

## **POLICY ON COLLECTION OF CHEQUES / 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 covers the following aspects:

- ❖ Collection of cheques and other instruments payable locally, at centers within India and abroad.
- ❖ Our commitment regarding time norms for collection of instruments.
- ❖ Payment of interest in cases where the time norms for realization of proceeds of outstation instruments could not be met.
- ❖ Dealing with collection instruments lost in transit.

### **1. ARRANGEMENTS FOR COLLECTION**

#### **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 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.

Branches situated at centers where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the Bank's endeavour to credit the proceeds at the earliest.

#### **Speed Clearing:**

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

#### **Cheque Truncation System:**

After successful implementation of CTS at National Capital Region, New Delhi during July 2009, Grid Based CTS was introduced at Chennai during September 2011 covering the States of Tamilnadu, Kerala, Karnataka, Andhra Pradesh, Puducherry & clearing houses of Chandigarh, Ludhiana & Kolkata. Western Grid CTS clearing with Mumbai as focal point covering the States of Maharashtra, Goa, Madhya Pradesh, Chattisgarh & Gujarath etc. came into existence from July 2013. Grid CTS is contemplated to cover Pan-India by Dec 2013. Service Branch, New Delhi, Chennai & Mumbai are functioning as focal point branches for National Capital Region CTS, Southern & Western Grid CTS respectively.

**“Under grid-based CTS clearing, all clearing instruments drawn on Bank branches falling within the grid jurisdiction are treated and cleared as local cheques on T+1 basis”.**

The following procedure is practiced by the Branches who are participating in the Outward Clearing with Service Branch, Bangalore.

1. Clearing instruments are booked in the system up to the day's clearing time with 2 days float (T+2) and the clearing instruments along with schedules are handed over to the courier for onward delivery to Service Branch (CAO).
2. Service Branch will scan the received instruments and forward to Chennai CTS grid electronically on the same day evening.
3. Status of the cheques will be received by the Service Branch on the 2nd day (T+1) at around 4:00 PM and Service Branch will copy the list of dishonoured cheques along with the outward booking details Branch-wise at DIT node: \\172.18.200.222\d\$\ in respective Branch BIC folders.
4. The previous day's booking amount and return amount will be credited and debited respectively to the branch collection accounts on the second day (T+1) itself by the Service Branch.
5. Branches make the fund effect process after verifying the returns on the 3rd day morning after opening the Branch Batch.

RBI has made changes to the present procedure being followed in CTS clearing in respect of Government transactions vide their circular No. RBI/2014-15/237 DGBA.GAD.No.H-1204/ 42.01.035/2014-15 dated 18.09.2014.

Salient features of the modified procedure are as below:

- i. The Government Cheques would be paid in CTS clearing based on their Electronic image.
- ii. In case any drawee bank desires to verify the Government Cheque in physical form before passing it for payment, the image would be returned unpaid under the reason "Present with Documents".
- iii. The presenting bank is required to preserve the physical cheques in their custody securely for a period of 10 years. In case some specific cheques are required for the purpose of any investigation, enquiry etc., such cheques may be preserved for a period beyond 10 years.
- iv. Images of all Government cheques paid should be preserved by the drawee banks for a period of 10 years.
- v. Drawee Bank branches are required to make common electronic file on daily basis, containing images of all Government cheques paid by them through clearing/transfer/cash.
- vi. These electronic files containing images of cheques paid by clearing/transfer/cash, required to be sent to the concerned Government Department on daily/weekly/monthly basis.
- vii. The CTS is operated on Grid basis. Hence the government cheques drawn on RBI/Agency banks may be presented against the drawees within the grid only.

**The revised guidelines would be effective from 01.01.2015 as per the RBI Cir No. RBI/2014-15/246 DGBA.GAD.No.H-1463/ 42.01.035/2014-15 dated 30.09.2014.**

#### **Outstation Cheques:**

Cheques drawn on other banks at outstation centers other than those covered under speed clearing above will normally be collected through Bank's branches at those

centers. Where the Bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank.

Cheques drawn on Bank's own branches at outstation centers will be collected using the inter-branch arrangements in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of our branches in the CBS network.

**Cheques payable in Foreign Countries:**

Instruments payable at foreign centres will be collected through its Overseas Branch situated at foreign centres or Correspondent banks either under Immediate credit basis under Cash letter services scheme offered by some Correspondent Banks or on Final Credit basis but not guaranteed under Collection service or Guaranteed Final Credit (without recourse) services offered by some select correspondent banks with cost. In case no services of Correspondent Bank or its Branch is available, the instruments will be sent directly to the drawee Bank on which the instruments are drawn for collection with a request to credit to Bank's Nostro account abroad.

Rate of Exchange applicable to the credit shall be the rate fixed by the Bank as on the date of credit to the customer's account or on the date of conversion. T & IBD, Mumbai has centralised tie-up arrangement with USD/Euro/CAD correspondents for collection of all cheques at their office in order to reduce the transit time for moving the cheques from branches to correspondent banks. As regards other currencies, the branches will be sending the cheques directly to the respective correspondent for collection.

**Immediate Credit of Local/ Outstation Cheques/Instruments:**

Branches/extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15000/- (rupees fifteen thousand only) tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centers where no formal clearing house exists.

The facility of immediate credit would also be made available in the case of instruments denominated in U.S. Dollars and other foreign currencies provided the rupee equivalent of such instruments is not more than Rs.15000/- subject to the same norms as applicable to domestic cheques. However, in the event of such instruments being returned due to non-payment, the customer concerned will be required to bear the loss on account of movement in exchange rates and pay overdue interest at the prescribed rate for the period the advance was outstanding.

The facility of immediate credit will be offered on Saving 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 (of other banks) and Interest / Dividend warrants payable at par 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 for which immediate credit was afforded, was 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. Discount 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.

#### **Purchase of local/outstation cheques**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

To prevent cheque related fraud cases, Reserve Bank of India has suggested implementing “**checking at multiple levels of cheques with threshold limit of 5.00 lakhs initially**”.

Keeping in view the above suggestion of RBI, Branches to additionally follow the measures mentioned below as part of inward clearing work.

#### **Verify ST 035 (details of passed cheques) and follow the steps as under:-**

1. Identify cheques of 5.00 lakhs and above (Thresh hold limits will be reduced gradually over a period of time).
2. Contact the customer and inform the details of the cheque/s presented.
3. Verify the cheques for their genuineness.
4. Obtain letter from the drawer of the cheque if any objections raised by the drawer and contact Service Branch for returning the cheque.
5. Make an entry in a register with full details for having contacted the customer (Alternatively generate ST 035, put remarks against the concerned cheque and maintain record of the same

## **2. TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION 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 as per return clearing norms in vogue at that centre.

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

- (a) Cheques presented at any of the major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centers: Maximum period of 7 days\*.
- (b) Other Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days\*.
- (c) In all other Centres: Maximum period of 14 days\*.
- (d) Cheques drawn on 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 instruments. Bank would give credit to the party on credit of proceeds to the bank's Nostro account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned. Maximum time period (inclusive of cooling period ) for affording the credit shall be 45 days .

\* Holidays are to be excluded for the purpose of reckoning the collection Period prescribed above.

The above time norms are applicable irrespective of whether cheques / instruments are drawn on the Bank's own branches (except CBS branches for which time norms are as mentioned in Para (a) above) or branches of other banks.

### 3. **PAYMENT OF INTEREST FOR DELAYED COLLECTION OF LOCAL CHEQUES**

**As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection of local instruments in case there is delay in giving credit beyond the time period mentioned here below. Such interest shall be paid without any demand from customers in all types of accounts.**

**Interest for delayed collection of local cheques/ instruments shall be paid at the following rates:**

#### **Domestic instruments:**

- (a) **Savings Bank rate for the period of delay beyond three working days in collection of local cheques (Holidays are to be excluded for the purpose of reckoning the stipulated collection period).**
- (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 case 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 overdraft /loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to overdraft / loan account.

#### **4. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES**

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 under (2) 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:

##### **Domestic instruments:**

- (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 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.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

Where the delay in collecting the proceeds of an instrument is on account of unjustified delay on the part of the clearing bank, the sending branch of our Bank shall duly inform the same to the lodger so that he/she can take appropriate action including referring the matter to the Banking Ombudsman for redressal. In such cases, for the delay by the clearing bank, our Bank would not be liable to pay interest after the expiry of the maximum period for collection i.e. 7/10/14 days as applicable.

If the sending branch of our Bank receives clearing advice from the clearing bank prior to the expiry of the outer limit i.e. 7 / 10 / 14 days ) as applicable, the credit shall be given to the customer on the same date or the following date.

\* Holidays are to be excluded for the purpose of reckoning the collection period prescribed above.

##### **Instruments denominated in US dollar and other foreign currencies.**

“In the case of instruments denominated in US dollar and other foreign currencies, interest for delayed credit / collection shall be payable at the following rates.”

- (a) Credit shall be afforded to the account of the customer immediately on the nostro account of the bank getting 'final' credit for the item under collection. If the credit is

afforded on a subsequent date, interest is payable at Savings Bank rate from the date of credit to the nostro account to the date of crediting the customer's account. The interest shall be calculated on the amount actually credited to the customer's account.

The above is not applicable to "immediate credit" received for an instrument under collection; in which case, "cooling period" is mandatory.

- (b) Where proceeds of instruments are not collected for reasons attributable to an act of omission/commission on the part of the Bank, interest shall be payable at the following rates:
- i) Interest at Savings Bank rate up to 14 days beyond the normal period of collection (including cooling period, if any), subject to such normal period not exceeding 45 days.
  - ii) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
  - iii) 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.
  - iv) If the proceeds of the cheque under collection was to be credited to the overdraft / loan account of the customer, interest will be paid at the rate applicable to such account. In case of extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan 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 or in the collecting bank 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 dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank 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 (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 Saving 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 the duplicate instrument.

In case a cheque is lost after it is discounted, no interest shall be levied from the date of reporting of loss.

## **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, bundh, 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 the bank provided immediate credit 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 wherever 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 CHARGE**

For all collection services the 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 banks commitment to customers adopted by the bank.