

Policy for Cheque Collection

1. Introduction

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation Instruments and (iii) Interest Payment for Delayed Collection. The withdrawal of these mandatory guidelines was expected to enable market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments. 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. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centres within India and abroad.
- Our commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Our policy on dealing with collection instruments lost in transit.

2. Arrangements for Collection:

2.1. 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 would be presented for clearing on the same day, if presented upto one hour of commencement of branch business. 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. However specific cut off timings would be displayed at individual branches depending on the clearing timings at each of the locations. As a policy, bank would give credit to the customer account on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearinghouse. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centres 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 services offered by the Reserve Bank of India at centres where such collection services exist.

Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments deposited prior to the cut-off time and drawn on any of its branches.

2.3 Cheques payable in Foreign Countries

Cheques payable at foreign centres where the bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centres where the correspondent has presence. 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 with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Cooling period of some of the major currencies are mentioned below:

Cooling Period Days		
Currency		Cooling Period - Working Days
USD	New york Clearing	6
USD	Non New york Clearing	14
GBP		10
EUR		10
AED		8
SGD		21
CAD		21
Rate of Exchange : Applicable rate as on date of credit after cooling period		

2.4 Immediate Credit of Local / Outstation Cheques / Instruments:

Immediate credit will be provided for collection instruments for customer with prior arrangement with the bank. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists and in respect of outstation cheques / instruments upto Rs. 15000 for satisfactorily conducted accounts.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants

shall be treated on par with cheques. The bank would afford immediate credit of prepaid instruments like demand drafts / Banker's Cheques drawn by the bank on its own branches as the bank has already received funds.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

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 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 collect out of pocket expenses and commission on the value of cheque purchased at a rate decided from time to time. The rate of commission so charged is published under the General Schedule of Charges.

2.5 **Purchase of local/outstation cheques**

Bank may, at its discretion, purchase local/outstation cheque tendered for collection by the customer as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

2.6 **SPEED CLEARING:**

Reserve Bank of India has introduced a system called “Speed Clearing” with the objective of reducing the time taken for collection of outstation cheques. Speed Clearing refers to collection of outstation cheques through the local clearing. Outstation Cheque Collection through collection basis takes around one to two weeks time depending on the drawee centre. Under Speed clearing, it would be reduced to two to three working days.

Currently there are 66 centers covered under the Speed Clearing facility offered by RBI. Cheques having transaction codes 10, 11 and 13, which are drawn on CBS-enabled banks' branches, are eligible for being presented in Speed clearing. Pay Orders, Demand Drafts, Government instruments and cheques drawn on a bank or bank branch, which is not a part of the Speed clearing System, are not eligible for collection under Speed clearing. The new clearing system would facilitate clearance of outstation cheques at the deposit branch location itself and there would be no movement of physical instruments to the destination center i.e. center where the drawer of the instrument maintains his account.

The list of speed clearing centres and details of the participating banks' branches are available at the RBI site.

3. Time Frame for Collection of Local / Outstation Cheques / Instruments:

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 in vogue.

Cheques / Instruments presented in high value clearing (with the minimum value of Rs.1 lac or as determined by the local clearing house) shall be credited on the same day (applicable only in areas covered by high value / same day clearing).

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Outstation Cheques deposited at any of the bank branches and payable at the state capitals would be credited within a maximum period of 7 days. The days would be calculated excluding the intervening holidays at both the deposit location and the payable location.
- b) Cheques drawn on major cities (as identified by the Bank from time to time) would be credited within a maximum period of 10 days from the date of deposit. The days would be calculated excluding the intervening holidays at both the deposit location and the payable location.
- c) Cheques drawn on centers other than stated above will be credited within a maximum period of 14 days from the date of deposit. The days would be

calculated excluding the intervening holidays at both the deposit location and the payable location.

Bank would take all required steps to follow-up for early realization of cheques and hence any realizations with delays cannot be generalized and are required to be decided based on circumstances on a case to case basis. In cases where Bank or its agents has delivered the outstation cheque/s to the clearing / drawee bank and thereafter the onus would be on the clearing bank to clear the instrument/s as per the time lines laid down by RBI. In the event of unjustified delays by the clearing / drawee bank, Bank would determine the eligibility of interest payments for delayed realization in such cases.

Cheques drawn on foreign countries will be accepted for collection on the 'best of efforts' basis. In case of any specific collection arrangement with its correspondent bank the Bank would 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.

4. Payment of Interest for delayed Collection of Local/Outstation Cheques:

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above (Point 3) Such interest shall be paid without any demand from customers in all types of accounts.

Interest for delayed collection beyond the period specified above under point number 3 shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond the time frame mentioned in (Point 3.) for collection of local/outstation cheques.
- b) Where the delay is beyond 45 days interest will be paid at the rate applicable for term deposit for the respective period.
- c) 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.

- d) In the event the proceeds of cheque under collection was 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.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

5. Cheques / Instruments lost in transit / cheques dishonoured / 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 accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. In case, the cheque is lost by the bank, charges if any for recording the stop payment will be borne by the bank.

In case of cheque deposited by customer for collection, if not honoured by the paying bank, the instrument which so returned will be returned to the customer address as recorded in the bank's books. The cheque return charges for the same will be collected as defined in the General Schedule of Charges.

In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (as mentioned in Point 3.) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.

- b) The bank would also compensate the customer for any reasonable charges he/she incurs in getting 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.

6. **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, 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, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

7. **Charging of Interest on cheques returned unpaid where Instant Credit was given:**

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 till the arrangement date.

If the proceeds of the cheque were credited to the Savings Bank Account and was not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If 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.