



RBI/2014-15/294

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November 5, 2014

The Chairperson / Chief Executive Officers
All Scheduled Commercial Banks (excluding RRBs) / Local Area Banks

Dear Sir / Madam,

Cheque related fraud cases - preventive measures

The rise in the number of cheque related fraud cases is a matter of serious concern. It is evident that many of such frauds could have been avoided had due diligence been observed at the time of handling and/or processing the cheques and monitoring newly opened accounts. Banks are, therefore, advised to review and strengthen the controls in the cheque presenting/passing and account monitoring processes and to ensure that all procedural guidelines including preventive measures are followed meticulously by the dealing staff/officials. Given below are some of the preventive measures banks may follow in this regard. The list is only indicative.

- I. Ensuring the use of 100% CTS - 2010 compliant cheques.
- II. Strengthening the infrastructure at the cheque handling Service Branches and bestowing special attention on the quality of equipment and personnel posted for CTS based clearing, so that it is not merely a mechanical process.
- III. Ensuring that the beneficiary is KYC compliant so that the bank has recourse to him/her as long as he/she remains a customer of the bank.
- IV. Examination under UV lamp for all cheques beyond a threshold of say, Rs.2 lakh.
- V. Checking at multiple levels, of cheques above a threshold of say, Rs. 5 lakh.
- VI. Close monitoring of credits and debits in newly opened transaction accounts based on risk categorization.

केन्द्रीय धोखाधड़ी निगरानी कक्ष, बैंकिंग पर्यवेक्षण विभाग, भारतीय रिज़र्व बैंक,
स.10/3/8, नृपथुंगा रोड, पोस्ट बाक्स सं.5467 बंगलूर-560 001.
टेलिफोन सं. 080 2210 0079; फेक्स सं. 080 2212 7754; ई-मेल: dbscofrmc@rbi.org.in
Central Fraud Monitoring Cell, Department of Banking Supervision, Reserve Bank of India,
No.10/3/ 8, Nrupathunga Road, P. B. No. 5467, Bangalore-560 001.
Telephone No. 080 2210 0079; Fax No. 080 2212 7754; E-mail: dbscofrmc@rbi.org.in

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VII. Sending an SMS alert to payer/drawer when cheques are received in clearing.

The threshold limits mentioned above can be reduced or increased at a later stage with the approval of the Board depending on the volume of cheques handled by the bank or its risk appetite.

2. In addition to the above, banks may consider the following preventive measures **for dealing with suspicious or large value cheques (in relation to an account's normal level of operations):**

- a) Alerting the customer by a phone call and getting the confirmation from the payer/drawer.
- b) Contacting base branch in case of non-home cheques.

The above may be resorted to selectively if not found feasible to be implemented systematically.

3. It has been reported that in some cases even though the original cheques were in the custody of the customer, cheques with the same series had been presented and encashed by fraudsters. In this connection, banks are advised to take appropriate precautionary measures to ensure that the confidential information viz., customer name / account number / signature, cheque serial numbers and other related information are neither compromised nor misused either from the bank or from the vendors' (printers, couriers etc.) side. Due care and secure handling is also to be exercised in the movement of cheques from the time they are tendered over the counters or dropped in the collection boxes by customers.

Yours faithfully,

(Manoj Sharma)
Chief General Manager