

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs - AFCs)

November 23, 2012

Shri Vijay Chugh
Chief General Manager
Deptt. Of Payment & Settlement System
RBI Central Office
Mumbai 400 001.

Respected Sir,

Reg: **Standardization and Enhancement of Security Features in Cheques Forms - Migrating to CTS-2010 Standards.**

Sir, the Asset Financing NBFCs, (NBFC-AFC) registered with Reserve Bank of India have joined hands and formed a **Self Regulatory Organization (SRO)** under the name of **Finance Industry Development Council (FIDC)**. FIDC is an All India body and is registered as a Company U/s. 25 of Companies Act, 1956. Our main objective is to work towards bringing discipline amongst our members by enforcing a model code of conduct, represent the views of the industry to the appropriate authorities where necessary and present a unified face of this sector.

This has reference to the RBI Circular No. DPSS.CO.CHD.No.399/04.07.05/2012-13 dated September 3, 2012 on the above said subject whereby the deadline for withdrawal of Non-CTS 2010 Standard Cheques has been fixed for December 31, 2012. In this context we would like to state the following:

1. Banks Continue To Issue Non-CTS 2010 Standard Cheques

As per the above said RBI circular; banks were advised not to issue -CTS 2010 Standard Cheques after September 30, 2012. Further, banks were also advised to create awareness among their customers regarding this change. However, we would like to bring it to your kind notice that many banks still continue to issue Non-CTS 2010 Standard Cheques. The awareness among customers regarding this change is still very low.

2. Replacement of Large No. of Post Dated EMI Non-CTS 2010 Standard Cheques is a Long Drawn Process

NBFCs and banks currently hold huge volumes of Non-CTS 2010 Standard Cheques which are Post Dated Cheques (PDCs) towards payment of EMIs by their customers against loans given by banks and NBFCs. The number of such PDCs would run into lakhs for each NBFC/Bank. Replacement of all these cheques by the customers is a time consuming and exhaustive exercise.

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3. Filing Criminal Cases U/s 138 of The Negotiable Instruments Act is an Important Recovery Tool

In the absence of any laid out recovery mechanism for NBFCs, coupled with the fact that NBFC are not covered under SARFAESI Act and don't have access to Debt Recovery Tribunals filing criminal cases against the defaulting borrowers U/s 138 of The Negotiable Instruments Act is an important tool for recovery available to NBFCs.

Suggestions

In the light of the facts mentioned above we hereby request you to kindly:

1. **Ensure that all banks stop issuance on Non-CTS 2010 Standard Cheques with immediate effect.**
2. **Extend the deadline for withdrawal of all Non-CTS 2010 Standard Cheques till September 30, 2013 so as to provide sufficient time to NBFCs and banks to approach every borrower and replace all the PDCs.**
3. **Instruct banks to continue accepting Non-CTS 2010 Standard Cheques upto the extended deadline as requested above.**
4. **Ensure that all criminal cases in various courts Under Section 138 of Negotiable Instruments Act for bouncing of Non-CTS 2010 Standard Cheques (i.e. September 30, 2013 – as requested) should not be affected.**

We look forward to receiving a positive reply from your end. Assuring you of our full cooperation always and thanking you in anticipation.

Thanking you,

Yours faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
Director General

cc: Chief General Manager In-Charge
DNBS, RBI