

UNIFORM REGULATIONS AND RULES
FOR
BANKERS' CLEARING HOUSES



**RESERVE BANK OF INDIA
MANAGEMENT SERVICES DEPARTMENT
(NATIONAL CLEARING CELL),
CENTRAL OFFICE,
MUMBAI - 400 023.**

(Amended up to July 21, 2006)

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REGULATIONS

1. The objects of the Clearing House are :

Objects

(a) To make arrangements for the speedy and economic collection of cheques, bills and other documents payable or deliverable at or through offices of the members and sub-members of the House situated in the city/town of _____ by a system or systems of clearing (hereinafter referred to as "Clearing") with power to apply or to extend any system or systems to any place in the environs of ----- and from time to time abandon, re-constitute or alter any system or systems.

(b) To make arrangements, and to frame rules relating to the collection or non-collection of documents between members and sub-members of the Clearing House.

(c) To maintain records of the Clearing House and of such other matters as may be thought fit.

(d) To draw up and prescribe from time to time forms for the use of the members and sub-members of the House in connection with the clearing.

(e) To do all such other lawful things as are incidental or conducive to the attainment of all or any of the foregoing objects.

2. The following regulations and rules for the ----- Banker's Clearing House shall come into force with effect from the ----- and shall be observed by all members.

Date of Commencement of Regulations & Rules.

3. **(a) I. The Presidentship of clearing house would be decided as under, in the following order:**

Management of Clearing House

I (a). Wherever the Reserve Bank of India (RBI) has an Office with banking department, the Presidentship of the clearing house would be held by the RBI and the settlement account would also be maintained with the RBI;

(amended
DIT(CO).866
/06.15.39/ 2004
dated 4 Oct.
2004)

I (b). Wherever the Reserve Bank of India has an office which does not have a banking department and the centre has a MICR CPC (Cheque Processing Centre), the bank which has set up the MICR CPC would hold the Presidentship of the clearing house and would also maintain the settlement account. At such centres an

officer of the local office of the RBI would be nominated to serve on the standing committee of the clearing house;

I (c). At centres where the Reserve Bank of India does not have an office the bank which has set up a MICR CPC, would hold the Presidentship of the clearing house and would also maintain the settlement account of the member banks;

I (d). At centres where the MICR CPC has not been set up, the bank managing the Non-MICR clearing house would continue to hold the Presidentship of the clearing house and maintain the settlement account. If a MICR CPC is set up at such centre subsequently, the Presidentship would be decided as per I (c) above.

II. While managing the clearing house, the bank holding the president ship will have to maintain the settlement account and arrange to put in place the procedures for TT discounting or similar other facilities for all the participating members so as to ensure the smooth functioning of the clearing house.

III. The President shall be the ultimate authority in managing the Clearing House.”

NOTE : Wherever Reserve Bank of India (RBI) is willing to undertake the management of the Clearing House, or the State Bank of India (SBI) or one of its associates (as may be specified by the SBI) in the event of RBI not undertaking the management, and in the absence of either, one of the public sector banks in that centre, which may be specified by the RBI, shall be the bank managing the Clearing House.

(b) The President may, in the event of a temporary absence from duty, nominate another officer of his bank to act for him, and failing such nomination, the officer of the bank managing the Clearing House who is currently looking after the duties of the manager of the bank managing the Clearing House shall act as the President of the Clearing House during the period of such absence of the President.

(c) The President will be assisted by a Standing Committee, constituted at a meeting of the members, in resolving the problems /issue /situations requiring urgent solutions.

(d) The Standing Committee shall consist of not less than 5, but not more than 7 members, including the President, and will comprise of :-

- (i) the bank managing the Clearing House,
- (ii) Reserve Bank of India wherever it is not managing the Clearing House and where it has its Banking Department,
- (iii) State Bank of India or any of its associate banks as may be specified by State Bank of India wherever they are not managing the Clearing House,
- (iv) two other public sector banks where the Clearing House is managed by a bank other than Reserve Bank of India or State Bank of India or its associates, and in other cases three other public sector banks, as may be specified by the bank managing the Clearing House, and
- (v) two other banks specified by the bank managing the Clearing House, from out of remaining members of the Clearing House.

The term of office of the member of the Standing Committee coming under categories (iv) and (v), shall be two years. The concerned member should nominate its representative, who will be participating in the meetings on behalf of the said member.

- 4. The membership of the Clearing House shall be open to all the banks including State Co-operative Bank and such co-operative banks as may be recommended by the State Co-operative Bank in the State in which they are situated, provided they agree to comply with the regulations and the rules of the Clearing House. It will also be open to any Post Office Savings Bank to become a member/sub-member of the Clearing House, provided, however, where there are more than one Post Office Savings Banks in any centre, the General Post Office/Head Post Office having jurisdiction over the Post Office Savings Banks in that centre will become the member/sub-member of the Clearing House, and the Post Office Savings Banks will present their instruments for clearing through the Post Office Savings Bank designated for this purpose by the General Post Office/Head Post Office. **Eligibility to Membership.**
- 5. The membership of a Clearing House shall comprise of the initial members as enumerated in the Rules of each Clearing House and such other members as may be admitted by the Clearing House from time to time in terms of the provisions made in Regulation 8. **Number of Members**
- 6. For the purpose of speedy and efficient service to customers, a **Allotment of**

member bank may be represented in the House by more than one designated branch depending upon the number of its branches in the area of operation of the Clearing House and the number of instruments handled. The allotment of additional seats will not confer any additional voting right to the bank concerned.

Additional Seats.

7. The decision to allot the additional seats or otherwise and/or withdraw the additional seats will be taken by the Clearing House.

8. (a) (i) The application for membership shall be submitted to the President in the form given at Annexure 'A'. The application from a co-operative bank shall be supported by the recommendation of the State Co-operative Bank of the concerned State.

Admission of New Members and Annual Review of Membership

(ii) All applications for membership, from all categories of banks shall be scrutinized by the President of the Clearing House to confirm among other things that the application has

(8(b) amended by circ. Dtd 30 April 2005)

(8 (e) amended DPSS.CO.Cir.

No./05/

01.01.54/2005-06

dtd. 27 Aug.

2005)

- a valid banking licence issued by the Reserve Bank of India.
- opened a current account in the relevant bank for settlement of the clearing amount.
- insured its deposit liabilities with the Deposit Insurance & Credit Guarantee Corporation (DICGC)

(b) Applications from public sector commercial banks, private sector commercial banks incorporated from January 1994 onwards and foreign banks shall be scrutinised by the President who shall admit them as members. Post Office Savings Banks shall also be admitted as members subject to compliance with Regulations 4 and 9.

(c) Application received from banks other than those covered under Sub-Regulation (b) above shall be referred by the President along with his comments to Reserve Bank of India for its recommendations. On receipt of Reserve Bank of India's recommendations on any application, the President shall recommend such proposal accordingly to the General Body for decision in line with such recommendations.

(d) The President shall promptly advise all the members about

the names of new members and shall determine the date from which the new members shall participate in the clearing operations.

(e) The President of the Clearing House, based on the analysis of the clearing data (volume of presentation, Returns versus Presentations / Drawings , settlement account analysis etc.) as well as inputs, if any, on the financial position of a member bank received from the regulatory department concerned in Reserve Bank of India, may review the direct membership status of the member bank and re-categorise a direct member as a sub-member provided such banks follow the required URRBCH rules for becoming sub-member. Membership position of all banks would be reviewed by the President once a year and selectively as and when required.

9. Each Clearing House shall stipulate in its rules the average minimum number of clearing cheques to be tendered by the applicant for being eligible for membership. This stipulation, however, will not apply to commercial banks in the public sector and to such Post Office Savings Banks with reference to which a competent authority from Posts and Telegraphs Department has requested for the waiver of this requirement.
- Minimum Number of Cheques to be tendered by an Applicant for Full Membership.**

If any member bank has not complied with the requirement prescribed, its membership shall be kept under review on a six monthly basis, to see if desired minimum presentation has been reached. Otherwise, membership need be terminated.

EXPLANATION

For the purpose of this regulation, the expression “the average minimum number of clearing cheques” shall be determined by the average of the instruments tendered for clearing by any bank in the course of a year, or such lesser period as the Clearing House may specify in this regard.

- 9A. Each clearing house shall stipulate in its Rules the maximum value of the documents that could be presented for clearing by commercial banks in the private sector and the central co-operative banks and primary co-operative banks. The maximum value shall be determined with reference to their deposit liabilities.
Relaxation of the limits may be allowed by the Manager of the Clearing House if circumstances warrant

10. Every applicant for sub-membership shall be proposed by a **Admission of**

member (hereinafter referred to as the sponsor member) by an application in form given at Annexure 'B' which shall be submitted to the President. The President shall thereafter admit the bank as sub-member and shall advise all members accordingly. A sub-member shall clear through the sponsor member. The President shall also determine and advise the date from which a newly admitted sub-member shall participate in the clearing operations.

sub-members

- 11 A member may resign from the Clearing House at any time on giving 14 days' notice in writing to the President of such member's intention so to do and on receipt of such notice, the President shall inform the other members of such intended resignation. On the expiry of such notice, the member resigning shall cease to be a member of the Clearing House.

Resignation of Member

12. A sub-member may resign from the Clearing House at any time on giving 14 days notice in writing to the President through the sponsor member of such sub-member's intention so to do and on receipt of such notice, the President shall inform the members of its intended resignation. On expiry of such notice, the sub-member resigning shall cease to be a sub-member of the Clearing House.

Resignation of Sub-member

13. A member shall cease to be a member in any of the following events, namely :-

Cessation of Membership

(a) If it is granted moratorium or prohibited from accepting fresh deposits.

(b) If it shall stop or suspend payment of its debts generally or cease to carry on business, or go into liquidation either voluntary or compulsory.

(c) If a resolution of expulsion be passed by the vote of a majority of not less than three-fourths of the members on the roll/authorised representatives present at an Extra-ordinary General Meeting specifically convened for the purpose at which not less than three-fourths of the members on the roll of members shall be represented, after hearing the explanation of the member bank. Such resolution shall state the reasons and specify the period for such expulsion. Provided always that not less than 14 clear days notice of such Extra-ordinary General Meeting shall be given and a special notice in writing that a resolution to expel the member will be brought before the Meeting shall be sent to such member by the President not less than 14 clear days' before the date fixed for the Meeting.

Provided further that before any resolution for expulsion is

given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such expulsion and a copy of the said communication shall also be endorsed by him to the Central Office of the bank managing the Clearing House and the bank proposed to be expelled at that centre.

Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for expulsion or to defer or limit its implementation for such time as Reserve Bank of India may specify.

(d) If it fails to meet its clearing liability.

14. (a) Refusal by the representative of a member bank to accept or exchange the instruments of another member or refusal to deal with another representative in the Clearing House shall be construed as withdrawal by the concerned member bank from the Clearing House for that day and the position will be reviewed thereafter. The President shall report such incident to the member bank(s) concerned and such member bank(s) will initiate appropriate disciplinary action against the representative/s for his/her/their misconduct promptly and will report to the President the action taken against the representative/s.

**Withdrawal of
Member from
Clearing House.**

(b) A member bank shall also be deemed to have withdrawn from the Clearing House on receipt of a report from the President of the Clearing House that the representative(s) of the bank(s) has/have indulged in any of the following misconducts :-

(1) disrupting the normal functioning of the clearing by resorting to tactics intended to delay and/or defeat the smooth functioning of the Clearing House;

(2) refusing to obey the lawful and reasonable orders of the Supervisor or President of the Clearing House;

(3) Resorting to any unfair practice, such as

(i) insisting on a treat to be given by a representative of a bank on the admission of the bank as a new member or change of representative by an existing member.

(ii) ragging of any representative attending to the Clearing House.

(4) Any other conduct which may be considered unbecoming

by the President.

The withdrawal by such bank from the Clearing House shall be for such minimum period as the President may indicate having regard to the Circumstances of the case.

Provided, however, this period may be altered or otherwise limited by Reserve Bank of India, and during the period of such withdrawal the bank concerned shall take quick remedial steps including changing of its representative(s) to ensure its effective participation and the smooth functioning of the Clearing House.

(c) If any representative(s) of a member bank commit(s) any act which results in the member bank withdrawing from the clearing as mentioned above, the member banks shall initiate appropriate disciplinary action against such representative(s) under the terms and conditions of service governing him/her/them.

(d) In the event of the withdrawal from the Clearing House by any member due to the operation of this Regulation, the President shall also inform all the other member banks by means of a circular, indicating the date from which a member stands withdrawn, a copy of which shall be given to their representative in the Clearing House and also displayed on the notice board of the Clearing House. Such a display of notice on the clearing house notice board shall be construed as notice to all members. The Standing Committee, wherever in existence, shall also meet immediately thereafter to consider the situation and take such steps as may be considered necessary for ensuring normal functioning of the Clearing House.

15. A sub-member shall cease to be sub-member in any of the following events, namely :-

Cessation of Sub-Membership

(a) a sub-member will cease to be a sub-member on his admission as a (full-fledged) member.

(b) if it is granted moratorium or prohibited from accepting afresh deposits.

(c) if it shall stop or suspend payment of its debts generally or cease to carry on business, or go into liquidation either voluntary or compulsory.

(d) if a resolution of expulsion be passed by the vote of a

majority of not less than three-fourths of the authorised representatives of members present at an Extra-Ordinary General Meeting specially convened for the purpose at which not less than three-fourths of the members on the roll of members shall be represented after hearing the explanation of the member bank. Such resolution shall state the reasons and specify the period for such expulsion.

Provided always that not less than 14 clear days notice of such meeting shall be given and a special notice in writing that a resolution to expel the sub-member will be brought before the meeting shall be sent to the sponsor member of such sub-member by the President not less than 14 clear days' before the date fixed for the meeting.

Provided further that before any resolution for expulsion is given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such expulsion and a copy of the said communication shall also be endorsed by him to the central office of the bank managing the Clearing House and the bank proposed to be expelled at that centre. Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for expulsion or to defer or limit its implementation for such time as Reserve Bank of India may specify.

(e) if the sponsor member has given a notice of termination of clearing arrangement on behalf of the sub-member subject to the provision of Regulation 17 below -

(f) if the sponsor member ceases to be a member subject to the provisions of Regulation 18 below.

16. A sub-member wishing to change its clearing arrangements from one member to another member must obtain the prior approval of both the members concerned as also of the President. A 14 days' notice of such change shall be necessary to enable the President to inform all the other members accordingly. A Proforma application for the use of sub-members who desire to change their clearing arrangements from one sponsor bank to another is given at Annexure 'C'.
- Change of Clearing Arrangements of Sub-Member**
17. A sponsor member may discontinue clearing documents on behalf of any sub-member for whom the sponsor member is responsible, upon giving notice in writing to the President not later than 11.30 A.M. on any working day whereupon such sub-member shall cease to be a sub-member with effect from the close of clearing business on the next day. On receipt of such
- Right of Sponsor Member to Discontinue Clearing for Sub-Member and Consequences**

notice, the President shall notify the sub-member concerned and also the other members of the Clearing House. Provided, however, if the sub-member is able to obtain a new sponsor member within 14 days' from the date on which notice was circulated, the sub-member shall be deemed to have been re-admitted as a sub-member as from the date of its obtaining a new sponsor member.

18. Upon a sponsor member ceasing to be a member of the Clearing House, any sub-member for whom such sponsor member is responsible shall cease to be a sub-member. If the sub-member is able to obtain a new sponsor member within 14 days' from the date on which the sponsor member ceased to be a member, the sub-member shall be deemed to have been reinstated as a sub-member in accordance with this Regulation.

Consequences of Cessation of Membership of Sponsor Member

19. **The bank managing a Clearing House may charge towards maintenance as follows –**

Maintenance Charges

(a) Non MICR Clearing Houses

(Amended
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/03.06.01/2005-06
Dated June 22 2006)

The maintenance charges of the Clearing House as determined by the bank conducting the Clearing House on rent for accommodation, depreciation on equipment and furniture, and recurring establishment expenses including salaries paid to the staff of the bank managing the Clearing House calculated on a proportionate basis for a the period for which their services are utilised for the clearing house operations, and overtime allowance paid to such staff for the purpose of balancing the books/reconciling the differences in the Clearing House, telephones, electricity, stationery, maintenance charges for equipment and expenses towards any other facilities provided, shall be shared equally by all the members and the amount to be recovered will be debited quarterly/monthly to their current accounts maintained with the bank managing the Clearing House.

(b) MICR Cheque Processing Centres

MICR Cheque Processing charges for the MICR instruments processed at MICR CPCs shall be recovered on a monthly basis by debit to the accounts of the member banks, at the rate advised by the Reserve Bank of India from time to time. The bank managing a MICR Cheque Processing Centre shall not charge anything extra, for a service/facility relating to the clearing process other than the rate determined by Reserve Bank of India towards

processing charges.

- 20 (a) Meetings of members of the Clearing House may be convened by the President as and when he considers it necessary or on receipt of a requisition signed by not less than five members, or not less than one third of the total members, whichever is less, specifying the object of the meeting. No business shall be transacted at any meeting of the members except at an emergent meeting unless a quorum of two-thirds of the whole of the members on the roll be present at the commencement of such business. In the case of an emergent meeting called by the President to meet an abnormal situation such as staff agitation affecting member banks, dislocation of traffic, riots, civil commotion etc., the members attending the meeting within five minutes of the scheduled time shall form a quorum.
- (b) Save as otherwise provided in these Regulations, at all meetings, whether ordinary or emergent, all matters submitted to the meeting shall be decided by a majority comprising not less than two-thirds of the members present.
- (c) Every member shall have one vote by its authorised representative; a sub-member shall not have any vote or voice in the management of the House.
- (d) If at any meeting convened by the President no quorum is present, then the meeting shall stand adjourned either to a subsequent place or at the same place at any time later, on the same date, or at any later date, as may be decided by the President, having regard to the circumstances of the case, and for any such adjourned meeting, there shall be no quorum required and it shall also not be necessary for the President to give any separate notice thereof.

Meetings of Members

21. The Clearing House shall make such amendments or alterations to its Regulations/Rules as may be advised by Reserve Bank of India from time to time. Any other proposal to amend Regulations/Rules requires prior clearance from Reserve Bank of India. Such proposal shall ordinarily be circulated by the President amongst the members for recording of the members' votes and decided by a majority of votes of members comprising not less than two-thirds of the members on roll or by a resolution passed in a general meeting of the Clearing House by a majority of not less than two thirds of the members present in the meeting. After consideration by the Clearing House it shall thereafter be referred to the

Alteration of Regulations and Rules.

Head/Controlling Office of the bank managing the Clearing House for obtaining clearance from RBI.

- 22 A sponsor member shall be responsible for communicating to the sub-member sponsored by such sponsor member, where necessary all notifications, circulars, etc. issued by the President. A sponsor member shall be furnished with an extra copy of the said documents for the use of its sub-member.
- 23 Minutes of the proceedings of all meetings, as also the decisions taken as a result of proceedings by circulation shall be recorded in a minutes book and shall be made available to members by the President at his office on request.
24. All the initial members and sub-members of the Clearing House shall indicate their adherence to the Regulations/Rules by subscribing to the same in two copies, one of which may be kept deposited with the bank managing the Clearing House and another may be kept lodged with the local or regional office of Reserve Bank of India. Whenever any additional member/sub-member is inducted into the Clearing House it could be evidenced by the application submitted by such member/sub-member and the resolution passed in accordance with the Regulations, providing for such induction and a copy of the same shall be forwarded by the Clearing House to the local or regional office of Reserve Bank of India in addition to being recorded in the minutes of the Clearing House and kept with the bank managing the clearing.
25. A clearing house may be closed for the following reasons:
- a) In the event of a reduction in the membership which is below the required minimum making the operations of the clearing house non-viable.
 - b) Extension of jurisdiction of the clearing house to cover the area of operation of another clearing house.
 - c) **Merger of two clearing houses, resulting in closure of one of them.**
 - d) The procedure to be followed for the closure of the clearing house will be as under :
 - i) An **Extraordinary General Body Meeting** of all the members of the said clearing house may be convened after giving notice of not less than 14 clear days and

Circulation of Notification etc. among Sub-Members.

Minutes of Meetings

Mode of Subscription to Clearing House Regulations and Rules.

Closure of Clearing House

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2004 dtd.
13 February 2004

the resolution of closure should be passed by the vote of a majority of not less than three-fourths of the members on the roll of that clearing house.

- ii) The Clearing House should thereafter make a request for closure to the Regional Office of the Department of Banking Operations and Development (DBOD), Reserve Bank of India, in the State where the clearing house is located / under whose jurisdiction the clearing house is located alongwith a copy of the Resolution passed.
- iii) The closure may be effected after receiving the approval of the Regional Office of DBOD.
- iv) One month's notice will be given to the members before effecting the closure of the said clearing house.
- v) **The public in the jurisdiction of the clearing house will be duly informed through the local newspapers regarding the impending closure.**

RULES

1. (a) The clearing shall be conducted normally at a place provided by the bank conducting Clearing House.

**Place for
Conducting the
Clearing House.**

(b) In the event of there being a dislocation of work in the bank conducting the Clearing House and the President being of opinion that, as a result of such dislocation, it is impossible for his bank to conduct the clearing house operations, or that it is desirable that the same is taken over by some other member bank, the conduct of the clearing house operations shall be taken over by such other public sector bank as may be decided upon by the President of the Clearing House. Such bank shall remain in charge of the conduct of the clearing house operations till such time as the President decides that his bank is able to take charge of the same. Provided, however, that in cases where this sub-rule is invoked, a report shall be sent immediately by the President of the Clearing House to Reserve Bank of India and to the central office of the bank managing the Clearing House, explaining the circumstances which warranted action being taken in terms of this sub-rule.

(c) It is understood and accepted by all members of the Clearing House that the bank conducting Clearing House in the conduct and settlement of the clearing shall incur no other liability or responsibility than that falling upon other member banks.

Explanation : The expression 'Public sector bank' means and includes State Bank of India, its associates banks and all the Nationalised banks.

2. (a) There will be one clearing on each business day divided into two deliveries at _____ and _____ except on Saturdays' when there will be only one delivery at _____ or _____

**Hours of
Clearing and
Return of
Documents to be
incorporated by
the Clearing
House.**

(a) The Clearing shall be held on week days' *and on Saturdays' at*

(b) In the first delivery as many cheques and documents as possible will be delivered and the amount of cheques and documents so delivered will be included in the clearing total for settlement and the cheques and documents will be treated as part of the day's clearing. Dividend Warrants and telegraphic

**At Centres
where two
deliveries are
not considered**

transfer receipts shall not be presented in the second delivery.

**necessary Sub-
Clause (b) would
not be
applicable.**

* (c) A Return clearing shall be held at (and at on Saturdays') ** for cheques presented in the clearing and which are returned unpaid under objection. (if there is no provision for return clearing on Saturdays, the cheques presented in the clearing on Saturdays, if unpaid, will be returned through the clearing on the next working day but they should be listed separately.)

**At Centres
where there is
Return Clearing
in addition to
one Ordinary
Clearing.**

or

* (c) A return clearing shall be held at a.m./p.m. on week days' for cheques on branches which are returned unpaid under objection. Unpaid instruments drawn on branches in the town area and also those presented through the clearing on Saturdays' will be returned on the following working day along with first delivery, but listed separately.

**At Centres
where there is a
Return Clearing
in addition to the
two deliveries.**

or

* (c) The following schedule will be followed for exchange of instruments returned unpaid :-

**At Centres
where there is
no Return
Clearing as there
are Two
Clearings per
day.**

Return Schedule

I) Instruments drawn on city area branches.

- a) Presented through 1st clearing - returnable in the next day's 1st clearing.
- b) Presented through 2nd clearing – returnable in the next day's 1st clearing.

II) Instruments drawn on town area branches

- a) Presented through 1st clearing – returnable in the next day's 1st clearing.

- * To delete whichever is not applicable.
 - ** This will apply to centres where there will be return clearing on Saturdays.
- b) Presented through 2nd clearing – returnable in the next day's 2nd clearing.

III) Instruments drawn on suburban branches

- a) Presented through 1st clearing – returnable in the next day's 2nd clearing.
- b) Presented through 1st clearing – returnable in the next day's 2nd clearing.

The branches of banks comprised in the city area, the town area and the suburban area, as the case may be shall be specified from time to time by the President of the Clearing House and advised to all the members/sub-members.

Jurisdiction to be determined by the Clearing House.

Exceptions

- (i) instruments which have to be returned under objection for a reason such as "Clearing Stamp required" shall be sent direct to the bank which presented them in the Clearing House and not through the clearing.
- (ii) Debit notices received in exchange for instruments presented on the counter (not through clearing) to the paying bank (during or after clearing hours) are not acceptable in the return clearing for return of instruments and must be so marked when issued.

3. The President will have discretion to declare an extension of the clearing hours on any business day succeeding two or more holidays' or under special circumstances.

Extension of Clearing House

4. In the event of the work of any particular member bank being dislocated for whatever reasons which, in the opinion of the President makes it impossible for the bank concerned to adhere to the time schedule laid down in Rule 2 (c) of the _____ Bankers' Clearing House Rules, the President shall have the authority, at the request of the affected bank, to extend the time for return of the documents drawn on the concerned banks by one working day, as long as it is found

Permission for Late Return of Unpaid instruments.

necessary. It is provided further that in emergent circumstances, the President shall have the authority, at the request of the affected bank, to exclude the member bank from participating in the Clearing House until the conditions are restored to normalcy. In such cases, the member banks should make their own arrangements to clear the cheques drawn on the affected bank

5. Documents presented by a sub-member through its sponsor member, when unpaid, shall be returned to the sponsor member and not to the sub-member, through the clearing as laid down in Rule 2. **Return of Documents presented by Sub-Member**
6. Documents returned unpaid must bear a signed or initialled objection slip on which a definite and valid reason for refusing payment must be stated. A list of objections approved by the Clearing House is given in Annexure 'D'. **Statement of Reason for Returning a Document.**
7. The Clearing House shall in no way be responsible/liable for the claims arising in respect of unpaid documents for which non-payment has already been accounted for, as far as Clearing House is concerned. Such claims shall be settled directly between the members and/or sub-members concerned. **Settlement of Claims Between Members and/or Sub-members.**
8. No sub-member shall deliver direct any document to be cleared on its behalf through the Clearing House. Documents of a sub-member must be submitted through its sponsor member whose representative in the Clearing House shall incorporate such documents in its Clearing House Register. **Documents of Sub-Members.**
- 8A. The maximum value of the documents that could be presented for clearing by private sector commercial banks and the central co-operative banks and primary co-operative banks shall be 10% of their deposit liabilities. The limits shall be fixed for each year on the basis of the deposit liabilities of the previous year.

Relaxation of the limits may be allowed by the Manager of the Clearing House if the circumstances warrant.
9. (a) Documents payable at all the offices of a member bank within the clearing area shall be listed in a delivery slip also showing the total of all such documents and the amounts covered thereby. **Listing of Documents.**

(b) Documents payable at all offices of a sub-member duly listed in one delivery slip shall be delivered in the Clearing House direct to the sponsor member of the sub-member concerned by the representatives of the member banks.

(c) It will be the responsibility of the presenting bank to ensure the correctness of the instruments accompanying the list as also its arithmetical accuracy. It will not be permissible for the representative to alter the list or delete or remove the instruments therefrom or to refuse to receive the lists, instruments of any member-bank or its sub-members unless specially authorised to do so by the supervisor of the Clearing House for valid reasons. The discrepancies, if any, noticed subsequently in the lists should be settled direct later by the concerned members. In case the list inadvertently includes the instruments not drawn on the receiving member, it will be the responsibility of the receiving bank to immediately inform both banks concerned over telephone or by other means so that payment is not presumed in the normal course. In case any listed document has not been received the receiving bank should advise the presenting bank over telephone or by other means, the non-receipt of any instrument, the amount thereof etc. and submit its claim. It will be the responsibility of the presenting bank to acknowledge such claim and immediately process the same and settle the claim expeditiously.

10. (a) The Presentation Clearing and Return Clearing shall be settled by passing entries through the banking accounts which the member banks maintain with the bank managing the Clearing House. Clearing balance against members shall be debited and clearing balances in favour of members shall be credited to their accounts with that bank as soon as the presentation / return clearing is struck.

Settlement of Clearing.

(amended vide letter no. DPSS.CO/102/03.06.01/2005-06 dtd. 21 July, 2006)

(b) Member banks having favourable clearing balances may be permitted to draw there against on the same day subject to the following conditions :-

i) After settlement of related return clearing

ii) Debtor banks' cheques should be received and Clearing House account settled ; and

iii) The minimum balance, as prescribed by the Clearing House Rules, should be maintained by Member banks as a reserve for settlement of Clearing House Account.

(c) Whenever 'payable' differences are located, payment must be made to the respective bank without waiting for a claim from them. The format of the 'debit note' to be used in this

connection is given in Annexure 'E'

In case of 'receivable' differences, concerned member bank should take up the matter with the respective banks immediately, by furnishing full particulars such as cheque No., branch office of the presenting bank to which it relates, nature of the instrument such as current account, savings bank, government cheque, draft, dividend warrant etc. Member banks should pay off the claim as early as possible, but in no case later than one week from the date on which the claim has been received. If settlement is not made within 7 days', interest should also be paid at the rate applicable to clean overdraft plus 2%.

(d) To avoid possible embarrassment to members of the Clearing House, member banks who have received advice by telegraphic transfer to receive an amount from another member bank shall either obtain a cheque or ascertain from the paying bank that payment will be duly made before trying to recover the amount from the paying bank through the Clearing House.

(e) Every member shall keep with the bank managing the Clearing House a minimum balance of Rs. (to be decided by each Clearing House) at the close of business each day. This requirement shall not be applicable in the case of Post Office Savings Bank, provided the Department of Posts gives an authority to the bank managing the Clearing House to raise a debit to the Central Government Account maintained with it, irrespective of the amount involved, whenever there is an adverse clearing position against the Post Office Savings Bank.

NOTE : The minimum balance to be decided by Clearing House shall, however, not be less than Rs. 25,000/-.

(f) During the time the conduct of the Clearing House operations has been taken over by a bank other than the bank managing the Clearing House vide Rule 1 (b) every member shall keep an account with such bank, a minimum balance as stipulated in Rule 10 (e) above, except in the case of a Post Office Savings Bank, such requirement shall be determined in accordance with Rule 10 (e).

(g) In case any member bank fails to maintain the minimum balance as required in Rule 10 (e) and/or Rule 10 (f) resulting in an unauthorised overdraft on account of adverse clearing position such defaulting member shall be required to pay penal interest at the rate applicable to clean overdrafts plus 2% from

the following working day till the position is regularised. In addition to this, the defaulting member bank will also render itself liable to have its membership terminated, provided, the requisite majority of the members require it so to do at a Special General Meeting called for the purpose by the President of the Clearing House after hearing the explanation of the defaulting member bank.

Provided further that before any resolution for termination of membership is given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such termination and a copy of the said communication shall also be endorsed by him to the central office of the bank managing the Clearing House and the bank whose membership is proposed to be terminated at that centre.

Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for termination of membership or to defer or limit its implementation for such time as Reserve Bank of India may specify.

The provision of this rule will not, however, apply in the case of Post Office Savings Banks in view of Rule 10 (e)}.

11. In the event of a member bank defaulting in meeting its liabilities on account of clearing at the settling time, the defaulting bank will be called upon to return immediately all the instruments drawn on itself and its sub-members, to the members who presented the instruments and the clearing settlement shall be effected as if the said instruments did not participate in the clearing. Any credit due to the defaulting member in respect of instruments presented by it on other members would be held in a suspense account of the Clearing House and the amount of such instruments returned unpaid will be debited to the suspense account. The balance, if any, will be credited to the account of the defaulting member.

Settlement of Clearing in the Event of a Default by a Member in Meeting Clearing Liabilities.

12. (a) Each member bank shall be represented in the Clearing House by its authorised official/s as representative/s who shall deliver and receive the documents to be cleared. Such representative/s may be assisted by one more person, when required. Each representative, in addition to his identity card which shall be issued to him by his bank, should always have in his possession, whenever he is attending the Clearing House on behalf of his bank, the Clearing House entry card of member bank which shall be issued to his bank by the bank managing the Clearing House. Whenever and wherever the circumstances so warrant, it would be open to the member bank(s) to depute at any time any other representative who may be an officer or a member of clerical staff of the bank to the Clearing House for delivering / receiving documents to be cleared.

Representation at the Clearing House.

- (b) Such representative shall –
- (i) abide by the Regulations and Rules of the Clearing House.
 - (ii) represent his/her bank in the House.
 - (iii) refrain from any activity that may bring discredit to his/her bank or disrupt the clearing.
 - (iv) conduct himself/herself with dignity in the House and respect and obey the Supervisor and the President of the Clearing House.

(c) The representatives of member banks shall be changed as frequently as possible. The member bank shall quote the period for which an individual official shall represent the bank in the clearing house. The President shall be the authority to decide

- the period for which the representative will attend the clearing house; after which the representative shall be changed;
- the suitability of the individual representative to represent the member bank in the clearing house.

(d) Member banks shall take full responsibility for the action of their own representatives. Members must send their representatives to the Clearing House during clearing hours whether the member has any documents to pass through the clearing or not. The doors of the Clearing House will be closed after the scheduled timings of each delivery as indicated in Rule 2 (a), and the return clearing in Rule 2 (c) read with Rule 3.

Should any clearing representative be late, his documents shall not be accepted for the particular clearing but he shall remain in the Clearing House to receive all documents drawn on his bank. The President may at his discretion consider, on the merits of each case, allowing the representative (s) coming late, to take part in the clearing.

(e) Clearing House being jointly organised for common good of all members, the member banks' representatives will help in expediting balancing of Clearing House. It shall not be permissible for any member bank's representative to leave the Clearing House except with the permission of the supervisor until all balances have been compared and agreed and the final balance has been struck by the supervisor of the Clearing House. But the assistant may leave the Clearing House with

the permission of the supervisor. Facilities consistent with expeditious and smooth conduct of clearing process shall be permitted by the supervisor to the extent possible.

(f) Once the representative of a member bank has entered the Clearing House, he has to participate in the clearing. It shall not be permissible for the representatives of any member bank to refuse to deal with the representatives of other member banks for any reason whatsoever.

(g) When a member bank is not in a position to participate in any clearing meeting for whatever reason, it should intimate so, to the President at the earliest possible time. Wherever possible, the President shall circulate this information to all the members well in advance.

(h) Whenever any member bank does not participate in clearing it shall depute some authorised person to facilitate exchange of unpaid instruments. In such a contingency, the time allowed to the non-participating bank for returning the unpaid instruments presented at the earlier meetings by other banks will stand automatically extended by one working day. Alternatively, the non-participating bank should make its own arrangements for returning the unpaid instruments over the counters of member banks without any delay.

13. (a) Each member or a branch where multiple membership is allowed to such branch must provide for the use of its representatives attending the Clearing House a register suitably ruled in which shall be entered a record of the documents received and delivered by him in the Clearing House. After entering in his register the documents to be cleared by him, the representative of the clearing member shall hand over to the representative of the drawee member or branch clearing separately the documents deliverable to him together with a delivery slip and the representative of the drawee member or branch clearing separately shall in turn enter the total in his register. After comparing the delivery slips with the documents received and verifying the totals, each representative shall total the receipts and deliveries in his register, strike a balance therein showing the net amount due to or by his bank and hand over a signed copy of the settlement sheet to the supervisor of the Clearing House who shall then strike the gross balance of the whole.

Balancing.

(b) Taking into account the number of members represented and the need for expediting process of clearing and the balancing thereof, mechanization / computerisation of the Clearing House may be considered, wherever deemed

necessary. Wherever computerised system is introduced each such Clearing House authority could decide the matters relating to the attendance of the representatives of member banks, furnishing of statements to Clearing House containing particulars of number of cheques presented and the amount thereof and also the discipline to be observed by the member banks for returning of cheques etc.

14. All cheques and other documents passed through the clearing shall bear a Clearing House stamp affixed by the collecting member bank with its name and the name of the branch presenting the documents and indicating the date of clearing and delivery through which these are passed.

Stamp on Documents presented in the Clearing House.

NOTE : For the purpose of these rules, documents will include besides cheques, bankers' demand drafts, dividend warrants, pay orders, Indian postal orders and bills accepted payable at a member bank and due on date of clearing but will not include coupons and bankers' fixed deposit receipts.

15. The members agree that the Clearing House stamp of a member affixed on a document shall denote and mean –

Significance of Clearing House Stamp.

- (I) When the documents is drawn payable to the member or to a sub-member sponsored by such member, on account of a person named, e.g. ABC bank A/c XYZ, a discharge by endorsement by such member, or as the case may be, by such sub-member, and a certificate by it to the effect that the document has been or will be credited to the account of such person.
- (II) In the case of any other document payable to or endorsed in favour of a member or such sub-member, a discharge by endorsement by such member, or as the case may be, by such sub-member.
- (III) In the case of a document requiring a certificate or other endorsement in one or other of the forms referred to in Annexure 'F' to these Rules or in a form similar thereto, the members/sub-members agree to accept the Clearing House Stamp of a member/sub member in lieu of discharge by such endorsement or such certificate, and further agree to endorse or cause to be endorsed, any such document, or give, or cause to be given, such certificate at any time they may be called upon to do so by the member or the sub-member who paid it or on whom it is drawn.

16. All documents to be cleared must be properly endorsed or otherwise discharged before being sent to the Clearing House. The supervisor of the Clearing House shall not be responsible in any way for any flaw in the endorsement of any document or for any irregularity whatsoever in any documents nor shall he be required to satisfy himself whether the members are in funds to meet documents and he shall assume that the documents being exchanged are in all respects complete and provided for. **Discharge of Documents before Presentation at the Clearing House.**
17. It shall be permissible for any bank holding an instrument drawn on another bank to approach the latter bank and to exchange it for a debit note or pay slip. It shall also be permissible for any bank to pay into the bank conducting the Clearing House, instruments payable to itself and drawn on that bank in the intervals of clearing hours. **Acceptance of Documents in the Intervals of Clearing House.**
18. The minimum number of clearing cheques to be tendered by an applicant for membership shall be _____*. This stipulation, however, will not apply to the bank conducting the clearing house, commercial banks in the public sector and to such Post Office Savings Banks with reference to which the Department of Posts through a competent authority has requested for the waiver of this requirement. **Criteria for Membership.**

* To be decided by the Clearing House.

- 19 The following banks are at present the members and sub-members of the Clearing House:- **Present Members and Sub-Members.**
1. _____
 2. _____
 3. _____
 4. _____
 5. _____

ANNEXURE 'A'

APPLICATION FOR MEMBERSHIP (Name and address of the Bank)

Date:

The President,

_____ Bankers' Clearing House

Dear Sir,

Sub: **Application for membership**

1. We hereby apply for membership of the _____ Bankers Clearing House.
2. We agree to abide by the Regulations and Rules prescribed by the Bankers' Clearing House.

Thanking you,

Yours faithfully,

Manager

* Proposed by

For _____
(Name of the Bank)

* seconded by

For _____
(Name of the Bank)

Manager

* Not applicable to public sector banks and Post Office Savings Banks.

ANNEXURE 'B'

APPLICATION FOR SUB-MEMBERSHIP (Name and address of the Bank)

Date:

The President,

_____ Bankers' Clearing House

Dear Sir,

Sub: Application for sub-membership

1. We hereby apply for sub-membership of the _____ Bankers Clearing House.
2. _____ Bank will act as our sponsor member in the Bankers' Clearing House.
3. We agree to abide by the Regulations and Rules prescribed by the Bankers' Clearing House.

Thanking you,

Yours faithfully,

Manager

Proposed by the sponsor member

For _____
(Name of the Bank)

Manager

ANNEXURE 'C'

APPLICATION FOR CHANGE OF SUB-MEMBERSHIP (Name and address of the Bank)

Date:

The President,

_____ Bankers' Clearing House

Dear Sir,

Sub: **Application for change of sub-membership**

In terms of Regulation No. 16 of the Uniform Regulations and Rules for Bankers' Clearing Houses, we hereby apply for change of our sub-membership arrangement from _____ Bank to _____ Bank, who are members of the _____ Bankers' Clearing House. This change may be effective from _____ (date), and from this date _____ Bank may act as our sponsor member in the place of _____ Bank.

We also forward herewith letters from the above banks assenting to the proposed change of clearing arrangements.

2. We agree to abide by the Regulations and Rules prescribed by the _____ Bankers' Clearing House.

Yours faithfully,

Manager

Proposed by the sponsor member

For _____
(Name of the Bank)

Manager

Model List of Objections

ToBank

The enclosed cheque/refund order/pay order/. . . . is/are returned for the following reason(s)

Code No.	Reason for Return
(01-09)	Funds
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared; present again
04	Refer to drawer
(10-19)	Signature
10	Drawer's signature incomplete/illegible/differs/required
11	Drawer's signature/authority to operate account not received
12	Alterations require drawer's authentication
(20-29)	Stop Payment
20	Payment stopped by drawer
21	Payment stopped by attachment order /Court order
22	Withdrawal stopped owing to death/lunacy/insolvency of account holder
(30-49)	Instrument
30	Instrument post dated/out -dated/undated/without proper date
31	Instrument mutilated; requires bank's guarantee
32	Cheque irregularly drawn
33	Encoding/listing error
34	Clearing house stamp/date required
35	Wrongly delivered/not drawn on us
36	Present in proper zone
37	Instrument contains extraneous matter
50-59	Account
50	Account closed/transferred to . . .
51	No such account
52	Title of account required/ Title of account wrong / incomplete
53	Account blocked
60-69	Crossing/Endorsement
60	Crossed to two banks
61	Crossing/clearing stamp not cancelled
62	Instrument specially crossed to ...
63	Amount in protective crossing incorrect/illegible/required
64	Payee's endorsement required/irregular/ requires collecting bank's confirmation
65	Endorsement by mark/thumb impression requires attestation by Drawer/Magistrate with seal
(70-79)	RBI/Government
70	Advice not received , Amount/Name differs on advice
71	Drawee bank's fund with sponsor bank insufficient
72	Payee's separate discharge to bank required
73	Not payable till 1 st proximo
74	Pay Order/cheque requires counter signature
(80-89)	Miscellaneous
80	Bank's certificate ambiguous/incomplete/required
81	Draft lost by issuing office; confirmation required from issuing office
82	'Payee's a/c Credited' - Stamp required
83	Fake/forged/stolen draft/cheque/cash order/ Interest Warrant/Dividend Warrant
84	Other reasons

Cheque No.(s)..... Amount Rs.

Date of return

Signature & Stamp of returning bank

FORMAT OF THE 'DEBIT NOTE'

Date of difference _____	Debit C/D A/C Clearing Voucher Issued (Outward)
Outward Clearing Voucher No. _____	Valid for 3 months OUTWARD-CLEARING code No. _____
Paid to _____ _____	Clearing Voucher No. _____ DATE : _____ Name of the Place _____
A/c.. _____ _____ _____ _____ _____ _____ _____ _____ _____	Name of the Bank _____ Name of the Branch _____
Rs. _____	The sum of Rupees _____ _____
Initials	_____ is payable to _____
	_____ on account of difference in our outward clearing. of _____ as per reverse.
	Rs. _____ Accountant Accountant.

The difference has arisen due to the following reasons:-

- (1) Casting error in our/your _____ office/branch sheet.
- (2) Cheque No. _____ on our/your _____ office/branch.
delivered unlisted by our/your _____ office/branch.
- (3) Item listed by our/your _____ office/branch sheet but not delivered.
- (4) D.D./ Cheque No. _____ on our/your _____ office/branch for
Rs. _____ listed in our/your _____ office/branch sheet

as Rs. _____

- (5) Our/Your _____ branch figure wrongly carried over.
- (6) Branch/Sub/Part Total for Rs. _____ carried over
as Rs. _____.
- (7) Machine error _____
- (8) Item listed twice _____
- (9) _____

REPLACING MANUALLY SIGNED ENDORSEMENTS ON THE REVERSE OF
CHEQUES BY RUBBER STAMP ENDORSEMENTS

- A) RECEIVED PAYMENT
- B) RECEIVED PAYMENT
Payee's Account Credited.
- C) RECEIVED PAYMENT
First Payee's Endorsement Guaranteed
Second Payee's Account Credited.
- D) RECEIVED PAYMENT
Second Payee's account Credited.
- E) RECEIVED PAYMENT
Collecting Bank's Confirmation Guaranteed.
- F) RECEIVED PAYMENT
Endorsement/s Confirmed.

_____oOo_____