

# Bahrain Electronic Cheque System - An Overview

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## Introduction

In October 2021, the Central Bank of Bahrain (“**CBB**”) introduced an electronic cheque system in Bahrain pursuant to Decision No. 13 of 2020 regulating electronic transferable cheques (“**E-cheque**”). An E-cheque is an electronic cheque, that operates substantially in the same manner as a traditional physical cheque and has the same legal validity and benefits of a physical cheque. The sole difference is that it is a completely paperless payment practice with only an electronic record which allows for faster and easier transactions while maintaining physical cheque’s features. This article provides an overview of E-cheque system in Bahrain.

## Requirements for a valid cheque under Bahrain law

The Law No. 7 of 1987 promulgating law of commerce (as amended) states that a cheque should contain the following:

- the word ‘cheque’ should be written on the instrument;
- an unconditional order to pay a sum certain in money;
- the name of the person who should pay the drawee;
- the place of payment;
- the date and place of drawing the cheque;
- signature of the maker (drawer) of the cheque; and
- the name of the person to whom or to whose order payment shall be made.

If an instrument does not contain any of the information listed above, it will not be deemed to be a valid cheque except in certain cases where the place of payment is not indicated. For instance, if the place of payment is not indicated, the cheque will be payable at the place shown next to the drawee’s name. If several places are indicated next to the drawee’s name, the cheque will be deemed to be payable at the place first indicated. When these particulars are not stated on the cheque, it will be deemed to be payable at the head office of the drawee. When the place of drawing the cheque is not indicated, it will be deemed to have been drawn at the place shown next to the drawer’s name.

## E-cheque system

The new E-cheque system retains the same features of the traditional physical cheques used in Bahrain. The E-cheque is additional to the traditional physical cheque which continues to be used in Bahrain. It is the first fully fledged E-cheque system in Bahrain which can be used by both retail and corporate customers of banks in Bahrain.

In its initiative towards digital transformation the CBB directed the BENEFIT Company B.S.C. Closed

(“**BENEFIT Company**”) the key operator of electronic financial transactions in Bahrain to implement the electronic cheque system in Bahrain. Moreover, recently promulgated laws such as Law No. 55 of 2018 with respect to Electronic Transferable Records Law and the Law No. 54 of 2018 issuing the Law on Electronic Letters and Transactions gave the necessary legal basis for the E-cheque system.

## **Eligibility and process for E-cheques**

Any customer with an international bank account number (“**IBAN**”) in Bahrain is eligible to issue and use E-cheques. A customer can register as an issuer of E-cheque and/or be a beneficiary receiving and depositing E-cheques. Banks are obligated to process the registration request within two (2) business days from receiving the complete forms and approving the request.

## **Registration for E-cheques**

The E-cheque system is operated by the BENEFIT Company. The Benefit Company provides E-cheque service through two (2) mobile applications namely, (a) BenefitPay and (b) E-Cheque Application. Individuals and/or retail customers can register online through their IBAN and activate their account instantly on the BenefitPay Application for this E-cheque service, whereas, the corporate customers of banks can register at their banks by filling in the application forms for their company and the authorized signatories of their company to benefit from the online facility of this E-cheque system through the E-Cheque Application.

Through the E-cheque system, customers can write, sign, issue and deposit E-cheque online without visiting banks and waiting in lengthy queues, rather, only by using mobile applications such as BenefitPay and the E-Cheque Application. The E-cheque system is a safe and secure payment system, which minimises the risk of loss, fraud, or counterfeit of cheque instead it keeps an electronic record of cheques. Additionally, E-cheque permits a corporate customer to easily let its multiple authorised signatories sign E-cheques online while applying any limits on each authorised signatory.

The same laws that are applicable to traditional physical cheque such as cheque bounce which is considered a criminal offense is applicable to E-cheque and the similar penalties and fines would be imposed on the offenders.

## **Conclusion**

The new E-cheque system is a hassle free and seamless digital electronic system that provides a number of benefits to all categories of customers, including retail, large corporates and SMEs by replacing physical cheque books.

***Al Tamimi and Company’s Banking and Finance team regularly advises on lender’s and borrower’s financing. For further information please contact [Rafiq Jaffer \(r.jaffer@tamimi.com\)](mailto:r.jaffer@tamimi.com) or [Natalia Kumar \(n.kumar@tamimi.com\)](mailto:n.kumar@tamimi.com) or Gargi Agarwal ([g.agarwal@tamimi.com](mailto:g.agarwal@tamimi.com))***