

UNIFORM REGULATIONS AND RULES
FOR
BANKERS' CLEARING HOUSES



RESERVE BANK OF INDIA
DEPARTMENT OF PAYMENT & SETTLEMENT SYSTEMS
CENTRAL OFFICE, MUMBAI
April 2011

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REGULATIONS

1.	<p>The objects of the Clearing House are :</p> <p>(a) To make arrangements for the speedy and economic collection of Magnetic Ink Character Recognition (MICR) instruments and other instruments / documents / images payable or deliverable, either physically or by transfer of images, at or through offices of the Members and Sub-members of the House situated in the city / town / grid / geographical jurisdiction of ----- by a system or systems of clearing (hereinafter referred to as 'Clearing') with power to apply or to extend any system or systems to any place in the environs of ----- and from time to time abandon, re-constitute or alter any system or systems.</p> <p>(b) To make arrangements, and to frame rules relating to the collection or non-collection or documents between Members and Sub-members of the Clearing House.</p> <p>(c) To maintain records of the Clearing House and of such other matters as may be thought fit.</p> <p>(d) To draw up and prescribe from time to time forms for use of the Members and Sub-members of the Clearing House in connection with the clearing.</p> <p>(e) To do all such other lawful things as are incidental or conducive to the attainment of all or any of the foregoing objects.</p>	Objects
2.	<p>(i) The following Regulations and Rules for the ----- Bankers' Clearing House shall come into force with effect from the ----- and shall be observed by all Members.</p> <p>(ii) The Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) shall be final and binding on all Member and Sub-member banks of Clearing Houses.</p>	Date of Commencement of Regulations and Rules
3.	<p>I. The Presidentship of Clearing House would be decided as under, in the following order :</p> <p>(a) Wherever the Reserve Bank of India (RBI) has an Office with a Banking Department, the Presidentship of the Clearing House would be held by the RBI and the settlement account would also be maintained with the RBI;</p> <p>(b) Wherever the RBI has an Office which does not have a Banking Department and the centre has a MICR-CPC (Cheque Processing Centre), the bank which has set-up the MICR-CPC would hold the Presidentship of the Clearing House and would also maintain the settlement account.</p>	Management of Clearing House

(c) At centres where the RBI does not have an Office, the bank which has set up a MICR-CPC, would hold the Presidentship of the Clearing House and would also maintain the settlement account of the member banks;

(d) At other centres (non-MICR centres) where RBI does not have an office, the bank that has been permitted by RBI to manage the Clearing House would hold the Presidentship of the Clearing House.

II. While managing the Clearing House, the bank holding the Presidentship will have to maintain the settlement account and arrange to put in place the procedures for TT discounting, RTGS / NEFT / other funds transfer facilities, or similar other facilities including Single Window Facility (for centralised viewing of balances and / or transfer of funds between / across settlement accounts) for all the participating members so as to ensure smooth functioning of the Clearing House and settlement of clearing obligations.

III. (a) The President shall be the ultimate authority in managing the Clearing House. The president may delegate powers vested under these Regulations and Rules pertaining to operational matters, in writing, to the officer/s managing the MICR-CPC.

NOTE : Wherever RBI is willing to undertake management of the Clearing House, it shall do so. In the event of RBI not undertaking the management, one of the scheduled commercial banks in that centre, which may be specified by the RBI, shall be the bank managing the Clearing House.

(b) The President may, in the event of a temporary absence from duty, nominate another officer of his bank to act for him, and failing such nomination, the officer of the bank managing the Clearing House who is currently looking after the duties of the manager of the bank managing the Clearing House shall act as the President of the Clearing House during the period of such absence of the President.

(c) The President will be assisted by a Standing Committee, constituted at a meeting of the members, in resolving the problems / issues / situations requiring urgent solutions.

(d) The Standing Committee shall consist of not less than five, but not more than seven members, including the President, and will comprise of -

- (i) RBI / The bank managing the Clearing House,
- (ii) SBI or any of its associate banks as may be specified by SBI wherever they are not managing the Clearing House,
- (iii) Two other public sector banks where the Clearing House is managed by a bank other than RBI or SBI or its associates, and in other cases three other public sector banks, as may be specified by the bank managing the Clearing House, and

(Empowering President to delegate powers to the officers of MICR-CPC)

	<p>(iv) Two other banks specified by the bank managing the Clearing House, from out of remaining members of the Clearing House.</p> <p>The term of office of the members of the Standing Committee coming under categories (iii) and (iv), shall be two years. The concerned member should nominate its representative, who will be participating in the meetings on behalf of the said member.</p> <p>In centres where the requirements prescribed at III(d)(ii) and / or III(d)(iii) are not possible to be met, the President of the Clearing House shall, in consultation with other member banks of the Clearing House, decide on the constitution of the Standing Committee.</p> <p>In centres having less than five members, all members shall be part of the Standing Committee.</p> <p>Where the RBI is not managing the Clearing House, RBI can consider nominating an Officer as a Member of the Standing Committee or as an Observer.</p>	
4.	<p>A. At MICR Centres</p> <p>I. Pre-requisites for Membership</p> <p>The pre-requisites for membership shall be as per the access criteria prescriptions announced by Reserve Bank of India from time to time.</p> <p>B. At non-MICR Centres</p> <p>I. Pre-requisites for Membership</p> <p>The membership of the Clearing House shall be open to all the banks including the State Co-operative Bank and such co-operative banks as may be recommended by the State Co-operative Bank in the State in which they are situated, provided they agree to comply with the regulations and rules of the Clearing House. For multi-state co-operative banks, recommendations of the State Co-operative Bank in the state of incorporation of the bank shall be applicable.</p> <p>C. Eligibility for Membership at Clearing Houses (MICR and non-MICR)</p> <p>(a) Banks can participate in clearing operations either as Direct Members or as Sub-members of Direct Members.</p> <p>(b) Notified institutions like Post Office Savings Bank are permitted to participate in clearing operations either as Direct Members or as Sub-members.</p> <p><i>NOTE :</i> It will be open to any Post Office Savings Bank to become a Member / Sub-member of the Clearing House, provided, however, where there are more than one Post Office Savings Banks in any centre,</p>	<p>Pre-requisites and Eligibility for Membership</p>

	the General Post Office / Head Post Office having jurisdiction over the Post Office Savings Banks in that centre will become the Member / Sub-member of the Clearing House, and the Post Office Savings Banks will present their instruments for clearing through the Post Office Savings Bank designated for this purpose by the General Post Office / Head Post Office.	
5.	The membership of a Clearing House shall comprise of the initial members as enumerated in the Rules of each Clearing House and such other members as may be admitted by the Clearing House from time to time in terms of the provisions made in Regulation 8.	Number of Members
6.	For the purpose of speedy and efficient service to customers, a member bank may be represented in the House by more than one designated branch depending upon the number of its branches in the area of operation of the Clearing House and the number of instruments handled. The allotment of additional seats will not confer any additional voting right to the bank concerned.	Allotment of Additional Seats
7.	The decision to allot the additional seats or otherwise and / or withdraw the additional seats will be taken by the Clearing House.	
8.	<p>(a) (i) The application for membership shall be submitted to the President in the form given at Annexure 'A'.</p> <p>(ii) All applications for membership from all categories of banks shall be scrutinised by the President of the Clearing House to confirm among other things that the applicant :</p> <ul style="list-style-type: none"> - is eligible for membership as per the prescriptions (contained in the access criteria announced by the Reserve Bank of India from time to time for MICR Centres). - has opened a current account with the relevant bank/s for settlement of the clearing amount. <p>(b) Post Office Savings Banks shall also be admitted as members subject to compliance with Regulations 4 and 9.</p> <p>(c) The President shall promptly advise all the members about the names of new members and shall determine the date from which the new members shall participate in the clearing operations.</p> <p>(d) The membership to the Clearing House shall be reviewed as per the access criteria prescriptions and guidelines issued by RBI from time to time.</p> <p>(e) The continuation of membership of a bank will be primarily based on the continuing ability of the member bank to meet its clearing obligations in time and adherence to the regulations and rules of the Clearing House. RBI shall have the right to revoke or withdraw the membership</p>	Admission of New Members and Review of Membership

	of any member to the Clearing House, if continuation of membership, is felt to be detrimental to the smooth functioning of the Clearing House in any manner.	
9.	<p>(a) Each Clearing House may stipulate in its rules the average minimum number of clearing instruments to be tendered by the applicant for being eligible for membership.</p> <p>This stipulation, however, will not apply to commercial banks in the Public Sector, State Co-operative Banks, District Central Co-operative Banks (as per access criteria prescriptions announced by the Reserve Bank of India from time to time for MICR Centres) and to such Post Office Savings Banks with reference to which a competent authority from the Department of Posts has requested for the waiver of this requirement.</p> <p>If any member bank has not complied with the requirement prescribed, its membership shall be kept under review for six months, to see if desired minimum presentation has been reached. Otherwise, direct membership need not be considered.</p> <p><u>Explanation</u></p> <p>For the purposes of this regulation, the expression 'the average minimum number of clearing instruments' shall be determined by the average of the instruments tendered for clearing by any bank in the course of a year, or such lesser period as the Clearing House may specify in this regard.</p> <p>(b) Each Clearing House may stipulate in its Rules the maximum value of the documents that could be presented for clearing by the member banks. The maximum value shall be determined with reference to their deposit liabilities.</p> <p>Relaxation of the limits may be allowed by the President of the Clearing House if circumstances warrant.</p>	Minimum Number of Instruments to be Tendered by an Applicant for Direct Membership
10	<p>I. Admission of Sub-members</p> <p>(a) Every applicant for Sub-membership shall be proposed by a direct member (hereinafter referred to as the sponsor member) by an application in form given at Annexure B which shall be submitted to the President. The President shall thereafter admit the bank as Sub-member and shall advise all members accordingly.</p> <p>(b) The President shall also determine and advise the date from which a newly admitted Sub-member shall participate in the clearing operations.</p> <p>II. Types of Sub-members</p>	Admission of Sub-members, Types of Sub-members and Sponsoring of Sub-members

	<p>(a) Sub-membership of Clearing House can be of two types :</p> <p>(i) Sub-membership Type-1 : Where the Sub-member uses the MICR code of the sponsor bank, submits or receives instruments through its sponsor member and the accounting thereof is done through its sponsor member's account with the settlement bank;</p> <p>(ii) Sub-membership Type-2 : Where the Sub-member uses the MICR code allotted to it (different from the sponsor bank), submits or receives instruments through its sponsor member and the accounting thereof is done either through its sponsor member's account with the settlement bank or through the account maintained by it with the settlement bank. Such Sub-members may also be permitted to submit / receive the instruments in separate lots to / from the Clearing House (this shall, however, be done only through the Sponsor bank).</p> <p>III. Sponsoring of Sub-members (applicable to MICR Centres)</p> <p>A Direct Member is permitted to sponsor Sub-members as per the access criteria prescriptions and guidelines issued by RBI from time to time.</p>	
11	<p>A member may resign from the Clearing House at any time on giving 14 days' notice in writing to the President of such member's intention so to do and on receipt of such notice the President shall inform the other members of such intended resignation. On the expiry of such notice, the member resigning shall cease to be a member of the Clearing House.</p>	Resignation of Member
12	<p>A Sub-member may resign from the Clearing House at any time on giving 14 days notice in writing to the President through the sponsor member of such Sub-member's intention so to do and on receipt of such notice the President shall inform the members of its intended resignation. On expiry of such notice, the Sub-member resigning shall cease to be a Sub-member of the Clearing House.</p>	Resignation of Sub-member
13	<p>A member shall cease to be a member in any of the following events, namely :</p> <p>(a) If it is prohibited from accepting fresh deposits.</p> <p>(b) If it shall stop or suspend payment of its debts generally or cease to carry on business, or go into liquidation either voluntary or compulsory.</p> <p>(c) If a resolution of expulsion be passed by the vote of a majority of not less than three-fourths of the members on the roll / authorised representatives present at an Extra-ordinary General Meeting specifically convened for the purpose at which not less than three-fourths of the members on the roll of members shall be represented, after hearing the explanation of the member bank. Such resolution shall state the reasons for and specify the period of such expulsion. Provided</p>	Cessation of Membership

	<p>always that not less than 14 clear days notice of such Extra-ordinary General Meeting shall be given and a special notice in writing that a resolution to expel the member will be brought before the Meeting shall be sent to such member by the President not less than 14 clear days' before the date fixed for the Meeting. Provided further that before any resolution for expulsion is given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such expulsion and a copy of the said communication shall also be endorsed by him to the central office of the bank managing the Clearing House and the bank proposed to be expelled at that centre.</p> <p>Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for expulsion or to defer or limit its implementation for such time as Reserve Bank of India may specify.</p> <p>(d) If it fails to meet its clearing liability as per the provisions contained in the Directive on Settlement and Default Handling Procedure and other guidelines issued by RBI from time to time.</p> <p>(e) If it is re-categorised by RBI in terms of Regulation 8(d) above.</p> <p>Notwithstanding the above, it shall be open to Reserve Bank of India to consider deferring or limiting applicability of the regulation at 13(a) above, either suo-moto or on the basis of a request from the affected bank, subject to such terms and conditions as may be considered necessary in the interest of ensuring smooth functioning of clearing operations.</p>	
14	<p>I. Refusal by the representative of a member bank to accept or exchange the instruments of another member or refusal to deal with another representative in the Clearing House shall be construed as withdrawal by the concerned member bank from the Clearing House for that day and the position will be reviewed thereafter. The President shall report such incident to the member bank(s) concerned and such member bank(s) will initiate appropriate disciplinary action against the representative(s) for his / her / their misconduct promptly and will report to the President the action taken against the representative(s).</p> <p>II. A member bank shall also be deemed to have withdrawn from the Clearing House on receipt of a report from the President of the Clearing House that the representative(s) of the bank(s) has / have indulged in any of the following misconducts :</p> <p>(a) disrupting the normal functioning of the clearing by resorting to tactics intended to delay and / or defeat the smooth functioning of the Clearing House;</p> <p>(b) refusing to obey the lawful and reasonable orders of the manager / supervisor or President of the Clearing House;</p> <p>(c) resorting to practices considered unfair by the President;</p>	Withdrawal of Member from Clearing House

	<p>(d) any other conduct which may be considered unbecoming by the President.</p> <p>The withdrawal by such bank from the Clearing House shall be for such minimum period as the President may indicate having regard to the circumstances of the case.</p> <p>Provided, however, this period may be altered or otherwise limited by Reserve Bank of India, and during the period of such withdrawal the bank concerned shall take quick remedial steps including changing of its representative(s) to ensure its effective participation and the smooth functioning of the Clearing House.</p> <p>III. If any representative(s) of a member bank commit(s) any act which results in the member bank(s) withdrawing from the clearing as mentioned above, the member bank(s) shall initiate appropriate disciplinary action against such representative(s) under the terms and conditions of service governing him / her / them.</p> <p>IV. In the event of the withdrawal from the Clearing House by any member due to the operation of this regulation, the President shall also inform all the other member banks by means of a circular, indicating the date from which a member stands withdrawn, a copy of which shall be given to their representative in the Clearing House and also displayed on the notice board of the Clearing House. Such a display of notice on the Clearing House notice board shall be construed as notice to all members. The Standing Committee, wherever in existence, shall also meet immediately thereafter to consider the situation and take such steps as may be considered necessary for ensuring normal functioning of the Clearing House.</p>	
15	<p>A Sub-member shall cease to be a Sub-member in any of the following events, namely :-</p> <p>(a) on its admission as a Direct member.</p> <p>(b) if it is prohibited from accepting fresh deposits.</p> <p>(c) if it shall stop or suspend payment of its debts generally or cease to carry on business, or go into liquidation either voluntary or compulsory.</p> <p>(d) if a resolution of expulsion be passed by the vote of a majority of not less than three-fourths of the authorised representatives of members present at an Extra-Ordinary General Meeting specially convened for the purpose at which not less than three-fourths of the members on the roll of members shall be represented after hearing the explanation of the member bank. Such resolution shall state the reasons for and specify the period of such expulsion.</p> <p>Provided always that not less than 14 clear days notice of such meeting</p>	Cessation of Sub-membership

	<p>shall be given and a special notice in writing that a resolution to expel the Sub-member will be brought before the meeting shall be sent to the sponsor member of such Sub-member by the President not less than 14 clear days' before the date fixed for the meeting.</p> <p>Provided further that before any resolution for expulsion is given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such expulsion and a copy of the said communication shall also be endorsed by him to the central office of the bank managing the Clearing House and the bank proposed to be expelled at that centre. Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for expulsion or to defer or limit its implementation for such time as Reserve Bank of India may specify.</p> <p>(e) if the sponsor member has given a notice of termination of clearing arrangement on behalf of the Sub-member subject to the provision of Regulation 17 below.</p> <p>(f) if the sponsor member ceases to be a member subject to the provisions of Regulation 18 below.</p> <p>Notwithstanding the above, it shall be open to Reserve Bank of India to consider deferring or limiting applicability of the regulation at 15(b) above, either suo-moto or on the basis of a request from the affected bank, subject to such terms and conditions as may be considered necessary in the interest of ensuring smooth functioning of clearing operations.</p>	
16	<p>A Sub-member wishing to change its clearing arrangements from one member to another member must obtain the prior approval of both the members concerned as also of the President. A 14 days' notice of such change shall be necessary to enable the President to inform all the other members accordingly. A proforma application for the use of Sub-members who desire to change their clearing arrangements from one sponsor bank to another is given at Annexure C.</p>	<p>Change of Clearing Arrangements of Sub-member</p>
17	<p>A Sponsor Member may discontinue clearing documents or provide settlement arrangements on behalf of any Sub-member for whom the sponsor member is responsible, upon giving notice in writing to the President not later than 11.30 am on any working day whereupon such Sub-member shall cease to be a Sub-member with effect from the close of clearing business on the next day. On receipt of such notice, the President shall notify the Sub-member concerned and also the other members of the Clearing House. Provided, however, if the Sub-member is able to obtain a new sponsor member, the Sub-member shall be deemed to have been readmitted as a Sub-member from the date of its obtaining a new sponsor member.</p>	<p>Right of Sponsor Member to Discontinue Clearing for Sub-member and Consequences</p>
18	<p>Upon a sponsor member ceasing to be a member of the Clearing House, any Sub-member for whom such sponsor member is responsible</p>	<p>Consequences of Cessation of</p>

	shall cease to be a Sub-member. If the Sub-member is able to obtain a new sponsor member, the Sub-member shall be deemed to have been reinstated as a Sub-member in accordance with this Regulation.	Membership of Sponsor Member
19	<p>The bank managing a Clearing House may charge towards maintenance as follows –</p> <p>(a) MICR Cheque Processing Centres (MICR-CPCs)</p> <p>MICR processing charges for the MICR instruments processed at MICR-CPCs shall be recovered on a monthly basis by debit to the accounts of the member banks maintained with the bank managing the Clearing House, or by any other method, at the rate prescribed by the Reserve Bank of India from time to time. The bank managing a MICR Cheque Processing Centre shall not levy any other extra charges, for a service / facility relating to the clearing process other than the rate prescribed by Reserve Bank of India towards processing charges.</p> <p>(b) For Other Clearings Conducted at the MICR-CPCs</p> <p>(i) In a centre, a MICR-CPC managing bank shall not collect any additional charges for conducting clearing using the Clearing House Automation Package (Magnetic Media Based Clearing Software - MMBCS or such similar package) irrespective of the premises where such clearings are conducted (whether in the same or different premises).</p> <p>(ii) Where, however, such clearings are conducted by a bank other than the bank managing the MICR-CPC, reasonable expenditure arising out of conduct of such clearings may be recovered by the bank and such expenditure should be apportioned amongst the member banks. Reasonability of the expenditure shall be approved by the President of the Clearing House. The bank conducting the non-MICR clearing shall not recover the expenses directly, but shall recover them through the bank managing the Clearing House or otherwise, as approved by the President.</p> <p>(c) Non-MICR Centres</p> <p>The maintenance charges proportionately for the clearing conducted at such centres, as determined by the bank conducting the clearing, on rent for accommodation, depreciation on equipment and furniture, and recurring establishment expenses including salaries paid to the staff of the bank conducting the clearing calculated on a proportionate basis for the period for which their services are utilised for the clearing operations, and overtime allowance paid to such staff for the purpose of balancing the books / reconciling the differences in the clearing, telephones, electricity, stationery, maintenance charges for equipment and expenses towards any other facilities provided, shall be shared equally by all the members.</p>	Processing / Maintenance Charges

	<p>(d) Charges for Banks Managing Back-up Clearing Centres (MICR and Non-MICR Centres)</p> <p>Banks managing back-up clearing centres (primary or alternate) shall get themselves compensated by the member banks of the Clearing House for the relative investment made by them on computer hardware / software and other operating expenses on equal sharing basis. Additionally, the back-up banks may also recover expenses incurred by them during contingencies / disruptions / contingency drills from the member banks of the Clearing House. The expenses recovered must be reasonable and should be approved by the President of the Clearing House. The back-up banks shall not recover the expenses directly but shall recover them through the bank managing the Clearing House or otherwise, as approved by the President.</p>	
20	<p>(a) Meetings of members of the Clearing House may be convened by the President as and when he / she considers it necessary, or on receipt of a requisition signed by not less than five members, or not less than one third of the total members, whichever is less, specifying the object of the meeting. No business shall be transacted at any meeting of the members except at an emergent meeting unless a quorum of two-thirds of the whole of the members on the roll is present at the commencement of such business. In the case of an emergent meeting called by the President to meet an abnormal situation such as staff agitation affecting member banks, dislocation of traffic, riots, civil commotion, etc., the members attending the meeting within five minutes of the scheduled time shall form a quorum.</p> <p>(b) Save as otherwise provided in these Regulations, at all meetings, whether ordinary or emergent, all matters submitted to the meeting shall be decided by a majority comprising not less than two-thirds of the members present.</p> <p>(c) Every member shall have one vote by its authorised representative; a Sub-member shall not have any vote or voice in the management of the Clearing House.</p> <p>(d) If at any meeting convened by the President no quorum is present, then the meeting shall stand adjourned either to a subsequent place or at the same place at any time later, on the same date, or at any later date, as may be decided by the President, having regard to the circumstances of the case, and for any such adjourned meeting, there shall be no quorum required and it shall also not be necessary for the President to give any separate notice thereof.</p>	Meetings of Members
21	<p>The Clearing House shall make such amendments or alterations to its Regulations / Rules as may be advised by Reserve Bank of India from time to time. Any other proposal to amend Regulations / Rules requires prior clearance from Reserve Bank of India. Such proposal shall ordinarily be circulated by the President amongst the members for recording of the members, votes and decided by a majority of votes of</p>	Alteration of Regulations and Rules

	members comprising not less than two-thirds of the members on roll or by a resolution passed in a general meeting of the Clearing House by a majority of not less than two thirds of the members present in the meeting. After consideration by the Clearing House it shall thereafter be referred to the head / controlling office of the bank managing the Clearing House for obtaining clearance from RBI.	
22	A sponsor member shall be responsible for communicating to the Sub-member sponsored by such sponsor member, where necessary, all notifications, circulars, etc., issued by the President. A sponsor member shall be furnished with an extra copy of the said documents for the use of its Sub-member.	Circulation of Notification, etc., among Sub-members
23	Minutes of the proceedings of all meetings, as also the decisions taken as a result of proceedings by circulation shall be recorded in a minutes book and shall be made available to members by the President at his office on request.	Minutes of Meetings
24	All the initial members and Sub-members of the Clearing House shall indicate their adherence to the Regulations / Rules by subscribing to the same in two copies, one of which may be kept deposited with the bank managing the Clearing House and another may be kept lodged with the local or Regional Office of Reserve Bank of India. Whenever any additional Direct Member / Sub-member is inducted into the Clearing House it could be evidenced by the application submitted by such Direct Member / Sub-member and the resolution passed in accordance with the Regulations, providing for such induction and a copy of the same shall be forwarded by the Clearing House to the local or Regional Office of Reserve Bank of India in addition to being recorded in the minutes of the Clearing House and kept with the bank managing the Clearing House.	Mode of Subscription to Clearing House Regulations and Rules
25	<p>A Clearing House may be closed for the following reasons :</p> <p>(a) In the event of a reduction in the membership which is below the required minimum making the operations of the Clearing House non-viable.</p> <p>(b) Extension of jurisdiction of the Clearing House to cover the area of operation of another Clearing House.</p> <p>(c) Merger of two Clearing Houses, resulting in closure of one of them.</p> <p>(d) The procedure to be followed for the closure of the Clearing House will be as under :</p> <p>(i) An Extraordinary General Body Meeting of all the members of the said Clearing House may be convened after giving notice of not less than 14 clear days and the resolution of closure should be passed by the vote of a majority of not less than three-fourths of the members on the roll of that Clearing House.</p>	Closure of Clearing House

(ii) The Clearing House should thereafter make a request for closure to the Chief General Manager / General Manager / Deputy General Manager of the Regional Office of Reserve Bank of India responsible for payment system oversight in the State where the Clearing House is located, along with a copy of the Resolution passed.

In case of closure of Clearing Houses by virtue of extension of jurisdiction of MICR-CPCs, the Clearing House should make a request for closure to the Chief General Manager / General Manager / Deputy General Manager of the Regional Office of Reserve Bank of India responsible for payment system oversight in the State where the Clearing House is located, along with a copy of the Resolution passed. The closure may be effected after receiving the approval of the Regional Office of Reserve Bank of India. The Clearing House, should thereafter inform the Regional Office of the Department of Banking Supervision (DBS), Reserve Bank of India.

(iii) The closure may be effected after receiving the approval of the Regional Office of Reserve Bank of India. The Clearing House, should thereafter inform the Regional Office of the Department of Banking Supervision (DBS), Reserve Bank of India.

(iv) One month's notice will be given to the members before effecting the closure of the said Clearing House.

(v) The public in the jurisdiction of the Clearing House will be duly informed through the local newspapers regarding the impending closure.

R U L E S

1.	<p>(a) The clearing shall be conducted normally at a place provided by the bank conducting Clearing House.</p> <p>(b) In the event of there being a dislocation of work in the bank conducting the Clearing House and the President of the Clearing House being of opinion that, as a result of such dislocation, it is impossible for the bank to conduct the Clearing House operations, or that it is desirable that the same is taken over by some other member bank, the conduct of the Clearing House operations shall be taken over by such other Scheduled Commercial Bank as may be decided upon by the President. Such bank shall remain in charge of the conduct of the Clearing House operations till such time as the President decides that the primary bank is able to take charge of the same. Provided, however, that in cases where this sub-rule is invoked, a report shall be sent immediately by the President of the Clearing House to the Regional Office of Reserve Bank of India under which jurisdiction the Clearing House is operating, explaining the circumstances which warranted action being taken in terms of this sub-rule. The members have to adhere to the clearing discipline and timings of clearing prescribed by the bank which has taken over conduct of the Clearing House.</p> <p>(c) It is understood and accepted by all members of the Clearing House that the bank conducting Clearing House in the conduct and settlement of the clearing shall incur no other liability or responsibility than that falling upon other member banks.</p>	<p>Place for Conducting the Clearing House</p>
2	<p>(a) Presentation clearing for the Clearing type _____ shall be at _____ hours on weekdays (and at _____ hours on Saturdays).</p> <p>(b) Return clearing for the Clearing type _____ shall be held at _____ hours on weekdays (and at _____ hours on Saturdays) for instruments / images presented in the corresponding presentation clearing and which are returned unpaid under objection.</p> <p>The branches of banks comprised in the city / town / suburban area as the case may be, shall be specified from time to time by the President of the Clearing House as the jurisdiction / area covered by operations of the Clearing House and advised to all the Members / Sub-members.</p> <p>Eligible instruments / documents / images drawn on branches of a member bank that are not within the jurisdiction of the Clearing House may also be presented through the Clearing House, in accordance with the instructions issued by RBI from time to time. Instruments where referred to shall mean and include the images of instruments as well.</p> <p>There shall be a Presentation clearing and a Return clearing on all days of the week, including Saturdays.</p>	<p>Hours of Clearing and Return of Documents to be Incorporated by the Clearing House</p> <p>Jurisdiction to be Determined by the Clearing House</p>

	<p><u>Exception</u></p> <p>Debit notices received in exchange for instruments presented on the counter (not through clearing) to the paying bank (during or after clearing hours) are not acceptable in the return clearing for return of instruments and must be so marked when issued.</p> <p>c) The presentation timings, return timings, time of arriving at the settlement position and accounting of settlement shall be decided by the Standing Committee / General Body of the Clearing House after considering directions / instructions, if any, issued by Reserve Bank of India in this regard.</p> <p>(d) The time of arriving at the settlement position and accounting of settlement for each clearing type in the books of the settlement bank shall be notified to all the members of Clearing House.</p>	
3	The President will have discretion to declare an extension of the clearing hours on any business day if considered necessary or under special circumstances.	Extension of Clearing Hours
4	In the event of the work of any particular member being dislocated for whatever reasons which, in the opinion of the President of the Clearing House makes it impossible for the bank concerned to adhere to the time schedule laid down in Rule 2 (b) of the _____ Bankers' Clearing House Rules, the President shall have the authority, at the request of the affected bank, to extend the time for return of the documents drawn on the concerned banks by one working day or for such number of hours, as considered necessary. It is provided further that in emergent circumstances, the President shall have the authority, at the request of the affected bank, to exclude the member bank from participating in the Clearing House until the conditions in the affected bank are restored to normalcy. The affected bank may or may not be permitted to present instruments in clearing as may be decided by the President. In such cases, the other member banks should make their own arrangements to clear the instruments drawn on the affected bank.	Permission for Late Return of Unpaid Instruments
5	Instruments presented by a Sub-member through its sponsor member, when unpaid, shall be returned to the sponsor member and not to the Sub-member, through the clearing as laid down in Rule 2.	Return of Documents / Instruments Presented by a Sub-member
6	Documents / Instruments returned unpaid must bear a signed or initialled objection slip on which a definite and valid reason for refusing payment must be stated. A list of objections approved by the Clearing House is given in Annexure D.	Statement of Reason for Returning a Document / Instrument

7	<p>(a) The Clearing House shall in no way be responsible / liable for the claims arising in respect of unpaid instruments for which non-payment has already been accounted for, as far as Clearing House is concerned. Such claims shall be settled directly between the Members and / or Sub-members concerned.</p> <p>(b) In case of disputes relating to settlement of claims and / or matters relating to clearing between the Member banks the grievance redressal and escalation process would be as per the RBI directive on Dispute Resolution Mechanism issued under the Payment and Settlement Systems Act, 2007 (PSS Act), vide, Circular dated September 24, 2010 (RBI / 2010-2011 / 213 DPSS.CO.CHD.No.654 / 03.01.03 / 2010-2011), as duly amended from time to time.</p> <p>(c) Any dispute between Sub-member banks and / or between the Member and a Sub-member bank that does not fall under the purview of the Dispute Resolution Mechanism prescribed at 7(b) above, shall be resolved bilaterally among themselves.</p>	Settlement of Claims / Disputes between Members
8 8A	<p>(a) Instruments / Documents to be cleared of Sub-members must be submitted through its sponsor member whose representative in the Clearing House shall incorporate such instruments in its Clearing House Register.</p> <p>The President of the Clearing House may prescribe, if considered necessary, the maximum value of individual instruments / documents that could be presented for clearing by a Member / Sub-member bank.</p> <p>Relaxation of the limits may be allowed by the President of the Clearing House if the circumstances warrant. Member banks shall not present any instrument / document for values higher than the one prescribed and if presented shall invite penalties as decided by the Clearing House.</p>	Instruments / Documents of Sub-members Cap on Value of Instruments / Documents to be presented by Members / Sub-members
9	<p>Member / Sub-member banks shall adhere to the instructions set out in the URRBCH / MICR Procedural Guidelines / Procedural Guidelines for Cheque Truncation System, instructions issued by Reserve Bank of India and / or the bank managing the Clearing House, while participating in clearing.</p> <p>The Member / Sub-member banks shall also adhere to the standards relating to cheque forms prescribed by Reserve Bank of India, and as duly amended from time to time.</p> <p>Relevant extracts of the MICR Procedural Guidelines are given at Annexure G.</p>	Adherence to Guidelines for Participation in Clearing
10	<p>(a) The Presentation Clearing and Return Clearing shall be settled by passing entries through the settlement accounts which the member banks maintain with the bank managing the Clearing House. Clearing balance against members shall be debited and clearing balances in favour of members shall be credited to their accounts with that bank as</p>	Settlement of Clearing

soon as the presentation / return clearing is struck.

(b) Member banks having favourable clearing balances may be permitted to draw there against on the same day subject to the following conditions :

(i) After settlement and accounting of related return clearing,

(ii) Debtor banks' instruments should be received and Clearing House account settled; and

(iii) The minimum balance, as prescribed by the Clearing House Rules, should be maintained by member banks as a reserve for settlement of Clearing House Account.

(c) Whenever 'payable' differences are located, payment must be made to the respective bank without waiting for a claim from them. The format of the Debit note to be used in this connection is given in Annexure E.

(d) In case of 'receivable' differences, concerned member bank should take up the matter with the respective banks immediately, by furnishing full particulars such as cheque number, branch office of the presenting bank to which it relates, nature of the instrument such as current account, savings bank, government cheque, draft, dividend warrant, etc. Member banks should pay off the claim as early as possible, but in no case later than one week from the date on which the claim has been received. If settlement is not made within 7 days', interest should be paid at RBI LAF Repo Rate + 200 basis points from the date of lodging such claim till such claim is actually paid / settled.

(e) To avoid possible embarrassment to members of the Clearing House, member banks who have received advice by telegraphic transfer to receive an amount from another member bank shall either obtain a cheque or ascertain from the paying bank that payment will be duly made before trying to recover the amount from the paying bank through the Clearing House.

(f) Every member shall keep with the bank managing the Clearing House a minimum balance of Rs. (to be decided by each Clearing House or as advised by RBI from time to time) at the close of business each day. This requirement shall not be applicable in the case of Post Office Savings Bank, provided the Department of Posts gives an authority to the bank managing the Clearing House to raise a debit to the Central Government Account maintained with it, irrespective of the amount involved, whenever there is an adverse clearing position against the Post Office Savings Bank.

In case, however, the alternate settlement accounts are opened with another alternate bank/s identified as a back-up centre/s, the minimum balance shall not be more than Rs. 1,000/- or shall be as advised by Reserve Bank of India from time to time.

(g) During the time the conduct of the Clearing House operations has been taken over by a bank other than the bank managing the Clearing House, vide, Rule 1 (b) every member shall keep an account with such bank, a minimum balance as stipulated in Rule 10 (f) above, except in the case of a Post Office Savings Bank, such requirement shall be determined in accordance with Rule 10 (f) as applicable to it.

(h) The Clearing House shall notify the member banks the time at which the clearing settlement would be posted in the books of the settlement bank and time interval permitted for the banks to adjust the adverse position, if any, in their accounts with the settlement bank. In case any member bank fails to meet the net settlement obligation and / or to maintain the minimum balance as required in Rule 10 (f) resulting in an unauthorised overdraft / deficit on account of adverse clearing, such defaulting member shall be required to pay intra-day overdraft (the day when overdraft is extended, irrespective of the time period for which the overdraft facility is enjoyed) and the interest for the same shall be charged at relevant RBI LAF Repo rate + 100 basis points. Further, if the overdraft extends to the following day (overnight and beyond), interest shall be charged at relevant RBI LAF Repo rate + 300 basis points, till the overdraft is cleared. Further extension of overdraft facility to member with inadequate balance in settlement account to meet the clearing obligation shall be the discretion of settlement bank and cannot be demanded as a matter of right.

(i) In addition to this, the defaulting member bank will also render itself liable to have its membership terminated, provided, the requisite majority of the members require it so to do at a Special General Meeting called for the purpose by the President of the Clearing House after hearing the explanation of the defaulting member bank.

Provided further that before any resolution for termination of membership is given effect to, Reserve Bank of India should be advised in writing by the President about the reasons for such termination and a copy of the said communication shall also be endorsed by him to the central office of the bank managing the Clearing House and the bank whose membership is proposed to be terminated at that centre.

Provided further that it shall be open to Reserve Bank of India to annul or rescind such resolution for termination of membership or defer or limit its implementation for such time as Reserve Bank of India may specify.

The provision of this rule will not, however, apply in the case of Post Office Savings Banks in view of Rule 10 (f).

(j) The settlement accounts maintained by the member banks with the settlement bank shall not be debited unilaterally by the settlement bank for any purpose other than for settlement of clearing obligations of the member banks.

11	<p>(a) The funds transfer settlement shall be final and irrevocable, as defined in Section 23 of the Payment and Settlement Systems Act, 2007. In the case of inability of a member bank to fund its settlement account for meeting the clearing obligations, the shortfall in the settlement account shall be dealt with as a default situation and the default handling procedure advised by RBI in the Directive on Settlement and Default Handling Procedure (RBI circular DPSS.CO. CHD.No. 695 / 03.01.03 / 2010-2011 dated September 29, 2010 and as duly amended from time to time) shall be put into operation.</p> <p>(b) A distinction shall be made on failures that are temporary and permanent. A failure shall be considered as temporary, if the process of recalculation is necessitated in respect of a member bank on three or fewer occasions in a calendar month.</p> <p>(c) A failure shall be considered as permanent, if the process of recalculation is necessitated in respect of a member bank on more than three occasions in a calendar month. In such an eventuality, the continued eligibility of the member bank to participate in clearing operations shall be reviewed by the President of the Clearing House with prior approval of RBI.</p> <p>(d) A failure shall also be considered as permanent, if the membership of a bank is suspended / withdrawn / revoked, in terms of the provisions contained in the URRBCH.</p> <p>(e) Each Clearing House shall publicise the time at which the net settlement position will be arrived at by the Clearing House and the time at which the settlement will be posted in the books of the settlement bank for settlement. Member banks shall ensure availability of funds in their settlement account at the time of posting of the settlement position in the books of the settlement bank to meet their clearing obligations, and in any case within the time window, if any, stipulated by the settlement bank for settlement of the obligations.</p>	<p>Settlement of Clearing / Recalculation of Payment Obligations in the Event of a Default by a Member in Meeting Clearing Liabilities</p>
12	<p>Clearing House shall make necessary arrangements for smooth conduct of clearing operations during the days of strikes / disruptions in accordance with the instructions of Reserve Bank of India issued in this regard from time to time.</p> <p>Member banks shall comply with the instructions issued by the President of the Clearing House for participating in clearing operations during strikes / disruptions affecting smooth functioning of the Clearing House.</p> <p>Provided further that the instructions issued by Reserve Bank of India in this regard from time to time would also need to be complied with by the member banks.</p>	<p>Clearing Operations During Strikes / Disruptions</p>
13	<p>(a) Each member bank shall be represented in the Clearing House by its authorised, official/s as / or representative/s, who shall deliver and receive the instruments to be cleared. Such representative/s may be</p>	<p>Representation at the Clearing House</p>

assisted by one more person, when required. Each representative(s), in addition to his identity card which shall be issued to him by his bank, should always have in his possession, whenever he is attending the Clearing House on behalf of his bank, the Clearing House entry card of member bank which shall be issued to his bank, by the bank managing the Clearing House. Whenever and wherever the circumstances so warrant, it would be open to the member bank(s) to depute at any time any other representative who may be an officer or a member of clerical staff / sub-staff of the bank or an outsourced representative to the Clearing House for delivering / receiving instruments to be cleared.

(b) Such representative shall :

(i) abide by the Regulations and Rules of the Clearing House.

(ii) represent his / her bank in the House.

(iii) refrain from any activity that may bring discredit to his / her bank or disrupt the clearing.

(iv) conduct himself / herself with dignity in the House and respect and obey the Manager / Supervisor and the President of the Clearing House.

(c) The representatives of member banks shall be changed as frequently as possible. The member bank shall inform the period for which an individual official shall represent the bank in the Clearing House. The President shall be the authority to decide :

(i) the period for which the representative will attend the Clearing House; after which the representative shall be changed;

(ii) the suitability of the individual representative to represent the member bank in the Clearing House.

(d) Member banks shall take full responsibility for the action of their own representatives. Members must send their representatives to the Clearing House during clearing hours whether the member has any instruments / documents to deliver or receive to / from the Clearing House. The doors of the Clearing House will be closed after the scheduled timings of each delivery as indicated in Rule 2 (a), and the return clearing in Rule 2 (b) read with Rule 3.

Should any clearing representative be late, as per scheduled time for presentations / returns prescribed by the Clearing House, his documents / instruments, shall not be accepted for the particular clearing but he shall remain in the Clearing House to receive all instruments drawn on his bank. The President may at his discretion consider, on the merits of each case, allowing the representative(s) coming late, to take part in the clearing.

(e) When a member bank is not in a position to participate in any

	<p>clearing meeting for whatever reason, it should intimate so, to the President at the earliest possible time or in accordance of the instructions issued by Reserve Bank of India, as applicable. Wherever possible, the President shall circulate this information to all the members well in advance.</p> <p>(f) Whenever any member bank does not participate in clearing it shall depute some authorised person to facilitate exchange of unpaid instruments. In such a contingency, the time allowed to the non-participating bank for returning the unpaid instruments presented at the earlier meetings by other banks will stand automatically extended by one working day, or for such number of hours, as considered necessary.</p> <p>Alternatively, the non-participating bank should make its own arrangements for returning the unpaid instruments over the counters of member banks without any delay.</p>	
14	<p>Member banks shall abide by the additional instructions for clearings which are conducted in MICR centres using the Clearing House Automation Package / Manual Clearing mode.</p> <p>(a) Documents payable at all the offices of a member bank within the clearing area shall be listed in a delivery slip also showing the total of all such documents and the amounts covered thereby.</p> <p>(b) Documents payable at all offices / branches of a Sub-member Type-1 and Type-2 duly listed in one delivery slip shall be delivered by the Clearing House direct to the sponsor member of the Sub-member concerned by the representatives of the member banks.</p> <p>(c) It will be the responsibility of the presenting bank to ensure the correctness of the instruments accompanying the list as also its arithmetical accuracy. It will not be permissible for the representative to alter the list or delete or remove the instruments therefrom or to refuse to receive the lists, instruments of any Member-bank or its Sub-members unless specially authorised to do so by the Manager / Supervisor of the Clearing House for valid reasons. The discrepancies, if any, noticed subsequently in the lists should be settled later directly by the concerned members. In case the list inadvertently includes the instruments not drawn on the receiving member, it will be the responsibility of the receiving bank to immediately inform both banks concerned over telephone or by other means so that payment is not presumed in the normal course. In case any listed document has not been received the receiving bank should advise the presenting bank over telephone or by other means, the non-receipt of any instrument, the amount thereof, etc., and submit its claim. It will be the responsibility of the presenting bank to acknowledge such claim and immediately process the same and settle the claim expeditiously.</p> <p>(d) Clearing House being jointly organised for common good of all members, the member banks' representatives will help in expediting</p>	<p>Instructions for Participating in Clearing Using the Clearing House Automation Package / Manual Clearing</p>

	<p>balancing of Clearing House. It shall not be permissible for any Member bank's representative to leave the Clearing House except with the permission of the Manager / Supervisor until all balances have been compared and agreed and the final balance has been struck by the Manager / Supervisor of the Clearing House. But the assistant may leave the Clearing House with the permission of the Manager / Supervisor of the Clearing House. Facilities consistent with expeditious and smooth conduct of clearing process shall be permitted by the Manager / Supervisor to the extent possible.</p> <p>(e) Once the representative of a Member bank has entered the Clearing House, he has to participate in the clearing. It shall not be permissible for the representatives of any Member bank to refuse to deal with the representatives of other Member banks for any reason whatsoever.</p> <p>(f) Clearing House authority could decide the matters relating to the attendance of the representatives of Member banks, furnishing of statements to Clearing House containing particulars of number of instruments presented and the amount thereof and also the discipline to be observed by the Member banks for returning of instruments, etc.</p>	
15	<p>All instruments and other documents passed through the clearing shall bear a Clearing House stamp affixed by the collecting Member bank with its name and the name of the branch presenting the documents and indicating the date of clearing and delivery.</p> <p><i>NOTE</i> : For the purpose of these Rules, documents will include besides cheques, cheque images, bankers' demand drafts, dividend warrants, pay orders, Indian Postal Orders and bills accepted payable at a member bank and due on date of clearing but will not include coupons and bankers' fixed deposit receipts.</p>	Stamp on Documents Presented in the Clearing House
16	<p>The members agree that the Clearing House stamp of a member affixed on a document shall denote and mean :</p> <p>(I) When the documents is drawn payable to the Member or to a Sub-member sponsored by such Member, on account of a person named, e.g. ABC bank A/c XYZ, a discharge by endorsement by such Member, or as the case may be, by such Sub-member, and a certificate by it to the effect that the document has been or will be credited to the account of such person.</p> <p>(II) In the case of any other document payable to or endorsed in favour of a Member or such Sub-member, a discharge by endorsement by such Member, or as the case may be, by such Sub-member.</p> <p>(III) In the case of a document requiring a certificate or other endorsement in one or other of the forms referred to in Annexure F to these Rules or in a form similar thereto, the Members / Sub-members agree to accept the Clearing House Stamp of a Member / Sub-member in lieu of discharge by such endorsement or such certificate, and further</p>	Significance of Clearing House Stamp

	agree to endorse or cause to be endorsed, any such document, or give, or cause to be given, such certificate at any time they may be called upon to do so by the Member or the Sub-member who paid it or on whom it is drawn.	
17	<p>All documents to be cleared must be properly endorsed or otherwise discharged before being sent to the Clearing House.</p> <p>The Manager / Supervisor of the Clearing House shall not be responsible in any way for any flaw in the endorsement of any document or for any irregularity whatsoever in any documents nor shall he / she be required to satisfy himself whether the members are in funds to meet documents and he / she shall assume that the documents being exchanged are in all respects complete and provided for.</p>	Discharge of Documents Before Presentation at the Clearing House
18	It shall be permissible for any bank holding an instrument drawn on another bank to approach the latter bank and to exchange it for a debit note or pay slip. It shall also be permissible for any bank to pay into the bank conducting the Clearing House, instruments payable to itself and drawn on that bank in the intervals of clearing hours.	Acceptance of Documents in the Intervals of Clearing Hours
19	<p>The criteria for membership at MICR Centres shall be as per the Access Criteria prescriptions stipulated by Reserve Bank of India from time to time.</p> <p>The minimum number of clearing cheques to be rendered by an applicant for membership shall be _____ (applicable in both MICR and non-MICR Centres). This stipulation, however, will not apply to the bank conducting the Clearing House, commercial banks in public sector and to such Post Office Savings Banks with reference to which the Department of Posts through a competent authority has requested for the waiver of this requirement.</p>	Criteria for Membership
20	The Clearing House shall make available information, reports statements, etc., as and when desired by Reserve Bank of India from time to time.	Submission of Reports / Information / Statements
21	<p>The following banks are at present the Members and all types of Sub-members of the Clearing House :</p> <p>1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____</p>	Present Members and Sub-members

ANNEXURE- A

APPLICATION FOR MEMBERSHIP

(Name and address of the Bank)

Date:

The President
_____ Bankers' Clearing House
(Address of the MICR-CPC / Clearing House)

Madam / Dear Sir,

Sub : **Application for Membership**

1. We hereby apply for membership of the _____ Bankers' Clearing House.

2. We agree to abide by the Regulations and Rules prescribed by the _____ Bankers' Clearing House.

Thanking you,

Yours faithfully,

Manager

* Proposed by

For _____
(Name of the Bank)

* Seconded by

For _____
(Name of the Bank)

Manager

- Not applicable to public sector banks and Post Office Savings Bank.

ANNEXURE- B

APPLICATION FOR SUB-MEMBERSHIP

(Name and address of the Bank)

Date:

The President

_____ Bankers' Clearing House

Madam / Dear Sir,

Sub : **Application for Sub-membership**

1. We hereby apply for Sub-membership (Type-1 / Type-2) of the
_____ Bankers' Clearing House.

2. _____ Bank will act as our sponsor member in the
_____ Bankers' Clearing House.

3. We agree to abide by the Regulations and Rules prescribed by the
_____ Bankers' Clearing House.

Thanking you,

Yours faithfully,

Manager

Proposed by the sponsor member

For _____
(Name of the Bank)

Manager

ANNEXURE- C

APPLICATION FOR CHANGE OF SUB-MEMBERSHIP

(Name and address of the Bank)

Date :

The President

_____ Bankers' Clearing House

Madam / Dear Sir,

Sub : **Application for change of Sub-membership**

In terms of Regulation No. 16 of the Uniform Regulations and Rules for Bankers' Clearing Houses, we hereby apply for change of our Sub-membership (Type 1 / Type 2) arrangement from _____ Bank to _____ Bank, who is a member of the _____ Bankers' Clearing House. This change may be effective from _____ (date), and from this date _____ Bank may act as our sponsor member in the place of _____ Bank and the Sub-membership shall be under Type 1 / Type 2. We also forward herewith letters from the above banks assenting to the proposed change of clearing arrangements.

2. We agree to abide by the Regulations and Rules prescribed by the _____ Bankers' Clearing House.

Yours faithfully,

Manager

Proposed by the sponsor member

For _____
(Name of the Bank)

Manager

ANNEXURE- D

MODEL LIST OF OBJECTIONS (Both for Instrument and Image-based Cheque Clearing)

ToBank

The enclosed cheque / refund order / pay order / is / are returned for the following reason(s)

Code No.	Reason for Return
(01-03)	Funds
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared; present again
(04-09)	Refer to Drawer
04	Refer to drawer
05	Kindly contact drawer / drawee bank and please present again
(10-19)	Signature
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alterations require drawer's authentication
(20-29)	Stop Payment
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
(30-49)	Instrument
30	Instrument post dated
31	Instrument out-dated / stale
32	Instrument undated / without proper date
33	Instrument mutilated; requires bank's guarantee
34	Cheque irregularly drawn / amount in words and figures differ
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
50-59	Account

- 50 Account closed
- 51 Account transferred to another branch
- 52 No such account
- 53 Title of account required
- 54 Title of account wrong / incomplete
- 55 Account blocked (situation covered in 21-25)

60-69 Crossing / Endorsement

- 60 Crossed to two banks
- 61 Crossing stamp not cancelled
- 62 Clearing stamp not cancelled
- 63 Instrument specially crossed to another bank
- 64 Amount in protective crossing incorrect
- 65 Amount in protective crossing required / illegible
- 66 Payee's endorsement required
- 67 Payee's endorsement irregular / requires collecting bank's confirmation
- 68 Endorsement by mark / thumb impression requires attestation by Magistrate with seal

(70-79) RBI / Government

- 70 Advice not received
- 71 Amount / Name differs on advice
- 72 Drawee bank's fund with sponsor bank insufficient
- 73 Payee's separate discharge to bank required
- 74 Not payable till 1st proximo
- 75 Pay order / cheque requires counter signature
- 76 Required information not legible / correct

(80-99) Miscellaneous

- 80 Bank's certificate ambiguous / incomplete / required
- 81 Draft lost by issuing office; confirmation required from issuing office
- 82 Bank / Branch blocked
- 83 Digital Certificate validation failure
- 84 Other reasons-connectivity failure
- 85 Alterations on instrument-Other than "Date" filed (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
- 86 Fake / Forged / Stolen- draft / cheque / cash order / interest warrant / dividend warrant
- 87 'Payee's a/c Credited' - Stamp required
- 88 Other reasons (Please specify)
- 92 Bank excluded

Cheque No.(s)..... Amount Rs.

Date of return:

Signature & Stamp of returning bank

(4) DD / Cheque No. _____ on our / your _____ office / branch for Rs. _____ listed in our / your _____ office / branch sheet as Rs. _____.

(5) Our / Your _____ branch figure wrongly carried over.

(6) Branch / Sub / Part Total for Rs. _____ carried over as Rs. _____.

(7) Machine error _____

(8) Item listed twice _____

(9) _____

ANNEXURE- F

REPLACING MANUALLY SIGNED ENDORSEMENTS ON THE REVERSE OF INSTRUMENTS BY RUBBER STAMP ENDORSEMENTS

A) RECEIVED PAYMENT

B) RECEIVED PAYMENT

Payee's Account Credited

C) RECEIVED PAYMENT

First Payee's Endorsement Guaranteed

Second Payee's Account Credited

D) RECEIVED PAYMENT

Second Payee's Account Credited

E) RECEIVED PAYMENT

Collecting Bank's Confirmation Guaranteed

F) RECEIVED PAYMENT

Endorsement/s Confirmed

RELEVANT EXTRACTS OF THE MICR PROCEDURAL GUIDELINES

Standardisation of Cheque Forms

2.1 To facilitate MICR based Cheque Processing, instruments passing through clearing are required to be issued in standard format and defined size of 8" x 3 2/3". The instruments should be printed on MICR grade quality paper with a "read band" of 5/8" in width reserved at the bottom on which essential particulars occur in special MICR ink in the E-13B Font. Cheques are printed by approved security printers forming part of a panel which is maintained by the Indian Banks' Association.

MICR Code Line Structure

2.2 The code line occurring in the Read Band is divided into five fields with distinct delimiters separating each field, the details of which are as under:

- (i) **Cheque serial number** of six numeric digits preceded and followed by a delimiter. The alpha-numeric prefix to the serial number normally used by banks should be printed outside the code line in close proximity, just above the read band, in normal ink.
- (ii) **Sort field or the city / bank / branch code number** consisting of nine digits followed by a delimiter. The first three digits represent the city, the next three indicate the bank and the last three digits signify the branch. The nine digit sort code is unique for any bank branch in the country.

The bank code is a three digit code number allotted to the bank on an all-India basis. Allotment of bank codes is centralised at the office of the Chief General Manager, Department of Payment & Settlement Systems, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Mumbai – 400 001 and applications have to be routed through the President of the respective Clearing House of which the bank is a Direct member. Sub-members are (may) required to present and receive the clearing instruments through a Sponsor Bank who is a (Direct) member of the Clearing House.

The branch code is the last three digits of the nine digit sort code and is unique to a branch in a city. Allotment of branch codes is by the respective Regional Offices of RBI under which jurisdiction the Clearing House operates generally the service branch of a bank is allotted the branch code of '001'.

A Sub-member will be treated as if it were a branch of the sponsoring bank. It would have the bank code number allotted to the sponsor bank to be followed by the branch code which would normally commence from 251.

A full list of nine digit code number allotted to each bank / branch along with the three letter alphabetical abbreviations for the clearing stamp could be obtained from the President of the concerned Clearing House.

- (iii) **Account number field**, consisting of six digits followed by a delimiter, is an optional field. In the case of Government Cheques issued by RBI alone, the account number is of seven digits. The Government Account number is 10 digits in length – 7 digits occurring in the Account number field and three in the transaction code field.
- (iv) **Transaction code field** comprising of two digits in all instruments except Government cheques drawn on RBI which have a 3 digit transaction code. Control documents – batch and block tickets - have a three digit representation in the transaction code field.
- (v) **The last field represents the amount field** and consists of 13 digits bounded on both sides by a delimiter. The amount is encoded in paise without the decimal point.

Issue of MICR Cheque Books

2.3 Each member bank should ensure that the cheque books issued by its branches to account holders are in the MICR format. Before bulk printing the cheque books for the first time, adequate number of specimen cheque leaves could be forwarded to the nearest MICR Cheque Processing Centre for being tested with reference to the quality of MICR paper / printing, on the reader / sorter.

2.4 Corporate customers or other account holders like Central or State Government Departments, who print their cheques which are drawn on the branches of member banks should be individually advised to print the cheque leaves in the MICR format with pre-printed MICR code line. Specimen cheque forms / 'at par' items etc. could, if desired, be tested at the nearest MICR processing centre before bulk orders are executed. This applies to Continuous Stationery cheques as well. In case of non-testing and consequent high reject rates on pre-printed field, penalties may be levied on the drawee bank.

Non-Standard Instruments to be Standardised

2.5 Constituents of banks including Central and State Government offices who issue instruments like income tax / sales tax refund orders, Government Pay Orders, etc., should be advised, by the banks on which such instruments are drawn, to make arrangements to issue the instruments in the standard MICR format to facilitate processing them on Reader / Sorters. Non-standard instruments may not form part of the cheque clearing.

MICR CHEQUE PROCESSING EQUIPMENTS

2.6 The following are the MICR cheque processing equipments:

(i) MICR Document Encoder

The encoder is a table top machine which can print the coded particulars of cheques and other payment instruments in magnetic ink on the 5/8" read band at specified position. The conventional encoder has a keyboard and a programmable journal printer (i.e. lister). It endorses on the reverse of the instrument a fixed or variable stamp. The encoder has the facility to proof the pay-in-slip amount or control totals simultaneously by marking off successive amounts of encoded cheques thus arriving at a zero balance when all the cheques are encoded and bringing out discrepancies, if any, in the totals or errors during encoding. The figures are cumulated to enable encoding of the control documents viz., Batch and Block tickets. The encoders are also programmed to simultaneously affix / print the Clearing Endorsement Stamp on the reverse of the instrument, in the format prescribed. Encoders with compatibility to PCs are available, as also are power encoding machines and encoders with limited sorting facilities. Encoding work could either be decentralised at branches or centralised at the Service branch depending on the logistic in the bank. Clustering of encoding work at some branches to take care of smaller branches in the vicinity is another option available.

(ii) Reader Sorter

A Reader / Sorter is a device that reads the MICR encoded documents and sorts (direct) them to one of the many pockets as per the pre-determined sort pattern / programme. Most reader / sorters can operate on off-line mode as well as on-line with a host computer. Documents are fed automatically from an input hopper, which can handle documents of various sizes simultaneously. The documents travel past an electronic field which magnetises the characters and symbols in the MICR read band and generates distinct wave patterns intelligible to the machine. The physical sorting of cheques on the machine is carried out under the control of a computer program. This sort program, while directing the documents to the designated pockets, simultaneously captures and stores the information in the MICR code line on the cheques. The information captured from the documents is simultaneously stored on disk / tape, etc., and used for further processing. In case certain information is not read due to defective printing, encoding, etc., the cheque is directed to a 'Reject' pocket along with the control documents. These are taken out and the missing information is completed by manually keying in the data.

(iii) Image Capture

Image capture and image processing technology is a recent development in document processing by which the image of a payment instrument is captured simultaneously when it is processed on reader / sorters by adding an image capture module and related software. The images so captured are stored on magnetic media for retrieval and processing. The images can be displayed on a screen and copies can be printed. It is also possible to transfer the image data to banks through magnetic media or through the communication backbone. The availability of image files enhances the processing quality and speeds up reject recapture, balancing, etc. The stored

images could also be retrieved at a later date to facilitate quick reconciliation of clearing differences.

ENDORSEMENTS ON CHEQUES

Special Crossing Stamp

2.7 All cheques received for collection over the bank's counters are required to be branded with the bank's special crossing stamp.

Other Endorsements

2.8 Apart from the endorsements which are already made on the cheque when the customer has deposited the cheque for realisation, there are two categories of endorsements / stamping which are made by the collecting bank during the cheque processing – the Clearing stamp and the bank's certification or confirmation of various endorsements on the cheque and an undertaking to the effect that the proceeds will be credited to the payee's account on realisation.

Clearing Stamp

2.9 The clearing stamp indicates particulars regarding the name of the presenting bank / branch (alpha codes), date of presentation and the type of clearing. Encoding machines are programmed to affix the clearing stamp on the reverse of the cheque simultaneously while encoding the amount.

Confirmation of Endorsements

2.10 As regards the confirmation / certification of endorsements, the attention of member banks is invited to the Uniform Regulations and Rules of the Clearing Houses providing that once the clearing stamp is affixed, it could be presumed that the collecting bank confirms the previous endorsements and undertakes to credit the party's account on realisation and no specific endorsement / certificate of confirmation to this effect on the instrument.

Technical Specifications for Printing of Standard Cheque Forms and Forms of other Payment Instruments

Part I - Specifications for cheque paper

A. General

1. Paper to be supplied should be flat and without curl.
2. To be free from dust / fluff / pinholes / specks and metallic inclusions.
3. To be printed on the smoother (felt) side.
4. To be smooth and free from embossment or heavy engraving.
5. Moisture content : 4 - 6%
6. The paper supplied by the paper manufactures should be exactly "square" cut so that no further trimming is required to be done by the printers to make it square.
7. Continuous light band watermark to be incorporated in the security paper in such a fashion that it shall not appear in the 5/8" clear band on each cheque.

B. Sensitized security cheque paper

- | | | | |
|--------|---------------------------|---|---------------------------------------|
| (i) | Basic Weight | 95 g.s.m. \pm 5% | |
| (ii) | Thickness | Nominal thickness of (\pm 5%)
110 Micro Metre. | |
| (iii) | Smoothness
Bendtsen | Both sides | Not greater than
160 c.c. per min. |
| (iv) | <u>Stiffness</u>
Taber | Cross Direction
Machine Direction | 1.2 minimum
3.0 minimum |
| | Clerk | Cross Direction
Machine Direction | 60 minimum
150 minimum |
| (v) | Porosity Gurley | 25 Secs. per 100 c.c.
minimum | |
| (vi) | Tear Elmendroff | Both Directions | 80 gms. minimum |
| (vii) | Brightness | | 70-75 |
| (viii) | Shade | | Standard shade. |

Other properties including security features will be normal for this grade of paper.

C. Supply of paper

It would be the responsibility of the banks to supply paper to printers.

Part II - Printing Specifications

1. Size

The instruments should be in uniform size of 8" x 3 2/3".

2. Counterfoils for cheques

Banks have decided that the cheque forms will be issued to customers without counterfoils. To enable the customers to maintain a record of the cheques issued by them either blank slips of ordinary paper with printed columns may be provided along with the cheques for recording the particulars or provision be made on inside covers. Banks should ensure that the slips provided have sufficient space for the customer to record the particulars of cheques issued as well as deposits made and the balance in the account.

3. Cheque Design

Each bank may have its own design, background printing, logo, etc.

4. Cheque format

In order to bring uniformity in the cheques and draft forms, their formats have been standardized.

5. Cheques to be issued in loose leaf form / book form

Whether the cheques / drafts should be printed in loose leaf form (shrink packed) or in book form, will be advised by banks to printers. If they are to be printed in book form, banks may advise the printers the binding margin to be kept along side perforation. The perforation should be deep to enable the customer to tear off the cheque leaf without difficulty.

6. Colour of ink for printing MICR code line

It is preferable to use black magnetic ink for the MICR code line.

7. Security paper printing & storage

The bank should, by inspection, verify whether the printers have taken adequate steps in this regard.