the name and address of the Presenting Bank distinctly stamped across its face or on the reverse side. No Item shall be received that does not bear the stamp of the Presenting Bank, and the date it was lodged at the Presenting Bank. Should any Item bear the stamp of more than one Participant, the ownership thereof must be clearly indicated by special endorsement, provided that for the purpose of this Instruction, any Item received from a Presenting Bank and purporting to bear that Bank's stamp, shall be deemed to bear the Presenting Bank's stamp.
4. Each Participant that presents Items, by its act of sending payments to the Cheque Clearing House, authorises the BCTL to debit its settlement account for the subsequent return of dishonoured payments by a Receiving Bank.

5. Sending banks must retain all pertinent records necessary to reconstruct any payments for one year beyond the date of original presentment. This does not imply, however, an obligation to research, provide customer contact, or resolve any adjustment for a particular payment later than this time.

Article 10

Indemnity for Endorsements

1. The crossing stamp of the Presenting Bank on Cheques shall be deemed to be the guarantee of the genuineness of all endorsements or lack of endorsements regardless of amount.
2. The Presenting Bank hereby indemnifies the Receiving Bank against all claims that may arise with respect to the endorsement of the Presenting Bank; provided, however:
 - a) that the guarantee implied by the crossing stamp shall be for a period of five (5) years from the date of the payment of the Cheque or such other period as may be prescribed by law and that all claims must be made on the Presenting Bank within that period;
 - b) that the arrangement does not apply to Cheques special receipt forms serving both as an endorsement and receipt; and
 - c) instruments made payable to cash shall be deemed not Cheques, and Items made payable to cash must be endorsed by the drawer.

Article 11

Mode of Clearing

1. The Participant receiving an Item presented by the Presenting Bank (the "Receiving Bank") shall sign the duplicate listing as receipt for the Items listed and delivered by the Presenting Bank.
2. Verification of the accuracy of the lists of presented Items shall be the responsibility of the Presenting Bank, and any discrepancies shall be settled directly between the Presenting Bank and the Receiving Bank.
3. Upon the completion of the clearing exchange, the Superintendent shall be informed by each Participant's representative, in writing and by electronic file, both in the form prescribed by the BCTL, of the total claims for or against such Participant and the resulting net balance.
4. The representatives of each Receiving Bank shall, as soon as possible upon the close of a Clearing Session, verify all Items accompanying each listing. Unless otherwise provided in this Instruction, any discrepancy will be notified to the Presenting Bank and shall be settled either directly between the two Participants concerned on the same day or by voucher at the Cheque Clearing House on the following Clearing Day.
5. Each mis-sorted Item not adjusted during the Clearing Session shall be returned unpaid to the Presenting Bank on the day of the clearing and settlement effected directly between the relevant Participants.
6. Each Item not listed for value may be returned by the Receiving Bank to the Presenting Bank in a sealed envelope so marked not later than the following Clearing Day.

7. Missing Items, Items drawn on a Receiving Bank received but not listed, and incorrect listings shall be adjusted by either drawing on the Presenting Bank or submitting a request for a drawing on the Receiving Bank.
8. In the event any Cheque shall contain a discrepancy between the amount as stated in figures and the amount as written in words, the amount as written in words shall prevail.
9. Notwithstanding any other provisions in this Instruction, a Participant may use the R-TIMOR automated transfer system to make interbank transfers of funds.

Article 12

Receipt of Items

1. Receiving Banks are expected to receive any Cheques made available to them at the Cheque Clearing House each day.
2. Cheques delivered to a Receiving Bank that are received by such Bank because it has failed to attend the Cheque Clearing House session or has been excluded because of late arrival on that day are deemed to have been delivered on that day for purposes of settlement and timely return of any dishonoured Cheques.
3. Payments remain the property of Presenting Banks until they have been settled for or returned. Receiving Banks hold payments in trust until they have received credit from the issuer of the payment by charging that client account on its books.
4. Receiving Banks are expected to keep adequate funds in their BCTL settlement accounts to pay for their net obligations in the Cheque Clearing House.
5. Receiving Banks must retain detailed tapes or paper listings, and any other associated evidence necessary to reconstruct records for any Cheque Clearing House transaction for one calendar year beyond the date of clearing. Receiving Banks are under no obligation but can reasonably assist the Presenting Banks to resolve inquiries about transactions which occur after the mandatory records retention period has expired.
6. All debits to a customer's account require the customer's mandate. A Cheque bearing a forged signature is lacking such mandate and cannot normally be debited to a customer's account. A holder or endorser of a Cheque may not be able to acquire good title to an instrument bearing a forged endorsement. Banks should therefore only accept Cheques from persons who are known to them or who have been properly identified.

Article 13

Dishonoured Items

1. An Item may be dishonoured (returned) by a Receiving Bank for only such reasons as are provided in Annex I of this Instruction;
 - a) Items not otherwise dishonoured for the reasons specified in Annex I shall be certified for payment; and
 - b) Presenting Banks shall assure that, with respect to Cheques deposited, funds therefor shall be available to customers not later than the closing of the Clearing Session on the second Clearing Day following deposit (the first Clearing Day being the day on which the Item was presented for clearing through the Cheque Clearing House).

2. A Dishonoured Item shall be returned by a Receiving Bank on the first Clearing Day following the Clearing Day (“the Prescribed Period”) on which it was presented for clearing through the Cheque Clearing House; provided, however; that:
 - a) a Receiving Bank may, at any time within the Prescribed Period, by direct presentation return the Dishonoured Item to the principal office of the Presenting Bank during the Presenting Bank’s normal banking hours;
 - b) settlement of a Dishonoured Item returned by direct presentation shall be by bank Cheque (banker’s draft/manager’s cheque) at the next Clearing Session or by an irrevocable instruction to the BCTL to transfer with immediate effect to the Settlement Account of the Presenting Bank the value of such Item; and
 - c) in the event a Receiving Bank anticipates a delay in the return of a Dishonoured Item for whatever reason, the Receiving Bank shall advise the Presenting Bank by telephone (confirmed in writing), stating the cause of the delay and requesting an extension (by a specified number of business days) of the Prescribed Period.
3. A Dishonoured Item returned to a Presenting Bank shall bear a written notation/comment (on the reverse of the Item) stating the reason for the dishonour, the bank stamp of the Receiving Bank above the written notation/comment and an adhesive label/rubber stamp bearing a letter “D” printed in red affixed in a clear space at the top of the face of the Item. For purposes of this paragraph, notices and debits relating to Dishonoured Items shall contain particulars of payee, tellers stamp, drawee name, and reason for return.
4. Where a Dishonoured Item bears an indecipherable bank stamp or no bank stamp, it shall be returned through the same source as it was received.
5. Any Dishonoured Item wrongly directed shall be re-directed without delay by the Receiving Bank to the Presenting Bank in accordance with each Participant’s internal procedures.
6. Wrong deliveries shall be treated as returns.
7. For the purposes of Cheque Clearing House procedures, a Dishonoured Item shall be processed as a new payment instrument without reference to the original Item processed in an earlier Clearing Session or the settlement thereof.
8. The Receiving Bank may on application to the Presenting Bank obtain compensation at market rates for the funds applied to settlement of a dishonoured item in an earlier Clearing Session.

Article 14

Netting Arrangements

1. Upon the completion of each Clearing Session, the Superintendent shall be informed by each Participant’s representative, in a format to be prescribed by the BCTL, of the total claims for and against such Participant and the resulting net balance. When, thereafter, the Superintendent is satisfied that the clearings have balanced, the Superintendent shall sign an advice of debit or net credit to each Participant, in a form to be prescribed by the BCTL.
2. On completion and signing of the advice of debit or net credit to each participant, the sums shown on the form shall become a new claim owing to or from Participants, and shall for the purposes of settlement replace the individual payment obligations on the underlying individual payment items (netting by novation) which shall thereafter be deemed to have been settled, subject to right of dishonour.

Article 15

Settlement of Transactions

1. Each Participant of the Cheque Clearing House shall hold a Settlement Account in the R-TiMOR system, which shall act as the settlement bank for the Cheque Clearing House.
2. Settlement of each day's net clearing of each Participant shall be effected daily through a net settlement instruction submitted to R-TiMOR for processing to the Settlement Account of such Participant.
3. Each Participant shall ensure that its Settlement Account contains sufficient free funds to meet its net Cheque clearing liability for each Clearing Day.

Article 16

Failure to Settle Arrangements

1. In the event that a Participant fails to maintain a sufficient balance in its Settlement Account to cover its clearing obligations for any Clearing Day ("Defaulting Participant"), the BCTL shall immediately notify that Participant.
2. Upon receipt of such notification, the Defaulting Participant shall take immediate actions to deposit immediate funds into its Settlement Account in R-TiMOR sufficient to enable the settlement of its obligations.
3. In order to facilitate the settlement of such balances, Participants shall implement formal arrangements to undertake lending and borrowing amongst one another. Such transactions, if undertaken, shall be settled within one hour in R-TiMOR.
4. If, following a period of one hour from the time that notice is given, the Defaulting Participant is unable to provide sufficient funds to enable the settlement of its obligations the BCTL shall transfer funds from the Defaulting Participant's Collateral Account.
5. In the event that the funds in the Collateral Account are not sufficient, the BCTL shall immediately advise all other Participants of the failure of the settlement system and shall force a settlement by deducting from the Settlement Accounts of the non-defaulting banks sufficient funds (the loss-sharing amount) to cover the shortfall of the Defaulting Participant, the amount being contributed by each non-Participant being calculated in proportion to the total debit items attributable to the Participant during the previous two completed calendar months.
6. The BCTL shall immediately, following the completion of each calendar month, advise each Participant in writing of;
 - a) the total debit items attributable to the Participant in the Cheque Clearing House during the previous two completed calendar months; and
 - b) the total debit items attributable to all Participants in the Cheque Clearing House during the previous two completed calendar months;
 - c) the latest figures so advised shall be used to compute the loss-sharing amount.
7. The Defaulting Participant shall be suspended from the Cheque Clearing House until such time as the loss-sharing amount has been repaid to the lenders.
8. For the avoidance of doubt, the BCTL shall not participate in the loss-sharing arrangements described in this Article.

Article 17

Collateral Accounts

1. Each Participant shall, in addition to its Settlement Account, maintain a Collateral Account at the BCTL to reduce the risk of a failure to settle in the Cheque Clearing House.
2. The minimum balance to be held in the Collateral Account shall be equal to the largest net debit balance in the Cheque Clearing House attributable to that Participant during the preceding two calendar months. The balance shall be determined monthly on the first Business Day of each calendar month.
3. The BCTL shall notify Participants of the minimum balance to be held in the Collateral Account on the first Business Day of each calendar month, and Participants shall have until the fifth Business Day of the relevant calendar month to fund the collateral account to the required level.
4. Where the balance of the collateral account exceeds the minimum balance the BCTL shall, subject to the provisions of the following clause, transfer the surplus to the Participant's settlement account on the second Business Day of each calendar month.
5. Participants may by written notice to the BCTL decide to maintain a higher balance in the Collateral Account than the required minimum balance.
6. In the event that Participants do not fulfil the obligations as set out in this Article:
 - a) In respect of a failure to maintain the required minimum balance in the Collateral Account, the BCTL shall transfer such sum as may be necessary from the Participant's settlement account; and
 - b) If the balance of the Participant's Settlement Account is insufficient, the BCTL shall cease to pay interest on the balance in the Collateral Account, and will impose an administration fee calculated as the daily interest rate on the shortfall at market rates plus five per cent for each day that the Collateral Account remains unfunded.

Article 18

Money Market Activities

1. Participants shall make bilateral arrangements with one or more Participants to enable money market activities to take place.
2. In the event that money market activities are required to enable settlement of the Cheque Clearing House Net Settlement Instruction in R-TiMOR, the settlement of such activities shall take place within one hour of the announcement of the clearing positions in the Cheque Clearing House.

Article 19

Suspension

1. The BCTL may suspend a Participant for a specified or indefinite period of time in the following circumstances (each a "Suspension Event"):
 - a) the Participant is subject to continuing prudential supervision and the relevant supervisor requests such suspension;
 - b) by agreement with the Participant concerned;

- c) an Emergency Event occurs in respect of the Participant, but only during the continuance of that Emergency Event; and
 - d) the Participant breaches any of its obligations under this Instruction and fails to rectify the breach or provide an explanation satisfactory to the BCTL within thirty (30) days of receipt of a request from the BCTL to rectify the breach or provide such explanation.
2. A Participant whose participation is suspended under this Article shall not, except to the extent otherwise approved by the BCTL, be entitled to:
 - a) participate in the Cheque Clearing House; and
 - b) clear and settle Items in accordance with this Instruction.
3. The BCTL shall immediately notify all Participants by the most expeditious means available of any suspension under this Article.

Article 20

Termination

1. A Participant shall cease to be a Participant when:
 - a) becoming insolvent or making an arrangement or composition with creditors generally;
 - b) being wound-up, dissolved or otherwise ceasing to exist; and
 - c) upon the revocation of the Participant's license to operate as a Bank in Timor-Leste.
2. For purposes of Article 19 n° 1 paragraph d), the BCTL may, upon written notice to the Participant, terminate the participation of that Participant with immediate effect or with effect from a date not less than three (3) months and not more than six (6) months after the date of the notice in the event:
 - a) the Participant is subject to a continuing Suspension Event;
 - b) If that Participant is subject to prudential supervision, the BCTL has consulted with the relevant foreign supervisor (if applicable) regarding such termination; and
 - c) the BCTL has provided the Participant the opportunity to make such submissions to the BCTL as may be relevant to such termination.
3. No termination of the participation of a Participant shall affect any right or liability arising under this Instruction prior to the time such resignation or termination takes effect or arising in respect of any act, matter or thing occurring prior to that time. A Participant whose participation is terminated pursuant to paragraph 2 of this Article shall continue to be bound by this Instruction in respect of all acts, matters or things occurring prior to the effective time such resignation or termination.
4. Subject to any rights of set-off, counterclaim or combination which may be available at law, and in accordance with the records maintained by the BCTL, which shall be *prima facie* evidence of the sums owing by or to such Participant, upon any termination of the membership of a Participant:
 - a) the terminating Participant shall immediately pay all sums of money (if any) owed by it to any other Participant in respect of exchanges;
 - b) all sums of money (if any) owed to it by any other Participant in respect of all such exchanges must be paid by that other Participant to the terminating Participant.

Article 21

Disputes

1. Where there is a dispute or difference between two or more of the Participants regarding this Instruction or any of the provisions herein, the dispute must be referred in writing to the BCTL for determination.
2. A determination of the BCTL must be evidenced by a decision of the Governor of BCTL which shall be binding on all parties to the dispute.

Article 22

Emergency Situations

1. In the event of an Emergency affecting a Participant, the affected Participant shall promptly notify the BCTL and all other Participants, advising the following details:
 - a) those branches or offices which are or will be closed;
 - b) those branches which are providing limited services;
 - c) details of the limited services;
 - d) details of branches that will be withdrawing from exchanges/clearance of Items;
 - e) those branches which remain open and unaffected; and
 - f) extent of extension (delay) period required for return of items being dishonoured.
2. The extent to which services provided by a Participant can be maintained in a given situation will depend on the nature, location and duration of the Emergency. The BCTL shall promptly consider the effect of the Emergency on all Participants and, in the event all Participants are similarly affected, the Superintendent shall convene an emergency meeting of Participants to determine means for effecting clearings during the duration of the Emergency.
3. All Participants shall accept for value their customers' Cheques, even though the processing of such paper may not be possible due to an Emergency if as the direct result of any special circumstances subsequently arising a Participant(s) decides to discontinue accepting Items for value on one or more other Participants, it shall provide to the BCTL and all other Participants written notice of the same not less than two days in advance of the effective date of such notice and shall otherwise undertake such discontinuance in a manner that ensures the minimization of the impact thereof on the clearing exchange processes.
4. Where one or more Participants have ceased to participate in clearing of Items due to an Emergency, the Cheque Clearing House shall continue to operate as provided in this Instruction for as long as practicable.
5. All Items should be presented to Receiving Banks. If the Receiving Bank has ceased to participate in clearing of Items due to the occurrence of an Emergency, the Receiving Bank will either give the Presenting Bank a warrant or answer "unable to process". Should the presentation of an Item on due date not be possible due to the occurrence of an Emergency, the Item shall be presented on the next following Clearing Day.
6. A Participant shall notify the BCTL prior to the full closure of all its branches due to an Emergency.

Article 23

Statistics

The BCTL has the authority to collect and publish statistics relating to the operation of the Cheque Clearing House. Participants shall cooperate in the provision of statistics for that purpose.

Article 24

Costs

The BCTL may, at its discretion, require Participants to pay reasonable fees for clearing.

Article 25

Delegation of Powers to the Governor

1. Under this Instruction and taking into consideration BCTL's desire to, pursuant to the Strategy for the Development of the National Payment System, reduce and eliminate the use of Cheques, the Governor have the power to, be means of Decision:
 - a) determine limits to the number of Items that can be presented by each Participant in each Clearing Session;
 - b) determine the Eligible Payment Instruments and applicable minimum and maximum amounts;
 - c) establish the essential features of the Items that may be presented, including the Cheque;
 - d) determine with a minimum 180 (one hundred and eighty) Business Days advance period the closing or suspension for an undetermined period of time of the Cheque Clearing House.
2. The closing or suspension for an undetermined period of time of the Cheque Clearing House can only occur after consultation of all Participants which shall be notified of the final Decision within five (5) Business Days from its date.

Article 26

Revocation

Rule N° 2/2009 on the Clearing of Interbank Payments is hereby revoked.

Article 27

Entry Into Force and Publication

1. In accordance with Article 66 n° 1 of the Organic Law of the Banco Central de Timor-Leste, this Instruction shall be published in the Jornal da República.
2. This Instruction shall enter into force on 9 April 2015.

Approved on 9 April 2015

The Governor

Abraão de Vasconcelos

Annex I of Instruction no 03/2015

BASES FOR DISHONOUR OF ITEMS

Basis of Dishonour

1. Insufficient Funds/Refer to Drawer
2. Unable to Trace
3. Post/State Dated
4. [Not used]
5. Payment Countermanded by Drawer
6. Account Closed
7. Words and Figures Differ
8. Require Endorsement
9. Uncleared Funds
10. Signature(s) Irregular/Required/Illegible/Unauthorized
11. Alterations Require Signature
12. Drawer Deceased
13. Forged Endorsement/Counterfeit Item
14. Funds Frozen/Blocked
15. No Chequing Privilege
16. Domicile Incorrect/Required
17. Not Eligible for Clearing
18. Recourse Lost
19. Body of Cheque Incomplete
20. Crossing Stamp Missing
21. Wrong Delivery/Not for Us
22. Cover not Received
23. Mutilation not Confirmed
24. Other