

POLICY ON COLLECTION OF CHEQUES/ INSTRUMENTS

1. Introduction

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation Instruments and (iii) Interest Payment for Delayed Collection. The withdrawal of these mandatory guidelines was expected to enable market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments. This Policy on Collection of Cheques / Instruments of the Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for performance. The Policy is based on principles of transparency and fairness in the treatment of customers. The Bank is committed to increased use of technology to provide quick collection services to its customers. This Policy document covers the following aspects:

- i. Collection of cheques and other instruments payable locally, at centers within India and abroad.
- ii. Our commitment regarding time norms for collection of instruments.
- iii. Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- iv. Our policy on dealing with collection instruments lost in transit.

A copy of the policy on collection of cheques/ instruments shall be made available by the branch head, if the customers require so. However, the customer should be informed that policy is available on Bank's website and can be downloaded from the website.

1.1 Introduction of Personalized Cheque Books-CTS 2010 Standard Cheques:

As per RBI directive, Bank has migrated to new CTS – 2010 Standards, by introduction of Personalized Cheque Books-CTS 2010 Standard Cheques embodied with latest standards and enhanced security features, to expedite the clearing process with the Truncation System and to minimize the Fraud and Forgery Risk.

As per extent guidelines of RBI, old general cheque (Non CTS-2010) not to be issued henceforth, new cheques – 2010, will be in circulation in the banking industry. However separate clearing session introduced at all the CTS centers for Non CTS-2010 instruments as per frequency decided over the period.

As per Negotiable Instrument Act (Amended Act), it is the responsibility of the collecting banker to verify the prima facie genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care. Therefore, all branches/ offices are advised to verify *prima facie* genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care.

1.2 Payment / Collection of cheques bearing saka Samant date in Hindi

All Cheque forms will be printed in Hindi and English. The customer may, however, write cheques in Hindi, English or in the concerned regional language.

Banks shall have to accept the cheques bearing dates written as per Gregorian Calendar and Saka Samanta. It is observed that branches are not aware of this provision. Cheques bearing dates in Hindi as per the National Calendar (Saka Samanta) shall be accepted by the banks for

payment / clearing / Collection. Branches can ascertain the Gregorian Calendar date corresponding to the National Saka Calendar, in order to avoid payment of stale cheques.

1.3 Payment / Collection of cheques bearing amount in fractions

Branches should ensure that cheques issued by customers / account holders containing fractions of a rupee are not rejected or dishonored by them.

1.4 Bank will not insist for dispatching the cheque book by courier or will not forcibly obtain a declaration from depositors for the same. Bank will ensure that cheque books are delivered over the counter on request of the depositors or his/ her authorised representative.

2. Arrangements for Collection:

2.1 Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the center. Cheques deposited at branch counters and in collection boxes (drop box) within the branch premises before the specified cut-off time, as stipulated by the respective clearing houses, which will be displayed by respective branches, will be presented for clearing on the same day. Cheques deposited after the cut-of time, which will be displayed by respective branches, and in collection boxes outside the branch premises including off-site ATMs, will be presented in the next clearing cycle. As a policy, Bank would give credit to the customer's account on the day, clearing settlement takes place. Withdrawal of amount so credited would be permitted as per the cheque return schedule of the clearinghouse. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank branches situated at centers where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the Bank's endeavor to credit the proceeds at the earliest.

2.2 Speed Clearing

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

2.3. Outstation Cheques

Banks shall not decline to accept outstation cheques deposited by its customers for collection.

Cheques drawn on other banks at outstation centers other than those covered under 2.1 above, will normally be collected through Bank's branches at those centers. Where the Bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank.

The cheques drawn on Banks own branches at outstation centers will be collected using the inter-branch arrangement in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network.

2.4 Cheques payable in Foreign Countries

Cheques payable at foreign centers where the Bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through FEX centres of the Bank. The

services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers where the Bank or its correspondents do not have direct presence will be sent direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the Bank maintained with one of the correspondent banks. Owing to different practices, systems, different laws, different lock in periods in different countries, these services cannot be standardized. However, the credit will be passed on within 7 days if the proceeds are cleared and confirmed and the rate of exchange will be the rate prevailing on the date of conversion.

2.5 Immediate Credit of Local / Outstation Cheques / Instruments

Branches / extension counters of the Bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs 15000/- in case of Rural and Semi-Urban branches and up to Rs. 25000/- in case of Urban and Metropolitan branches tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months. The facility of immediate credit would also be made available in respect of local cheques at centers where no formal clearing house exists.

The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.

Under this policy, prepaid instruments like Interest / Dividend warrants shall be treated on par with cheques.

In the event of dishonour of cheque against which immediate credit was provided, interest shall be recoverable from customer for the period the Bank remained out of fund at the rate applicable for overdraft limit (One year MCLR+4%) sanctioned for individual customers.

For the purpose of this Policy, a satisfactorily conducted account shall be the one

- 1] Opened at least six months earlier and complying with KYC norms.
- 2] Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- 3] Where no Cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons
- 4] Where the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges as mentioned in Bank's service charges and out of pocket expenses as per rules. While providing immediate credit against outstation instruments tendered for collection, service charges applicable for cheque purchase will not, however be charged.

The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

2.6 Purchase of outstation cheques

Bank may, at its discretion, purchase outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque, other points as mentioned in the 2.4 above will be considered while purchase of a cheque.

2.7 Collection of cheques of members of Co-Operative Societies:

Most of the co-operative credit societies are not even sub-members of clearing houses. Members of such co-operative credit societies who do not have bank accounts, have difficulties in collection of account payee cheques drawn in their name. With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, the Bank would collect, account payee cheques drawn for an amount not exceeding Rs.50000/- to the account of the Bank's customers who are co-operative credit societies, if the payee of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, banks should have a clear representation in writing given by the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. The Co-operative Credit Society shall declare in writing that the accounts of its members opened with it are fully KYC compliant to comply with the RBI guidelines.

2.8 Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account

- a) With a view to protect from burden with liabilities arising out of unauthorized collections, it has been prohibited from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, it has been directed that Branch should not collect account payee cheques for any person other than the payee constituent.

Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, bank should ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank.

- b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.

2.9 Payment of Cheques/Drafts/Pay Orders/Banker's Cheques

Branches should not make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument. Branches should ensure strict compliance of these directions.

2.10 Cheque Drop Box Facility

Both the drop box facility and the facility for acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.

Branches should ensure that customers are not compelled to drop the cheques in the drop-box. Further, in the context of customer awareness in this regard, branch should invariably display on the cheque drop-box itself that "**Customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips**". The above message should to be displayed in English, Hindi and the concerned regional language of the State.

Branches are also advised to make absolutely fool proof arrangements accounting for the number of instruments each time the box is opened so that there are no disputes and the customer's interests are not compromised.

2.11 Positive Pay System for CTS Cheques:

Customer required to provide the key information about the cheque issued by them.

The following fields are mandatorily required to be informed by the customers to bank:

- Account Number.
- Cheque Number, MICR Code, SAN, A/C Type.
- Date of Cheque Issuance.
- Cheque Amount.
- Payee Name.

This mandatory limit is set as Rs.50,000/- for individual customers and Rs.5,00,000/- for corporate customers.

Only those customers who have provided data as per CPPS process well before presentment of cheque will only be allowed to raise dispute in case of cheque is paid to wrong beneficiary or wrong amount. The customer who have not provided or provided information late will not be entitled for raising dispute as per amended guidelines effective from 01/01/2020.

3. Time Frame for Collection of Local / Outstation Cheques / Instruments:

For local cheques presented in clearing, credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms in vogue at that center.

Cheques / Instruments presented in high value clearing (with the minimum value of Rs.1 lakh) shall be credited on the same day (applicable only in areas covered by high value / same day clearing and in respect of Cheques deposited within prescribed hours as stipulated by the respective Clearing Houses).

For cheques and other instruments sent for collection to centers within the country the following time norms shall be applied:

- i. Cheques presented at any of the four major Metro Centers (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centers: Maximum period of 7 days.
- ii. Metro Centers and State Capitals (other than those of North Eastern States and Sikkim):- Maximum period of 10 days.
- iii. In all other Centers: Maximum period of 14 days.
- iv. Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. Cheques payable in foreign countries would be collected through FEX centers of the Bank. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. Bank would give credit to the party on credit of proceeds to the bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

The above time norms are applicable irrespective of whether Cheques / instruments are drawn on the Bank's own branches or branches of other banks.

4. Payment of Interest for delayed Collection of Outstation Cheques

As part of the Compensation Policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period

mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- i. At Savings Bank rate for the period of delay, beyond 7/10/14 days as the case may be, in collection of outstation cheques.
- ii. Where the delay is beyond 14 days interest will be paid at the rate applicable to Term Deposit for the respective period.
- iii. In case of extraordinary delay, i.e. delay exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to Term Deposit for the respective period.
- iv. In the event the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

5. Delay in re-presentation of technical return cheques and levy of charges for such returns

Where bank is (i) levying cheque return charges even in cases where customers have not been at fault in the return and (ii) delaying the re-presentation of the cheques which had been returned by the paying banks under technical reasons, both of these issues result in unsatisfactory customer service.

It is, therefore, considered necessary to streamline the procedure in this regard. Accordingly, Branch will adhere to the following instructions with immediate effect:

- i. Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive, lists of returns, where the customers are not at fault are indicated in the annex (Annexure II).
- ii. Cheques that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours(excluding holidays).

6. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch / cheques dishonored:

- a. In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the Branch shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The Branch would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- b. The onus of such loss lies with the collecting banker and not the accountholder.
- c. The banks should reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.
- d. If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

6.1. In line with the Compensation Policy of the Bank; the Bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- i. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above under 4.0.
- ii. In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- iii. The Bank would also compensate the customer for any reasonable charges (maximum Rs. 100/-) he/she incurs in stopping the payment of Cheque, getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument.
- iv. Bank will bear all the cost for obtaining duplicate instrument when a Cheque, which has been discounted, is lost. But the customer will assist in obtaining duplicate instrument. His liability under Negotiable Instrument Act will not be extinguished till Bank receives the proceeds of Cheque.

6.2. Information on dishonored cheques

Data in respect of each dishonored cheque for amount of Rs. 1 crore and above will be made part of bank's MIS. A system generated MIS will be pushed to Customer Service Department on monthly basis.

Data in respect of cheques drawn in favor of stock exchanges and dishonored should be consolidated separately irrespective of the value of such cheques as a part of bank's MIS relating to broker entities. A system generated MIS on the same be pushed to Customer Service Department on monthly basis.

Customer Service Department will analyze customer wise (Rs. 1 Cr and above) and broker entity wise (irrespective of amount) and take suitable action.

For the analysis purpose following data to be generated from MIS and will be pushed to HO Customer Service Dept., Respective Zonal Office and Respective Branch.

- Cheque dishonored during the month for Rs. 1 Cr. and above (Monthly)
- Cheque dishonored in favor of broker entities during the month Irrespective of amount (Monthly)
- List of accounts where 4 or more events of cheque for Rs. 1 cr. and above got dishonored during the financial year (Annual)

6.3. Dealing with frequent dishonor:

i. Cheques of value of more than Rs. 1 crore: To enforce financial discipline among the customers, banks will follow below mentioned conditions for operation of accounts with cheque facility that in the event of dishonor of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account:

- No fresh cheque book would be issued
- Closing account (on discretion of the respective Dy. Zonal Head)
- In respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these

accounts be reviewed by appropriate authority higher than the sanctioning authority and suitable decision be taken.

At the time of issuing new cheque book, Bank will issue a letter advising the constituents of the new condition mentioned above.

If a cheque is dishonored for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice through EMAIL and SMS to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion on the same account during the financial year. Similar cautionary advice will be issued if a bank decides to close the account.

ii. Cheques of value of less than Rs. 1 crore:

Since frequent dishonor of cheques of value of less than Rs.1 crore is also a matter of concern, bank will follow below given steps to deal with such cases:

- An Annual MIS will be pushed to Respective Zonal office and Branch.
- A system generated cautionary SMS and Email to be sent to the account holder in the 4th and every further event of cheque dishonor.
- The Dy. Zonal Manager will analyze the cases and issue suitable instructions to respective branches regarding closure of such account in the month of April (On the basis of data received for last financial year). Accounts with 8 or more events of cheque dishonor may get closed as per discretion of Dy. Zonal Manager.
- Reports of such account closure should reach Head Office Customer Service department by 31st of May every year.

7. Bills for collection

Bills for collection including bills discounted required to be collected through another bank at the realizing Centre should be forwarded directly by the forwarding office to the realizing office.

7.1 Payment of interest for Delays in collection of bills

The lodger's bank should pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period should be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills of drawees. (iii) Remittance of proceeds to the lodger's bank. (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from that bank.

8. Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank/s) absence of the usual means of communication or all types of communications etc, beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters.

9. Charging of Interest on cheques returned unpaid where Instant Credit was given

If, the cheques lodged for collection in clearing / sent for collection is dishonored, the same will be returned/dispatched to the customer within 24 hours. Service charges will be recovered as per rules.

If a cheque sent for collection for which immediate credit was provided by the Bank is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will not be charged any interest from the date immediate credit was given to the date of return of the instrument unless the Bank had remained out of funds on account of withdrawal of funds. Interest where applicable would be charged @ Normal One year MCLR+4% on the notional overdrawn balances in the account had credit not been given initially.

If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft / loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft / loan from the date of credit to the date of reversal of the entry if the cheque/ instrument was returned unpaid to the extent the Bank was out of funds.

10. Change / Modification

Bank reserves right to change or to modify the Policy or any of its provisions from time to time, without notice.