

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 4241

ANSWERED ON MONDAY, 27th MARCH, 2023/ CHAITRA 6, 1945 (SAKA)

Validity of e-Cheques

4241. SHRI DUSHYANT SINGH:
SHRI LAVU SRI KRISHNA DEVARAYALU:

Will the Minister of FINANCE be pleased to state:

- (a) whether e-cheques are legally valid in India, if so, the details thereof;
- (b) the steps taken to discourage the use of traditional paper cheque system and promote the use of electronic alternatives;
- (c) whether any circulars have been issued to banks requesting or advising them to issue e-cheques to their users, if so, details of all the circulars;
- (d) whether the opinion of RBI was sought by the Government to amend the Negotiable Instruments Act, 1881 in 2015 to include 'e-cheques' and if so, details thereof and if not, the reasons therefor; and
- (e) the list of banks that currently issue e-cheques to their customers?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a): Yes, Sir. The definition of "cheque" is provided in Section 6 of the Negotiable Instruments Act, 1881 (NI Act). As per Section 6 of the NI Act, a "cheque" is defined as "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form". Further, the expressions "a cheque in the electronic form" and "a truncated cheque" are also clarified through Explanation I to Section 6 of the NI Act. Explanation I provides that "a cheque in the electronic form" means a cheque drawn in electronic form by using any computer resource and signed in a secure system with digital signature (with or without biometrics signature) and asymmetric crypto system or with electronic signature, as the case may be" and "a truncated cheque" means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

(b) and (c): The Cheque Truncation System (CTS) for clearing cheques, which was introduced by the Reserve Bank of India (RBI), is operational pan-India. Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank en-route to the paying bank branch. In its place, an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across bank branches. This eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing. RBI's directives on Standardisation and Enhancement of Security Features in Cheque Forms

known as CTS-2010 were issued vide RBI's Circulars No. RBI/2009-2010/323 DPSS.CO.CHD.No. 1832 / 04.07.05 / 2009-10 dated 22.02.2010 and No. RBI/2009-2010/503 DPSS.CO.CHD.No. 2806 / 04.07.05 / 2009-10 dated 22.06.2010.

(d): Yes, Sir. Clause (a) of Explanation I to Section 6 of the NI Act, which clarifies the meaning of the expression "a cheque in the electronic form", was substituted through the Negotiable Instruments (Amendment) Act, 2015 with effect from 15.06.2015. The new Explanation of the expression "a cheque in the electronic form" was substituted for the prior existing Explanation as per the opinion of RBI. RBI had recommended an amendment to the earlier Explanation in the interests of legal certainty.

(e): RBI's directives and Circulars are applicable to all Scheduled Commercial Banks including Regional Rural Banks (RRBs) as well as Cooperative Banks.
