

Bangladesh Bank
Head Office, Dhaka
Payment Systems Division

PSD Circular No. 02/2009

Date : 4 Falgun 1415
February 16, 2009

Managing Director/Chief Executive Officers
All scheduled banks in Bangladesh

Dear Sir,

Bangladesh Automated Cheque Processing System
(BACPS) at the expanded Dhaka Clearing Region.

You are aware that Bangladesh Bank has been working to modernize the country's payment system. The most visible step towards modernizing payment system is the establishment of the Bangladesh Automated Clearing House (BACH). Bangladesh Automated Cheque Processing System (BACPS) is one of two components of BACH. The other component of BACH is the Bangladesh Electronic Funds Transfer Network (BEFTN), which will be implemented immediately after implementing first phase of BACPS. Selected vendor has already started procuring necessary hardware and software for the BACPS solution. Detailed system specifications and operational configurations are being defined and calculated with a target of going live operation at expanded Dhaka Clearing Region with more than 1050 bank branches of 49 banks in and around the capital city during the second half of 2009.

2. The basic features of BACPS are the adoption of new cheque design standard with a Magnetic Ink Character Recognition (MICR) code line and the exchange of cheque-image and data instead of paper cheques for clearing and settlement purpose. Retention of the original paper cheque will become the responsibility of the presenting bank rather than the paying bank. Banks are required to make arrangement and develop infrastructures to meet the requirements of the new system. Bangladesh Bank will adopt necessary Regulation(s) and issue Operating Rules and Procedures in this regard. Standards of cheques for BACPS have already been circulated and banks have meanwhile been advised to take steps to print uniform standardized cheques with MICR line.
3. Appropriate information to the banks about requirements they must meet to participate in and interface with BACPS are provided below:
 - (i) **Point of Truncation:** All scheduled banks who are members of the Dhaka Clearing House will be required to submit their list of selected branches and to finalize their "point of truncation" for submission of their outward cheque images and data to BACPS and be prepared to handle cheque image and data as part of their inward clearing operations. Banks can choose to truncate and process their cheques at individual branch level or at a consolidation point in line with their business needs. However, it must be noted that each bank will have only one Point of Truncation for BACPS.
 - (ii) **Scanning Standard:** Images must be captured for both the sides (front and back) of each instrument in the format prescribed below:

	Image Type	DPI range	Format	Compression
01.	Front : Black and White	200-300 DPI	TIFF	CCITT G4
02.	Back : Black and White	200-300 DPI	TIFF	CCITT G4

- (iii) **Software/Integration:** All banks will receive images and data, not paper cheques, from the BACPS for all of the items for which they are the paying bank. Therefore, all banks must acquire the capability to accept as well as to send the image files and data from and to the BACPS. However, those banks who will not be able to equip themselves for processing out clearing items electronically within the stipulated time, will be allowed to process their 'out-clearings' by using the Bangladesh Bank's own facility at Motijheel for a limited time. However, banks availing of 'out-clearing' facilities will have to acquire the capability to receive their 'In-clearing' items electronically. Once in-clearing data and images are delivered to a bank by BACPS, the subsequent verification and

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processing of that information becomes the responsibility of the respective paying bank. Bangladesh Bank will supply a gateway software module, known as the Participating Bank Module (PBM) which will act as a gateway, amongst other functions, enabling the receipt or transmission of images and transaction data from and to the BACPS.

- (iv) **Communication Links:** All scheduled banks are required to put in place two secure communication links, one with BACH Headquarter at Motijheel and another with the BACH Disaster Recovery Site (DRS) at Mirpur. The size and scalability of these links will depend on each bank's mode of operation and daily volumes. It is preferred that banks acquire fibre optic link and another redundant communication link with BACH at Motijheel and DRS at Mirpur, Dhaka.

4. Participating banks are required to accomplish the following tasks within the time stipulated below :

	Activity	Dead-line
a.	Issuing MICR standard cheques and phasing out non-standard cheques used by customers	01-03-2009 to 30-05-2009
b.	Selection of vendor(s) and submission of plan for installing necessary hardware and software for cheque processing and connectivity with BACH	30-04-2009
c.	Communication links installed between banks and the BACH	31-05-2009
d.	Users' Acceptance Test (UAT) for each individual bank with BACPS	01-06-2009 to 30-07-2009
e.	BACPS LIVE	03-08-2009

5. The purpose of this circular and distribution of functional specifications is to provide an initial understanding about the requirements that must be met by the participating banks. Detailed specifications attached to this circular are:

- (i) Active Image Clearing System (AICS) Specification containing the format of the files to be exchanged between BACPS and participating banks ([Annexure-I](#))
- (ii) PBM Specification regarding functionality for gateway software module ([Annexure-II](#))
- (iii) Network Specification describing standards for the communication links and security devices required for interfacing with the BACH ([Annexure-III](#))

All of these Annexures may be provided in soft versions on a CD and also be available at our website.

6. It is, therefore, advised that member banks update their preparations to be in step with the progress of the implementation of the BACH. The BACPS rules and procedures will be forwarded to you in due course.

Please acknowledge receipt.

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and

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