

# **CHEQUE / INSTRUMENT COLLECTION POLICY OF THE BANK**

## **1. Introduction**

The policy is based on principles of transparency and fairness in the treatment of customers and to provide better service to our customers. We are committed to increased use of technology to provide quick collection services to our customers. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- Time norms for collection of instruments.
- Payment of interest in cases where there is delay beyond time norms in realization of proceeds of outstation instruments/local cheques.
- Dealing with collection instruments lost in transit.

## **2. Arrangement for Collection of Cheques/ Instruments**

### **2.1 Local Cheque**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time, displayed at the branches, will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle.

The customer account would be credited on the day clearing settlement takes place. The Customer shall be permitted to withdraw the amounts so credited as per the cheque return schedule of the clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

At centers where no clearing house exists, branches 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. Local cheques drawn on our branches will be credited in the customers account on the same day.

#### **2.1.1 CTS -2010 Standards Cheque**

As per the directives issued by Reserve Bank of India (RBI), for Standardisation and Enhancement of Security Features in Cheque Forms – Migrating to CTS-2010 standards, all branches have been issuing only CTS-2010 Standard Cheques to customers. Bank has requested to customers to surrender their existing non-CTS-2010 standards cheques and replace them with

CTS-2010 standards cheques. In spite of making best efforts by bank still Non-CTS Cheques are in circulation and deposited / presented by customers.

The Bank will keep presenting instruments complying with CTS-2010 standards for clearing through CTS Clearing. Customers may request their respective branches for cheques that are compliant with the “CTS 2010” standard.

Instruments not complying with CTS-2010 standards will continue to be accepted but will be cleared at less frequent intervals as per direction of the RBI as under:-

(a) With effect from November 01, 2014, Separate clearing session for Non-CTS 2010 instruments is conducted only once (every Monday) in a week at the three CTS centers (Mumbai, Chennai and New Delhi) for clearing of such residual non-CTS 2010 instruments (including PDC and EMI cheques).

(b) If the identified day for clearing non-CTS-2010 instruments falls on a holiday under the Negotiable Instruments Act, 1881, presentation session on such occasions will be conducted on the previous working day. Operational instructions in this regard will be issued separately by the CTS centers.

(c) Upon the commencement of special session for non-CTS-2010 standard instruments, drawee banks will return the non-CTS-2010 instruments, if any, presented in the regular CTS clearing, under the reason ‘Present in proper zone’. Such returned instruments will have to be re-presented by the collecting bank in the immediate next special clearing session for non-CTS-2010 instruments.

(d) All branches are advised to educate and notify their customers of the likely delay in realization of non-CTS-2010 standard instruments in view of proposed arrangement for clearing of such instruments at less frequent intervals by creating awareness among customers through SMS alerts, letters, display boards in branches / ATMs, log-on message in Internet Banking, notification on the web-site etc.

### **2.1.2 Acceptance of cheques bearing a date as per National Calendar (Saka Samvat) for payment**

An instrument written in Hindi having date as per Sakh Samvat Calendar is a valid instrument. Therefore, Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) would be accepted by the bank for payment, if otherwise in order. The Bank can ascertain the Gregorian calendar date corresponding to the National Saka Calendar in order to avoid payment of stale cheques.

### **2.1.3 Payment of Cheques /Drafts /Pay Orders/ Banker’s Cheques**

The Bank shall 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.

## **2.2 Outstation Cheque:**

(a) Bank normally collected the cheques drawn on other banks at outstation centres through bank's branches at those centres. 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 bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

(b) In the CBS network bank will provide same day credit to its customers in respect of outstation instruments drawn on any of its own branches.

### **2.2.1 Speed Clearing**

Bank is participating in a "Speed Clearing" introduced by Reserve Bank of India. The "Speed Clearing" is currently available in all MICR centres across the country. Under "Speed Clearing" system, cheques payable at any Core Banking Solution (CBS) branches of any banks of any centers are collected through local clearing and not through outstation collection.

## **2.3 Cheques / Instruments payable in Foreign Countries:**

(a) Bank collected the cheques / instruments payable in Foreign Countries through its correspondent banks where the correspondent has presence.

(b) Where the bank's correspondents do not have direct presence the Cheques / Instruments shall 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.

(c) In the case of instruments sent on collection, the rate applicable on the date of conversion of foreign currency, shall apply. However in case of purchase of foreign clean instruments; the conversion shall be done on applicable buying rate as on the date of purchase.

## **2.4 Immediate Credit of Local/ Outstation Cheques/ Instruments up to Rs.10000/-**

**2.4.1** Bank will consider providing immediate credit for third party cheques up to the aggregate value of Rs. 10000/- (Outstanding at any given point of time) tendered for collection by individual account holders including staff members but excluding minors and non-residents on the following conditions:-

(i) Bank should be satisfied about the proper conduct of the account of customer.

(ii) The Bank will extend the facility to all individual depositors without making a distinction about their status i.e Saving Bank, Current or Cash credit.

(iii) The Bank should not lay any separate stipulation for minimum balance for extending the facility.

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, during the preceding three months, 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 and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

#### **2.4.2 Charging of Interest on Cheques returned unpaid where Instant Credit was given:**

(i) 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 customer's account.

(ii) No interest shall be charged to the customers for the period between the date of lodgment of said cheque and its return unpaid unless the funds were withdrawn from the account.

(iii) Where the cheque is credited to a Saving Bank Account, no interest will be payable on the amount so credited, if the cheque is returned unpaid.

(iv) Where the cheque is credited in Cash Credit / Overdraft Account, the interest at the rate applicable to the concerned account will be recovered from the date of affording such credit till the date of return of the cheque.

In the event of dishonour / return of the cheque, Returning Charges and interest would be charged on per day basis from the date of credit of cheque till the reimbursement of money to the bank or till the liquidation of overdraft created, in the following manner:

(i) In case of Saving Bank account /Current account : At Clean Overdraft Rate .

(ii) In case of Cash Credit / Overdraft account: At the rate applicable to the concerned account **OR** Clean Overdraft Rate, whichever is higher.

#### **Note:**

(a) Cheques return / Image-based Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns.

(b) Cheques / Image-based Cheque return on technical reasons if 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) with due notification to the customers of such re-presentation. No charges shall be made if Cheques return on technical reasons (List given below) and there is a delay in re-presentation of technical return cheques.

## **Illustrative list of technical reasons for return**

1. Instrument mutilated; requires bank's guarantee.
2. Clearing House stamp / date required.
3. Wrongly delivered / not drawn on us.
4. Present in proper zone.
5. Instrument contains extraneous matter.
6. Image not clear; present again with paper.
7. Present with document.
8. Item listed twice.
9. Paper not received.
10. Crossed to two banks.
11. Crossing stamp not cancelled.
12. Clearing stamp not cancelled.
13. Instrument specially crossed to another bank.
14. Payee's endorsement irregular / requires collecting bank's confirmation.
15. Endorsement by mark / thumb impression requires attestation by Magistrate with seal.
16. Advice not received.
17. Amount / Name differs on advice.
18. Drawee bank's fund with sponsor bank insufficient (applicable to sub-members).
19. Payee's separate discharge to bank required.
20. Not payable till 1st proximo.
21. Pay order requires counter signature.
22. Required information not legible / correct.
23. Bank's certificate ambiguous / incomplete / required.
24. Draft lost by issuing office; confirmation required from issuing office.
25. Bank / Branch blocked.
26. Digital Certificate validation failure.
27. Other reasons-connectivity failure.
28. 'Payee's a/c Credited' - Stamp required.
29. Bank excluded.

### **2.5 Purchase of local / Outstation cheques of more than Rs.10000/- :**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement.

### **2.6 Collection of Account Payee Cheque-Prohibition on Crediting Proceeds to third Party Account.**

(a) The bank will 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, the Bank may ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer.

This instruction will 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.

(c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, the bank may consider collecting account payee cheques drawn for an amount not exceeding ` 50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, the bank 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. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

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

#### **3.1 Local Cheques**

Local cheques are payable within the jurisdiction of the clearing house and will be presented through clearing system prevailing at the centre. Credit arising out of local cheques shall be given to the customer's accounts immediately after closure of the relative return clearing and withdrawal shall be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards.

#### **3.2 Outstation Cheques**

Time frame for collection of cheques and other instruments sent for collection and drawn on State Capital shall be 7 days, in case of Major Cities –10 days and at all other locations 14 days. The above mentioned timeframe shall be treated as outer limit and credit shall be afforded, if the process gets completed earlier.

##### **3.2.1 Policy of compensation on delayed collection**

The bank will pay interest to its all types of customers on delayed collection as applicable on saving bank deposit for the delayed period beyond the prescribed period i.e 7/10/14 days as the case may be. Such interest shall be paid without demand from the customers in all types of accounts.

#### **3.3 Cheques drawn on foreign countries**

Cheques drawn on foreign countries are accepted for collection on the best of efforts basis. 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.

#### **4. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch**

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 bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

The bank will compensate the account holder in respect of instruments lost in transit in the following way:

(a) 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.

(b) 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.

(c) The bank would also compensate the customer for any reasonable charges, as per Bank's compensation policy, he/she incurs in recording of Stop payment instructions to drawee bank and 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.

(d) In the cases where cheque is lost after it has been discounted, Bank will not recover the interest for a period of 15 days when it comes to know about the loss of the instrument. This will give ample time to the borrower to obtain duplicate instrument from the drawer. In case borrowers fail to liquidate the account after lapse of 15 days, the interest at contractual rate will be recovered from them till the amount advanced is fully paid.

#### **5. Service Charges**

The Bank will recover appropriate service charges, for all collection services, as decided by Bank from time to time and communicate to the customers by displaying the same on bank's website.

#### **6. Periodicity of review of the policy**

The policy shall be reviewed annually.

#### **7. 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, strike or other labour disturbances, 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 transportation, etc.) beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

## **8. Amendment/ Modification of the Policy**

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. This policy shall be valid till the time of its next review.

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