

**Reconciliation of Nostro Accounts-
Old Outstanding Credit Entries.**

DBOD No.BP.BC. 16 /21.04.018/2001-02

August 24, 2001.

To
All Commercial Banks
(Excluding RRBs & LABs)

Dear Sir,

Reconciliation of Nostro Accounts-
Old Outstanding Credit Entries.

Please refer to our circular DBOD.No. BP. BC. 67/ 21.04.018/99 dated 1 July, 1999, in terms of which banks were required to

- (a) net off the credit /debit entries in each of their nostro accounts pertaining to the period up to 31 March 1996 which were remaining unreconciled as on 31 March 2000, against the debit/credit entries in the respective mirror account,
- (b) arrive at the aggregate net debit and aggregate net credit positions, taking care not to set off the net debit position in one account with the net credit position in another account and vice-versa,
- (c) transfer the aggregate net debit to profit & loss account and the aggregate net credit to Sundry Creditors Account in the banks' accounts for the year ended 31 March 2000,
- (d) make 100 per cent provision each year in respect of unreconciled debit entries in the nostro and mirror accounts which were originated on or after 1 April 1996 and are outstanding for more than 3 years and
- (e) transfer each year unreconciled credit entries in the nostro and mirror accounts which were originated on or after 1 April 1996 and are outstanding for more than 3 years to an account like Unclaimed Deposit Account.

2. We have been receiving references from banks seeking guidance on the treatment of balances carried in Sundry creditors /Unclaimed Deposits Accounts consequent upon the implementation of the above instructions. Since the balances carried in the above accounts represent unreconciled entries which could be large in a few cases and therefore susceptible for fraud, the issue has been examined by us and it has since been decided that banks should transfer balances in the Sundry Creditors/Unclaimed

Deposits Accounts appearing in the books of the banks as on 30 September 2001, which represent

- a. the net credit balance arising out of the netting of entries pertaining to the period prior to April 1996 [referred to in 1(c) above] and
- b. credit entries originated on or after 1 April 1996 and remaining unreconciled in nostro/mirror accounts for more than three years [referred to in 1(e) above]

to distinct Blocked Accounts and shown under “Other Liabilities & Provisions- Others” (Item iv of Schedule 5) in the Balance Sheet. The balance in the Blocked Accounts will be reckoned for the purpose maintenance of CRR/SLR.

3. We further advise that banks should earnestly pursue with the reconciliation of the entries transferred to the Blocked Accounts. Any adjustment from the Blocked Accounts should be permitted only with the authorisation of two officials, one of whom should be from outside the branch concerned, preferably from the Controlling/Head Office if the amount exceeds Rupees one lakh.

Yours faithfully,

(B.Mahapatra)
General Manager