



RESERVE BANK OF INDIA

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October 1, 2010

The Chairmen/Chief Executives of
All Scheduled Commercial Banks
(excluding RRBs & LABs)

Dear Sir

Collection of third party account payee cheques – Prohibition on crediting proceeds to third party accounts

Please refer to our circular [DBOD.BP.BC.No.32/21.01.001/2009-10 dated August 27, 2009](#) on the captioned subject, in which it has been stated that the practice of collection of cheques crossed 'account payee' through third party accounts (of co-operative credit societies) is not permissible. However, to facilitate collection of cheques from a payment system angle, it has been clarified therein that sub-members of the clearing houses may collect the cheques of their customers for the credit to their accounts through the sponsor member, under certain circumstances referred to therein.

2. It has been brought to our notice that since co-operative credit societies are not even sub-members of clearing houses, members of such co-operative credit societies who do not have bank accounts have difficulties in collection of account payee cheques drawn in their name. With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is further clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding Rs.50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While



collecting the cheques as aforesaid, banks should have a clear representation in writing given by the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

3. The collecting bank shall also carry out proper due diligence with respect to such co-operative credit societies and ensure that KYC documents of the customers are preserved in the society's records and are available to the bank for scrutiny.

4. The collecting banks should, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner affected by this circular and banks will have to establish that they acted in good faith and without negligence while collecting the cheque in question.

Yours faithfully,

(B. Mahapatra)
Chief General Manager-In-Charge