

Section A: Policy on Frequent Dishonour of Cheques and NACH/ECS mandate

1.Purpose of the Policy:

The purpose of Policy is to provide operational guidelines for ensuring financial discipline by the customers with regard to honouring of cheques and ECS mandate.

2.Scope of Application

The policy is applicable to all branches and Service Branches of the Bank who will be processing the cheques and ECS mandates received from the customers. All employees shall be familiar with the contents of this document and should exercise sound judgment to act within the policy framework in their daily work.

3.Objectives of the policy

This policy aims to enforce financial discipline among the customers, for operation of accounts with cheque/ECS mandate facility, in the event of dishonour of a cheque or ECS drawn on a particular account of the drawer for want of sufficient funds in the account.

4.Regulatory reference

Important instructions issued by Reserve Bank of India for dealing with frequent dishonour of cheques and ECS mandates vide Master Circular No.DBR.NO.Leg.BC.21 / 09.07.006/2015-16 dated 01.07.2015.

RBI vide letter dated 25/09/2020 directed all banks to introduce "Positive Pay System" (PPS) for CTS Clearing with effect from 01/01/2021.

5.Preamble

Reserve Bank of India Master Circular on Customer Service, provide the guidelines for dealing with frequent dishonour of Cheques. Wherein, Para 15.4 of aforesaid Master Circular stipulates the procedure to be adopted for dealing with frequent dishonour of cheques of value of Rs.1 crore and above and Para 15.5 stipulates enacting a Board approved policy for dealing with frequent dishonour of cheques of value of less than Rs.1 crore and also with matters relating to frequent dishonour of ECS mandates.

6.Positive Pay System (PPS)

The concept of Positive Pay involves a process where in the customer who is issuing cheque informs the drawee bank the details of cheque issued like Cheque Number, date of issue, amount, name of the beneficiary/Payee etc. which are stored in the system. When the said cheque is presented for payment the details in respect of the cheque stored in the system are cross-checked with the corresponding details of the cheque. Customer can inform the details of the cheque to the bank through branches or through alternate channels like Internet Banking, Mobile Banking and bank's website.

RBI has advised that only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS Grids. RBI has further

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advised that banks may implement similar arrangements for cheques cleared / collected outside CTS as well. Any Discrepancy if any will be flagged by CTS to the drawee bank and the presenting bank who would undertake redressal measures.

RBI has advised that banks may consider making it mandatory in case of cheques amounting to Rs. 5,00,000/- and above. However, in our bank, it has decided to obtain PPS details for cheque value of Rs. 200000/- and above.

Bank will send SMS alert to Account Holder or Drawer of Cheque when cheques are presented in clearing (for Cheque value of Rs. 5000 and above). Additional SMS is also being sent to the customer after debiting from the account.

7. Resources - Dealing with incidence of frequent dishonour

7.1 Dishonour of cheques valuing Rs.1 crore and above

- 1.** In the event of dishonour of cheques valuing Rs.1 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 will be issued. Customers will be apprised of this condition at the time of issuing new cheque book and Systemic control to be put in place for stopping issuance of cheque book.
- 2.** If a cheque for Rs.1 Crore and above is dishonoured for a third time, in a particular account of the drawer, during the financial year, bank will issue a cautionary advice to the customer, drawing his attention to the aforesaid condition and consequential stoppage of cheque facility, in the event of cheque being dishonoured on the fourth occasion in the same account, during the financial year.
- 3.** In such cases, customers will be contacted and impressed upon, the necessity of drawing cheques, only against sufficient balance. If the efforts are in vain, such accounts will be closed duly following the guidelines mentioned in Para 4 below.
- 4.** However, in respect of advances accounts such as OCC/OD, the need for continuance or otherwise of the facilities and the cheque facilities to these accounts will be reviewed by an appropriate authority higher than the sanctioning authority.
- 5.** Data in respect of each dishonoured cheque for amount of Rs.1 crore and above should be made part of bank's MIS on constituents and concerned branches should report such data to their respective controlling office / Head Office. The collected details in this regard should be placed to the Customer Service Committee of the Board for every quarter.
- 6.** Data in respect of cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by banks irrespective of the value of such cheques as a part of their MIS relating to broker entities and be reported to their respective Head Offices/ Central Offices.

7.2 Dishonour of cheques/NACH/ECS valuing less than Rs.1 crore

- 1.** In the event of dishonour of cheques / NACH/ECS mandate valuing less than Rs.1 Crore, drawn on a particular account of the drawer on six occasions during the financial year, for want of sufficient funds in the account, no fresh cheque book /NACH/ ECS mandate will be issued / accepted. Customers will be apprised of this condition at the time of issuing new cheque book / accepting ECS mandate.
- 2.** If a cheque / ECS mandate for less than Rs.1 Crore is dishonoured for fifth time in a particular account of the drawer during the financial year, bank will issue a cautionary advice to the customer drawing his attention to the aforesaid condition and consequential stoppage of such facility in the event of being dishonoured on the sixth occasion, in the same account during the financial year.
- 3.** In such cases customers will be contacted and impressed upon the necessity of drawing cheques/mandate only against sufficient balance. If the efforts are in vain, such accounts will be closed duly following the guidelines mentioned in Para 4 below.
- 4.** However, in respect of advances accounts such as OCC/OD, the need for continuance or otherwise of the facilities and the cheque facilities to these accounts will be reviewed by an appropriate authority higher than the sanctioning authority.

8 Roles and Responsibilities

Branches can impress upon the customers to keep sufficient balance in their account before issuing cheques and make them aware that the Customers are fully responsible for keeping sufficient balances in their account to avoid returns and closure of their accounts.

9 Closing unremunerative /undesirable account

- I.** Holders of accounts in which the balance quite often falls below the stipulated minimum will be contacted and the need for maintaining the minimum balances in the accounts will be impressed upon them. If there is persistent default in respect of any account, a letter will be sent, expressing our intention to close the account without further notice, if the stipulated minimum balance is not maintained within a fortnight. Further, if the account is not brought in order within a reasonable period of 30 days, the account will be closed and the balance, if any, will be remitted to the party by means of a Demand Draft by registered post with acknowledgement due along with a covering letter.
- II.** However, in case of constituents, who give other remunerative business or whose connections are for any other reasons worth retaining, action will be taken for closure of the account after such account holders are impressed upon the need for maintaining minimum balance. Bank will periodically review to assess the continuous availability of other benefits/connections.
- III.** Bank will not issue fresh cheque books or accept fresh ECS mandate, after sending registered letter to the account holder, without the written authorisation of the Branch Manager.

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- IV. Every endeavour will be made to get back the unused cheque leaves / book at the time of closure of the account.
- V. Bank will not take unilateral decision to close the deposit accounts without giving proper notice or reason to the customer.

10 Co-operation to courts etc.

For the purpose of adducing evidence to prove the fact of dishonour 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 furnish documentary proof of fact of dishonour of cheques.

11 Review of the policy

The policy will be reviewed bi-annually. The Managing Director & Chief Executive Officer of the Bank is the authority for approving any future amendment / modification to the scheme or to withdraw the scheme either in part or in full and also for relaxation of any of the norms including service charges.

Section B – Policy on Collection of Cheques and other instruments (including collection of Foreign Currency cheques)

1. Purpose of the Policy

Cheque 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 Application

The policy is applicable to all business and operations units including any overseas / offshore units of the Bank. All employees shall be familiar with the contents of this document and should exercise sound judgment to act within the policy framework in their daily work.

3. Objectives of the Policy

This Policy sets out clear guidelines for collection of instruments and time norms for collection. It also provides payment of interest where bank fails to meet the time norms. Various other aspects of collection of cheques and operational guidelines are furnished.

4. Scope of the Policy

This policy document covers the following aspects:

- a. Collection of cheques and other instruments at centres within India and abroad, which are payable in India.
- 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.
- e. 'Payable at par' cheques drawn on our Bank.

5. Regulatory Reference

Important instructions issued by Reserve Bank of India on Customer Service vide Master Circular No.DBR.NO.Leg.BC.21/09.07.006/2015-16 dated 01.07.2015

6. The Policy has the following sub divisions:

A: Policy on Collection of Cheques and other Instruments

B. Policy on Collection of Foreign Currency Cheques.

A: Policy on Collection of Cheques and other Instruments

7. Cheque Collection policy -Inland

- I. 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.
- II. 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.
- III. Hence, efficiencies in collection of proceeds and providing funds to customers in time are best achieved through a spirit of competition among the banks rather than through issue of guidelines by RBI.
- IV. The withdrawal of the earlier guidelines on 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.
- V. This cheque 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.

8. Issue of 'Payable at par' Cheques

- I. Bank issues 'payable at par' cheques to all the eligible customers irrespective of the risk categorisation done vide "Know Your Customer (KYC) / Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) Policy" of the Bank.
- II. In case of such cheques drawn on any of our branches, either presented for collection or received for payment (including cheques received under clearing) at any of our branches, the host branch itself entertains such cheques, if otherwise in order, and effects the transactions by observing the below mentioned guidelines:
 - a. Without levying any charges for any type of transactions.
 - b. Without any ceiling on the number of instruments and on the upper limit for the amount, in case of transfer and clearing transactions.
 - c. With a per occasion ceiling of Rs.50000/- for Savings Bank / CA / CC / OD accounts in case of cash withdrawals to self (to the account holder alone ie. only self-cheques).

*✍ **Note:** In case of Multicity account, both self and third party cash payment can be made at host branches up to Rs.50000/- per occasion, irrespective of SB / CA / CC / OD account.*

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- III. Cash withdrawals to a third party will not be entertained, even in case of such cheques being a 'bearer' cheque payable to self or not.
- IV. As these being operational issues, may require amendments during the course of operation and these can be amended by MD & CEO, based on business needs.
- V. Wherever Co-operative Banks has arrangements with our Bank to open current accounts and to use the cheque book facility for issue 'at par' cheques to their constituents and walk-in-customers for facilitating their remittances and payments, Bank monitors and reviews such arrangements to assess the risks including credit risk and reputational risk arising there from. For this purpose, bank retains the right to verify the records maintained by the client Co-operative Banks / Societies for compliance with the extant instructions on KYC and AML under such arrangements.

9. Resources - Collection of Cheques and other instruments

9.1 Local Cheques

- I. All cheques and other negotiable instruments payable locally or marked as "payable at par/ multi-city" would be presented through the clearing system prevailing at the centre.
- II. 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. Cut-off time may vary from branch to branch depending upon the stipulated clearing time at that centre.
- III. 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.
- IV. Bank Branches display the cut-off time for acceptance of cheques which is applicable for all cheques including those received towards government taxes.
- V. 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.
- VI. Bank branches situated at centers which are not members of any CTS Grid or where no Clearing House exists in a centre, branches would present local cheques to drawee banks across the counter and it would be the Bank's endeavour to credit the proceeds at the earliest but not later than third working day from the date of deposit by the customer. Bank will endeavour to cover all branches under CTS Grid. Wherever not possible (remote circumstances), branches need to send the physical cheques to the respective CTS Grid centre. Manual presentation across the counter to be avoided to the maximum extent possible.
- VII. Bank will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network, if received in the branch up

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to specified time and latest by next working day, if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

- VIII. 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:
- The cut-off time upto which the cheques received at their counters and in collection boxes would be sent in the same day clearing,
 - The time when the customer's account gets credited with the relative proceeds and
 - When the customers would be able to utilise these proceeds.
- IX. Cheque return charges would be levied only in cases where the customer is at fault and is responsible for such returns.
- X. Cheques that need to be re-presented without any recourse to the payee, will be made in 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, to their registered mobiles.

9.2 Speed Clearing

- Speed clearing is a facility by which cheques drawn on any outstation CBS branch of a Bank, which is a member of the local MICR clearing house, can be presented by other banks through local clearing. Utilising the CBS network, branches would process such cheques, treating them as local cheques.
- All terms and conditions applicable for local clearing instruments will also apply to Speed Clearing.
- Speed Clearing is not applicable to Government Cheques. (Government Cheques drawn on branches in one Grid, cannot be presented in the other grid).*
- Central Government departments' cheques drawn on RBI/ agency banks should be presented within the CTS grid jurisdiction in which the accredited paying bank branch is located.*

9.3 Outstation Cheques

- Cheques drawn on other banks at outstation centres, other than those covered under Speed Clearing (refer para no.4.2 above), and also which is not marked as "payable at par / multi-city", will normally, be collected through our branches at those centres.
- Where our Bank does not have a branch, the instrument would be sent for collection through a correspondent bank or directly through the drawee bank itself.

9.4 Account Payee cheques

- Bank collects 'account payee' cheques only to the credit of payee constituent accounts.

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- II. Bank collects 'account payee' cheques drawn for an amount not exceeding Rs.50000/- to the account of co-operative credit societies, if the payee of such cheques is the constituent of such co-operative credit societies. Bank shall take steps to maintain records/data of all such instruments in co-ordination with CO: ITD, by giving separate code to such instruments.

9.5 Cheques payable in Foreign Countries

- I. 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.
- II. 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.

9.6 Collection / Remittance of the proceeds through RTGS / NEFT / IMPS

Branches while sending local / outstation cheques / instruments for collection would request the remitting Bank branch to remit the proceeds through RTGS / NEFT / IMPS only. Branches would furnish their IFS code / MMID in the covering schedule to the remitting Bank branch, along with other details, to enable them to remit the proceeds through RTGS / NEFT / IMPS. Similarly, branches would remit the proceeds of the instruments received from other Banks through RTGS / NEFT / IMPS.

10. Cheque Truncation System (CTS)

Truncation is the process of stopping the flow of the physical cheque issued by a drawer to the drawee branch. The physical instrument will be truncated at some point enroute to the drawee branch and an electronic image of the cheque would be sent to the drawee branch along with the relevant information like the MICR fields, date of presentation, presenting banks etc.

10.1 Roles & Responsibility of the Presenting Bank in CTS

- I. As the payment processing is done on the basis of cheque images, the onus of due diligence shifts to the Presenting Banker, as provided under explanation II to Section 131 of Negotiable Instruments Act.
- II. Branches would enforce stipulated Know Your Customer (KYC) norms issued from time to time.
- III. The presenting branch will be fully responsible for collecting the instrument on behalf of the intended payee and exercises due diligence as per the conditions laid down in the amended Negotiable Instruments Act.
- IV. All the local and intercity cheques can be presented in the CTS. The Cheques drawn on our bank would not be presented in the CTS.

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- V. The physical instruments would be stored for a required statutory period as specified in the Policy of our Bank on 'Document Handling and Retention'. It would be obligatory for the presenting branch to warehouse the physical instruments for such statutory period.
- VI. In case a customer desires to get a paper instrument back, the instrument can be obtained from the presenting bank through the drawee bank, through P2F.
- VII. Branches while collecting cheques would not accept cheques with any changes/ corrections (other than for date validation purposes, if required) for presentment in Cheque Truncation System (CTS). If any change / correction is found in the Cheque in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words), etc., fresh cheque would be obtained from the customers.

10.2 Paper to Follow (P2F) in CTS

- I. The drawee bank can request for the physical instrument in case of any doubt or suspicion about the nature of instrument. This operational convenience is called Paper to Follow (P2F).
- II. In case the image received for processing is not clear, branch would request the presenting bank for the physical instrument.
- III. With respect to State Government Cheques, Paper to follow is mandatory only till such time RBI implements the revised procedure.

10.3 Issuance of CTS-2010 Standard Cheques

All cheques issued by the bank conform to CTS-2010 Standard. All residual non-CTS-2010 cheques deposited by the customers would be valid and to be taken as the cheques deposited on collection basis (**OBC**).

10.4. Cheque Clearing process under revised scenario of CTS based Clearing

System:

Cheque Truncation System (CTS) is presently working at **Northern grid** in Delhi, **Southern Grid** in Chennai and **Western grid** in Mumbai.

a) States/Circles covered in Grid based CTS-2010 centres:

Northern grid in Delhi covers Bihar, Chandigarh, Delhi, Haryana, Jammu& Kashmir, Jharkhand, Rajasthan, Uttar Pradesh & Uttarakhand states (Covering Chandigarh, Delhi, Lucknow and Patna Circles). Centres covered are Agra, Amritsar, Allahabad, Bhilwara, Chandigarh, Dehradun, Delhi, Gorakhpur, Jaipur, Jalandhar, Jamshedpur, Jammu, Jodhpur, Kanpur, Kota, Lucknow, Ludhiana, Patna, Ranchi, Udaipur and Varanasi,

Southern grid in Chennai covers Andhra Pradesh, North Eastern States, Orissa, Karnataka, Kerala, Tamilnadu & West Bengal states (covering Bangalore, Bhubaneswar, Chennai, Guwahati, Hyderabad, Kolkata and Thiruvananthapuram circles). Centres covered are Bangalore, Belgaum, Bhubaneswar, Calicut, Chennai, Coimbatore, Cuttack, Ernakulum,

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Erode, Guwahati, Hubli, Hyderabad, Kolkata, Madurai, Mangalore, Mysore, Pondicherry, Salem, Thirunelveli, Tiruchirapalli, Tirupur, Trichur, Trivandrum, Vishakhapatnam and Vijayawada.

Western grid in Mumbai covers Chhattisgarh, Goa, Gujarat, Madhya Pradesh, and Maharashtra states (covering Ahmedabad, Bhopal and Mumbai Circles). Centres covered are Ahmedabad, Anand, Aurangabad, Bhavnagar, Bhopal, Gwalior, Indore, Jabalpur, Jamnagar, Kolhapur, Mumbai, Nagpur, Nasik, Pune, Panaji, Rajkot, Raipur, Solapur, Surat and Vadodara.

All centres covered under the same grid will be treated as a single clearing zone and cheques drawn on these centres and presented at any of the grid centres are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

d) RBI has 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. fresh cheque forms should be used by customers. This will help Banks to identify and control fraudulent alterations. 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.

11. Immediate Credit of Local/Outstation Cheques/Instruments

- I. 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. Branches / extension counters of the Bank will consider providing immediate credit facility to the individual account holders upto the aggregate value of Rs.25000 (rupees twenty five thousand only) in respect of prepaid instruments, like demand draft, interest / dividend warrant, etc. as also instruments drawn by Government Departments and undertakings.
- II. 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.
- III. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement.

12. Purchase of local/outstation cheques

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.

13. Time Frame for Collection of Local/Outstation Cheques/Instruments

- I. 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.
- II. In case of Out Station Cheques and other instruments sent for collection to centres within the country the following time schedule would be adhered to for realisation by branches:

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

III. Cheques payable in Foreign Countries

- a. Such instruments are accepted for collection on the quickest and most efficient manner. The Bank may enter into specific arrangement with its correspondent bank for speedy collection of such instruments. Branches would 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, viz. 21 days for USD denomination cheques which are payable at USA.
- b. Bank assumes no responsibility for the genuineness of the instruments tendered by the customers and accepted by it for collection.
- c. The above time norms are applicable irrespective of whether cheques/ instruments are drawn on the bank's own branches or branches of other banks.

14. Payment of Interest for delayed Collection

14.1 Local Clearing Cheques

- I. For Local Cheques presented in clearing, the Bank would pay interest to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time frame mentioned above.
- II. Interest for the delayed collection will be paid at savings bank interest rate for the corresponding period of delay beyond the time frame stipulated.
- III. Such interest will be paid without any demand from the customers in all types of accounts.

14.2 Outstation Cheques

- I. Bank will pay interest to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time frame mentioned above. Such interest will be paid without any demand from the customers in all types of accounts.
- II. There would 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.
- III. Interest for delayed collection would be paid at the following rates:
 - i. Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
 - ii. Where the delay is beyond 14 days interest will be paid at the rate applicable to a term deposit of 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. 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.
- IV. The interest payment as given under para 9.2.3 above would be applicable only for instruments sent for collection within India.

15. Cheques/Instruments lost in transit/clearing process or at paying branch

- I. 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 would 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 would 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.
- II. Bank would provide necessary and reasonable assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- III. Bank would compensate the account holder in respect of instruments lost in transit as under:
 - a. 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 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 a duplicate cheque/instrument and collection thereof.

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- c. Bank will 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.
- IV. In case a cheque/instrument lost in transit by the bank, charges if any, for recording Stop Order will be borne by the bank.
- V. In case of loss of a cheque which was discounted by the Bank, the charges for obtaining a duplicate may be borne by the Bank, only on realisation of such duplicate cheque. In case of return, the customer has to bear the charges in addition to commission, interest on the amount of the cheque and other handling charges like postages etc.
- VI. The onus of such loss lies with the collecting banker and not the account holder.
- VII. If the cheque/instrument has been lost at the paying bank's branch, the collecting banker would have a right to recover the amount reimbursed to the customer for the loss of the cheque/instrument from the paying banker.

16. Force Majeure

Bank will 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.

17. Charging of Interest on cheques returned unpaid where Instant Credit was given

- I. 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 will be charged on the notional overdrawn balances in the account had credit not been given initially.
- II. 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.
- III. If the proceeds were credited to an Overdraft/Loan account, interest will 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.

18. Return / despatch of dishonoured cheques

- I. The dishonoured instruments will be returned/ dispatched to the customer promptly without delay, in any case within 24 hours.
- II. In case of dishonour / return of cheques, the paying banks would clearly indicate the return reason code on the return memo/objection slip which would also bear the signature/initial of the bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).
- III. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 24 working hours. However, in cases with incomplete address, incomplete phone number, no phone number mentioned on the Pay-in-slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.
- IV. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 24 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days, bank will send them back at the recorded address by post or courier.

19. Service Charges

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

B. Policy on Collection of Foreign Currency cheques.

Policy on Collection of Foreign Currency Denominated Cheques

1.Preamble

1.1 Reserve Bank of India on a study of **Foreign Currency** 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 **Foreign Currency** denominated cheques.

1.2 This portion of the policy covers guidelines for collection of **Foreign Currency** 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 outside India
- 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 on countries outside India

3.1 This policy covers handling of foreign currency instruments payable at overseas centres through Nostro Correspondent Banks and applicable service charges. The bank

Policy on Cheque Collection (Including Foreign Currency Cheques/ Frequent Dishonour of Cheques / NACH/ECS Mandate

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

3.2 Branches may utilize two type of services viz. (a) Cash Letter Services, (b) Cheque Collection/final credit services.

4. Cash letter services

4.1 Under this service, clean instruments payable 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 offices. Cash Letter Service is available for handling the cheques denominated in USD, GBP, EUR, CAD currencies upto 10,000 Units in True Currency.

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 receiving cheques at overseas centre. 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.

4.4 Cash Letter Services are not available for the cheques denominated in AUD, SGD, JPY, CHF currencies. These cheques shall be sent physically to our Nostro Correspondent Banks for collection.

5. Direct Collection Arrangement (DCA)

5.1 Cheques of value more than 10,000 units in True Currency shall be sent 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

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format”, for amounts under USD 10000/-. For amount above USD 10000 equivalent (DCA) shall be the mode of collection mandatorily.

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 compensation on delayed credit

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 Nostro account (value date) till the date of credit to customers account in case of cheques sent under Cash Letter Services.

10. 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.

11. Customer complaints

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

12. 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.

13. 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.

15. Review of the policy

The policy will be reviewed bi-annually. The Managing Director & Chief Executive Officer of the Bank is the authority for approving any future amendment / modification to the scheme or to withdraw the scheme either in part or in full and also for relaxation of any of the norms including service charges.