



**Central Bank of Kenya  
&  
Kenya Bankers Association**

**VALUE CAPPING ON  
CHEQUES, DIRECT  
DEBITS AND EFT'S  
FAQs**

Queries

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**Q - What is value capping?**

It's a limit set on amounts. The limit set for value capping is Kshs 1million, USD 35,000 EUR 30,000 and GBP 15,000 and above that will NOT be processed through the Nairobi Automated Clearing House from 1st October 2009.

**Q - What is RTGS?**

Real Time Gross Settlement (RTGS) System known as the Kenya Electronic Payments and Settlement System (KEPSS) is a settlement system in which processing and settlement take place on a transaction-by-transaction basis (without netting) in real time (continuously).

KEPSS system was implemented on **July 29, 2005** by the Central of Kenya in consultation with Kenya Bankers Association. The system can handle both high value, time critical payments and low value payments.

All Commercial banks are currently participating in KEPSS and are able to provide this service to all their customers in all their branches. Customers will be required to directly instruct their banks to make payments to the receiving banks instead of issuing cheques and it is anticipated that the receiving bank would have the payment within four hours after receiving the instructions on due date.

**Q - Which payments are effected by this directive?**

All large payments in local and foreign currency settled by Cheque, EFT, Standing orders, Direct debits that pass through the clearing house.

**Q - Can customers still write cheques of above the cap limits? If yes, how will that be handled by the bank?**

Customers can still write cheques of above the limit BUT his /her bank will take them through a process called collection meaning that payment rests with the paying bank, subject to a maximum period of 21 working days.

**Q-Does value capping also include Bankers Cheques?**

Value capping will affect all cheques, including banker's cheques and corporate cheques.

**Q - Does Value Capping apply on all payments?**

Value capping applies on all payments to and from other banks and does not affect in-house cheques i.e. cheques of the same bank.

**Q- Are payments through RTGS safe?**

Payments through RTGS are made Via the SWIFT (Society of World Wide International Funds Transfer) network, which is a safe money transfer network. This is a channel that facilitates immediate transfer of funds and information in a secure channel.

**Q - How is RTGS different from the cheque payment system?**

A cheque is a debit instrument whose payment is deferred i.e. will take place in future in Kenya is T + 3 working days; that is a customer will receive value after three working days. RTGS operates on a credit push i.e. the customer/payer must have funds in his account at the time of issuing the instructions for payment.

**Q- What are the requirements RTGS?**

To make a KEPSS payment one requires: Beneficiary name, Beneficiary bank and branch, Beneficiary account number, value date of payment,

amount and sender/receiver information.

**Q- What evidence do I receive that I have made an RTGS payment?**

Your bank will provide you with a slip that is duly signed and stamped as is currently the procedure for cash or cheque deposits.

**Q – What is the difference between EFT and RTGS?**

EFT is an electronic fund transfer modes that operate on a deferred net settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place at a particular point of time. All transactions are held up till that time. For example, EFT settlement takes place once a day at the automated clearing house. Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time. Contrary to this, in RTGS, transactions are processed continuously throughout the RTGS business hours.

**Q- Which foreign currencies can be transacted through RTGS-KEPSS?**

Currently US dollars, Sterling Pounds and EUROS and the value cap limits apply.

**Q - What benefit are derived by using RTGS?**

A – The benefits include; reduced high value cheque frauds, faster receipt of funds by beneficiary same day value i.e. within 4 hours of initiating the instructions it is efficient and settlement is guaranteed.

**Q – How does this change impact statutory payments like P.A.Y.E and V.A.T?**

A – It affects large statutory payments which are done to CBK and hence these payments shall be done via RTGS in your commercial bank.

**Q- Payment to Customs for clearance of goods is normally done through Bankers cheques as per requirements. How will this process be handled?**

Payments to Government bodies will also have to be routed through RTGS if amount is greater than Kshs 1 Million and your bank will provide you with a slip (evidence) of payment made.

**Q- A bounced cheque gives a beneficiary “physical” evidence of non-payment by drawer and helps in lawsuits. Does RTGS take care of this aspect?**

In RTGS a payment cannot bounce since it's a credit push i.e. the customer must have sufficient funds at the time of initiating the payment.

**Q- Under what circumstance can a bank reject or not apply a payment received through RTGS?**

A bank may not apply a payment if the beneficiary details are different from records held or there has been notification of fraudulent activity.

**Q - Would the remitting customer get back the money if it is not credited to the beneficiary's account? When?**

Yes. It is expected that the receiving bank will credit the account of the beneficiary instantly. If the money cannot be credited for any reason, the receiving bank would have to return the money to the remitting bank within 2hours.

**Q- Can RTGS payments be effected through other agents other than commercial banks?**

No. only through licensed commercial banks.

**Q- When can a customer make RTGS payments?**

RTGS payments can be made during the business day Monday to Friday between 8.45am and 3.00pm; however these times will vary with each commercial bank.

**Q- Can RTGS payments be back-dated?**

No, but they can be future dated.

**Q – Can customers effect payments for less than the cap limits via RTGS?**

Yes customers can issue instructions for any amount below the value cap via RTGS

**Q – What are the charges for receiving RTGS payments?**

There are no charges on receiving RTGS payments. KBA recommends RTGS payments to cost same as Bankers' cheque and NOT exceed Kshs 500.00