



POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS

Preamble

Bank's Cheque Collection Policy has been formulated as a comprehensive document with transparency, covering following aspects, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The Policy is in line with the IBA's model policy on Collection of cheques / instruments. The procedure for collection of domestic cheques / instruments has been included herein, which, inter alia, incorporates the following:

- a. Established procedure for collection of Bank's own cheques (local and outstation).
- b. Collection of cheques from our branches and branches of other banks.
- c. Time frame for collection of outstation/local cheques drawn on branches of the Bank.
- d. Penalty for delayed collection for local/outstation cheques in a progressive manner.

(1) Cheque clearing process under revised scenario of CTS based clearing system

Cheque Truncation System (CTS) is presently working at **Northern grid** in Delhi, **Southern Grid** in Chennai and **Western grid** in Mumbai.

All centres covered under the same grid will be treated as a single clearing zone and cheques drawn on these centres and presented at any of the grid centres are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

Separate clearing session was introduced in the three CTS grids (Mumbai, Chennai and New Delhi) for clearing of residual non-CTS-2010 cheques. After introduction of these special sessions for non-CTS cheques, drawee bank returns the non-CTS cheques, if presented in regular CTS clearing, with reason "37- present in proper zone", which will have to be re-presented by the collecting bank in the immediate next special clearing session.

RBI has directed that no changes/corrections should be carried out on the cheques. For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. fresh cheque leaves should be used by customers. This will help Banks to identify and control fraudulent alterations. Collecting banks have to ensure that such cheques are not accepted for presentation in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.

Dishonour / Return of cheques: Bank needs to mention the 'Date of Return' & sign/initial the Cheque Return Memo and the objection slip is to be signed/initialed, giving therein a definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

Clearance of Govt. cheque is presently under "paper to follow" system at CTS and other clearing centres. However, RBI proposes to introduce CTS for Govt. Cheques also. Upon receipt of RBI instructions the Bank would modify its systems suitably.

Collection of Third Party Cheques in clearing: RBI has prohibited Banks from crediting 'account payee' cheques to the account of any person other than the payee named therein.

However, with a view to mitigating the difficulties faced by members of co-operative credit societies in collection of account payee cheques, RBI has permitted banks to collect for such societies account payee cheques drawn for an amount not exceeding Rs.50,000/- on behalf of their constituents.

Cheques deposited at branch counters and Cheques deposited in the drop-box within the branch premises, before the specified cut-off time, will be sent for clearance on same day, for which the clearance period will be T+1 working day. Cheques deposited after this cut off time will be sent for clearing on next day, for which clearance period will be T+2 working days.

The broad time-limit for receipt of cheques (say up to 3 hours after opening of branch, 1 hour before closure of business etc.), which may be fine-tuned for individual locations/branches, based on local practices, will be fixed by the Controllers of the respective branches.

All drop-boxes shall clearly indicate the timeline as above upto which cheques dropped in the drop boxes would be sent for clearing on the same day.

Cheques deposited after the cut-off time and in drop-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 account on the same day after day's clearing settlement takes place. Withdrawal of amount so credited would however be permitted as per the cheque return schedule of the clearing house.

The timeline for clearing of local cheques will be extended by an additional day in case of branches having non-Sunday weekly off and for 7 days branches, where branches are functioning on Sunday.

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and proceeds thereof would be credited, at the earliest, on realization.

Normal collection charges will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.

Negotiation of local cheques/instruments drawn on other banks will not be encouraged.

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 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 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.

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

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.

ARRANGEMENTS FOR COLLECTION OF DOMESTIC CHEQUES

INSTRUMENTS DRAWN ON OUR LOCAL AND OUTSTATION BRANCHES:

Cheques drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/business segment, received across the counter or through Drop-Box are not required to be presented in clearing. These instruments shall be disposed of at their end only, subject to ceiling for non-home payment as decided by the Bank & advised to branches from time to time. The instruments will be paid by the receiving branches at their end after verifying the genuineness of the instruments and observing all necessary precautions for payment of instruments, who will afford credit directly to the payee's account.

Cheques drawn on any branch of the our Bank, locally or outstation, will normally be paid on the same day/next day, depending upon the local situations, barring a few exceptional circumstances, for example – insufficient balance, non-availability of drawing power, uncleared balance, cheque number not matching with the cheque range in the system, same cheque number already paid, difference in signature, any lien stop/hold restrictions (statutory, regulatory or otherwise), marked on the account, limit exceeding in case of loan account.

INSTRUMENTS DRAWN ON OUTSTATION BRANCHES OF OTHER BANKS

Cheques drawn on other banks at outstation centres in India will normally be collected through our own 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 correspondent bank.

All "CTS-2010 Standard" Cheques and other Negotiable Instruments (CTS compliant), payable outstation on any banks, would be presented by the branches linked to respective CTS-Grid through the grid based clearing system (Chennai, Mumbai and Delhi Grids).

TIME FRAME FOR COLLECTION OF OUTSTATION INSTRUMENTS:

Cheques drawn on branches of other banks located at State Capitals / Major "A" class Cities / other locations will be collected within 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified as per compensation policy of the bank from time to time shall be paid without insisting / waiting for a request from the customer. Time-limit for collection specified by the Bank shall be treated as the outer limit and credit shall be afforded immediately, if the proceeds get collected earlier.

Outstation cheques will be paid subject to recovery of usual service charges, plus service tax applicable, as per Bank's extant instructions, but such charges shall not be more than the service charges prescribed by RBI for Outstation Collection Charges. No additional charges, postal / Courier charges etc. will be recovered.

With the leverage of CBS and upgradation of technology and introduction of CTS-grid based Clearing at MICR centre, the time frame for collection of outstations cheques for our bank branches / other banks will be as per normal clearing cycle at the respective centre and for all other centres, the time frame for collection of cheques/ instruments is as under:

Particulars		No. of Days
a)	Collections between Metro Centres (Mumbai, Chennai, Kolkata & New Delhi)	7 days
b)	Collections between Metro centres and State Capitals (other than North Eastern States & Sikkim)	10 days
c)	Collections between all other Centres	14 days

The timeframe mentioned above are the outer limits and once the instruments are realized, proceeds should be credited to the customer's account immediately.

INTEREST PAYMENT FOR DELAYED COLLECTION:

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.

(i) Payment of Interest for delayed Collection of Outstation Cheques:

a) Normal delay - upto 90 days beyond normal collection period:

Interest at the rate as applicable for appropriate tenor of fixed deposits or Saving Bank rate, whichever is higher, for the period of delay beyond the bench mark time of 14 days fixed for collection of outstation cheques from the date of lodging of the instrument at the branches.

b) Abnormal delay - more than 90 days beyond normal collection period:

In case of any abnormal delay of more than 90 days beyond the normal collection period, penal interest @ 2 % above the rate as applicable for the appropriate tenor of fixed deposit for the period of delay beyond the bench mark time of 14 days from the date of lodging of the instrument at the branches has to be paid.

If the collection cheque is lodged to the credit of the loan account and if such loan account is in debit balance, the delayed period interest will be calculated at the rate of interest applicable for the concerned loan account.

(ii) Compensation for delayed clearance of local Cheques:

If there is any delay in collection of local cheques beyond the normal course of time and practice, the customers will be compensated at prevailing Savings Bank interest rate on the cheque amount for the delayed period.

The interest for the delayed period is to be paid suo moto and without the customer having to claim it. However interest would not be payable on cheques/instruments lost in transit.

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

CHEQUES / INSTRUMENTS LOST IN TRANSIT / IN CLEARING PROCESS OR AT PAYING BANK'S BRANCH:

In the event of a cheque/instrument accepted for collection being 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 of instrument, bring the same to the notice of the account holder, so that the drawer can be informed to record stop payment, and take care that cheques, if any, issued by him/her are returned with specific remarks and not just dishonored due to non-credit of the amount of the lost cheques/instruments. The Bank would also advise the drawee bank all particulars of lost cheques / instruments for exercising caution and provide all assistance to the customer in obtaining a duplicate instrument from the drawer of the cheque.

In line with the Compensation Policy of the Bank, 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 possible further delay in obtaining duplicate cheque /instrument and collection thereof.
- c) The Bank would also compensate the customer for any reasonable charges which 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, subject to a maximum of Rs. 250/-.

FORCE MAJEURE:

Bank shall not be liable to compensate the customers for delayed credit if some unforeseen event (including, but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fire, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank(s), beyond the control of the bank) prevents it from performing its obligations within the specified service delivery parameters.