

POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS AND DISHONOUR OF INSTRUMENTS

1. Introduction

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation Instruments and (iii) Interest Payment for Delayed Collection. The withdrawal of these mandatory guidelines was expected to enable market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments. 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 performance. The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increased use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centres within India and abroad.
- Our commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Our policy on dealing with collection instruments lost in transit.
- Our policy on 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 centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection 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 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 it would be the bank's endeavour to credit the proceeds at the earliest.

2.1a Speed Clearing

Speed Clearing refers to collection of outstation cheques through local clearing. The facility is presently extended at 66 MICR CPC locations through Speed Clearing System of RBI. With Speed Clearing any outstation cheques/instruments drawn on CBS enabled branches of member banks are presented in local clearing at MICR centres and treated at par with local cheques. However such cheques will be subject to Speed Clearing charges not exceeding the one as specified by RBI for the purpose.

2.2 Outstation Cheques

For cheques drawn on bank's own branches at outstation centres, same day credit will be provided to the customers through our intersol transfer system.

Cheques drawn on other banks at outstation centres which do not fall under Speed 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 directly sent for collection to the drawee bank or collected through a correspondent bank.

2.3 Cheques payable in Foreign Countries

Cheques payable at foreign centres where the bank has branch operations (or banking operations through a subsidiary etc.) will be collected through that office. The services of correspondent banks will be utilised in country/centres where the correspondent has presence. Cheques drawn on foreign banks at centres where the bank or its correspondents do not have direct presence will be sent direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

2.4 Immediate Credit of Local/Outstation Cheques/Instruments

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of ₹15,000/- tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period of 6-12 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 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 overdraft limits sanctioned for individual customers.

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

- a) Opened at least six months earlier and complying with KYC norms.
- b) Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- c) Where no cheques/instruments drawn for which immediate credit was afforded returned unpaid for financial reasons.
- d) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

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

2.5 Purchase of local/outstation cheques

Bank may, at its sole 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 will also be a factor considered while purchasing the cheque.

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

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 on T+1 or T+2 day as per return clearing norms in vogue at that centre.

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

- a) Cheques/ instruments drawn on one of our branch deposited at another center - Same day
- b) Cheques/instruments drawn on other bank and sent for collection to:
 - i. Centres where we have a branch – Maximum T+6 days
 - ii. Centres where we do not have a branch – Maximum T+10 days

Cheques drawn on foreign countries: The bank is committed to ensuring that instruments drawn in foreign currencies and payable outside India are collected in the quickest and most efficient manner. Towards this the bank may enter into specific collection arrangements with its correspondent banks in those countries for speedy collection of such arrangement(s). Bank would give credit to the party upon realization of proceeds in the bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

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

The above time norms are applicable irrespective of whether cheques/ instruments are drawn on the bank's own branches or branches of other banks.

4. Payment of Interest for delayed Collection of Local/ Outstation Cheques and Cheques Payable outside India

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments under 4.a, b, c & d given below 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 T+2 days in collection of local cheques.
- b) Base Rate for the period of delay beyond T+6 days in collection of outstation cheques sent to Bank's own branches at other centres.
- c) In case of cheques sent to other bank branches for collection where delay is beyond T+10 days interest will be paid at the rate applicable to term deposit for the respective period or Savings Bank rate, whichever is higher.
- d) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.
- e) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- f) In case of cheques drawn on foreign countries interest at the rate of savings bank interest rate will be paid on the amount of cheque collected for any delay from the value date of credit to the Nostro Account till the date of actual credit to customer's account.

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 accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not

dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the accountholder 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 (T+2/T+6/T+10 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 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.

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, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

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. 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 overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/ instrument was returned unpaid to the extent the bank was out of funds.

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.

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/ despatched 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 Rs.1 crore and above will be made part of Bank's MIS on constituents at Central Office.
- b) Data in respect of cheques drawn in favour of stock exchanges and dishonoured will be taken separately irrespective of the value of such cheques as a part of Bank's MIS relating to broker entities at Central Office.
- c) Bank will place before Audit / Management Committee, every quarter, consolidated data in respect of the matters referred to above.

11. Dealing with incidence of frequent dishonour

11.1 Dealing with frequent dishonor of cheques of ₹1 crore and above

- a) 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.

- b) For the purposes of introduction of the condition mentioned at (a) above in relation to 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.
- c) If a cheque is dishonoured 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 dishonoured 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.

11.2 Dealing with frequent dishonor of cheques of value of less than ₹1 crore

- a) On the same lines mentioned 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 cheques of value of less than ₹1 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.
- b) For the purposes of introduction of the condition mentioned at (a) above in relation to 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.
- c) If a cheque is dishonoured for a fourth 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 dishonoured on fifth occasion on the same account during the financial year. Similar cautionary advice will be issued if the bank intends to close the account.

12. 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 dishonoured cheque) in any proceeding relating to dishonoured 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.

At the cost of repetition, it is reiterated that, all the cheques, if they are to be returned for want of funds in the account, then they will be returned with the reason "insufficient funds in the account" only.

13. SMS/e-mail Alerts

The Bank as a policy will enable the customer to receive SMS/e-mail based alerts for realization or dishonour of instruments sent through clearing/ collection.

14. 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.
15. The policy shall be valid for the financial year 2015-16 and its continuity may be extended for a further period not exceeding six months with the specific approval of Chairman & Managing Director.
