

Policy on Collection of US DOLLAR Denominated Cheques - 2018-19

1. Preamble

1.1 Reserve Bank of India on a study of US Dollar cheque collection practices of banks, suggested banks to initiate certain steps to provide customer friendly collection arrangements. Based on the suggestions received from Reserve Bank of India our Bank's Board approved policy on "Collection of US Dollar denominated cheques.

1.2 This portion of the policy covers guidelines for collection of US Dollar Denominated instruments payable abroad.

2. Scope of the policy:

2.1 This policy is framed based on the principles of transparency and fairness in the treatment to customers. This policy covers the following aspects.

- Collection of cheques and other instruments payable at USA
- Dissemination and display of policy.
- Commitment on increased use of technology and customer awareness.
- Reduction in transit time.
- Service charges
- Payment of interest
- Payment of compensation
- Instant credit for small value cheques.
- Customer complaints.
- Other issues.

2.2 The policy specifies acceptance of instruments for collection as per RBI direction and the time for collection of overseas instruments based on experience and not merely mentioning 'Best of Efforts basis" and affording of credit to customers account only on receipt of proceeds to the credit of Bank's Nostro Account.

2.3 This policy covers the commitment to increased use of technology to provide quick collection services to customers. Branches shall educate/ inform the customer on the collection mode based on need, convenience and cost, including the advantages of using electronic modes of payment.

3. Collection of cheques and other instruments payable at USA

3.1 This policy covers handling of US Dollar denominated foreign currency instruments payable at USA through US Dollar Nostro Correspondent Banks and applicable service charges. The bank assumes no responsibility for the genuineness of the instruments tendered by the customers and accepted by it for collection.

3.2 Branches may utilize three type of services viz. (a) Cash Letter Services, (b) Cheque Collection/final credit services “ and (c) Cheque 21 services.

4. Cash letter services

4.1 Under this service, clean instruments payable in USA are forwarded to the local representative offices of Nostro Correspondent Banks in a pre-printed serialized deposit tickets provided by them for onward movement of images of the instruments to their US offices.

4.2 This system represents the most common means of paying the proceeds of a cheque worldwide, as it is less work-intensive and usually less costly than the other system and is usually free of charge. In this system, immediate credit is given to the nostro account subject to final payment i.e. the nostro account is credited immediately under reserve upon receipt of instruments and are subsequently sent to the drawee banks for realization. Under this system, normally funds are being credited to the nostro account within 7 to 10 days from the date of handling at branch level. There is a cooling period/fall back period of 21 days prescribed to take care of the cheque return practices in US and hence credits are available to customers taking into account the cooling period also. However, in case of forged endorsements, material alteration, counterfeit etc, the fall back period extends up to 1 year for altered cheques, 3 years for frauds and 7 years for Treasury cheques. Therefore, the bank runs a potential credit risk, in case the cheque is returned.

4.3 Branches may part with the amount only after expiry of the reserve period except for very valued customers where the branch is confident of recovering the amount, in case of return of the instrument.

5. Direct Collection Arrangement (DCA)

5.1 Cheques shall be sent by the bank in India directly to the drawee banks in USA for collection. Usually collection services ensure receipts of clear funds i.e., risk of return is almost eliminated. Therefore, high value cheques are generally sent under Collection though the time taken may be more.

6. Selection of mode of collection

6.1 Unless specifically requested by the customer for Direct Collection Arrangement (DCA), branches shall be offering the US Dollar cheque collection only under “cash letter format”.

7. Reduction in transit time

7.1 Branches to reduce the transit time for moving the cheques to Correspondent Banks by handling the cheques on the same date of receipt and use of efficient and reliable courier/postal service. The period for collection is stipulated at 5 to 7 working days from the date of deposit of cheque (with recourse basis under cash letter services) with a cool off period of 21 days from the date of credit to the Nostro account.

8. Service charges

8.1 For all Collection services, branches would recover appropriate service charges as prescribed and communicated by Corporate Office from time to time.

9. Payment of interest

9.1 Banks would pay interest on the amount of cheque from the date of sighting credit in their Nostro account till such time the customer account is credited. Interest shall be paid minimum at the savings bank rate calculated on the amount of proceeds credited to the customer's account. The foreign exchange rate on the date of credit to our Nostro account shall be the basis for calculation of interest irrespective of the rate prevailing on the date of claim/calculation/settlement.

10. Payment of compensation

10.1 RBI suggested payment of compensation by way of additional interest to the customer for delay in collection beyond the declared collection period, without the customer requesting for the same and such interest shall be on "step-up basis" for the period of delay. Accordingly, this policy envisages payment of compensation by way of additional interest at 2% over and above SB interest for the period of delay beyond 21 days from the date of deposit of the cheque till the date of credit to customers account in case of cheques sent under Cash Letter Services.

11. Instant Credit for Small Value Cheques

11.1 Immediate Credit of Foreign Currency Cheques Payable Overseas (IFOC) facility is already in place. The important provisions of this scheme are detailed below:

- Individuals and Joint account holders maintaining properly introduced SB accounts with the branch at least for one year are eligible to have this facility
- Only personal cheques drawn in USD and Euro can be purchased under this facility. However, cheques drawn in US Dollar and payable outside USA will not be covered under this facility.
- Amount eligible to be purchased is equivalent of USD 500.
- This scheme is applicable to all branches excluding rural branches.

- In case of return of cheques, the branch has to recover interest as applicable to BP returned unpaid, from the date of purchase until the date of debit to the account / recovery from the customer.
- Customers who conform to the eligibility criteria can be extended immediate credit facility to more than one cheque at a time within an overall limit of equivalent of USD 500 as the case may be.

12. Customer complaints

12.1 Customer complaints on delay in collection / receipt of proceeds will be attended to immediately.

13. Applicability of US Regulation

13.1 The basic legal framework for determining rights, responsibilities and liabilities of the parties in connection with the collection of USD denominated cheques drawn on US Banks are governed by the legal framework as laid down under the US federal and state laws like Uniform Commercial Code (UCC) etc. However, in the event of return of a counterfeit cheque handled through this process, the drawee Bank in US has the right to recover the proceeds from the presenting banks within the period stipulated under US Clearing House guidelines.

14. Other Guidelines

14.1 Bank will ensure continuous evaluation of the practices and adopt the same wherever feasible.

14.2 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, accidents, 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 happens which may prevent it from performing its obligations within the specified service delivery parameters.

14.3 Local laws prevailing in USA will be applicable on return of cheque and customer is liable to return back funds to the bank, in case the cheque is returned unpaid after the funds are credited to the customer’s account and also the customer will be liable to pay any incidental charges that might have been debited by the Correspondents, towards return of the cheque.