

Cheques, drafts to be valid only for 3 months from April 01

Come April 1 and cheques and bank drafts will be valid only for 3 months, a development that RBI thinks will help mitigate frauds related to such instruments.

The Reserve Bank of India (RBI) has directed that with effect from April 1, 2012, banks should not make payments against cheques, drafts, pay orders or banker's cheques if they are presented after the period of three months from date of issue.

It has been brought to its notice by the government that some persons were taking undue advantage of the six month validity of cheques, drafts, pay orders, banker's cheques by circulating them like cash for this period, RBI had said in a notification earlier.

According to a senior banker, the three-month validity period is a good enough time period for instrument conciliation.

It was reported to Central Economic Intelligence Bureau that some persons are taking undue advantage of the practice of banks of making payment of cheques or draft presented within a period of six months from the date of the instrument as these instruments are being circulated in the market like cash for six months.

"RBI is satisfied that in public interest and in the interest of the banking policy, it is necessary to reduce the period within which cheques/drafts/pay orders/banker's cheques are presented for payment from six months to three months from the date of such instrument," it had said.

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