

October 31, 2007

**The Chairman & Managing Director of
All commercial banks**

Dear Sir,

**Delay in collection of outstation cheques –
Need for issuance of Payable at par / Multi-city cheques**

As you are aware, there have been a number of complaints in the recent past from customers and the members of public alike on deficiency in service relating to collection of outstation cheques. Complainants have been indicating that the time taken for collection ranges from 7 days to one month. The average time is as high as 15 days. Publishing the cheque collection and compensation policy has, no doubt, reduced the number of complaints received and brought transparency in service, but the service level as such has not improved. Now that nearly 35,000 bank branches are under Core Banking Solution (CBS), there is an urgent need for leveraging this CBS technology and bring improvements in cheque collection service.

2. A few banks with core banking solution have started providing "payable at par"/ "Multi-city" cheque issuance facility to select customers as a value added service. The cheque books issued to such customers are slightly different. The cheque leaves bear the narration "payable at par at all branches" and the MICR code line of the cheques have transaction codes 29 (Current A/c), 30 (Savings Bank A/c) and 31 (Cash Credit A/c) to facilitate processing of such cheques as local cheques at the MICR cheque processing centres. CBS is used for signature verification and balance verification. For the purpose of funding the transactions, RTGS and NEFT are used effectively.

3. It is suggested that such services should be made available by all the banks and should be made available to all the eligible and requesting customers. While designating a branch as CBS branch, it should be ensured that such branches are equipped to process these "payable at par"/ "Multi-city cheques". If the banking system offers this service in a big way, it would not only help banks provide better customer service and minimize complaints, but also help reducing the transaction cost in payment services in the long run.

A line in reply on the action taken by your bank along with the number of branches providing such facility, would be highly appreciated.

Yours faithfully,

(A P Hota)
Chief General Manager