



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2014-15/237

DGBA.GAD.No.H - 1204/42.01.035/2014 -15

September 18, 2014

The Chairman & Managing Director /
The Chief Executive Officer
All Agency Banks

Dear Sir / Madam,

Implementation of Cheque Truncation System (CTS): Dispensation of the requirement of forwarding of government cheques in physical form to Government - Change in the Memorandum of Instructions for reporting of government transactions

As part of enhancing the efficiency in cheque clearing, Reserve Bank has introduced CTS for clearance of cheques facilitating the presentation and payment of cheques without their physical movement. While this process has stabilized, the current requirement of forwarding the government cheques in physical form, after payment to the Government Departments, requires a change. The matter relating to dispensation of this requirement was taken up with the Government and we are pleased to inform that the Controller General of Accounts, Ministry of Finance, New Delhi has given approval to our proposal of doing away with the requirement of returning paid government cheques back to Government Departments concerned. Accordingly, the following modifications in the "Memorandum of Instructions issued to Agency Banks for conducting government business" will be effected:-

1. Both the presenting banks and drawee banks would continue to discharge their duties prescribed under various Acts/Regulations/Rules such as the Negotiable Instruments Act 1881, Bankers' Books Evidence Act 1891, Clearing House Regulations, Rules framed under CTS, etc. The government cheques would be paid in CTS clearing based on their electronic images.
2. In case any drawee bank desires to verify the government cheque in physical form before passing it for payment, the image would be returned unpaid under the reason "present with documents". The presenting bank shall ensure that the instrument is presented again in the next applicable clearing session without any reference to the Account holder.
3. The presenting banks are required to preserve the physical cheques in their custody securely for a period of 10 years as required under CTS. In case some specific cheques are required for the purpose of any investigation, enquiry, etc., under the law, they may

be preserved beyond 10 years. The images of all the government cheques paid should be preserved by the drawee banks likewise for a period of 10 years.

4. The government cheques paid by a drawee bank across its counter by way of Cash withdrawal or Transfer also need to be truncated and preserved for 10 years. Adequate safeguards should be built to ensure that these images are captured separately by the drawee banks and not mixed up with the images of the instruments received for payment in clearing. A common electronic file containing the images of all the cheques paid should be created, on a daily basis.
5. The drawee bank should continue to send the payment scrolls, monthly DMS, etc., to Government Department as hitherto. The respective images of paid cheques (by way of cash, clearing and transfer) should be sent to the Government by way of electronic media or through a CD depending upon their volume on daily/weekly/monthly basis, as per their requirement.
6. At any time during the preservation period of cheques, for the purpose of reconciliation, enquiry, investigation, etc., the Government may require any paid cheque in physical form for which it would approach the drawee bank. Whenever so demanded by the Government, the drawee bank shall arrange to furnish the cheques paid by it by way of Cash and Transfer immediately. In case of cheques paid by way of clearing, the same should be supplied to Government within a reasonable period after obtaining it from the presenting bank. It is the responsibility of the presenting bank to comply with the requirement of the Government for any physical cheque and furnish the same to the respective drawee bank.
7. At present, the CTS is operated on grid basis. Hence, the government cheques drawn on RBI / agency banks may be presented against the drawees within the grid only.
8. As hitherto, the drawee bank should continue to send the payment scrolls, monthly DMS, etc., to Government Department. They should ensure that the mistakes/ discrepancies pointed out are rectified as per procedure, missing images of paid cheques are submitted immediately, the copies of the scrolls duly verified by the PAO are kept on its record, etc.

The revised guidelines would be effective from October 1, 2014.

Yours faithfully,

(K. Ganesha)
Deputy General Manager