



CHEQUE COLLECTION & RETURN POLICY

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Prepared by: Service Branch - Chennai

Approved by: Board of Directors

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Cheque Collection & Return Policy

Introduction

This collection policy of the Bank is a reflection of our on-going efforts to provide better services 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 increase use of technology to provide quick collection services to its customers. It is our endeavor to reduce the number of clearing cheque/ECS returns to the lowest level possible and towards this intention all our branches have been instructed to maintain a strict vigil on the number of returns which would otherwise adversely affect the image of the bank.

This policy document covers the following aspects:

1. Immediate credit of cheques deposited for collection.

1.1. Proceeds of cheques / drafts / pay orders deposited with any of the branches and / or extension counters of the Bank may be credited to the depositor's account immediately on request , provided:

- a. The Cheque / demand draft / pay order / other negotiable instrument thus deposited is payable in India.
- b. Aggregate of the amounts thus credited, outstanding at any point of time, will not be more than Rs 15,000/- (Rupees fifteen thousand only) or the total amount of the instrument(s) deposited, whichever is less.
- c. The account to which the amount is to be credited is Savings Bank/ Current of the customer with the branch.
- d. The customer has been maintaining Savings Bank/ Current Deposit account with the said branch for a minimum period of 6 (six) months and there has been no instance of return of cheques either drawn on or deposited in the said account during the immediate preceding six months.
- e. The customer undertakes to repay the Bank the amount thus credited, together with interest at the rate as applicable from time to time, for the period from the date of return of the cheque, till repayment, in the event of return of the instrument deposited and sent for collection.

1.2. Service charges, postage, other incidental expenses, etc., will be levied, at usual rates, as and when proceeds of instruments deposited are credited immediately, as stated in para 1.1 above

1.3. Customers availing the facility of immediate credit of proceeds of instruments deposited for collection are liable to reimburse the Bank the service charges, postage and/or any other charges, if any, levied by the drawee bank or collecting bank(s) and an undertaking to this effect should be furnished at the time of availing such facility.

1.4. 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 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 would be charged on the notional overdrawn balances in the account had credit not been given initially.

2. Time frame for collection of outstation cheques.

2.1. The Bank's Cheque Collection Policy has been made compliant with the CTS-2010 environment. CTS Clearing is operational in three grids at present viz: Northern Grid, Southern Grid and Western Grid. All centers covered under the same grid are 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 centres.

- 2.2. Cheques drawn on other banks at outstation centres, which cannot be collected locally or through speed clearing, 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 sent for collection to the drawee bank or collected through a correspondent bank.
- 2.3. Cheques drawn on Bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. All CBS branches which are offering anywhere banking services to customers will provide same day credit to its customers in respect of outstation instruments drawn on CBS network branches if received in the branch before specified cut off time.
- 2.4. The Bank shall endeavor to collect and credit proceeds of cheques, demand drafts, pay orders and other negotiable instruments deposited well within the time frame as stated by the RBI Master Circular

Cheques payable at state capitals: Maximum period of 7 days.

Cheques payable at major cities: Maximum period of 10 days

Cheques payable at other locations: Maximum period of 14 days

3. Interest on Delayed Payment

In the event of delay in collection of outstation cheques in excess of the time frame stipulated in para 2.1, the Bank shall pay interest for the delayed period at the rate of 2% (two percentage points) above the rate applicable for term deposits of the Bank for identical tenure.

4. Time Frame for collection of cheques payable locally

The proceeds of the cheques payable locally will be credited within two working days.

5. Time Schedule of cheques received at the counter to be presented in the Clearing.

Local Clearing (Instruments payable locally would be presented through the grid based clearing system) - Cheques deposited at branch before the cut off time, displayed in the branch, will be presented for clearing on the same day.

6. Time schedule for crediting proceeds of cheques payable locally and withdrawal of funds.

Credits will be given to the customer's account on the same day or the next working day, from the time of clearing settlement. Withdrawal will be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to cheque return settlement of the CTS grids.

7. Procedure for notifying customer of dishonoured cheques.

The cheques dishonoured will be dispatched by Registered Post/ Courier, if the instrument is not collected from the counter promptly without delay, in any case, within 24 hours. The charges in this regard will be collected from the customer.

8. Speed Clearing

Speed Clearing is currently available at all MICR/ CTS Clearing House locations. Cheques payable at any Core Banking Solution (CBS) branch of any bank of any centre are collected through local clearing. Terms and conditions of local clearing is applicable to Speed Clearing in grid based clearing.

9. Collection of account payee cheques – Prohibition on crediting proceeds to third party account

Banks should 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, banks should 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.

However, with a view to mitigating difficulties faced by members of co-operative credit societies in collection of account payee cheques, collecting banks 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, banks should obtain a clear undertaking in writing from 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. The collecting bank shall subject the society to the usual KYC norms and enter into an agreement with the society that the KYC documents in respect of the society's customers are preserved in the society's records and are available to the bank for scrutiny. The collecting banks should, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner affected by these instructions and banks will have to establish that they acted in good faith and without negligence while collecting the cheque in question

As per our internal bank policy endorsed cheques are not accepted and branch to exercise caution when collecting cheques

10. Cheques/ Instruments lost in transit/ in clearing process/ at paying bank's branch

- 9.1. In respect of cheques lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately bring the same to the notice of the accountholder so that accountholder can inform the drawer to record stop payment and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques/ instruments.
- 9.2. The onus of such loss will be with the collecting bank and not the accountholder.
- 9.3. The bank shall reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.
- 9.4. If the cheque/ instrument has been lost at the paying bank's branch, the collecting bank shall have a right to recover the amount reimbursed to the customer for the loss of the cheque/ instrument from the paying bank.

11. Collection of US Dollar Denominated Cheques

11.1 Collection of Cheques Payable in foreign countries.

The Bank will provide credit to its customers immediately on completion of cooling period by converting the foreign currency to Indian Rupees by applying Bank's TT Buying Rate prevailing on that day. The time norms for collection and return of instruments vary from country to country and place to place within the country where a 'hold period' is prescribed.

11.2 US Dollar Cheques drawn on Banks in USA.

- **Time frame and collection charges**

For USD Cheques payable in United States, payment will be released to the customer after a cooling period of 15 days from the date of provisional credit to our Nostro Account. The commission for USD denominated cheques, which is currently 0.50% plus postage, will be subject to revision by the Bank. For returned cheques, correspondent bank charges will be recovered. The cheques are returned well within the cooling period as applicable to the countries concerned ranging from 15 to 21 days

- **Instant Credit Facility**

On request, immediate credit for USD denominated cheques to individual account holders will be afforded, subject to satisfactory conduct of such accounts for a period of not less than six months. Interest for 15 days at the rate applicable to Cheque purchase (CP), benchmarked to prevailing MCLR of the Bank plus the actual courier /postal charges of handling the instrument will be collected for such credits.

This facility should only be offered after proper due diligence of the Customer by the competent authority.

- **Compensation for delayed collection**

In the event of delay in collection of outstation cheques in excess of the period stipulated in the para above, the bank will pay interest for the delayed period at the rate of 2% above the rate applicable for term deposits of the Bank for identical tenure with a minimum of 2% p.a.

12. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen events, including but not limited to, sabotage, lockout, strikes and labour disruption, accident, fires, natural calamities, war, damage to bank's facilities or of its correspondent bank(s), or absence of the usual means of communication or all types of transportation, etc or other 'Acts of God' beyond the control of the bank prevents it from performing its obligations and duties.

13. Dealing with incidents of frequent dishonour of cheques of value Rs. 1 crore and above

Dishonour of cheques for Rs. 1 crore and above is taken as a very serious offence on the part of a customer. With a view to enforce financial discipline among the customers, bank has introduced a condition that in the event of dishonour of a cheque valuing rupees 1 crore and above drawn on a particular account on **four** occasions during a financial year for want of sufficient funds in the account, no fresh cheque book would be issued.

The account holder is persuaded to desist from the practice of issue of cheques without maintaining sufficient balance. In order to protect the image of the Bank, the branch may decide to close the account after giving due notice to the customer.

In respect of advances accounts such as Cash Credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts will be reviewed Zonal Heads/Zonal Offices.

Dishonour of cheque favouring Stock Exchanges irrespective of the amount, for the reason "Insufficient Funds" shall be reported by the branches periodically to the controlling office. Data in respect of cheques drawn in favour of Stock Exchanges and dishonour for the reason insufficient funds shall be consolidated separately by the bank, irrespective of the value of such cheques, as a part of its MIS relating to broker entities, and shall be reported to their controlling offices.

14. Dealing with frequent dishonour of cheques of value of less than Rs. 1 crore

Since frequent dishonour of cheques of value of less than Rs. 1 crore is also a matter of concern, it is felt that branches need to take appropriate action in those accounts where such dishonour of cheques occur.

At the time of issuance of cheque - book / accepting mandate of Electronic Debit the customer would be put on notice that it is their responsibility to ensure that adequate funds are maintained in the account to honour their commitment of payment.

Bank views it as a serious misconduct on the part of the customer to issue cheques in favour of Govt. departments like customs, sales tax etc. without maintaining sufficient balance in the account. So such instances are dealt separately with all seriousness they deserve, lest it will lower the esteem of the institution.

An account where frequent dishonor of cheques exists is defined as the one where cheques are returned unpaid on **six** or more occasions during a financial year due to reasons such as 'Funds Insufficient'. On reaching the number of incidents of dishonour of cheque / debit mandate on **three** occasions during the quarter cautionary advice would be issued stating that any more instances would disentitle the customer from availing facility of cheque - book / debit mandate. In respect of Cash - Credit / OD accounts additionally, clarification would be sought as to the circumstances under which adequate funds were not maintained in the account and this factor would be given weightage at the time of renewal / review of credit facilities.

If considered appropriate, Bank can give adequate notice of 15 days and close the account by recovering charges / dues if any and remitting the remaining balance by pay order / draft to the address on record of the Bank by registered post. In case of cash credit/overdraft accounts, this fact shall be referred to appropriate authority higher than the sanctioning authority.

The dishonouring of ECS mandate is also dealt with the same way as that of cheque returns.

15. Returns owing to lack of funds

If the account does not have sufficient funds, while entering the instrument via inward clearing screen in Maarvel CBS, the instruments will be dishonored / returned with the reason 'Funds Insufficient or Exceeds Arrangement'

16. Cheque Return charges

- The Bank levies cheque return charges not only as fee for handling the instrument, but also as a deterrent for recurrence of such misconduct on the part of the customer. This fine imposed on the customer is more to safeguard the image of the Bank by reducing the number of cheque returns.
- Return charges will be collected if the account has sufficient balance for the return charges. Otherwise, as overdrawing's for charges are not allowed in Maarvel CBS, the return charges will not be collected then and there. But a process termed as hovering would be initiated, if there is no sufficient balance for recovering the cheque return charges. As and when sufficient balance is made available in the account, the charges pending collection would be levied by the system automatically.
- Cheque return charges shall be levied only in cases where the customer is at fault (refer bank's website for details regarding charges) and is responsible for such returns. The illustrative, but not exhaustive, list of returns, where the customers are **not** at fault are indicated in the annexure.
- Cheques that 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 through SMS alert, email etc.

17. Returns owing to other reasons

Instruments not conforming to CTS 2010 standard will be returned, as there is no other provision to validate the instrument.

Charges will not be collected from the account in such cases, as the return reason is a non-financial one. The return reason will be 'Kindly Contact Drawee / Drawer bank/ branch'

18. Returns related to Paper to Follow (P2F) presentations

Instruments marked as P2F, during the outward presentations, and non-receipt of the instrument physically in the P2F session from the presenting bank will be returned. Charges will not be collected from the account, as the return reason is a non-financial reason. Paper to Follow presentations are when banks would be required to send paper along with scanned images. These are applicable in the following situations:

Government cheques.

In case of IQA failure. (IQA failure represents Image quality validation tests not passed in spite of the rescanned image done on the capture system)

When the instrument has been returned by the drawee bank with reason code 39 (Image not clear, present again with paper) or reason code 40 (Present with document).

The drawee bank shall retain and preserve the physical instrument after making the payment thereof.

This policy is subject to review from time to time.

19. Positive Pay

- Reserve Bank of India has advised banks to enable Positive Pay to customers issuing high-value cheques and this facility is enabled for our customers in Net Banking. Positive Pay System is to mitigate the frauds related to cheques of value Rs. 50000/- and above. Availing of this facility is at the discretion of the customer, in case of details not provided when the cheques are issued by the customer in the Net Banking portal, existing clearing process will continue without a positive pay mechanism.
- Cheques that are complaint with positive pay system, will be accepted under dispute resolution mechanism at the CTS grid i.e. in case of cheque issuance details are not shared with the drawee (i.e. issuing bank) the right to raise a complaint under Dispute Redressal Mechanism where an altered cheque is paid from the account will be forfeited.

20 General:

- Cheques dishonoured for the reason insufficient funds in respect of all accounts should be returned /dispatched to the customers without delay, in any case within 24 hours, along with a duly signed memo indicating therein the reasons for dishonour as "Insufficient Funds".
- For the purpose of adducing evidence to prove the fact of dishonour of inward cheque for the reason insufficient funds on behalf of a complainant (i.e., payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured inward cheques before a court, consumer forum or any other competent authority, bank shall extend full co-operation to furnish documentary proof of fact of dishonour of inward cheques for the reason insufficient funds.
- The branch head shall take a decision on stopping of issuing cheque book/closure of account and he/she shall take a decision in consultation with appropriate sanctioning/reviewing authority, in case of limits sanctioned to parties.
- In case of dishonour /return of cheques the paying Banks should clearly indicate the return reason code on the return memo/objection slip which shall also bear the signatures/initials of the Bank Officials as prescribed in rule 6 of the URRBCH (Uniform Regulations and Rules for Bankers' Clearing Houses)
- SMS alerts are being sent to those customers who have registered mobile numbers at the base branch, regarding presentation of cheques. SMS alerts are admissible as evidence under the Information Technology Act, 2000 and the Indian Evidence Act, 1972 (Section 3, 65 A & 65 B)
- Payment of Cheques/Drafts/Pay Orders/Banker's Cheques:

Bank shall not make payment of cheques/drafts/pay orders/banker's cheque bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument. Bank shall ensure strict compliance of these directions and notify the holders of such instruments of the change in practice by printing or stamping on the cheque leaves, drafts, pay orders and banker's cheque issued.

ANNEXURE

Illustrative but not exhaustive list of objections where customers are not at fault (Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1 st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons – connectivity failure
87	'Payee's a/c Credited' – Stamp required
92	Bank excluded