

POLICY ON CHEQUE COLLECTION

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POLICY ON CHEQUE COLLECTION

1. Introduction

In view of 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 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 ongoing 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:

- Issue of Cheque Books.
- Collection of cheques and other instruments payable within and across the grid 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. Issue of Cheque Books:

Cheque book may be issued to all account holders in Savings, Current, Cash Credit, Overdraft.

Limit :

Though there is no restriction on number of cheque books to be issued, while issuing cheque books guidelines as per "Manual of Instruction, Chapter VIII, Current/Savings Bank Accounts - General Manual of Instruction Part I, Sl. No.8 Issue of Cheque Books" should be strictly followed.

Issue of multiple cheque books will be considered only in genuine cases, if the demand for multiple cheque books is properly justified by the account holder and supported by operations in the account.

Adequate cautions such as reviewing the transaction history, incidences of dishonor, nature of business, payment culture will be exercised and considered where large number of cheque books are issued to accounts.

If the conduct of the account is not satisfactory, further issue of cheque books will be at the discretion of the Bank and as per the policy.

Personalized cheque books will be issued on specific request from account holder/s and as per the limit prescribed in the particular account scheme.

Limited cheque book (10 cheque leafs per year) will be issued to No frill accounts. Cheque books will not be issued to accounts of Minors, illiterates and small (BSDA) accounts.

Cheque book will be issued to the customer or his authorized representative as per the authority given by the customer, personally at the branch. Cheque books will not be

issued to a third party. When frequent cheque return is observed in customer's account, customer is cautioned. No fresh cheque book would be issued, if the cheque return is continued, the branch will consider closing of account at its discretion as per the Policy.

Charges for Issue of Cheque Books:

Bank may at its discretion levy cheque book charges in any or in all types of accounts. Free cheque book in any product is provided as per the features of the product as approved by the bank from time to time.

3. Arrangements for Collection:

3.1. Local Cheques (Instruments getting cleared within the grid):

Cheque Truncation System (CTS):

In order to facilitate the collection of local cheques/ instruments and settlement of debts arising there from, Reserve Bank of India has constituted Banker's Clearing Houses at Chennai. Banker's Clearing House has its prescribed rules and regulations for the conduct of the Clearing House business and all the member banks are bound by such rules. *RBI has mandated NPCI to conduct the clearing operations.*

Cheque Truncation System (CTS) has been implemented in the year 2010 in Delhi, Chennai and Mumbai centers covering major areas of Northern, Eastern, Southern and Western India. *Presently, three regional grids were merged into single National Grid.*

To leverage the availability of CTS and provide uniform customer experience irrespective of location of her/his bank branch, effective from September 30, 2021, CTS was extended across all bank branches in the country.

The procedure of presenting instruments for collection (outward clearing) and payment of instruments drawn on the Bank presented through Clearing House (inward clearing) is outlined here below:

a. Outward Clearing

All CTS compliant cheques and other Negotiable Instruments drawn on clearing house member banks are received for clearing and presented (by scanning, verifying, affixing digital signature on the same) after duly capturing the instrument details in the CBS.

Once the digitally signed instruments (images) are presented to NPCI the Banks settlement account at RBI (central location) gets the net of credit or debit. *The same will be passed on to the respective service branch Cash with bankers account.* On realisation, respective Service Branch will release the funds to the customer account.

The return of instruments presented in clearing, if any, will be received from NPCI centrally by the service branch. Banks settlement account at RBI (Central location) gets the net of credit or debit. The same will be passed to the respective service branch Cash with bankers account. The service branch will centrally upload the outward returns.

b. Inward Clearing

The Service branch will centrally receive the inward clearing instruments from NPCI. The same will be uploaded by Data Centre the next working day to the respective service branch. Banks settlement account at RBI (Central location) gets the net of credit or debit. The same will be passed to the *respective service branch Cash with bankers account.*

The provisions of Negotiable Instruments Act concerning payment and collection of Negotiable Instruments shall be complied with and appropriate endorsement as prescribed by the clearing house guidelines shall be followed.

3.2. Outstation Cheques

With CTS clearing is being extended to cover all branches of the banks, there shall not be any outstation instruments as such. However, in cases where cheques cannot be presented in CTS Clearing for any reason such as non-participation of the paying bank branch in the CTS clearing, the same will be sent on collection basis to the drawee bank and proceeds will be credited on realisation.

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.

3.3 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 we/ our 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 be explored.

3.4 Immediate Credit of 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 at centers *where the paying Bank branch is not participating in the CTS Clearing*.

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 offered 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 excluding the credit 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.

3.5 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. The standing of the drawer of the cheque shall also be a factor considered while purchasing the cheque.

4. 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.

The collection of cheques / instruments will be done on T+1 basis (subject to intervening holidays at respective branch location).

B. Outstation Cheques / Instruments:

Where the Cheques and other instruments are to be sent for collection to a different center due to non-participating of the paying Bank at the center or for any other reason, the following time norms shall be applied:

- a) Maximum time frame for collection of cheques sent for collection to state capitals / major cities / other locations (other than state capitals and major cities) as defined by IBA, respectively are 7/10/14 days respectively.
- b) 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.

5. 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 customers 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 applicable savings bank interest rate for the corresponding period of delay.

B. For Outstation Cheques / Instruments

- a) Applicable Savings Bank rate for the period of delay beyond 7/10/14 working days for collection of outstation cheques drawn on state capitals/major cities/other locations (other than state capitals and major cities) as defined by IBA respectively.
- 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/presenting bank, then for the unjustified delay by the clearing bank/presenting 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.

6. Cheques / Instruments lost in transit / in clearing process or at presenting bank's branch:

6.1 In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the presenting 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.

6.2 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.

6.3 Miscellaneous:

- a) Cheques which are deposited with wrong account number mentioned in the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours. However, in cases with incomplete address, incomplete phone number/ no phone number mentioned on the Pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.

- b) Cheques received back unpaid will be returned by post/ courier etc., to the customer within 48 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days bank will send them back at the recorded address by post or courier.

7. Delay in re-presentation of Cheques for technical returns and levy of charges thereon:

- 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:

S1 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.

8. Positive Pay System:

In Case of CTS cheques eligible for Positive Pay System the following procedure is to be followed for various flags received from NPCI:

Sl. No.	Flag	Flag Remarks	Action to be taken
1	P	Instrument validated with PPS. No mismatch in Cheque number, Drawee bank MICR and Amount	Since there is no mismatch, Instrument to be passed
2	D	Duplicate instrument already presented. No mismatch in Cheque number, Drawee bank MICR and Amount.	Since the cheque details provided by the customer is already available in the PPS database with NPCI, the instrument to be returned by selecting the code "Other reasons" and giving the reason as "Duplicate Instrument as per PPS data. Refer to Drawer".
3	Y	Amount mismatch. Cheque number and Drawee bank MICR have matched.	Since the cheque details provided by the customer is not matching with the details as per PPS database with NPCI, the instrument to be returned by selecting the code "Others" and giving the reason as "Mismatch in PPS data. Refer to Drawer".
4	Z	Duplicate instrument already presented. Amount mismatch. Cheque number and Drawee bank MICR have matched.	Since the cheque details provided by the customer is already available in the PPS database with NPCI, the instrument to be returned by selecting the code "Others" and giving the reason as "Duplicate Instrument as per PPS data. Refer to Drawer".
5	N	Instrument not part of PPS data	Since the cheque details are not shared by the Drawer and consequently not part of the PPS data base with NPCI,

			the instrument is to be passed as per prevailing banking practices.
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- Where the instrument is to be returned for want of insufficient funds, signature differs, or for any other reasons for which instrument is to be returned in the normal circumstance and also for the reasons as per above flags, the return reason to be mentioned in the return memo will be the reason as per the processing of the instrument in accordance with the normal Banking principles and not as per the PPS return reason.

- No Cheque Return Charges will be collected, in case of the return of the cheques where there is only mismatch in PPS data i.e. under Flag "D", "Y" and "Z" and no other discrepancy in the instrument.

9. 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.

10. 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 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 presenting 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 House.
- 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) Reporting of 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 the reason for return and action taken by the branch 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

concerned branches should report the reason for return and action taken by the branch 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 borrowing 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 **10 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 10 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.

11. Preservation of Outward Cheques/ instruments presented in clearing:

Outward Cheques/ Instruments presented in clearing shall be preserved by the branches in their custody securely for a period of 10 years as required under procedural guidelines for CTS. In case, some specific cheques are required for purpose of any investigation, enquiry, etc., under the law, they shall be preserved beyond 10 years.

Physical instruments shall be properly preserved along with the daily slip bundle, without punching/ tagging/ stapling/ causing damage, in such a way that no material part of the cheque is affected. Branch shall be responsible to comply with the requirement if any from the Statutory Authority/Government/ Court/ other banks whenever called for exhibiting the physical cheque/ instruments.

After completion of the return settlement, the **passed / collected instruments** shall be stamped with “**CLEARED**” seal boldly on the face of the instrument. The stamping in the bottom middle portion of the instrument (above the MICR line) shall be done in such a way that no material information apparent on the cheque is affected in order to ensure that the same is available for any future reference.

12. 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.

13. 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.
