RBI/2011-12/559

DPSS.CO.CHD No. / 2073 / 03.02.01 / 2011-12                                     May 11, 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/Local Area Banks

Dear Sir/Madam

Guidelines for clearing of cheques where there is no formal clearing house

As you may be aware, it has been the endeavour of Reserve Bank of India to put in place
clearing infrastructure at all places where there are five or more banks operating but do not
have a clearing house with a relaxation to district headquarters where the presence of three
banks is sufficient to establish a clearing house. Towards this endeavour, Regional offices of
RBI continuously identify locations and banks for opening new clearing houses. As a result
of such continuous efforts, there are 1200 clearing houses as on April 2012 across the
country of which more than 200 clearing houses have been made operational during the
last four years (2008-2012) alone.

2. However, there are still some locations/districts where a formal clearing house could not
be opened due to the presence of less than three banks or bank branches not being within
commutable distances or the volume of cheques being too low for a formal clearing house
arrangement. In such locations, banks are following the practice of bilateral
exchange/counter presentation of such instruments for debit to the customers’ account and
thereafter settlement of funds among themselves through various means. There is hence no
uniform practice in the matter.

3. It has therefore been decided to issue formal guidelines to be observed by banks at such
places where there is no clearing house, as detailed in the annex I. Banks are advised to
instruct their branches in such locations to adhere to the said guidelines for faster realisation
of cheques and better customer service.

4. Please acknowledge receipt and confirm compliance. The first such monthly compliance
report may be submitted on or before, October 12, 2012 in the format at annex II to our
Regional Office under whose jurisdiction the bank branches are located.

Yours faithfully

(Vijay Chugh)
Chief General Manager

Encl: as stated above
Annex I

Guidelines for clearing of cheques where there is no formal clearing house

1. Banks, through mutual discussions, will put in place arrangements to ensure that the instruments drawn on the other banks are delivered/exchanged at a mutually decided place and time every working day.
2. Ensure that the fate of the cheque is known on the same day and the return instruments are re-exchanged at a mutually decided place and time.
3. Put in place arrangements for settling the realisation proceeds through cash, transfer etc.
4. Presenting Bank should afford shadow credit to the presenting customers' account on the same day of settlement and allow the customer to make use of the clearing credit as per the Cheque Collection Policy (CCP) of the bank.

Annex II

Statement showing the details of instruments settled through bilateral exchange for the month of
(to be submitted by banks participating in such arrangements)

To The Regional Director, Reserve Bank of India, National Clearing Cell  ............

<table>
<thead>
<tr>
<th>1. Name of the bank</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Name of District</td>
<td></td>
</tr>
<tr>
<td>3. No. of branches</td>
<td></td>
</tr>
<tr>
<td>4. Name of the other bank with which exchanged</td>
<td></td>
</tr>
<tr>
<td>5. Daily average volume of cheques exchanged</td>
<td></td>
</tr>
<tr>
<td>6. Daily average value of cheques</td>
<td></td>
</tr>
</tbody>
</table>

(Signature of the Branch Manager)

(We confirm that cheques are exchanged physically on the day or next day and settlements are carried on the same day of exchange)

(Signature of the Branch Manager)

Date: