

CHEQUE COLLECTION POLICY

Local / outstation cheques for Deposit / Loan accounts of Individuals

Reserve Bank of India (RBI) had stopped issuing guidelines from November 2004 on (i) immediate Credit of local / outstation cheques to deposits accounts of individuals (ii) time frame for collection of local / outstation cheques and (iii) interest payment for delayed collections. RBI advised banks to formulate comprehensive and transparent policy, since a single set of rules might not be appropriate in view of technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have taken place in banks. Accordingly, a comprehensive Cheque Collection Policy was formulated by the Bank in 2007 with the approval of the Board of Directors.

This revised policy covers the following aspects:

- (A) Arrangement for collection of cheques / instruments.
- (B) Immediate credit of local /outstation cheques to deposit accounts of individuals.
- (C) Time frame for collection of local / outstation cheques.
- (D) Interest payment for delayed collection, and
- (E) Collection instruments lost in transit.

Policy Guidelines

(A) **Arrangements for Collection :**

I) **Local Cheques**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the following day. Bank would give credit to the customer account on the same day of clearing settlement. Withdrawal of amounts so credited would be permitted after reckoning the cheque return schedule of the clearing house. Wherever applicable, facility of high value clearing (Rs. 1 lac and above) will be extended to customers (same day credit).

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and proceeds would be credited, at the earliest, on realisation.

(II) **Outstation Cheques payable in India**

Cheques drawn on other banks at outstation centres in India will normally be collected through bank's branches at those centres. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank. The bank would also use the National Clearing service offered by Reserve Bank of India at centres where such collection services exist.

Branches will provide same day credit to satisfactorily conducted accounts (defined hereafter in the policy) of its customers in respect of instruments drawn on any of its own branches.

(III) Cheques payable in Foreign Countries

For cheques payable in foreign currency & drawn at centres where our correspondent banks have a presence, the services of such correspondent banks will be utilised for realisation of the same. Cheques drawn on foreign banks at centres where the bank's correspondents do not have direct presence, will be sent directly to the drawee bank with instructions to credit the proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

(B) **Immediate Credit of outstation/local cheques to deposit accounts of individuals:**

I) Outstation Cheques

Branches will, of their own, afford immediate credit of outstation cheques upto and inclusive of Rs.20.000/- tendered for collection by the customers for satisfactorily conducted accounts on the following conditions. However, this ceiling will not be applicable for cheques drawn on outstation branches of the Bank.

- a) For the purpose of this policy, a satisfactorily conducted account shall be one :-

- i) Which has been opened at least six months earlier and is fully complying with KYC norms.
 - ii) Where the account is neither dormant nor inoperative.
 - iii) Where bank has not noticed any irregular dealings /suspicious transactions in the past 6 months.
 - iv) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past, including cheques returned after giving credit.
 - v) Where no adverse features attached to the account/ account holder(s) has been brought to the notice of the bank.
- b) The facility will be available to all **Individual** deposit account holders without making a distinction about their accounts i.e. Savings Bank/Current Account, etc. It will be available at all branches/extension counters.
- c) Normal collection and out-of-pocket charges are to be recovered for outstation cheques. However, no "exchange" will be charged.
- d) In case of outstation cheques, the facility will be restricted to one or more cheques for aggregate amount not exceeding Rs. 20,000/- at a time, ensuring inter-alia that the liability on account of outstanding of cheques purchased does not exceed Rs. 20,000/- at any given point of time.

II) Local Cheques

- a) The customers' accounts would be credited in respect of local cheques by 2nd working day from the date of acceptance, of the cheques at the counters / deposited in drop boxes upto 3.00 p.m. for local clearing and by 3rd working day at branches if deposited at counters/ drop boxes after 3.00 p.m. for next day clearing. The 3.00 p.m. deadline will be substituted by 12.00 noon on Saturdays.
 - b) Where High value Clearing (same day credit) facility is available, the cheques / instruments accepted at the counters / deposited in drop boxes / upto 11.00 a.m. will be included for same day clearing and credit will also be afforded on the same day.
 - c) The customer will be allowed to withdraw the relative proceeds on next working day, after crediting the proceeds and reckoning the cheque return time (usually 2.00 p.m.)
 - d) Negotiation / purchase of local cheques/instruments will not be encouraged. However, Branch Managers may use their discretion in exceptional circumstances (business exigencies) to permit drawals against uncleared effects upto Rs. 20,000/- for deposit accounts, on recovery of collection charges of Rs. 100/- per instrument.
 - e) No charges will be levied for local collection of cheques/instruments which are collected through a normal clearing process except for item (II) (d) above.
 - f) Normal collection charges will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.
2. If a cheque/instrument for which immediate credit has been afforded is returned unpaid, Bank shall recover interest at clean overdraft rate for the period Bank remained out of funds as also cheque returning charges subject to the following :
- a) Bank will charge interest from the date of credit of proceeds of the cheque in the account till reimbursement of money to the Bank.
 - b) Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for calculation of interest, if the cheque in question is returned unpaid.
 - c) If proceeds are credited to an overdraft/loan account, interest would be recovered at the applicable rate/clean overdraft rate, whichever is higher, on the amount of returned cheque/instrument.

(C) Time frame for collection of local/outstation instruments:

The delay in collection of outstation cheques for customers has always been an area of grievance for customers, and it has been the constant endeavor of our Bank to improve upon this count :-

I) The time frame for collection of cheques/ instruments is proposed as under :—

Other Bank's Branches

a) Collections between Metropolitan Centres/ Major 'A' Class Cities (Mumbai, Chennai, Kolkata, New Delhi, Ahmedabad, Bangalore & Hyderabad)	7 days
b) Collections between places at (a) above and State Capitals (other than North Eastern States & Sikkim) and Area I Cities i.e. Pune, Nagpur, Kanpur, Surat, Vishakapatnam, Vadodara, Kochi, Indore, Ludhiana, Coimbatore, Agra, Madurai and Varanasi	10 days
c) Collections between all other Centres	14 days

II) The time frame mentioned above are only outer limits and once the instruments are realised, the proceeds should be credited to the customer's account immediately.

III) Considering technology upgradation and faster communications, delay beyond 45 days in collection of cheques / instruments would be treated as abnormal delay.

IV) Date of credit in case of collection of cheques/ instruments payable at foreign countries, would be 21 days from the " **date of clear credit** " in our NOSTRO account. The "rate" applied shall be "T.T. Buying Rate" for the bank on the date of conversion, from foreign currency to Indian Rupees (INR).

(D) Interest payment for delayed collection

It is the responsibility of Bank to collect the instruments within the time frame prescribed for the purpose and to compensate the customers for delays due to non adherence to the time schedule. Following guidelines are proposed:

- a) Interest shall be payable without any claim from the customers, if the instruments are not realised / proceeds credited to the customer's accounts within the period as mentioned in paragraph (C) above.
 - b) The rate of interest payable will be equivalent to the saving bank rate if the collection of outstation instrument(s) is delayed beyond the stipulated period of 7/10/14 days and **upto 45 days** from the date of deposit of instrument and, where the proceeds of the instruments are to be credited to deposit accounts. Where proceeds are to be credited to overdraft or loan accounts of the customers, the interest payable would be at Bank's Prime Lending Rate (BPLR).
- II) A delay would be regarded as abnormal, if the period of delay **exceeds 45 days** from the date of deposit of cheque/instrument by the customer for credit to his/her account.
- III) For abnormal delays, the rate of interest payable would be 2% above the savings bank interest rate in deposit accounts and 2% above BPLR in case of overdraft/loan accounts.
- IV) Such interest shall be payable with a minimum of Rs. 10/- even if the interest calculated works out to less than Rs. 10/-.

V) In respect of cheques / instruments sent for collection to foreign countries; Bank will 'value-date' the collection once the proceeds have been credited in the NOSTRO Account of the bank with its correspondent.

(E) **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 of instrument, not only bring the same to the notice of the account-holder, so that drawer can be informed to record "stop payment" and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would also advise the drawee bank all particulars of lost cheques / instruments for exercising caution and provide all assistance to the customer in obtaining a duplicate instrument from the drawer of the cheque. The collecting branch will reimburse the account holder, **actual charges of recording 'Stop Payment' instructions levied by the drawee bank, and / or expenses incurred in obtaining the "duplicate instrument", subject to a maximum of Rs. 250/-**. Interest upto such time that the customers is informed of the loss of cheque/instrument, will be paid as per paragraph D, given above.

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, fire, natural disasters or other "Acts of God" war, damage to the bank's facilities or of its correspondent bank(s), beyond the control of the bank, prevents it from performing its obligations within the specified service delivery parameters.