

March 30, 2007

All Commercial Banks
(excluding RRBs)

Dear Sir

Rounding off cheques to the nearest rupee

Please refer to paragraph 19 of our Master Circular DBOD Dir. BC. 6/13.03.00/2006-07 dated July 1, 2006 on 'Interest Rates on Deposits', in terms of which banks were advised that all transactions, including payment of interest on deposits/charging of interest on advances, should be rounded off to the nearest rupee; i.e., fractions of 50 paise and above shall be rounded off to the next higher rupee and fraction of less than 50 paise shall be ignored. It was also advised that issue prices of cash certificates should also be rounded off in the same manner. Banks were however, advised that cheques issued by clients containing fractions of a rupee should not be rejected or dishonoured.

2. We advise that recently a case involving refusal by a bank to accept a draft drawn in fraction of a rupee lodged for collection to the credit of Government account came up before the High Court of Gujarat, Ahmedabad. The High Court of Gujarat, taking a serious view in the matter, has directed Reserve Bank of India to take appropriate steps in the matter in accordance with law, in the light of the extant instructions referred to in paragraph 1 above and, if required, issue fresh notifications/ notices to all the banks who have issued internal circulars not to receive such cheques, etc., and see that stern action is taken against the persons who refuse to receive the cheques/ drafts, which are drawn in fractions of a rupee. Banks are therefore advised to ensure that cheques/ drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them. Banks may also review the practice being followed by them in this regard and take necessary steps, including through issue of internal circulars, etc, to ensure that the concerned staff are well versed with these instructions so that the general public does not suffer. Banks may also ensure that appropriate action is taken against members of their staff who are found to have refused to accept cheques/ drafts containing fractions of a rupee.

3. Please note that any bank violating the aforesaid instructions would be liable to be penalised under the provisions of the Banking Regulation Act, 1949.

Yours faithfully

(P Vijaya Bhaskar)
Chief General Manager