



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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December 31, 2015

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

Dear Sir/Madam

**Discontinuation of the requirement for Paper to Follow (P2F) for
Central Government cheques under Cheque Truncation System**

With a view to enhancing efficiency in cheque clearing, Reserve Bank has introduced Cheque Truncation System (CTS) for clearance of cheques, facilitating the presentation and payment of cheques without their physical movement. Taking this initiative forward, it has now been decided in consultation with the Office of the Controller General of Accounts (CGA), Ministry of Finance, Government of India, to dispense with the current requirement of forwarding the paid Central Government cheques in physical form (commonly known as P2F) to the Government departments. Accordingly, it has been decided to modify the "Revised Memorandum of Instructions for reporting and accounting of transactions of Union Ministries Expenditure Accounts (UMEA) by the accredited public sector banks (effective from 1st May 1989)" as under:

- (a) This circular may be treated as an addendum to the instructions and inserted as Annexure-15 of the Memorandum of Instructions.

- (b) In Cheque Truncation System, the 'drawee bank' means the dealing branch of a bank accredited to a Ministry/ Department on which the cheques are drawn. The 'presenting bank' means a branch of any bank where the cheques are presented for payment by the clients. 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, Uniform Regulations and Rules for Bankers' Clearing Houses, Procedural Guidelines for Cheque Truncation System etc. with respect to payment of cheques. The government cheques would henceforth be paid in CTS clearing solely based on their electronic images. The paid cheques in physical form would be retained by the presenting bank.
- (c) 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 document". The presenting bank on such instances shall ensure that the instrument is presented again in the next applicable clearing session without any reference to the account holder (payee).
- (d) The presenting banks are required to preserve the physical instruments in their custody securely for a period of 10 years as required under Procedural Guidelines for 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. Drawee banks shall make necessary arrangements to preserve the images of all government cheques for a period of 10 years with themselves or through the National Archival System put in place by National Payments Corporation of India (NPCI).
- (e) 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 shall 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 paid cheques shall be created

on a daily basis for onward transmission to government departments.

- (f) As prescribed in para 7 of the Memorandum of Instructions, the drawee bank (dealing branch) shall continue to send the payment scrolls, monthly DMS, etc., to the designated Focal Point Branch as hitherto. The Focal Point Branch, in turn, will forward the same to the concerned Pay and Accounts Officer. As the paid cheques would no longer be available with the dealing branch, the same will not be attached with the payment scroll. However, the electronic images of paid cheques (by way of cash, clearing and transfer), preserved by the presenting branch, shall be provided to the Pay and Accounts Officers (through Focal Point Branch) by way of secured electronic communication/ e-mail, etc., as per their requirement.
- (g) At any time during the preservation period of cheques, for the purpose of reconciliation, enquiry, investigation, etc., the Pay and Accounts Officer may require any paid cheque in physical form for which the Pay and Accounts Officer would approach the Focal Point Branch. Whenever so demanded by the Pay and Accounts Officer, the Focal Point Branch shall arrange to furnish the cheques paid by the dealing branch by way of cash and transfer immediately. In case of cheques paid by way of clearing, the same shall be supplied to the Pay and Accounts Officer within a reasonable period after obtaining it from the presenting bank. It is the responsibility of the presenting bank in such instances to comply with the request of the Pay and Accounts Officer/drawee bank for any physical cheque and provide the same to the respective Pay and Accounts Officer / drawee bank within a reasonable period.
- (h) At present, the CTS is operated on grid basis. Hence, the government cheques drawn on RBI / agency banks shall be presented in the grid within whose jurisdiction the accredited/authorised branch of paying bank is located.
- (i) As hitherto, the Focal Point Branch shall ensure through the dealing branch that the mistakes/ discrepancies pointed out in payment scrolls, monthly DMS etc 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.

2. The revised guidelines would be effective in respect of cheques issued by the Central Government and Union Territories (UTs) from February 1, 2016.

Yours faithfully

(G. Sreekumar)
Chief General Manager