

CHEQUE COLLECTION POLICY

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POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS

1. Introduction

In view the technological development in payment and settlement systems and the qualitative changes in operational systems and processes that have been made/advised by the Reserve Bank of India, all the member banks are revising/modifying their cheque collection policy. In order to extend the benefit of 100% Core Banking Solution (CBS) to our customers and to implement the 'Anywhere' banking concept in its true spirit, we propose revision/modification of our existing Cheque Collection Policy. This collection policy of the Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for improved performance. The bank is committed to increased use of technology to provide quick collection services to its customers and the policy is based on principles of transparency and fairness in the treatment of customers. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- Our commitment regarding time norms for acceptance/ collection/realization of such instruments.
- Policy on payment of compensation/interest in cases where the bank fails to meet time norms for realization of proceeds of local / outstation instruments.
- Our policy on dealing with collection instruments lost in transit.
- Our policy in handling frequent dishonour of cheques.

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 respective centre.

In general, cheques received within three hours from the time of commencement of business hours of the branch, on working days, from Monday to Friday and cheques received within 30 minutes of the commencement of the business on Saturdays shall be sent for clearing on the same day. However, the time may vary depending upon the:

- (a) Local cheque clearing timings
- (b) Time required for traveling to the Clearing House/Main Clearing branch/Service Branch
- (c) Availability of conveyance facility.

Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs shall be presented in the next clearing cycle. The cut off time up to which the cheques received will be sent for clearing on the same day is available on the Branch Notice Board. The cut off time prescribed for each collection box will be indicated on the face of the Box.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centers shall 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 bank would also use the National Clearing services offered by the Reserve Bank of India at centers where such collection services exist. However, while collecting cheques for NRE account holders, collecting branches shall ensure the eligibility of funds for credit to NRE accounts, as balance in such accounts is repatriable.

In order to extend the benefit of Core Banking Solution, the following arrangement is made for collection of cheques.

(a) For Cheques drawn on our Bank branches, tendered by the customers of the Bank, during business hours:

The amount of cheques drawn on any of our branches, tendered during the business hours of the branch, shall be credited on the same day (subject to availability of sufficient funds in the drawer's account and the cheque is properly drawn) through Intersol transaction.

The amount of cheques drawn on any of our branches, tendered after business hours of the branch, shall be credited on the next working day (subject to availability of sufficient funds in the drawer's account and the cheque is properly drawn).

(b) Collection of cheques tendered by the customers of other branches:

In order to implement anywhere banking concept in its true spirit, Customers of our Bank are permitted to tender either local or outstation cheques, for collection at any of our branches. The branch where the cheque is tendered should handle the cheque as per the procedure for collecting local / outstation cheques through Intersol.

2.3 Speed clearing:

Speed clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core banking enabled branches of banks, if they have a networked branch, locally. Speed clearing aims to reduce the time taken for realization of outstation cheques. Outstation cheque collection through collection basis takes around one to two weeks depending on the corresponding / drawee bank for this purpose however under Speed clearing; it would be two to three working days.

The Bank can thus now locally pay outstation cheques of branches covered under CBS without having to physically send the cheque to the branch of the drawee bank for clearing. Speed clearing' is operational at all MICR Centers.

Cheques, which are drawn on CBS-enabled banks' branches, are eligible for being presented in Speed clearing. Pay Orders, Demand Drafts, Government instruments and cheques drawn on a bank or bank branch, which is not a part of the Speed clearing System, are not eligible for collection under Speed clearing.

2.4 Cheques payable in Foreign Countries

In case of cheques payable in Foreign Countries 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 directly to the drawee bank with instructions to credit proceeds to respective Nostro Account of the bank maintained with one of the correspondent banks. The maximum period for affording the credit to the beneficiary's account for the cheques drawn in foreign currency is 45 days.

However, the possibility of using latest technology like image transmission (cheque 21) etc. for speedy collection of cheques wherever possible is being explored.

2.5 Immediate Credit of Local / Outstation Cheques / Instruments

Branches / extension counters of the bank shall consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs 15,000/- (Rupees fifteen thousand only) tendered for collection by individual account holders subject to satisfactory conduct of such accounts.

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.

Immediate credit shall 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 centers where no formal clearing house exists.

Prevalent cheque collection charges and actual postage if any would be collected for affording immediate credit. To avail this facility the negotiable instrument:

- a) Should be in order in all respects
- b) Should not be drawn/issued by exchange companies
- c) Should not be drawn by the account holder himself seeking immediate credit (in case of cheques drawn on other Banks)
- d) Should be in favour of the account holder seeking for immediate credit

The facility of extending immediate credit shall not be afforded to the following category of accounts/customers:

- a) Accounts in the name of minors.
- b) Non-residents.
- c) Dormant accounts.

d) SB Sugama (No frill account)

Cheques/ drafts tendered after business hours shall be dealt with on the next working day.

If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque shall be immediately debited to the account. The customer shall 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 shall 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 were returned unpaid to the extent the bank was out of funds.

The above charges are excluding the prescribed cheque return charges and service charges.

2.6 Purchase of Local / Outstation Cheques:

Bank may, at its discretion, purchase local/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 shall also be a factor considered while purchasing the cheque.

3. Time Frame for Collection

A. Local Cheques / Instruments:

As a policy, in case of local Cheques, banks shall permit usage of the shadow credit afforded to the customers' account immediately after closure of relative return clearing and in any case, withdrawal shall be allowed on the same day or maximum within an hour of the commencement of business on the next working day, subject to usual safeguards.

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

B. Outstation Cheques / Instruments:

For Cheques and other instruments drawn on other banks and sent for collection to centers within the country the following time norms shall be applied:

- a) 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 working days.
- b) Metro Centers and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 working days.
- c) In all other Centers: Maximum period of 14 working days.
- d) Cheques drawn on foreign countries are accepted for collection on the "best efforts" basis and depending on various factors credit may be afforded within 45 days.

4. Payment of Interest for delayed Collection of Local/Outstation Cheques:

As part of the compensation policy of the bank, the bank shall 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 including local cheques for the purpose of payment of interest on delayed collection.

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

A. For Local Cheques / Instruments:

Based on the time frame detailed above compensation will be paid at savings bank interest rate for the corresponding period of delay.

B. For Outstation Cheques / Instruments:

- a) Savings Bank rate for the period of delay beyond 7/10/14 working days as the case may be, in collection of outstation Cheques drawn on other banks.

- b) If the delay is beyond 14 working days, interest will be paid at the rate applicable to term deposit for the respective period.
- c) In case of extraordinary delay, i.e. delay exceeding 90 days interest shall be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event of the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest shall be paid at the rate applicable to the loan account. For extraordinary delay, interest shall 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.

If the delay in realization of the cheque is on account of clearing bank/paying bank, then for the unjustified delay by the clearing bank/paying bank, no compensation/interest will be paid. However, the customer will be informed about the delay so as to enable the customer to take appropriate action or refer it to the Banking Ombudsman.

5. 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 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.

In line with the compensation policy of the bank the bank shall 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 working days as the case may be) interest shall be paid for the period exceeding the stipulated collection period at the rates specified above.

- b) In addition, bank shall 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 he/she incurs in 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 and also charges if any, for recording Stop Payment on production of receipt.

6. Delay in re-presentation of technical return Cheques and levy of charges for such returns

- 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:

Sl No.	Reason for Return
1	Kindly Contact Drawer / Drawee Bank and Please Present again
2	Drawers signature to operate account not received
3	If the cheque is returned for the reason 'Stop Payment' no charges
4	Withdrawal stopped owing to death of account holder / lunacy / insolvency
5	Instrument post dated
6	Instrument outdated / stale
7	Instrument mutilated; requires bank's guarantee
8	Clearing House stamp / date required
9	Wrongly delivered / not drawn on us
10	Present in proper zone
11	Instrument contains extraneous matter
12	Image not clear; present again with paper
13	Present with document
14	Item listed twice
15	Paper not received
16	Account transferred to another branch
17	Cr Crossed to two banks
18	Crossing stamp not cancelled
19	Clearing stamp not cancelled
20	Instrument specially crossed to another bank
21	Payee's endorsement irregular / requires collecting bank's confirmation
22	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
23	Advice not received
24	Amount / Name differs on advice
25	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)

26	Payee's separate discharge to bank required
27	Not payable till 1st proximo
28	Pay Order requires counter signature
29	Required information not legible / correct
30	Bank's certificate ambiguous / incomplete / required
31	Draft lost by issuing office; confirmation required from issuing office
32	Bank / Branch blocked
33	Digital Certificate validation failure
34	Other reasons-connectivity failure
35	'Payee's a/c Credited' - Stamp required
36	Bank excluded
37	Altered cheque in case of CTS 2010 Standard Cheque
38	Others Reasons / Local Holiday

- ii) Cheque returned as above 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 customer of such re-presentation through SMS alert, email etc.

7. Acts beyond the control of the Bank

The bank shall not be liable to compensate customers for delayed credit in case of unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, war, damage to the bank's facilities or of its correspondent bank(s), absence of usual means of communication or all types of transportation, etc beyond the control of the bank preventing it from performing its obligations within the specified service delivery parameters.

8. Procedure for handling dishonoured 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 dishonoured Cheques:

- i) 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.
- ii) 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."

(d) Information on dishonoured Cheques:

- i) Data in respect of each dishonoured cheque for amount of Rs.1 crore and above and below 1 crore will be made part of bank's MIS on constituents and concerned branches should report such data to respective Regional Office and to the Head Office.
- ii) Data in respect of Cheques drawn in favor of stock exchanges and dishonoured should be consolidated separately by the branches irrespective of the value of such cheque as a part of MIS relating to broker entitles, and be reported to respective Regional Office and to the Head Office.

(e) Dealing with incidence of frequent dishonour:

(A) Frequent dishonour of Cheques / ECS mandate for amount above 1 Crore.

- i) With a view to enforce financial discipline among the customers, branch will introduce a condition for operation of accounts with cheque facility that in the event of dishonour of 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, bank will send notice advising to maintain sufficient balance in the account before issuing Cheques. Further the account shall be reviewed and closely monitored.

- ii) For the purposes of introduction of the condition mentioned at (i) above in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.
- iii) If a cheque is dishonoured for a third time in case of value rupees one crore and above on a particular account of the drawer during the quarter, branch will issue cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion for value rupees 1 crore and above on the same account during quarter. Similar cautionary advice will be issued if a branch intends to close the account with the permission of sanctioning authorities up to the level of Managing Director in the borrowal account and with the permission of Regional Head in case of other accounts.

(B) Frequent dishonour of Cheques / ECS mandate for amount below 1 Crore.

- i) At the time of issuance of cheque - book / accepting mandate of ECS the customer would be put on notice that it is their responsibility to ensure that adequate funds are maintained in the account to honour their commitment of payment.
- ii) On reaching the number of incidents of dishonour of cheque / ECS mandate on 40 occasions during the quarter cautionary advice would be issued stating that any more instances would disentitle the customer from availing facility of cheque - book / ECS mandate. In respect of Cash - Credit / OD accounts additionally, clarification would be sought as to the circumstances under which adequate funds were not maintained in the account and this factor would be given weight age at the time of renewal / review of credit facilities.
- iii) Despite the customer being cautioned if such incidents of dishonor persist, in the event of dishonour of cheque valuing rupees one crore and below drawn on a particular account of the drawer on 40 occasions during a quarter for want of sufficient funds in the account, bank will send notice advising to maintain sufficient balance in the account before issuing Cheques. Further the account shall be reviewed and closely monitored. In continuation of the above, if the cheque return in a particular account persists continuously for two quarters, under such accounts the branch should be instructed not to issue fresh cheque book without permission of sanctioning authorities up to the level of Managing

Director in the borrowal account and without the permission of Regional Head in case of other accounts.

- iv) If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by registered post. In case of cash credit/overdraft accounts, this fact shall be referred to appropriate authority as mentioned in clause 8 (e) (B) iii.

(f) General:

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e. payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, branch should extend full co-operation, and should furnish him / her documentary proof of fact of dishonour of Cheques.

Bank retains the right to amend / modify the policy and display of the same on notice board of branches / on the web site would be deemed to be adequate notice to customers of the said change.

9. Service Charges

All services shall be charged at the prescribed rates. The details of tariff would be available at the Bank's website and at Bank's branches.

10. Force Majeure

The bank shall not be liable to compensate customers for delayed credit in case of natural disasters or other "Acts of God" etc beyond the control of the bank preventing it from performing its obligations within the specified service delivery parameters.

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