

## *Regulatory and Other Measures*

January 2009

RBI/2008-09/349 Ref. No. UBD.PCB. Cir. No.32/  
09.18.201/2008-09 dated January 13, 2009

The Chief Executive Officer of All Primary  
(Urban) Co-operative Banks.

### Instruments for Augmenting Capital Funds- UCBs

Please refer to our circular UBD.PCB. Cir. No.  
4/ 09.18.201/2008-09 dated July 15, 2008 on  
the captioned subject, forwarding therewith  
guidelines on issuance of Preference Shares  
and Long Term Deposits (LTDs).

2. In this connection we further advise as  
under: (i) PNCs held may be treated as  
shares for the purpose of compliance with  
extant share linking norms.  
(ii) No loans and advances should be  
sanctioned against the collateral of  
preference shares (including PNCs).  
(iii) There is no prohibition on existing  
shareholders subscribing to Long Term  
Deposits (LTDs).

RBI/2008-2009/353 Ref. No. UBD (PCB) BPD  
Cir No. 34 / 09.39.000/ 2008-09 dated  
January 20, 2009

The Chief Executive Officers of All Primary  
(Urban) Co-operative banks

### UCBs – Delay in Cheque Collection

*Delays in Cheque Clearing – Case No.  
82 of 2006 before National Consumer  
Dispute Redressal commission (NCDRC)*

As you may be aware, during August  
2006, a case was filed before National  
Consumer Dispute Redressal commission,  
New Delhi (the Commission) under the  
Consumer Protection Act, 1986, inviting  
attention to the delay in cheque clearing and,  
specifically, to the issue of float in local and  
inter-city clearing. Admitted in public interest

as Case No. 82 of 2006, the complainant had sought adequate compensation by way of interest for delay in collection.

2. The case was disposed of by the Commission on August 27, 2008, with the observation that the Reserve Bank with its wide range of powers under the Payment and Settlement Act, 2007 would try to control the float, if any, arising due to delay in collection of cheques. During the course of hearings, orders were passed by the Commission culminating in the final order which is available @ <http://www.ncdrc.nic.in/CC820605.htm>.

3. In compliance with the orders of the Commission, all UCBs are advised to conform to timeframe prescribed by the Commission, namely,

- (a) For local cheques, credit and debit shall be given on the same day or at the most, on the next day.
- (b) Timeframe for collection of outstation cheques drawn on state capitals / major cities / other locations shall be 7/10/14 days respectively. If there is any delay in collection of the said cheques beyond this period, interest at the fixed deposit rate, or at a specified rate as per the respective policy of the banks, is to be paid to the payee of the cheques. In case the rate is not specified in the Cheque Collection Policy (CCP), the applicable rate shall be the interest rate on Fixed Deposits for the corresponding maturity. The timeframe for collection specified by the Commission shall be treated as outer limit and credit shall be afforded if the process gets completed earlier. The UCBs shall not decline to accept outstation cheques deposited by their customers for collection.

(c) The collection period of outstation cheques and interest payable thereon in case of delay shall be published on the notice board in a precise manner in bold/visible letters at conspicuous place in every branch.

4. In this context, a reference is invited to circular UBD (PCB) BPD Cir No 40/09.39.000/ 2007-08 April 15, 2008 wherein the scheduled UCBs were advised to formulate a comprehensive and transparent policy covering issues relating to (i) Immediate credit of local / outstation cheques (ii) Timeframe for collection of local / outstation cheques and (iii) Interest payment for delayed collection. The scheduled UCBs may formulate/revise their Cheque Collection Policy accordingly and forward a copy of the same to this Department and endorse a copy to Chief General Manager, Reserve Bank of India, Department of Payment and Settlement Systems, Central Office, Mumbai for perusal and confirmation before it is implemented by the banks.

RBI/2008-09/368 Ref. No. UBD (PCB) BPD Cir No: 47 /16.20.000/2008-09 dated January 30, 2009

The Chief Executive Officers of All Primary (Urban) Co-operative Banks

Placement of deposits with other banks by primary (urban) cooperative banks (UCBs)

Please refer to the guidelines contained in our circular UBD BPD PCB Cir 14/16.20.00/2007-08 dated September 18, 2007 and BPD PCB Cir 46/ 16.20.00/2002-03 dated May 17, 2003 on the captioned subject.

2. On the basis of representations received from banks and their Federations, the existing

guidelines were reviewed. The revised guidelines on the subject are as under:

*i) Prudential inter-bank (gross) exposure limit*

The total amount of deposits placed by an UCB with other banks (inter-bank) for all purposes including call money/ notice money, and deposits, if any, placed for availing clearing facility, CSGL facility, currency chest facility, remittance facility and non-fund based facilities like Bank Guarantee (BG), Letter of Credit (LC), etc., shall not exceed 20 per cent of its total deposit liabilities as on March 31 of the previous year. The balances held in deposit accounts with commercial banks and in permitted scheduled UCBs and investments in Certificates of Deposit issued by commercial banks, being inter bank exposures, will be included in this 20 per cent limit.

*ii) Prudential inter-bank counter party limit*

Within the prudential inter-bank (gross) exposure limit, deposits with any single bank should not exceed 5 per cent of the depositing bank's total deposit liabilities as on March 31, of the previous year.

*iii) Exemptions from the prudential limit*

As per the extant policy, non-scheduled UCBs in Tier I have been exempted from maintaining SLR in Government and other approved securities up to 15 per cent of their NDTL provided the amount is held in interest bearing deposits with the Public Sector Banks and IDBI bank Ltd. These deposits are exempted from the prudential

limit on inter-bank exposure limits [Paragraph 2 (i) & (ii)].

The balances maintained by UCBs with the Central Cooperative Bank of the district concerned or with the State Cooperative Bank of the State concerned are treated as SLR under the provisions of Section 24 of the Banking Regulation Act, 1949(AACS). These deposits are exempted from the prudential limit on inter-bank exposure limits [Paragraph 2 (i) & (ii)].

3. The placement of deposits by non-scheduled UCBs with scheduled UCBs would continue to be as per the guidelines issued vide our circular BPD PCB Cir 46/16.20.00/2002-03 dated May 17, 2003. However, the amount of deposits placed by a non-scheduled UCB with any scheduled UCB should not exceed 5 per cent of the depositing bank's total deposit liabilities as on March 31 of previous year. The total inter-UCB deposits accepted by a scheduled UCB should not exceed 10 per cent of its total deposit liabilities as on 31st March of the previous financial year as hitherto.

4. Keeping in view the above prudential limits, UCBs may formulate a policy taking into account their funds position, liquidity and other needs for placement of deposits with other banks, the cost of funds, expected rate of return and interest margin on such deposits, the counter party risk, etc., and place it before their Board of Director. The Board should review the position at least at half yearly interval.

5. The guidelines on investments in non-SLR securities by UCBs are being issued separately.