

## **Bank's Policy on Collection of Cheques/Instruments**

### **1. Preamble**

1.1 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, RBI has observed that prescription of a single set of rules may not be appropriate.

1.2 Pertinently, in most countries banks are obliged to develop their own individual policy / procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights.

1.3 Hence, efficiencies in collection of proceeds and providing funds to customers in time is best achieved through a spirit of competition among the banks rather than through issue of guidelines by RBI.

1.4 The withdrawal of the mandatory guidelines viz.Immediate credit of Local/Outstation instruments, the relative time frame for collection of such instruments and interest payment for delayed collection by RBI was expected to enable the market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments.

1.5 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.

### **2. Scope of the Policy**

2.1 This policy document covers the following aspects:

- a. Collection of cheques and other instruments payable locally at centres within India and abroad.
- b. Commitment regarding time norms for collection of instruments.
- c. Payment of interest in cases where the Bank fails to meet the time norms for realisation of proceeds of outstation instruments.
- d. Collection instruments lost in transit.

### **3. Collection of Cheques and other instruments**

#### **3.1 Local Cheques**

3.1.1 All cheques and other negotiable instruments payable locally would be presented through the clearing system prevailing at the centre.

3.1.2 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.

3.1.3 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 available clearing at the centre.

3.1.4 The **cut-off time** for acceptance of cheques shall be displayed in the branches and it is applicable for all cheques including those received towards government taxes.

3.1.5 As a policy, branches would give credit to the customers' accounts on the same day in which the clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the Clearing House of that centre. Wherever applicable, facility of high-value clearing (same day credit) will be extended to the customers.

3.1.6 Where no Clearing House exists in a centre, branches shall present local cheques to drawee banks across the counter and it would be their endeavour to credit the proceeds at the earliest.

3.1.7 Branches having clearing facility shall display a Notice Board in the banking hall containing the following so that the customers can have a clear picture of the clearing process:

- a. The cut-off time upto which the cheques received at their counters would be sent in the same day clearing,
- b. The time when the customer's account shall get credited with the relative proceeds and
- c. When the customers would be able to utilise these proceeds.

### **3.2** *Outstation Cheques*

**3.2.1** Cheques drawn on other banks at outstation centres will, normally, be collected through our branches at those centres.

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

**3.2.3** Our Bank would also use the National clearing services offered by Reserve Bank of India at those centres where such collection services exist.

3.2.4 Cheques drawn on our branches at outstation centres will be collected using the inter branch arrangement in vogue.

3.2.5 Networked branches which are connected through a centralised processing arrangement and are offering anywhere banking services will provide same day credit to their customers in respect of outstation instruments drawn on any of our branches in the CBS network subject to recovery of appropriate charges prescribed by the Bank.

### **3.3** *Cheques payable in Foreign Countries*

3.3.1 Cheques payable at foreign centres where our 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 countries/centres where the presence of our correspondents exists.

3.3.2 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 or any bank situated in the centre with instructions to credit proceeds to the respective Nostro Account of the Bank maintained with one of the correspondent banks.

#### **4. Immediate Credit of Local/Outstation Cheques/Instruments**

4.1 Branches and Extension Counters of the Bank can afford immediate credit of outstation cheques/ instruments upto an aggregate value of Rs.15000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts.

4.2 A satisfactorily conducted account shall be the one

- a. which is opened at least 6 months earlier and complying with KYC norms,
- b. conduct of which has been satisfactory and the branch had not noticed any irregular dealings,
- c. where no cheque/instrument for which immediate credit afforded earlier was returned unpaid for financial reasons and
- d. where the branch had not experienced any difficulty in recovery of any amount advanced in the past including cheques returned, after giving immediate credit.

4.3 Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement.

4.4 A branch can also afford immediate credit for an instrument if it is payable at par at that branch and also DDs drawn on the Service branch (if available) to which that branch is attached to.

4.5 The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.

4.6 The facility of immediate credit will be offered on Savings Bank, Current and Overdraft accounts of individuals subject to recovery of charges as per HO circular.

4.7 For extending this facility there will not be any separate stipulation of minimum balance in the account.

4.8 The customer's account should be in his/her personal name and should not contain transactions relating to business. Such accounts may be in the single or joint name/s.

4.9 Trading concerns whether proprietary, partnership or company and accounts not in the names of individuals are not eligible.

4.10 This facility is also not available to minors, non-residents and individuals who are ineligible for any credit facility in general viz., insolvent, lunatic, etc.

4.11 Prepaid instruments like Demand drafts, Interest/Dividend warrants shall be treated on par with cheques under this policy.

4.12 Endorsed cheques are not acceptable under this facility.

4.13 Customers shall have to use only the prescribed pay-in-slip containing the request clause for availing this facility.

4.14 In the event of dishonour of a cheque against which immediate credit was provided, interest shall be recovered from the customer for the period the Bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

4.15 Bank shall levy normal charges and out of pocket expenses as per extant guidelines while providing immediate credit against outstation instruments tendered for collection.

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

5.1 A cheque deposited by a customer can be purchased by the branch provided the customer has a sanctioned limit or makes a specific written request. Besides satisfactory conduct of the account, the standing of the drawer of the cheque will also be a factor to be considered while purchasing a cheque.

5.2 The request can be considered by the Branch Manager on a case-to-case basis as per the discretionary powers delegated to him or after obtaining permission from the Circle Office/Head office.

## **6. Time Frame for Collection of Local/Outstation Cheques/Instruments**

6.1 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 ranging from 48 to 72 hours (in the normal circumstances) depending on the location of the branch.

6.2 Cheques / instruments presented in **High Value Clearing** (with the minimum value of Rs.1 lakh) shall be credited on the same day. This is applicable only in areas covered by high value/same day clearing.

6.3 In case of **Out station Cheques** and other instruments sent for collection to centres within the country the following time schedule shall be adhered to for realisation by branches:

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	Maximum period of 7 days
Metro Centres and State Capitals (other than those of North Eastern States and Sikkim)	Maximum period of 10 days.
In all other centres	Maximum period of 14 days

#### 6.4 *Cheques payable in Foreign Countries*

6.4.1 Such instruments are accepted for collection on the '**Best of Efforts**' basis. The Bank may enter into specific arrangement with its correspondent bank for speedy collection of such instruments. Branches shall give credit to the parties only on receipt of the proceeds to the credit of the Bank's Nostro Account with the correspondent bank, after taking into account the cooling period as applicable to the country concerned.

6.4.2 The Bank assumes no responsibility for the genuineness of the instruments tendered by the customers and accepted by it for collection.

### **7. Payment of Interest for delayed Collection of Outstation Cheques**

7.1 The Bank shall pay interest to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time frame mentioned in para 6.3. **Such interest shall be paid without any demand from the customers** in all types of accounts.

7.2 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.

7.3 Interest for delayed collection shall be paid at the following rates:

7.3.1 Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.

7.3.2 Where the delay is beyond 14 days interest will be paid at the rate applicable to a term deposit of the respective period.

7.3.3 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.

7.3.4 In the event of the proceeds of cheque under collection is 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.

7.4 The interest payment as given under para 7.3 above shall be applicable only for instruments sent for collection *within* India.

### **8. Cheques/Instruments lost in transit/clearing process or at paying branch**

8.1 If 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 the loss, bring the same to the notice of the account holder so as to enable him to inform the drawer to record stop payment. This shall also facilitate the payee to take care of those cheques, if any, issued by him/her are not dishonoured due to non-credit of the amount of lost cheques/instruments.

8.2 The Bank shall provide necessary and reasonable assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

8.3 The Bank shall compensate the account holder in respect of instruments lost in transit as under:

8.3.1 If the intimation of 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 shall be paid for the period exceeding the stipulated collection period at the rates specified above.

8.3.2 In addition, the 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 a duplicate cheque/instrument and collection thereof.

8.3.3 The Bank shall also compensate the customer for any reasonable charges he/she incurs in getting a 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.

8.3.4 The Bank shall also bear charges related to recording Stop Orders, in the event of loss of cheques/instruments in transit.

8.3.5 In case of loss of a cheque which was discounted by the Bank, the charges to obtain a duplicate may be borne by the bank provided the duplicate is realised. In case of any return, the customer has to bear the charges in addition to paying commission, interest on the amount of the cheque and other handling charges like postage etc.

## **9. Force Majeure**

9.1 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 which may prevent it from performing its obligations within the specified service delivery parameters.

## **10. Charging of Interest on cheques returned unpaid where Instant Credit was given**

10.1 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 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 shall be charged on the notional overdrawn balances in the account had credit not been given initially.

10.2 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.

10.3 If the 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.

**11. Service Charges**

11.1 For all Collection services, branches shall recover appropriate service charges as prescribed and communicated by Head Office from time to time.