

## **Chapter – 3**

### **Cheque/Instrument Collection Policy**

#### **3. Introduction**

Bank is committed to increase the use of technology to provide quick collection services to our customers. This document covers the following aspects:

- Collection of cheques and other instruments payable at local centers, centers within India and abroad.
- Time norms for collection of instruments.
- Payment of interest in cases where there is delay beyond time norms in realization of proceeds of local/outstation instruments.
- Dealing with collection of instruments lost in transit.

#### **3.1. Arrangement for Collection of Cheques/ Instruments**

##### **3.1.1 Local Cheque**

- (a) All CTS compliant cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the center. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time, displayed at the branches, will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle.
- (b) Banking Hours of branches as well as clearing houses are different across locations, so the timeline for cheque receipt/cheque returning can be fine-tuned by the respective zones for individual locations/branches based on local clearing house practices.
- (c) All the Cheque drop boxes shall clearly indicate the time up to which cheques dropped in the Cheque drop box would be sent for clearing on the same day.
- (d) Branches will have both, the cheque drop box facility and the acknowledgement facility at its collection counters. Branches should not refuse to give an

acknowledgement to the customers, if the same is asked while tendering cheque for collection across the counter.

- (e) The customer account would be credited on the day clearing settlement takes place. The Customer shall be permitted to withdraw the amounts so credited after expiry of cheque returning time (cheque returning time is set by local clearing houses depending on branch timing in that area).
- (f) At centers where no clearing house exists, branches will present local cheques on drawee banks across the counter and it will be the bank's endeavor to credit the proceeds at the earliest but not later than 3<sup>rd</sup> working day from the date of deposit by customer. Local cheques drawn on our branches will be credited in the customer's account on the same day.

#### **3.1.2. Non-CTS Cheques**

Non-CTS Cheques / instruments will not be accepted for clearing. Such instruments may be presented directly to OTC of the drawee/payee bank for further process. It would be the bank's endeavor to credit the proceeds at the earliest, but not later than 3<sup>rd</sup> working day from the date of deposit by customer.

#### **3.1.3. Paper to Follow (P2F)**

As per RBI direction bank has issued guidelines vide HO P&D Circular No. 3493 dated 28.06.2019 for discontinuation of the Paper to Follow (P2F) for state govt. cheques.

#### **3.1.4. Acceptance of cheques bearing a date as per National Calendar (Saka Samvat) for payment**

An instrument written in Hindi having date as per Sakh Samvat Calendar is a valid instrument. Therefore, Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) would be accepted by the bank for payment, if otherwise in order. The Bank can ascertain the Gregorian calendar date corresponding to the National Saka Calendar in order to avoid payment of stale cheques.

### **3.1.5. Payment of Cheques /Drafts /Pay Orders/ Banker's Cheques**

The Bank shall not make payment of cheques /drafts /pay orders/ banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument.

### **3.2. Outstation Cheque:**

- (a) Cheques drawn on other banks at outstation centres will normally be collected through Bank's branches at those centres. In some cases (like RRB, Co-operative Bank etc.) presence of drawer bank branch/our branch in that city/centre is not there, in such cases the instrument will be sent directly for collection to the nearest outstation centre of the drawee bank or collected through a correspondent bank. The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.
- (b) Since the bank is offering anywhere banking services through CBS network, same day credit will be provided in respect of outstation instruments drawn on any of its branches, if received in the branch up to specified banking hours and latest by next working day if deposited/dropped in collection boxes outside the branch premises including the offsite ATMs.

### **3.3. Cheques / Instruments payable in Foreign Countries:**

- (a) Cheques/instruments payable in foreign countries will be collected through correspondent banks where the correspondent bank has presence.
- (b) At centres where the bank or its correspondent bank don't have direct presence, cheques/instruments will be sent to the drawee bank with instructions to credit proceeds to the respective NOSTRO account of the bank maintained with one of the correspondent bank.
- (c) "Cheques drawn in foreign countries are accepted for collection on the 'best of efforts' basis. Bank will 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. Customer may be informed about the status of cheque clearing through mail/mobile”.

To incorporate the above clause mentioned in point (C), rubber stamp may be affixed on counterfoil by branches while receiving foreign instruments.

- (d) Collection charges levied by foreign branches are high and if low value cheques are collected, the residual funds may not be even sufficient to cover out-of-pocket charges. In this regard, out-of-pocket expenses and clearing charges should be informed to customer prior to deposit of foreign instruments so that customer can take informed decision.

### **3.4. Immediate Credit of Local/ Outstation Cheques/ Instruments up to Rs.10000/-**

**3.4.1** Bank will consider providing immediate credit for third party cheques up to the aggregate value of Rs. 10000/- (Outstanding at any given point of time) tendered for collection by individual account holders including staff members but excluding minors and non-residents on the following conditions:-

- i. Bank should be satisfied about the proper conduct of the account of customer.
- ii. The Bank will extend the facility to all individual depositors without making a distinction about their status i.e Saving Bank, Current or Cash credit.
- iii. The Bank should not lay any separate stipulation for minimum balance for extending the facility.

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, during the preceding three months, no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons.
  - (d) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
- Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will, however, not be charged.

### **3.4.2 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 from the customer's account.
- (ii)** No interest shall be charged to the customers for the period between the date of lodgment of said cheque and its return unpaid unless the funds were withdrawn from the account.
- (iii)** Where the cheque is credited to a Saving Bank Account, no interest will be payable on the amount so credited, if the cheque is returned unpaid.
- (iv)** Where the cheque is credited in Cash Credit / Overdraft Account, the interest at the rate applicable to the concerned account will be recovered from the date of affording such credit till the date of return of the cheque.

In the event of dishonour / return of the cheque, cheque returning charges and interest would be charged on per day basis from the date of credit of cheque till the reimbursement of money to the bank or till the liquidation of overdraft created, in the following manner:

- (i)** In case of Saving Bank account /Current account: At Clean Overdraft Rate.
- (ii)** In case of Cash Credit / Overdraft account: At the rate applicable to the concerned account **OR** Clean Overdraft Rate, whichever is higher.

#### **Note:**

- (a)** Cheques return / Image-based Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns.
- (b)** Cheques / Image-based Cheque return on technical reasons if need to be re-presented without any recourse to the payee, shall 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. No charges shall be made if Cheques return on technical reasons (List given below) and there is a delay in re-presentation of technical return cheques.

**Illustrative list of technical reasons for return**

1. Instrument mutilated; requires bank's guarantee.
2. Clearing House stamp / date required.
3. Wrongly delivered / not drawn on us.
4. Present in proper zone.
5. Instrument contains extraneous matter.
6. Image not clear; present again with paper.
7. Present with document.
8. Item listed twice.
9. Paper not received.
10. Crossed to two banks.
11. Crossing stamp not cancelled.
12. Clearing stamp not cancelled.
13. Instrument specially crossed to another bank.
14. Payee's endorsement irregular / requires collecting bank's confirmation.
15. Endorsement by mark / thumb impression requires attestation by Magistrate with seal.
16. Advice not received.
17. Amount / Name differs on advice.
18. Drawee bank's fund with sponsor bank insufficient (applicable to sub-members).
19. Payee's separate discharge to bank required.
20. Not payable till 1st proximo.
21. Pay order requires counter signature.
22. Required information not legible / correct.
23. Bank's certificate ambiguous / incomplete / required.
24. Draft lost by issuing office; confirmation required from issuing office.
25. Bank / Branch blocked.
26. Digital Certificate validation failure.
27. Other reasons-connectivity failure.
28. 'Payee's a/c Credited' - Stamp required.
29. Bank excluded.

### **3.5 Purchase of local / Outstation cheques of more than Rs.10000/- :**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement.

### **3.6 Collection of Account Payee Cheque-Prohibition on Crediting Proceeds to third Party Account:**

(a) The bank will not collect account payee cheques for any person other than the payee constituent. Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, the Bank may ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer.

This instruction will also apply with respect to the cheque drawn by a bank payable to another bank.

(b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.

(c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, the bank may consider collecting account payee cheques drawn for an amount not exceeding ` 50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, the bank should have a clear representation in writing given by the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

### **3.7. Positive Pay System (PPS) for Cheque Truncation System.**

The concept of Positive Pay System involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, internet banking etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank. This system will provide the validated cheque information to both the presenting bank as well as drawee bank and to act as an additional tool for due diligence in cheque clearing process.

National Payments Corporation of India (NPCI) has developed the facility of Positive Pay System (PPS) in CTS and made it available to participant banks. Bank, in turn, has enabled it for all account holders issuing cheques for amounts of Rs.50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of Rs. 5,00,000 and above.

PPS will enable the banks to submit the cheque issuance data collected from their customers for validation during the clearing process. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids.

#### **3.7.1. Process Flow for Positive Pay System:**

- I. Customers, after issuance of cheques, shall provide the detail of the instruments issued to the bank. The details of the cheque issued by the customer shall be collected by bank through various modes like internet banking, SMS, Physical visit to the Branch etc.
- II. On collecting the details, bank shall prepare and push the details in NPCI defined format to clearing house. Necessary authentication and data validation process shall be followed by the bank before pushing data to NPCI.
- III. The file uploaded will be validated for syntax and whether all mandatory fields are present. After validation, the data will be updated in the PPS database and response will be shared to bank for the uploaded file. Post which, the cheques presented by banks in presentation session will be validated against PPS data by NPCI.
- IV. Above mentioned report is also made available to corresponding presenting bank as information and to take preventive action if any required on case to case basis.

### **3.8. Extension of Cheque Truncation System (CTS) across all branches in the country.**

To leverage the availability of CTS and provide uniform customer experience irrespective of location of her/his bank branch, it has been decided to extend CTS clearing across all bank branches in the country. To facilitate this, bank has to ensure that all the branches participate in image-based CTS clearing under respective grids (i.e. Northern Grid- RCC Delhi, Southern Grid- RCC Chennai and Western Grid – RCC Mumbai).

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

#### **3.9.1. Local Cheques**

Local cheques are payable within the jurisdiction of the clearing house and will be presented through clearing system prevailing at the centre. Credit arising out of local cheques shall be given to the customer's accounts immediately after closure of the relative return clearing and withdrawal shall be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards.

#### **3.9.2. Outstation Cheques**

For cheques/instruments sent for collection to centres within the country, the following time norms shall be applied: -

(a) Cheques payable at CTS centres – maximum period of 7 days.

(b) Cheques payable at non-CTS centres – maximum period of 10 days.

Holidays are to be excluded for the purpose of reckoning the collection period specified above.

### **3.10. Compensation on delayed collection:**

The Bank will pay saving deposit interest to its all types of customers on the amount of collection instruments, in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

### **3.11. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:** In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on

coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment.

In this respect, Bank should immediately inform the customer regarding loss of instrument.

- (a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (3/7/10 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- (b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque / instrument and collection thereof.
- (c) The Bank will also compensate the customer for any reasonable charges, as per Bank's compensation policy, with respect to stop payment charges of instrument and charges in obtaining of duplicate instrument.
- (d) In cases where cheque is lost after it has been discounted: -
  - i. Branch will enquire when the discounted instrument is not realized in time so that the information regarding loss of discounted instrument comes to the notice of bank immediately.
  - ii. Upon knowing that instrument is lost, branch will inform the customer through mail/mobile immediately.
  - iii. Bank will not recover the interest for a period of 15 days when it comes to know about the loss of the instrument. This will give ample time to the borrower to obtain duplicate instrument from the drawer.
  - iv. In case borrower fails to liquidate the account after lapse of 15 days, the interest at contractual rate will be recovered from him till the amount advanced is fully paid. These conditions have to be informed to customer. These have to be informed in the credit slip and got signed by customer.

### **3.12. Service Charges**

The Bank will recover appropriate service charges, for all collection services, as decided by Bank from time to time and communicate to the customers by displaying the same on bank's website.

### **3.13. Force Majeure**

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc.) beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

### **3.14. Miscellaneous:**

- A. To prevent cheque related frauds, RBI has prohibited alterations/ corrections on cheques. No changes/ corrections on cheques (other than for date validation purposes, if required) are permitted. For any change in the payee’s name, courtesy amount (amount in figures) or legal amount (amount in words), fresh cheque leaves should be used.

This prohibition is applicable to cheques cleared under the image based CTS only. It is not applicable to cheques cleared under physical exchange of instruments.

- B. Cheques which are deposited with wrong account number mentioned on the pay-in-slip, Bank will return such cheques to the customer on the address mentioned within 48 working hours. However, in cases with incomplete address, incomplete phone number or no phone number mentioned on the pay-in-slip, the bank will be responsible to keep the instruments for a maximum period of 3 months.
- C. Cheques received back unpaid will be returned by post/courier etc. to the customer within 48 working hours on the address recorded in Bank’s database. However, cheques will be kept in the branch 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 branch will send back by post (Registered A/D post/Courier) in the address of the customer.
- D. Branch needs to mention the date of return, valid reason for returning of cheque and sign/initial the Cheque Return Memo with respect to Dishonour/return of cheques. This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.