



POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS

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1. Introduction

This collection Policy of the Bank is a reflection of our on-going efforts to provide better services 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:

- 1.1 Collection of cheques and other instruments payable locally, at centres within India and abroad.
- 1.2 Our commitment regarding time norms for collection of instruments.
- 1.3 Policy on payment of interest in cases where the Bank fails to meet time norms for realization of proceeds of outstation instruments.
- 1.4 Our Policy on dealing with collection instruments lost in transit.

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

2. Arrangements for Collection

2.1 Local Cheques

To promote efficient cheque processing RBI has migrated from the architecture of three regional grids to 'One Nation, One Grid'. Under grid-based Cheque Truncation System (CTS) clearing, all cheques drawn on bank branches falling within in the grid jurisdiction are treated and cleared as local cheques.

All CTS compliant cheques and other Negotiable Instruments which are payable under a grid system will be presented through the CTS clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the respective cut-off time will be presented for clearing on the same day subject to the instrument being otherwise in order. Cheques deposited after the respective cut-off time will be presented in the next clearing. As a Policy, Bank would give credit to the customer's account on the same day of clearing settlement. Withdrawal of amounts 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.

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) with due notification to the customers of such representation through SMS alert, email etc. 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, other than in exceptional circumstances for clearing purposes. This effectively 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

The clearing cycle is treated as complete once the presentation clearing and the associated return clearing sessions are successfully processed. The entire essence of CTS technology lies in the use of images of cheques (instead of the physical cheques) for payment processing.

With the introduction of imaging and truncation, the physical movement of instruments is stopped. The electronic movement of images can facilitate reduction in the clearing cycles as well. Moreover, there is no fear of loss of instruments in transit. Further, limitations of the existing clearing system in terms of geography or jurisdiction can be removed, thus enabling consolidation and integration of multiple clearing locations managed by different banks with varying service levels into a nation-wide standard clearing system with uniform processes and practices.

Under CTS, the physical cheques are retained at the presenting bank and do not move to the paying banks. In case a customer desires, banks can provide images of cheques duly certified/authenticated. In case, however, a customer desires to see / get the physical cheque, it would need to be sourced from the presenting bank, for which a request has to be made to his/her bank. An element of cost / charge may also be involved for the purpose. To meet legal requirements, the presenting banks which truncate the cheques will be preserving the physical instruments for a period of 10 years.

Only CTS 2010 compliant instruments can be presented for clearing through CTS.

The Bank will exercise care while affixing stamps on the cheque forms, so that it does not interfere with the material portions such as date, payee's name, amount and signature. The use of rubber stamps, etc, should not overshadow the clear appearance of these basic features in image.

For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc, except change in the date for validation period, fresh cheque forms should be used by customers. This will help the Bank to identify and control fraudulent alterations.

The separate clearing session on non CTS Clearing has been discontinued w.e.f January 1,2019. However, non-CTS cheques remain to be valid as a negotiable instrument.

2.2 Cheques payable in Foreign Countries

Cheques payable at foreign centres will be collected through the services of correspondent Banks in country/centres where the correspondent has presence. At present, the Bank processed collection as well as purchase of Foreign cheques in USD only.

All foreign cheques collected at Branches are forwarded to Bank's Operations Department and processes centrally. Cheque images are transferred to the correspondent Bank through specific application.

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the Bank would not be able to ensure timely credit from overseas Banks. It is the Bank's experience that time for collection of instruments drawn on Banks in foreign countries differ, from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. The Bank, however, would consider upfront credit against such

instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past and the Bank is satisfied about the drawer's credit worthiness and about customer's capability to make good the amount, in case the cheque is returned.

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

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

However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent.

Such compensation will be given for delays beyond

- five days from the date of credit to Nostro Account, in case of realization of purchase.
- twenty days from the date of credit to Nostro account, in case of realization of collection

In case of delay beyond the date when the amount is due for credit, interest will be paid to the customer. For delay up to 14 days' interest will be paid at Savings Bank rate and where the delay is beyond 14 days' interest will be paid at the rate applicable to for term deposit for the respective period. In case of extraordinary delay, i.e. delays exceeding 90 days' interest will be paid at the rate of 2% above the corresponding Term Deposit rate. 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 delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

Bank will have the right to debit/reverse any credit given to the customers' account, at any point of time (i.e. without time limit) if it turns out that the credit was fraudulent.

The charges for the same is given below:

7 CLEAN INSTRUMENTS		
Sl. No.	Type of Transaction	Charges
7.1	FCY CHQ/DD for collection abroad (USD)	0.20% min Rs.500/-
7.2	FCY CHQ/DD for Purchase (USD)	1) 15 days interest on all direct drawn instruments at rates prescribed from time to time. 2) 20 days interest on all indirectly drawn foreign currency instruments.

7.3	FCY Cheques return/dishonour	Rs.1000 per instrument returned plus actual return charges paid to respective Nostro Banks if any
7.4	Nostro Bank's charge per instrument	Rs.500/- for USD
Note: Currently handling CHQ/DD in FCY USD only		

3. Payment of Interest for delayed Collection of 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:

- a) Savings Bank rate for the period of delay upto 14 days
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection were 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 delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

Interest payment as given above would be applicable only for instruments sent for collection within India.

4. Cheques / Instruments lost in transit / in clearing process or at paying Bank's branch:

In the event of a cheque or 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 customer, so that the customer 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 Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

The onus of such loss lies with the collecting banker and not the accountholder.

The bank would reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

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.

In line with the compensation Policy of the Bank, the Bank will compensate the customer 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 interest will be paid for the period exceeding the stipulated collection period at the rates specified above
- 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, he/she incurs for 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.

5. 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.

6. Procedure for handling dishonored Cheques

(a) For Cheques tendered at the base branch:

The cheque shall be returned to the customer as early as possible. If he is a customer visiting the branch regularly either personally or through his representative, the cheque shall be delivered to him/his representative across the counter on the very next day if not on the same day.

In other cases, the cheque will be dispatched to him within 24 hours through Registered Post at the cost of the customer.

(b) For cheques tendered at non-base branch:

The cheque shall be returned to the customer through the base branch. The non-base branch shall hereby send the cheque to the base branch. On receipt of the cheque at the base branch, that base branch shall deliver the cheque to the customer as specified in (a) above. In this case, additional actual postage charges incurred by the non-base branch to send the cheque to the base branch shall also be collected by the base branch.

(c) Procedure for return/dispatch of dishonoured Cheques:

The paying branch should return dishonoured Cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulation and Rules of Bankers' Clearing Houses. In case of dishonor / return of cheques, it should clearly indicate the return reason code on the return memo / objection slip which should also bear the signature / initial of the bank officials as

prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

Cheques dishonoured for want of funds in respect of all accounts should be returned along with the memo indicating therein the reason for dishonour as "insufficient funds."

If four Cheques are returned in a financial year for the reason of insufficiency of funds, bank has the freedom to stop issuance of further cheque books in the account.

Also, if the cheque is returned four times in a financial year for the reason of insufficiency of funds, bank at its discretion can initiate steps to close the account, after giving 30 days' notice to the customer.

7. Service Charges

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer, displayed on Bank's website.

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, list of returns, where the customers are not at fault are indicated in the annex

Code No	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	Payee's a/c Credited' - Stamp required
92	Bank excluded

8. Positive Pay System for Cheque Truncation System

Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures

Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids

Even though availing of this facility is at the discretion of the account holder, as per regulatory guidelines it is mandatory in case of cheques amounting ₹5,00,000 and above w.e.f. January 1, 2021.

Positive Payment System is applicable for inward clearing instruments i.e for our customers who have issued the cheques.

The above functionality is made available by Bank to the customers across multiple digital channels

9. Collection of Account Payee Cheques

Bank shall not collect account payee cheques for any person other than the payee constituent

Banks shall, at the option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the members of such co-operative credit societies.

The Bank shall carry out proper due diligence with respect to such co-operative credit societies and ensure that KYC documents of the customers are preserved by the society and are available to the bank for scrutiny.

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