

January 14, 2009

The Chief Executive Officers of all
AD I and AD II UCBs

Dear Sir /Madam

USD Denominated Cheques–Improvements in collection process - UCBs

Given the number of instances of customer complaints on delay in collection of USD denominated cheques, Reserve Bank conducted a sample study of collection practices followed by banks to explore feasibility of reducing the time lag for collection of such cheques.

2. Based on the feedback, it has been decided that Authorised Dealer UCBs may initiate steps as detailed below to provide customer friendly collection arrangements: -

i) UCBs shall make the US Dollar currency cheque collection scheme transparent and a part of their regular cheque collection policy. Various modes of collection along with the time period and charges for each mode should be appropriately covered therein.

ii) The policy shall be widely disseminated and displayed on the notice board of branches / web site.

iii) Customer shall be suitably educated / informed of the collection mode based on need, convenience and cost, including the advantages of using electronic modes of payment.

iv) UCBs may review their collection policies on an on-going basis and explore using faster methods of realization such as leveraging on Check-21 facility in the US for saving in transit time, direct deposit mechanism with correspondent bank (CB), etc., for early collection of USD cheques.

v) There is scope for reducing the transit time for moving the cheques from branches to CBs. The transit period may be reduced by 2 to 3 days by sending cheques on the same day from branches to centralized pooling branch and from centralized pooling branch to CB. Use of efficient and reliable courier / postal service may help in reducing the transit time.

vi) UCBs may explore the possibility of forming / pooling the cheques to a service bureau to avail benefit of imaging, reduced infrastructure costs, etc., with the intent of saving in transit / collection time.

vii) Service charges for collection of USD cheques shall be decided by UCBs and be made a part of their USD cheque collection policy.

viii) UCBs shall pay interest on the amount of cheques from the date of sighting credit in their nostro account till such time the customer account is credited. Interest shall be paid at saving bank rate calculated on the amount of proceeds credited to the customer's account.

ix) Compensation by way of additional interest shall be paid to the customer for delay in collection beyond the declared collection period as per the bank's policy, without the customer requesting for the same and such interest shall be on "step-up basis" for the period of delay.

x) UCBs may formulate a policy on 'instant' credit for small value cheques as a part of their USD cheque collection policy.

xi) Complaints from customers alleging delay in collection / receipt of proceeds or otherwise shall be properly examined and redressed.

xii) UCBs shall continuously evaluate the industry best practices and adopt such practices wherever feasible.

3. Please acknowledge receipt to the concerned Regional Office of the Reserve Bank of India.

Yours faithfully

(A. K. Khound)
Chief General Manager