

**USD Denominated Cheques – Payment of interest on receiving Credit in our Nostro Account for Cheques on Collection**

Reserve Bank of India has conducted a study on USD Cheque collection practices of banks by calling for information from banks. Based on the study, RBI, in its letter No. DPSS.CO.(CHD) No.874/03.05/2008-09 dt. Nov 2, 2008, has advised the banks to initiate steps for providing better customer friendly service by introducing various measures.

The important suggestions given by RBI includes introduction of transparent cheque collection scheme, review of cheque collection policy and exhibition of time and charges for realisation of collection cheques, utilization of cheque imaging facility offered by the correspondents etc. The aim of all these measures is to reduce the time taken for realisation of collection items. In addition to these measures:

- 1) RBI has advised banks to pay interest on the amount of cheque from the date of sighting credit in the Nostro account till such time the customer account is credited. The interest shall be paid minimum at the Savings Bank Rate calculated on the amount of proceeds credited to the customer's account.
- 2) Further, RBI has also advised banks to compensate the customer by way of additional interest for delay in collection beyond the decided 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.
- 3) Banks may formulate policy on instant credit for small value cheques as part of their USD collection policy.

**Revised Procedure:**

a) We can credit the proceeds of the cheque on the value date of credit in our Nostro account to the branch for crediting the proceeds to the respective customer's account and the branch can block the amount through fast path 1055 in FCR till the 20<sup>th</sup> day from the date of credit and the amount will be released by the branch automatically for utilization on 21<sup>st</sup> day to the customer. (The branches may contact our Data Centre for operational procedure, in case of any doubt). The customer will also get the benefit of SB interest, (as per SB rules and regulations) if the credit relates to SB account.

b) Since the amount is made available in the SB account and not allowed to be drawn for the blocked period of twenty days, Bank will obtain an undertaking letter at the time of lodgment of the instrument for collection by the customer.

The format of the undertaking letter is enclosed below.

(To be submitted as an agreement)  
LETTER OF UNDERTAKING

To

Name and address of our Branch

Dear Sir,

I / We, (description of the executants with full name, age and address), have presented for clearing with you this day, a cheque dated \_\_\_\_\_ in USD for value of \_\_\_\_\_.

I / We have been informed and made to understood by your Branch officials that as per the extant policy laid down by the Bank for collection of cheques / instruments in USD and as per the guidelines laid down by the Reserve Bank of India in his regard, though the amount in value will be credited to my / our \_\_\_\_\_ account of your Branch at the day when the cheque amount is sighted in the Bank's Nostro account, the credited amount will be made available to me / us for utilization only on the 21<sup>st</sup> day after such credit.

Further I / We understand that for this twenty days period or such further extended period, when the fund is blocked, I / We shall be credited interest at the applicable Savings Bank rate calculated on the amount of proceeds credited to my / our account.

Further I / We understand that I / We shall be deducted the applicable service charges for collection of such USD cheque as shall be decided by the bank as per your USD cheque collection policy.

In consideration of the aforesaid policy of the bank to which I / We accede my / our consent, I / We hereby undertake that I / We shall not utilize / cause to be utilized the amount thus credited to my / our \_\_\_\_\_ account during the aforesaid period of twenty days as mentioned above.

I / We further undertake that I / We shall not hold the bank liable / cause to be held liable for any consequences that may arise out of blocking of the cheque proceeds for such period of twenty days.

I / We further undertake to indemnify the bank for any loss that the bank may suffer out of any action caused by me / us or any other person arising out of the utilization of the cheque proceeds during the period of twenty days when the proceeds are kept blocked by the bank.

I / We agree that if a dispute arises regarding the blocking of funds credited to my / our \_\_\_\_\_ account or payment of interest for such blocked period or payment of service charges, your decision shall be final and binding on me / us.

Date:

Yours faithfully

Place:

1.  
2.