



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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August 13, 2012

The Chairman and Managing Director / Chief Executive Officer
All Scheduled Commercial Banks including RRBs /
Urban Co-operative Banks / State Co-operative Banks /
District Central Co-operative Banks

Madam / Dear Sir

Stipulation of compensation for delay in Clearance of Local Cheques

As you may be aware, banks are required to specify the time line for realisation of local and outstation cheques in their Cheque Collection Policies (CCP) including the compensation payable for delayed credit, if any. However, on perusal of the Cheque Collection Policies (CCPs) and Compensation Policies of various banks, it is observed that there is no mention about the compensation in respect of the delay in realisation of local cheques. Instances of delayed credit to customers' accounts without any compensation for the delayed period beyond the time line indicated in the CCPs, in respect of local cheques, have been brought to our notice.

2. In this regard, a reference is invited to our circular DPSS. CO. (CHD) No. 873 / 03.09.01 / 2008-09 dated November 24, 2008, in terms of which, banks are required to specify the time line for realisation of cheques, including local cheques, in their respective CCPs. Paragraph 4(ii) of the circular also states that in case of local cheques, banks shall permit usage of the shadow credit afforded to the customers' account immediately after closure of relative return clearing and in any case, withdrawal shall be allowed on the same day or maximum within an hour of the commencement of business on the next working day, subject to usual safeguards.

3. In view of the above, banks are advised to reframe their CCPs to include compensation payable for the delayed period in the case of collection of local cheques as well. In case, no rate is specified in the CCP for delay in realisation of local cheques, compensation at savings bank interest rate shall be paid for the corresponding period of delay.

4. As regards the realization period and compensation for delayed credit pertaining to outstation cheques, the instructions contained in paragraph 4(iii) of our circular dated November 24, 2008 remain unchanged.

5. Banks may note to give publicity to their revised CCPs through display board in branches and on their website for better customer service and dissemination of information. A copy of revised CCPs formulated may also be forwarded to us.

6. The above instructions are issued under Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

7. Please acknowledge receipt and ensure compliance.

Yours faithfully,

(Vijay Chugh)
Chief General Manager