



Revised Policy on
Collection of Cheques/ Instruments (2018-19)

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Policy on Collection of Cheques/ Instruments (2018-19)

PREAMBLE

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that have been undertaken by a number of Banks, Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local /outstation cheques, (ii) Time frame for collection of Local / Outstation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 the on-going efforts to provide better service to 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 the use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

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

1. Arrangements for Collection:

1.1 Local Cheques

All CTS Compliant cheques and other Negotiable Instruments which are payable under a grid system, will 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 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. As a policy, Bank would give credit to the customer account on the day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

- 1.2 **Non-CTS cheques** will be presented in the clearing house at the prescribed intervals, as decided by RBI from time to time. In certain categories of cheques (subject to amendments in guidelines), or instruments demanded by the correspondent Bank or Image Quality Assessment (IQA) failure, will be presented in physical form to the drawee Bank.

RBI Directives on non-CTS cheque clearing:

- a) Frequency of the separate session for clearing of non-CTS (CTS-2010 non-compliant) cheques in three CTS Grid centres, has been reduced to once a fortnight from July 1, 2018 (every alternate Wednesday, beginning July 4th) and thereafter to once a month from September 1, 2018 (second Wednesday of the month, beginning September 12th).
- b) If the identified day for clearing non-CTS-2010 instruments falls on a holiday under the Negotiable Instruments Act, 1881, presentation session on such occasions will be conducted on the previous working day.
- c) Upon the commencement of special session for non-CTS-2010 standard instruments, drawee banks will return the non-CTS-2010 instruments, if any, presented in the regular CTS clearing, under the **reason code '37-Present in proper zone'**. Such returned instruments will have to be re-presented by the collecting bank in the immediate next special clearing session for non-CTS-2010 instruments.
- d) The separate clearing session will be discontinued from December 31, 2018. Bank can, however, continue to present such instruments in Express Cheque Clearing System (ECCS) centres.
- e) Since separate clearing session for non-CTS compliant cheques will be discontinued after 31.12.2018, branches/offices should take up action points as advised in HO IC no. 15436 dated 05.01.2018 to ensure that no non-CTS cheque remains in circulation by the stipulated date.

1.3 Bank branches situated at centres which are not members of any CTS Grid or 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, but not later than 3rd working day from the date of deposit by customer.

1.4 **Outstation Cheques**

a) Cheques drawn on other banks at outstation centres, other than those covered under 1.1, 1.2 & 1.3 above, 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.

b) 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 drawn on any of its branches in the CBS network, if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

1.5 **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.

2. **Immediate Credit of Outstation Cheques / Instruments:**

Branches will consider providing immediate credit for outstation cheques/ instruments upto the aggregate value of Rs.15,000.00 (Rupees fifteen thousand only) tendered for collection by individual account holders, subject to satisfactory conduct of such accounts for a period not less than 6 months. Branches will consider providing immediate credit facility to the individual account holders upto the aggregate value of

Rs.25,000/- (Rupees twenty five thousand only) in respect of prepaid instruments like IOI, Interest/ Dividend Warrant, etc., as also instruments drawn by government departments and undertakings. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement.

The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility, there will not be any separate stipulation of minimum balance in the account.

In the event of dishonour of a 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 clean 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 and valid PAN/Form60
- 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 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.

This facility of immediate credit will not be applicable for local cheques/ instruments and cheques/instruments presentable in CTS clearing.

3. Purchase of local/outstation cheques:

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

4. Time Frame for Collection of Outstation Cheques / Instruments:

- 4.1 For cheques and other 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) Non CTS centres: Maximum period of 10 days.
 - (c) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. The bank is committed to ensuring that instruments drawn in foreign currencies and payable outside India are collected in the quickest and most efficient manner. Bank would give credit to the party upon realization credit of proceeds into the bank's NOSTRO Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.
- 4.2 Country/location specific time norms, wherever stipulated, will be specified for foreign currency instruments and made known to the customers at the point in time of while accepting instruments for collection.

5. Payment of Interest for delayed collection of Local/ Outstation Cheques and Cheques payable outside India:

- 5.1 As a 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. 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.
- 5.2 **Interest for delayed collection shall be paid at the following rates:**
- a) Saving Bank Rate for the period of delay beyond 3 working days in case of local cheques.
 - b) Savings Bank rate for the period of delay beyond 7 days in collection of outstation cheques payable at CTS Centres and 10 days in non CTS Centres.
 - c) Where the delay is beyond 14 days, interest will be paid at the rate applicable to the term deposit for the respective period.
 - d) 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.

e) 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.

6. Cheques/ Instruments lost in transit/ in clearing process or at paying bank's branch:

6.1 In the event of 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 about such loss, bring the same to the notice of the account holder, so that the account holder 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 will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

6.2 Bank will compensate the account holder 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 (3/7/10/14 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 duplicate cheque/instrument and collection thereof.

c) 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.

7. Miscellaneous:

a) Cheques which are deposited with wrong account number mentioned on the Pay-in-slip, Bank will return such cheques to the customer's 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 these instruments for a maximum period of 3 months.

- b) 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, 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/ courier.
- c) Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive list of returns, where the customers are not at fault, are indicated in **Annexure-2**.
- d) 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 representation through SMS alerts, E-mail, etc.
- e) 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 would help banks in identifying and controlling fraudulent alterations. 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.
- f) RBI has prohibited Banks from crediting "Account Payee" cheques to the account of any person other than the payee named therein. However, with a view to mitigate the difficulties in collection of Account Payee cheques by members of Co-operative Credit Societies who do not have bank accounts, RBI has clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding Rs.50000/- 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, in which connection reference may be made to HOIC No. 11205/DEV/2010-11/40 dated 20.11.2010.

8. Service Charges:

For all collection services, the Bank will recover appropriate service charges, as decided by the Bank from time to time and communicated to the customer, displayed on Bank's website.

9. **Force Majeure**

The Bank shall not be liable to compensate the 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.
