

2024-25



## Table of contents

Sl. No	Content	Page no
1	Introduction	19
2	Arrangement for collection	19
2.1	Cheques presented in local clearing/ CTS clearing	19
2.2	Outstation cheques	23
2.3	Bills for collection	23
2.4	Cheques payable in foreign countries	23
2.5	Immediate credit of local / outstation / instruments	24
3	Time frame for collection of local / outstation cheques / instruments of CTS 2010 standard and cheques drawn on foreign countries	25
3.1	Service charges for collection of cheques denominated in foreign currency	26
4	Payment of interest for delayed collection of local / outstation cheques / instruments	27
4.1	Payment of interest for delayed collections of foreign cheques	27
4.2	Payment of interest for delayed collection of local cheques / instruments	27
5	Cheques / instruments lost in transit / in clearing process or at paying bank's branch	28
6	Force majeure	28
7	Charging of interest on cheques returned unpaid where instant credit was given	29
8	Service charges	29
9	Procedure for return / dispatch of dishonoured cheques	30
10	Information on dishonoured cheques	30
11	Dealing with the dishonored outward clearing instruments and frequent dishonor of inward clearing cheques	30
11.1	Dealing with the dishonored outward clearing instruments	30
11.2	Dealing with frequent dishonour of inward clearing cheques of ₹1 crore and above	31
11.3	Dealing with frequent dishonour of inward clearing cheques of value less than ₹1 crore	31
11.4	General	32
12	Dealing with frequent dishonor of ECS	33
13	Annexure A	34-38
14	Annexure B	39

## Cheque Collection Policy 2024-25

### **1. Introduction**

This collection policy of the bank is a reflection of the bank's on-going efforts to provide better service 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 increase use of technology available in Finacle 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
- Commitment regarding time norms for collection of instruments
- Payment of interest in cases where the bank fails to meet time norms for realisation of proceeds of outstation instruments
- Dealing with collection instruments lost in transit
- Handling frequent dishonor of cheques

### **2. Arrangement for collection**

#### **2.1 Cheques presented in local clearing/ CTS clearing**

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 specified cut-off time will be presented for local clearing or CTS clearing on the same day. Cheques deposited after the cut-off time and in the collection boxes outside the branch premises will be presented for clearing 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. As a policy, bank would give credit to the customer account on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

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



## 2.1.1 Cheque truncation system

The Cheque Collection Policy covers following guidelines issued by the regulators for smooth conduct of clearing cycle.

Cheque clearing process under revised scenario of CTS based clearing system

2.1.1A) Cheque Truncation System is now working as a single grid namely National Grid. Our Chennai Service Branch is taking care of CTS operations.

2.1.1B) All the States/Circles in the country are connected to the single National Grid for CTS, managed by Chennai Service Branch.

2.1.1C) Earlier RBI has enabled clearing of non – CTS cheques in Express Cheque Clearing System (ECCS) with effect from 31.12.2018. Since ECCS was withdrawn by RBI w.e.f. 16.11.2021, non – CTS cheques cannot be presented in clearing.

2.1.1D) The extant procedure for all operational aspects like (a) identified clearing day falls on a holiday, (b) return of non-compliant cheques, if presented in the regular CTS clearing etc., will continue to be followed.

2.1.1E) Clearance of Government cheque is under paper to follow system at CTS clearing centres. RBI has introduced CTS for Government cheques also.

2.1.1F) Bank has stipulated the compensation at the rate of savings bank interest rate for delay in clearance of local cheques beyond the normal period.

2.1.1G) The list of objections for return of instruments and image based cheque clearing, as detailed in uniform regulations and rules for bankers' clearing house, has been placed as annexure-A of this document. In the case of return of cheques, if multiple error (reason) codes are possible and the most serious one will be indicated (marked). For example, the instrument contains more than one reason for cheque return namely drawer signature differs and alteration requires drawer's authentication, the more relevant reason should be indicated (marked) like here drawer signature differs.

2.1.1.H) Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The lists of reasons for return, where the customers are not at fault are indicated in the annexure-B of this document.

2.1.I) 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 presentation through SMS alert, email etc.



2.1.1.J) RBI 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. 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. It is also applicable for the instruments presented in clearing at CTS grid based clearing centres. 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.

2.1.1.K) Reduction of validity of cheque /draft /pay order/banker's cheque from 6 months to 3 months w.e.f. 01.04.2012.

2.1.1.L) Dishonor /return of cheques - bank needs to mention the date of return and 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.

2.1.1.M) 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 mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, RBI permitted banks to collect for such societies account payee cheques drawn for an amount not exceeding ₹ 50,000 on behalf of their constituents.

2.1.1.N) The payment of compensation to the customers on account of delay in collection of outstation cheques is to be paid to the customer without any request from him.

2.1.1.O) The realisation of service charges has been system enabled for automatic recovery of service charges.

2.1.1.P) Collection of CTS-2010 standard cheques at CTS grid

All CTS-2010 standard cheques and other negotiable instruments (CTS compliant), payable locally or outstations on any banks, would be presented by the branches in CTS.

2.1.1.Q) All the centers are now connected to the single CTS grid namely National Grid. The National Grid will adopt RTGS holidays as uniform holidays.



2.1.1.R) Cheques deposited at branch counters and cheques deposited in the drop-box within the branch premises and cheques deposited at CDK machine installed at E-lobbies 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.

2.1.1.S) All drop-boxes / CDK machine installed at E-lobbies shall clearly indicate the timeline as above up to which cheques dropped in the drop boxes would be sent for clearing on the same day.

2.1.1.T) Cheques deposited after the cut-off time in drop-boxes outside the branch premises including off-site ATMs and cheques deposited at CDK machine installed at E-lobbies after the cut-off time will be presented in the next clearing cycle.

## **2.1.2 Positive Pay System**

RBI has introduced Positive Pay System (PPS) for Cheque Truncation System (CTS) with effect from January 01, 2021

The concept of 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.

National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of Rs.50,000/- and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of Rs.5,00,000/- and above

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

In order to comply with the same, Bank has made necessary provision to the customers to enter the PPS details of the cheque issued by them in the separate web portal created by the Bank, <https://www.tmbho.in/positivepay> and through net banking. Customers shall enter the details in the specified web portal with mobile



OTP authentication and with their regular login provisions in their net banking. An e- acknowledgement for the entries made by the customer will be sent to their registered e-mail id.

## **2.2 Outstation cheques**

Cheques drawn on other banks at outstation centres (who are not participating in CTS clearing) will normally be collected through bank's branches at those centres. Where the bank does not have a branch of its own, the instrument would be collected through a correspondent bank or through the bank other than drawee bank. If there is no other banks in the specified location, the instrument may be directly sent for collection to the drawee bank.

HDFC and IDBI Banks are the current correspondent banks to whom the bank has tie-up arrangement for collection of instruments.

Cheques drawn on bank's own branches at outstation centres will be credited with the account on the same date if sufficient balance is available.

## **2.3 Bills for Collection**

Bills for collection including bills discounted required to be collected through another bank at the realizing centre will be forwarded directly to paying bank if we are not having a branch in that place.

### **2.3.1 Payment of interest for delays in collection of bills**

Our bank shall pay interest to the account holder for the delayed period in respect of collection of bills at the rate of 2% p.a. above Savings Bank rate of interest. The delayed period shall be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Dispatch of bills (ii) Presentation of bills of drawees (iii) Remittance of proceeds to the lodger's bank (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributable to the drawee's bank, we may recover interest for such delay from that bank.

## **2.4 Cheques payable in foreign countries**

### **2.4.1. Foreign cheques / drafts denominated in**

- a) USD / GBP / JPY / CHF / CAD / AED / HKD / SGD / AUD
- b) Euro and payable outside Germany



All cheques will be sent directly to the drawee bank with instructions to credit the proceeds to our Nostro account maintained in the respective currency with our correspondent banks. The customer has to pay upfront fee as demanded by the overseas banks at the time of sending the cheques for collection. Since these cheques are handled outside correspondent banking arrangements, the time frame for realisation and overseas charges are on when realised and as charged basis terms.

#### 2.4.2 Foreign cheques / drafts denominated in

- a) Euro and payable in Germany

For collection of cheques payable at foreign centres the services of correspondent banks will be utilised in country / centres where the correspondent has presence.

#### **2.5 Immediate credit of local / outstation cheques / instruments**

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments including at par instruments like interest / dividend warrants, up to the aggregate value of ₹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 automatically. Any specific request from the customer is not required. 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 is no separate stipulation of minimum balance in the account.

Prepaid instruments like demand drafts (drawn by a TMB branch on another TMB branch) etc., will not be treated on par with cheques and immediate credit irrespective of the paying branch will be afforded as the bank has already received funds. The local drafts will be honored if presented in any of the branches on the same city / same clearing centre (intra-city arrangement)

In the event of dishonor 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 unsecured advances plus 2 % penal interest.

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 were 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.

#### 2.5.a Instant credit of cheques in currencies (cheques discussed in para 2.4.2)

In case of cheques/ drafts in currencies discussed in para 2.4.2, the facility of instant credit to customers account will be given upto EUR 200 or its equivalent subject to satisfactory conduct of such accounts for a period of not less than six months. In the event of dishonor of cheques, 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 unsecured advances plus 2% penal interest. This facility is not available for cheques / drafts above the amount of EUR 200 or its equivalent.

#### 2.5.b. Purchase of local / outstation cheques

Bank may at its discretion purchase local / outstation cheques tendered for collection at the specific request of the customer or as per prior agreement. 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 of CTS 2010 standard and cheques drawn on foreign countries**

For local cheques presented in clearing, 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 vogue.

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

Cheques presented at any of the four major Metro centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres (Ahmedabad, Bangalore and Hyderabad) - maximum period of 7 days.

- a) Metro centres and state capitals (other than those of north eastern states and Sikkim) - maximum period of 10 days.
- b) In all other centres - maximum period of 14 days.
- c) Cheques payable in 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. After receipt of the cheque proceeds in our Nostro account, we would give credit to the customer's account after taking into account cooling periods as applicable to the countries concerned. The bank has entered into the correspondent bank arrangement with the banks mentioned in the following table for collection of foreign cheques. The maximum time taken to credit the customer's account is also mentioned.

Drawn on Type	Maximum days for account credit
Foreign cheques / drafts discussed in para 2.4.1	When realised basis -no time limit as these cheques / drafts are being sent directly to the concerned drawee bank

Cheques / drafts discussed in para 2.4.2	Correspondent bank	Maximum days for account Credit
Euro	Commerz Bank	30

- d) The time norms mentioned above are applicable irrespective of whether cheques / instruments are drawn on the bank's own branches or branches of other banks. If the inordinate delay is due to the paying bank, then the bank will seek compensation from the paying banker.

### 3.1 Service charges for collection of cheques denominated in foreign currency

The commission for collection of cheques denominated in foreign currency is 0.25 % with a minimum of ₹ 25 plus applicable taxes at branch.

Cheques / drafts discussed in para	IBD Charges	Courier Charges
2.4.1	₹ 125+ applicable tax	Actuals
2.4.2	₹ 125+ applicable tax	Actuals

The above charges are in addition to the cheque handling charges paid upfront, other charges deducted by the overseas bank (as charged basis) and applicable taxes on foreign exchange transactions.



#### **4. Payment of interest for delayed collection of local / outstation cheques / instruments**

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 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 are 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, the interest will 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.

##### **4.1 Payment of interest for delayed collections of foreign cheques**

The bank will compensate the customer for undue delays in affording credit only after the compensation proceeds are credited to the Nostro account of the bank. compensation will be given for delays beyond one week from the maximum days stipulated.

The bank shall pay the interest at the rate of 2% over its savings bank interest rate in case there is any delay in giving credit beyond one week from the maximum time period stipulated. The bank shall also pay compensation for adverse movement of exchange rates, if any for the delayed period.

##### **4.2 Payment of interest for delayed collection of local cheques / instruments**

The bank shall pay interest to its customers at savings bank interest rate if there is delay in giving credit of local cheques / instruments beyond the time mentioned in para 3, without any demand from customers in all the type of accounts.



## **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 his / 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 bank and not on the account holder.

If the cheque / instrument has been lost at the paying bank's branch, the bank has 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 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 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.
- d. If the cheque is lost by the bank (TMB) charges, if any, for recording stop order will also borne by the bank.
- e. If the cheque lost is a discounted cheque, the customer would be requested to pay the discounted amount, immediately on knowing the same. And the rest of the procedures will follow as above.

## **6. 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, fire, natural disasters or other acts of god, war, damage to the bank's facilities or of its correspondent bank(s) etc) beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters



## **7. Charging of interest on cheques returned unpaid where instant credit was given**

If a cheque sent for collection for which immediate credit was provided by the bank 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. 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 unsecured advances 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.

## **8. Service charges**

For all collection services bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer as indicated in the Code of Bank's Commitment to Customers adopted by the bank.

a. The bank will tell changes in terms and conditions through any one or more of the following channels one month prior to the revised terms and conditions becoming effective:

- i. Letter
- ii. Statements of account
- iii. SMSs
- iv. E-mail

This information will also be made available on the notice boards in bank branches and bank website.

b. Normally changes will be made with prospective effect giving notice of one month.

c. The bank will immediately update on bank website any changes in the terms and conditions.



## **9. Procedure for return / dispatch of dishonoured cheques**

- a. Branches will return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of uniform regulations and rules for bankers' clearing houses.
- b. In relation to cheques presented direct to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such dishonoured cheques to payees / holders immediately.
- c. Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonor as insufficient funds.
- d. In any case the dishonoured instrument will be returned / dispatched to the customer promptly without delay not exceeding 24 hours of dishonour.

## **10. Information on dishonoured cheques**

- a) Data in respect of each dishonoured cheque for amount of ₹ 1 crore and above will be made part of bank's MIS on constituents at central office.
- b) Bank will place consolidated data every quarter before the audit committee of the board in respect of the matters referred to above.

## **11. Dealing with the dishonored outward clearing instruments and frequent dishonor of inward clearing cheques**

### **11.1 Dealing with the dishonored outward clearing instruments**

The Goiporia committee has recommended the following guidelines with regard to dealing about the dishonored instruments which states as follows

- Dishonored instruments may be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
- Reserve Bank of India has come out clearly that banks may ensure that dishonored instrument is returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
- In case of return of cheques / bills, such cheques / bills with return memo should be handed over to the customers on proper acknowledgement within 24 hours

The bank will follow the above guidelines meticulously.



## 11.2 Dealing with frequent dishonor of inward clearing cheques of ₹ 1 crore and above

With a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonor of a 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 no fresh cheque book would be issued. The bank may also consider closing current account at its discretion. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts will be reviewed by appropriate authority higher than the sanctioning authority.

For the purpose of introduction of the condition mentioned above in relation to the operation of the existing accounts, bank may at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.

If a cheque is dishonored for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.

Branch may consider for closing the account after serving 30 days notice to the customer in the event of subsequent dishonor of cheque in the account after issuing cautionary advice.

**11.2 (a) Procedure to handle the customers whose accounts witnessed high value cheque returns for ₹ 1 Crore and above by maintaining very low balance for the reason insufficient funds.**

Branches should strictly advise those customers to stop such unhealthy practices immediately in writing. If such high value cheque returns continue in spite of written warning, branches should follow the guidelines given in the cheque collection policy for 2015 (Point No: 11.2)as detailed above for closing such customers' accounts.

## 11.3 Dealing with frequent dishonor of inward clearing cheques of value less than ₹ 1 crore

Branch shall follow the following procedure for the frequent dishonor of cheques value less than ₹ 1 crore, with a view to enforce financial discipline among the customers bank has decided to introduce a condition for operation of accounts with



cheque facility that in the event of dishonor of a cheque valuing less than rupees one crore drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The bank may also consider closing current account at its discretion. However in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts will be reviewed by appropriate authority higher than the sanctioning authority.

For the purpose of introduction of the condition mentioned above in relation to the operation of the existing accounts, bank may at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.

If a cheque is dishonored for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.

Branch may consider for closing the account after serving 30 days notice to the customer in the event of subsequent dishonor of cheque in the account after issuing cautionary advice.

#### 11.3.1 Charges for dishonor of cheques presented through clearing which are marked with stop payment:

When the cheque is being marked for stop payment by the issuer of the cheque and presented for payment, no cheque return charge will be levied.

#### 11.4 General

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

Bank will place before audit / management committee, every quarter, consolidated data in respect of the matters relating to information on dishonored cheques.



## **12. Dealing with frequent dishonor of ECS**

The practice of issuance of ECS mandates without maintaining adequate funds undermines the credibility of such mandates and is an unhealthy trend that needs to be curbed. As such, bank requests its customers to maintain adequate balance before allowing ECS debit mandate. If it is observed that practice of issuing ECS mandate persists in case of any customer, then such cases shall be dealt as under

- In the same lines mentioned under point 11.1, with a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts where customer is using ECS facility that in the event of dishonor of ECS instructions, drawn on a particular account of the drawer on three occasions during the financial year for want of sufficient funds in the account, the presenting bank must delete this ECS instruction from the list. The bank may also consider closing account at its discretion. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by the appropriate authority higher than the sanctioning authority.
- For the purpose of introduction of the condition mentioned above, in relation to operation of the existing accounts, bank may, at the time of accepting the ECS mandate, issue a letter advising the constituents of the new condition.
- If an ECS instruction is returned for second time on a particular account of the drawer during the financial year, bank will issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential closure of the account in the event of ECS instruction being dishonored on third occasion on the same account during the financial year.

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

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**Annexure A**

Code No.	Reason for return	Implications on return of outward clearing instruments / action that bank will take with indicative time frame
<b>(01-03)</b>	<b>Funds</b>	
01	Funds insufficient	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
02	Exceeds arrangement	Do
03	Effects not cleared, present again.	Do
<b>(04-09)</b>	<b>Reference to drawer</b>	
04	Refer to drawer	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
05	Kindly contact drawer/drawee bank and please present again	Do
<b>(10-19)</b>	<b>Signature</b>	
10	Drawer's signature incomplete	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
11	Drawer's signature illegible	No cheque return charge will be levied.
12	Drawer's signature differs	Do
13	Drawer's signature required	Do
14	Drawer's signature not as per mandate	Do
15	Drawer's signature to operate account not received	Do
16	Drawer's authority to operate account not received	Do
17	Alteration requires drawer's authentication	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours



<b>(20-29)</b>	<b>Stop payment</b>	
20	Payment stopped by drawer	No cheque return charge will be levied.
21	Payment stopped by attachment order	Do
22	Payment stopped by court order	Do
23	Withdrawal stopped owing to death of account holder	Do
24	Withdrawal stopped owing to lunacy of account holder	Do
25	Withdrawal stopped owing to insolvency of account holder	Do
<b>(30-49)</b>	<b>Instrument</b>	
30	Instrument post dated	Do
31	Instrument out dated/stale	Do
32	Instrument undated/ without proper date	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
33	Instrument mutilated requires bank's guarantee	No cheque return charge will be levied. Cheques will be re-presented without any recourse to the payee, within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
34	Cheque irregularly drawn/ amount in words and figures differs	No cheque return charge will be levied.
35	Clearing House stamp/ date required	No cheque return charge will be levied. Cheques will be re-presented without any recourse to the payee within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
36	Wrongly delivered/ not drawn on us	No cheque return charge will be levied. Cheques will be re-presented without



		any recourse to the payee within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
37	Present in proper zone	Do
38	Instrument contains extraneous matter	No cheque return charge will be levied. The instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours.
39	Image not clear, present again with paper	No cheque return charge will be levied. Cheques will be re-presented without any recourse to the payee within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
40	Present with document	Do
41	Item listed twice	No cheque return charge will be levied.
42	Paper not received	No cheque return charge will be levied.
<b>(50 – 59)</b>	<b>Account</b>	
50	Account closed	No cheque return charge will be levied.
51	Account transferred to another branch	Do
52	No such account	Do
53	Title of account required	Do
54	Title of account wrong/incomplete	Do
55	Account blocked (situation covered in ( 21-25)	Do
<b>(60-69)</b>	<b>Crossing / endorsement</b>	
60	Crossed to two banks	No cheque return charge will be levied.
61	Crossing stamp not cancelled	No cheque return charge will be levied.
62	Clearing stamp not cancelled	No cheque return charge will be levied.
63	Instrument specially crossed to another bank	No cheque return charge will be levied.
64	Amount in protective crossing incorrect	No cheque return charge will be levied.

65	Amount in protective crossing required/illegible	Do
66	Payee's endorsement required	Do
67	Payee's endorsement irregular / requires collecting bank's confirmation	No cheque return charge will be levied. Cheques will be re-presented without any recourse to the payee, within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal	No cheque return charge will be levied. The instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
(70-79)	RBI /Government	
70	Advice not received	No cheque return charge will be levied.
71	Amount / name differs on advice	No cheque return charge will be levied.
72	Drawee bank's fund with sponsor bank insufficient	No cheque return charge will be levied.
73	Payee's separate discharge to bank required	No cheque return charge will be levied.
74	Not payable till 1 <sup>st</sup> proximo	No cheque return charge will be levied.
75	Pay order/ cheque requires counter signature	No cheque return charge will be levied.
76	Required information not legible/ correct	No cheque return charge will be levied.
(80-99)	Miscellaneous	
80	Bank's certificate ambiguous/ incomplete/ required	No cheque return charge will be levied.
81	Draft lost by issuing office/ confirmation required from issuing office	No cheque return charge will be levied.
82	Bank/branch blocked	No cheque return charge will be levied.
83	Digital certificate Validation failure	No cheque return charge will be levied.
84	Other reasons-connectivity failure	No cheque return charge will be levied.
85	Alterations on instrument- Other than "Date" field	No cheque return charge will be levied.



	(alteration/correction on instruments are prohibited under cheque truncation system. Return reason code applicable to instruments presented in CTS)	
86	Fake/forged/stolen-draft/cheque/cash order/interest warrant/dividend warrant	Do
87	Payee's a/c credited stamp required	No cheque return charge will be levied. Cheques will be re-presented without any recourse to the payee, within the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc.
88	Other reasons (please specify)	Cheque return charges will be levied. Dishonored instrument will be returned / dispatched to the customer promptly without delay on the same day but in any case within 24 hours
92	Bank excluded	No cheque return charge will be levied.



## Annexure B

The illustrative but not exhaustive list of reasons for return, where the customers are not at fault and no cheque return charges will be levied

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 1 <sup>st</sup> proximo
75	Pay order/cheque 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

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