



## **Media statement – Cheque Item Limit Reduction**

### **Statement by the Payments Association of South Africa (PASA)**

After careful consideration and consultation with key stakeholders, PASA has agreed to reduce the maximum value for which a cheque can be written. The current maximum value per cheque is R5 million and this will be reduced to R500 000. The new limit will come into effect from 16 July 2012.

One of the main reasons for the reduction is related to risk. Although less than 1% of cheques are signed for values above R500 000, these high value cheques account for more than 40% of the total industry fraud losses. A reduction in the cheque limit will thus directly curb cheque fraud.

Further, the customer impact is low. On average, only 0.7% of customers issue cheques for more than R500 000. Walter Volker, Chief Executive Officer of PASA believes that the continuous decrease in cheque volumes in general can be attributed to the number of different electronic payment options developed over the last 10 years.

“South African customers now have a variety of payment options at their disposal, including card, internet and mobile payments,” says Volker. Electronic payments are safer, faster, cheaper and increasingly preferred by customers.

Cheques have also recently received a lot of attention in the United Kingdom, with suggestions of abolishing cheques by 2018. Volker clarifies that, “the South African scenario is very different. The reduction to the cheque item limit is certainly not a strategy to do away with cheques. Although the use of cheques has been declining rapidly - 24% year on year for the past five years - further analysis is required before any major decisions on the future of cheques are taken.”

The South African Reserve Bank has also endorsed the decision on the basis that it reduces risk, protects customers and because of the availability of electronic alternatives.

Volker stressed that there will be no immediate change.

“Between now and July 2012, the banks will be undertaking clear, direct communication with impacted customers, helping them to understand the electronic alternatives available. There will also be preparation within the banks to effect the system changes. After 16 July 2012, no cheques written for amounts above R500 000 will be accepted”, says Volker.

Any media related queries can be directed to:

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### **Description of PASA**

PASA is the association responsible for managing certain payment systems in South Africa. PASA is recognised by the South African Reserve Bank (SARB), in terms of the National Payment System Act of 1998, as having responsibility to organise, manage and regulate the participation of its members in the payment system.