

## **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 1<sup>st</sup> November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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.
- Our policy on dealing with cases of frequent dishonour of cheques.

## **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 before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time will be presented in the next clearing cycle. 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 endeavor 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 drawn on any of its branches in the CBS network.

Speed clearing is a facility for realization of outstation cheques at the local centre of deposit. Branches that are connected by CBS can afford this facility to the customers. As our branches are connected by CBS we provide this facility to our customers. For example a cheque drawn in Chennai deposited by a Mumbai client is sent to Chennai by courier. Upon receipt of the cheque, our Chennai Branch will present the cheque in local clearing in Chennai. As soon as the cheque gets cleared the client's account is credited with the amount of the cheque.

## **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.

#### **2.4 Immediate Credit of Local / Outstation Cheques / Instruments:**

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs 15,000/- tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period not less than 6 months. 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 would also be made available in respect of local cheques at centres where no formal clearing house exists.

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. Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated on par with cheques.

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 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 not, however be charged.

### 2.5 **Purchase of local/outstation cheques**

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

### 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. Note that RBI has phased out the requirement of High Value Clearing.

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

- a) Cheques presented at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres : Maximum period of 7 days.
- b) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days.
- c) In all other Centres : Maximum period of 14 days.
- d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. 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.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks.

4. **Payment of Interest for delayed Collection of 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. 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.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to 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 / 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 dishonored 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 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 (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.

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, 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.

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

If a cheque send 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.

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.

## 8. **Dealing with Frequent Dishonour of Cheques**

### **a) Value 1.00 crore and above**

In the event of dishonour of cheque for a value of 1.00 crore and above, drawn on a particular account of the drawer of the cheque on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Further, the bank may consider closing the account at its discretion. In case of borrowal accounts the continuance or otherwise of the credit facilities relating to these accounts shall be reviewed by appropriate authority higher than the sanctioning authority.

Bank would issue a letter advising the clients of the above provision at the time of cheque book issuance after opening of the account

On occasions of dishonour of cheque, Bank would also issue a cautionary advice to the client drawing his attention to aforesaid provisions and consequential stoppage of cheque book facility/ closure of account to the client.

### **b) Value less than 1.00 crore**

In the event of dishonour of cheque for a value of less than 1.00 crore, drawn on a particular account of the drawer of the cheque on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Further, the bank may consider closing the account at its discretion. In case of borrowal accounts the continuance or otherwise of

the credit facilities relating to these accounts shall be reviewed by appropriate authority higher than the sanctioning authority.

Bank would issue a letter advising the clients of the above provision at the time of cheque book issuance after opening of the account.

On occasions of dishonour of cheque, Bank would also issue a cautionary advice to the client drawing his attention to aforesaid provisions and consequential stoppage of cheque book facility/ closure of account to the client.

Mumbai

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