



**POLICY ON COLLECTION OF
CHEQUES/INSTRUMENTS**

September 2020

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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:

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

2. Arrangements for Collection

2.1. Cheques payable locally

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 respective cut-off time will be presented for clearing on the same day. Cheques deposited after the respective cut-off time and in collection boxes outside the branch premises including off-site ATMs 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.

Bank branches situated at centres where no clearinghouse exists, would present local cheques on drawee Banks across the counter and it would be the Bank's endeavour to credit the proceeds at the earliest.

2.1a. 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.

2.1b. Cheque Truncation System

"CTS-2010 Standard" is a set of benchmarks prescribed by RBI towards achieving standardization of cheques issued by Banks across the country. These include provision of mandatory minimum security features on cheque forms like quality of paper, watermark, Bank's logo in invisible ink, void pantograph, etc., and standardization of field placements on cheques. The benchmark prescriptions are known as "CTS-2010 standard".

In Cheque Truncation System or CTS, physical movement of the cheque is stopped at the collecting Bank and only image is transferred to the drawee Bank. The drawee Bank processes the instrument using the image.

In CTS, the payments are made by the drawee Bank on the basis of the images. In order to ensure quality of the images transmitted for processing at the drawee Bank, certain image specifications are mandated by RBI in the CTS clearing. Images that do not meet the specifications are rejected.

Apart from the process changes, customers may be guided by a special directive by RBI regarding corrections/ alterations on cheques.

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

From January 2015, the cheque clearing system will migrate completely to CTS (Cheque Truncation System) [On the basis of the review by Reserve Bank of India by 2014 end]. So, for clearing the balance non CTS-2010 cheques presented in clearing till this date, the following arrangement is suggested by Reserve Bank of India.

- a) A separate clearing session will function in the three CTS centres (Mumbai, Chennai and New Delhi) for clearing the non CTS 2010 instruments. This separate clearing session will operate twice a week up to October 31, 2014 (Monday and Friday) and further to weekly once (every Monday) from November 1, 2014 onwards. 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.
- b) 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 code '37-Present in proper zone'. Such returned instruments will be re-presented by the collecting Bank in the immediate next special clearing session for non-CTS-2010 instruments.
- c) Customers may please be guided that there may be delay in realization of non-CTS-2010 standard instruments in view of the above proposed arrangement (a & b) for clearing at less frequent intervals.

2.2. Outstation Cheques

Cheques drawn on other Banks at outstation centres will normally be collected through Bank's branches at those centres. Where the Bank does not have its branch, 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 centers where such collection services exist.

Cheques drawn on Bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Branches will provide same day credit to the customers in respect of outstation instruments drawn on any branch under the CBS network.

2.3 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. Cheques drawn on foreign Banks at centers where the Bank and 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 the correspondent Banks.

2.4 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/- tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearinghouse 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 Demand Drafts, 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 the customer for the period the Bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

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

- a) Opened at least six months earlier and complying with KYC norms.
- b) Conduct of which has been satisfactory and Bank has not noticed any irregular dealings.
- c) Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons
- d) 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.

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

2.5 Purchase of local/outstation cheques

Bank may, at its absolute discretion, purchase outstation cheques 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 will also be a factor considered while purchasing the cheque.

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

Bank will make use of various clearing and settlement facilities at different locations, such as MICR clearing, non – MICR clearing, High Value clearing, interBank clearing, speed clearing, CTS. to ensure speedy collection of instruments entrusted to it for collection.

For cheques presented in such clearing, normally 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 the respective clearing house/procedure.

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

- a) Cheques presented at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable **Maximum period of 7 days** at any of the other three centres:
- b) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): **Maximum period of 10 days.**
- c) In all other Centres : **Maximum period of 14 days.**

Cheques drawn on foreign countries: Such instruments 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 and as per Bank's rules. In case the cheques, proceeds of which were credited to the account of the customer after getting credit in Bank's nostro account are returned, customer will be liable to bear all connected charges and also the exchange rate difference, even if the proceeds were not permitted to be withdrawn.

Country/location specific norms wherever stipulated will be specified for foreign currency instruments and made known to the customers at the time of accepting instruments for collection.

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:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- 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.

1. 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 dishonoured 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.

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 (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(i.e. The period by which the intimation regarding loss was conveyed less 7/10/14 as the case may be).

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

If a cheque sent for collection for which the Bank provided immediate credit 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 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. However, if the cheque, proceeds of which were

credited to customer's account, was drawn on a centre outside the country, customer will be liable to pay exchange difference and other charges, when such cheque is returned. 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.

7. 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 three day through Registered Post / Courier 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 dishonored Cheques:

- i. The paying branch should return dishonored 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.
- ii. Cheques dishonored for want of funds in respect of all accounts should be returned along with the memo indicating therein the reason for dishonor as "insufficient funds.
- iii. The Bank reserves the right to issue the cheque book (or) terminate the account relationship in an account, if the instances of cheque dishonor exceeds four times during a quarter quoting reason "*Funds insufficient*" for a Financial Year in inward clearing.

8. Service Charges

All services shall be charged at the prescribed rates.

Charges prevailing at present are as follows:-

Collection of Cheques (outstation)/Inward LCC* @	
Up to & including Rs.1000	Rs. 15 per instrument
Above Rs.1,000 and up to & including Rs 5,000	Rs. 25 per instrument
Above Rs.5,000 and up to & including Rs 10,000	Rs. 50 per instrument
Above Rs.10,000 and up to & including Rs 1,00,000	Rs. 100 per instrument
Above Rs.1,00,000 and up to & including Rs 5,00,000	Rs. 200 per instrument

Above Rs.5,00,000 and up to & including Rs 10,00,000	Rs. 225 per instrument
Above Rs.10,00,000	Rs. 250 per instrument

*inclusive of all charges(postal,courier,handling etc) other than service tax,@. For collections involving 2 Banks, 50% of the actual charge to be collected
