

STATE BANK OF BIKANER & JAIPUR

**BANK'S CHEQUE COLLECTION POLICY
2016**



State Bank of Bikaner & Jaipur
Customer Service & Care Department
Head Office, Jaipur

STATE BANK OF BIKANER AND JAIPUR
CHEQUE COLLECTION POLICY 2016

1. PREAMBLE:

- 1.1. Bank's Cheque Collection Policy (CCP) was first formulated in January 2006 and is reviewed annually, as per the guidelines issued by Reserve Bank of India (**RBI/IBA/BCSBI**) from time to time, The Policy duly approved by Bank's Central Board shall read as **Bank's Cheque Collection Policy – 2016**.
- 1.2. Bank's Cheque Collection Policy document has been formulated as a comprehensive document with transparency covering following aspects, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The Policy takes adequate care to ensure that the interests of small depositors are fully protected and this has been integrated with the Deposit Policy formulated by the Bank in line with the IBA's model policy on Collection of cheques/instruments. The procedure for collection of domestic cheques/instruments and international instruments have been placed in **Annexure- I & II** respectively, which, inter alia, incorporate the following :
- a) **Established** procedure for collection of cheques (local and Outstation).
 - b) Collection of cheques between two banks and between CBS and non-CBS branches of other banks.
 - c) Reduced time frame for collection of outstation/local cheques drawn on branches of the Bank.
 - d) Penalty for delayed collection **for local and Outstation cheques** in a progressive manner.
 - e) Amounts of cheques up to which immediate credit is to be provided.
- 1.3 The Cheque Collection Policy covers following guidelines issued by theregulators for smooth conduct of clearing cycle.

Cheque Clearing process under revised scenario of CTS based clearing system:

1.3.1 Cheque truncation System (CTS) is presently working at **Northern grid** in Delhi, **Southern Grid** in Chennai and **Western grid** in Mumbai.

1.3.2 **States/ Circles covered in Grid based CTS 2010 centres:**

Northern Grid in Delhi covers Delhi, Uttarakhand, Jammu & Kashmir, Punjab, Bihar, Uttar Pradesh, Chhatisgarh and Rajasthan (covering Agra, Allahabad, Amritsar, Bhilwara, Chandigarh, Dehradun, Gorakhpur, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kanpur, Kota, Lucknow, Ludhiana, Patna, Ranchi, Udaipur and Varanasi).

Southern grid in Chennai covers Tamilnadu, Andhra Pradesh, Kerala, Karnataka, Orissa, West Bengal, North Eastern States, (covering Chennai, Hyderabad, Bangalore, Thiruvananthapuram, Bhubaneswar, Kolkata and Guwahati circles). Centres covered are Calicut, Trichur, Trivendrum, Ernakulum, Hubli, Mysore, Bangalore, Belgaum, Bhubaneswar, Cuttack, Chennai, Thirunelveli, Pondicherry, Tiruchirapalli, Tirupur, Coimbatore, Madurai, Erode, Salem, Kolkata, Guwahati, Vishakhapatnam, Hyderabad, and Vijayawada.

Western grid covers Maharashtra, Goa, Madhya Pradesh and Gujarat (Mumbai, Bhopal and Ahmedabad Circles). Centres covered are Panaji, Solapur, Mumbai, Nasik, Kolhapur, Nagpur, Pune, Vadodara, Surat, Bhavnagar, Rajkot, Ahmedabad, Anand, Raipur, Jabalpur, Gwalior and Bhopal.

- 1.3.3 **Process of clearing in ECCS centre:** All Bank branches participating in ECCS clearing centres have been provided with ECCS software and a server is located at Clearing House, where all bank branches exchange their Cheques and also submit the data of Cheques presented in clearing to Clearing House by removable storage devices. The Clearing House has ECCS software of Clearing House module, which processes the data, received from the member banks and generates individual bank's report and settlement report. The settlement bank makes settlement based on the ECCS report in accounts maintained with the bank. All other provisions of Uniform Rules and Regulations for Bankers' Clearing House (URRBCH) issued by RBI are being adhered to by the Clearing House.
- 1.4 Non-CTS-2010 cheques would continue to be cleared through "Express Cheque Clearing System (ECCS)".
- 1.5 Separate clearing session is being conducted once in a week (every Monday) w.e.f. 01.11.2014 in all the three CTS centres (Mumbai, Chennai and New Delhi) for clearing of such residual non-CTS 2010 cheques (including PDC and EMI Cheques).
- 1.6 Upon commencement of special session for non-CTS cheques, drawee bank will return the non-CTS cheques, if presented in regular CTS clearing, with reason "37-present in proper zone", which will have to be re-presented by the collecting bank in the immediate next special clearing session.
- 1.7 Speed clearing charges / outstation cheque collection charges debited by system under CTS be reversed till roll out of required software promotion in our Bank.
- 1.8 The above charges are applicable only to the transactions originated and payable in India.
- 1.9 In the case of collection of outstation cheques at centres, where the Speed Clearing System is not applicable, the collecting and paying banker has to share 50:50 charges for collection of outstation cheques.
- 1.10 The SC/ DDP automation has been implemented for collection of outstation cheques of other banks where speed clearing system is not available in the clearing process.
- 1.11 The IOI instrument is also now migrated to printing on "CTS-2010 standard" platform.
- 1.12 Speed Clearing System for collection for outstation cheques has been introduced by RBI at all MICR centres. It has further been extended at non-MICR clearing centres by RBI in a phased manner where automated clearing system is in vogue.
- 1.13 Clearance of Govt. cheque is under "paper to follow" system at CTS and other clearing centres.
- 1.14 Bank has stipulated the compensation at the rate of savings bank interest rate for delay in clearance of local cheques beyond the normal period.
- 1.15 Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The list of reasons for return, where the customers are not at fault are indicated in the Annexure-III.
- 1.16 The list of objections for return of Instruments and Image based Cheque Clearing, as detailed in Annexure D to Uniform Regulations and Rules for Banker's Clearing House, has been placed as Annexure-IV of this document.

- 1.17 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 presentation through SMS alert, email etc.
- 1.18 RBI directed that no changes/ corrections should be carried out on the cheques. For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc excepting change in the date for validation period, fresh cheques forms should be used by customers. This will help bank to identify and control fraudulent alterations. It is also applicable for the instruments presented in clearing at CTS-2010 grid based clearing centres. Collecting Banks have to ensure that such cheques are not accepted for presentation in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.
- 1.19 Reduction of validity of cheque /draft /pay order/Banker's cheque from 6 months to 3 months w.e.f. 01.04.2012.
- 1.20 Dishonour / Return of cheques: Bank needs to mention the 'Date of Return' & sign/initial the Cheque return Memo and the objection slip is to be signed/initialed giving therein a definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.
- 1.21 Collection of Third Party Cheques in clearing: 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 faced by the members of co-operative credit societies in collection of account payee cheques, RBI permitted banks to collect **for such societies account payee cheques drawn for an amount not exceeding Rs.50,000/- on behalf of their constituents.**
- 1.22 The payment of compensation to the customers on account of delay in collection of outstation cheques is to be paid to the customer without any request from him.
- 1.23 The realization of service charges has been system enabled for automatic recovery of service charges.
- 1.24 **Procedure at the Presenting Branch** - As the payment processing is done on the basis of images, the onus of due diligence shifts to the Presenting Bank, as provided under explanation. II to Section 131 of Negotiable instruments Act. The bank has to enforce KYC (Know Your Customer) norms in letter and spirit. The bank should observe all precautions which a prudent banker does under normal circumstances, e.g., to check the apparent tenor of the instrument, physical feel of the instrument, any tempering visible to the naked eye with reasonable care, etc. The presenting bank takes full responsibility for collecting on behalf of the intended payee and exercises due diligence as per the conditions laid down in the amended Negotiable Instruments Act.

2. ARRANGEMENTS FOR COLLECTION OF DOMESTIC CHEQUES. (CTS-2010 STANDARD CHEQUES AND NON CTS-2010 STANDARD CHEQUES

2.1 Collection of “CTS-2010 Standard” Cheques at CTS Grid:

- All “CTS-2010 Standard” Cheques and other Negotiable Instruments (CTS Complaint), payable locally or outstations on any banks, would be presented by the branches linked to CTS-Grid based clearing through grid based clearing system (Chennai, Mumbai and Delhi Grids).
- Separate clearing session is being conducted once in a week (every Monday) w.e.f. 01.11.2014 in all the three CTS centres (Mumbai, Chennai and New Delhi) for clearing of such residual non-CTS 2010 cheques (including PDC and EMI cheques).

2.1.1 Procedure at the Presenting Branch- As the payment processing is done on the basis of images, the onus of due diligence shifts to the Presenting Bank, as provided under explanation. II to Section 131 of Negotiable instruments Act. The bank has to enforce KYC (Know Your Customer) norms in letter and spirit. The bank should observe all precautions which a prudent banker does under normal circumstances, e.g., to check the apparent tenor of the instrument, physical feel of the instrument, any tempering visible to the naked eye with reasonable care, etc. The presenting bank takes full responsibility for collecting on behalf of the intended payee and exercises due diligence as per the conditions laid down in the amended Negotiable Instruments Act.

2.2 Collection of Locally payable cheques at Other Clearing Centres:

- All cheques and other negotiable Instruments, payable locally in clearing, would be presented through the clearing system prevailing at the centre.

2.2.1 Cheques deposited at branch counters and in Drop-boxes, within the branch premises, before the specified cut-off time will be presented for clearing on the same day.

2.2.2 The broad time–limit for receipt of cheques (say up to 3 hours after opening of branch, 1 hour before closure of business etc.), which can be fine tuned for individual locations /branches, based on local practices, will be fixed by the Controllers of the respective branches.

2.2.3 All the drop-boxes shall indicate clearly the time line up to which cheques dropped in the drop boxes would be sent for clearing on the same day.

2.2.4 Cheques deposited after the cut-off time and in drop-boxes outside the branch premises including off-site ATM will be presented in the next clearing cycle.

2.2.5 As a policy, bank would give credit to the customer account on the same day after day’s clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

2.2.6 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 realization.

2.3 The time line for collection/clearing of local cheques will be extended by additional day in case of branches having non-Sunday weekly off and for 7 days branches, where branches are functioning on Sunday.

2.4 **Outstation Cheques payable in India**

2.4.1 Cheques drawn on other banks at outstation centres in India will normally be collected through our own 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 **Express Cheque Clearing System (ECCS)** / Speed Clearing System/ MICR– Clearing System/ CTS-2010 grid based clearing offered by Reserve Bank of India at centers where such services exist.

2.4.2 **Speed Clearing System:** -

Speed clearing charges / outstation cheque collection charges debited by system under CTS be reversed till roll out of required software promotion in our Bank.

2.5 **Extension of the benefit of Speed Clearing System (SCS) to RUSU Branches:**

The Speed Clearing System allows each Bank to notify a branch at the Speed Clearing Centre for payment of outstation cheques of its other CBS branches in the country. Presently, SCS mainly covers Metro / Urban and a few Semi Urban centers, which are identified / notified by RBI. With a view to providing RUSU branches the benefit of participating in SCS, Controllers of such branches would link RUSU branches under their control to the respective Service Branch / CCPC / Main Branch located in the nearest Metro / Urban centers having the Speed Clearing System. RUSU branches will submit outstation cheques of CBS branches of other banks to the identified CCPC/ECCS/MICR Centre / Main Branch/Non-MICR clearing centre to which they are linked for presentation through the Speed Clearing System. The identified Link Branch will ensure quick realization of proceeds of outstation collection and credit to the respective account at RUSU branch through CBS. RUSU Branches will be required to deal with only the linked CCPC/ Main Branch. This will remove the anomaly of most of the RUSU branches not being able to enjoy the benefit of SCS.

2.6 **Time frame for collection of cheques**

Cheques drawn on branches of other banks located at State Capitals/Major “A” class Cities/other locations will be collected within 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified hitherto in the CCP shall be paid without insisting/waiting for a request from the customer. Time-limit for collection specified by the Bank shall be treated as the outer limit and credit shall be afforded immediately, if the proceeds get collected earlier. Also, branches of the Bank shall not decline to accept outstation cheques deposited by its customers for collection.

3. **ARRANGEMENTS FOR COLLECTION OF CHEQUES INSTRUMENTS DRAWN ON SBBJ BRANCH NETWORK SC/DDP AUTOMATION :**

The cheques /instruments received at the branches for realization across the counter or through the Drop box facility will be lodged as per process flow for SC/DDP automation for all branches at CCPC and non-CCPC centers. The necessary circular instructions have already been issued by S&P Dept. at Head Office, Jaipur.

- 3.1. **INSTRUMENTS DRAWN ON LOCAL AND OUTSTATION BRANCHES :**
Cheques drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/business segment, excepting Govt. Cheques, Banker's Cheques, RBI cheques, received across the counter or through Drop-Box are not required to be presented in clearing or purchased as DD/ sent out on collection as SC but these instruments shall be disposed off at their end only. The instruments will be paid by the receiving branches at their end after verifying the genuineness of the instruments and observing all necessary precautions for payment of instruments, as if these have been drawn on them and will afford credit directly to the payee's account using the CBS power and recover applicable service charges as per RBI's instruction regarding collection of outstation cheques.
- 3.2. **INSTRUMENTS DRAWN ON LOCAL BRANCHES OF OTHER BANKS/SBI/ ASSOCIATE BANKS :**
- 3.2.1 These instruments will be presented by the receiving branches in local clearing and credit afforded to the payee's account on realization or else arranges to send these instruments to the designated branch/ main branch / CCPC / service branch, which will in turn present these instruments in local clearing and afford credit directly to the payee's account using CBS strength.
- 3.2.2. **INSTRUMENTS DRAWN ON OUTSTATION BRANCHES OF OTHER BANKS/SBI/ ASSOCIATES BANKS:**
At such centre, where speed clearing is operational, the cheques drawn on CBS enabled branches of other banks are not required to be sent out for collection and will be presented through Speed Clearing System in which these can be presented to the drawee banks in local clearing for payment.
- 3.2.3. However, to leverage the CBS functionality and infuse efficiency and improvement in collection/ DD Purchase system of the Bank, all branches/offices transacting collection of instruments drawn on outstation branches of other Banks/SBI/Associates Banks at centers where we are established will follow the SC/DD automation instructions mentioned in the circular instruction issued by S&P Dept. while handling collections/DDP business. The receiving branches will send such instruments to our own branches, for collection/ realization through SC/DD as the case may be.
- 3.2.4 There is no change in the accounting procedure for DDP in respect of above cases where instruments will continue to be purchased by debit to General Ledger Account/Customer's Liability account and sent for realization to the Drawee bank for realization thereof.
- 3.2.5 The revised cheque collection instructions shall be universally applicable at all centers (CCPC and non-CCPC centers).
- 3.2.6 The outstation cheques will be paid subject to recovery of usual service charges plus service tax applicable as per Bank's extant instructions, but in any case, such charges shall not be more than the service charges by the RBI for Outstation Collection Charges . No additional charges, P&T, Courier charges etc will be recovered.
- 3.3 Cheques drawn on any branch of the our Bank, locally or outstation, will normally be paid on the same day/next day, depending upon the local situations, barring a few exceptional circumstances for example – insufficient balance, non availability of drawing power, uncleared balance, cheque number not matching with the cheque range in the system, same cheque number already paid, difference in signature, any lien stop/hold restrictions, statutory, regulatory or otherwise, marked on the account, exceeding limit in case of loan account. In such exceptional cases, cheques will be collected using the inter-branch collection arrangements under SC/DDP automation.

4. IMMEDIATE CREDIT OF OUTSTATION/LOCAL CHEQUES TO DEPOSIT ACCOUNTS OF INDIVIDUALS :

4.1 The facility of immediate credit will be provided by the branch to the satisfactorily conducted accounts (defined here-in-after in the Policy) of their customers in respect of instruments drawn on any of Bank's branches in the CBS network.

4.2 INSTRUMENTS DRAWN ON OUTSTATION BRANCHES OF OTHER BANKS / SBI / ASSOCIATE BANKS : Branches will, on their own, afford immediate credit of outstation cheques of other banks up to and inclusive of Rs.30,000/- (Rupees thirty thousand only) tendered for collection by their customers.

4.3 For the purpose of this Policy, a satisfactorily conducted account shall be one which has been:-

- i) Opened at least six months earlier and is fully complying with the KYC documentation requirements.
- ii) Is neither dormant nor inoperative.
- iii) Where branch has not noticed any irregular dealings/ suspicious transactions in the last 6 months.
- iv) Where the branch has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned unpaid, after giving credit.
- v) Where no adverse features attached to the account/account holders has been brought to the notice of the Bank.
- vi) Where no cheques/ instruments for which immediate credit was afforded returned unpaid for financial reason.

4.4 The facility will be available to all individual deposit account holders, without making a distinction about the type of their accounts i.e. Savings Bank/Current Account etc. It will also be available at all branches/extension counters of the Bank.

4.5 Normal collection charges + 0.50% as DDP charges+ service tax are to be recovered for outstation cheques. No additional charges such as exchange, out of pocket expenses, P&T/courier charges are to be recovered in the process. In case of outstation cheques, the facility will be restricted to one or more cheques for aggregate amount not exceeding Rs. 30,000/- at a time ensuring inter-alia that the liability, on account of outstanding cheques purchased, does not exceed Rs. 30,000/- at any time, except in cases where credit facility against cheques to be purchased has been duly sanctioned by the competent authority.

4.6 The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

4.7 Local Cheques (Instruments of other Banks)

- a) For local cheques of other banks, credit shall normally be given on the same day or at the most next day of the day of presentation in clearing. Ideally, in respect of local clearing, Bank shall permit withdrawal in the customer accounts immediately after closure of relative return clearing same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards.
- b) The customer will be allowed to withdraw the relative proceeds on the day the proceeds are credited after reckoning the cheque return timeline applicable at the centre, subject to usual safeguards / business hours.

- c) Negotiation of local cheques / instruments will not be encouraged. However, Branch Managers may use their discretion in exceptional circumstances (business exigencies) to permit drawls against unclear effects up to Rs. 30,000/- (Rupees thirty thousand only), for deposit accounts on recovery of collection charges of Rs. 100/- per instrument. The facility can be provided only on well conducted, KYC complaint accounts as mentioned in paragraph 4.3 above. This will be done within the discretionary powers vested with the Branch Manager in the respective Grade/Scale, as per discretionary power structure, on the day of purchase itself and is required to be reported to the next higher authority, immediately.
- d) No charges will be levied for local collection of cheques / instruments which are collected through the normal clearing process, except for item 4.7(c) above.
- e) Normal collection charges will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.

4.8 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 and also cheque return 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 / realization of the amount to / by the Bank.
- b) Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for interest purposes, if the cheque is returned unpaid.
- c) If proceeds are credited in an overdraft / loan account, interest would be recovered at applicable rate / clean overdraft rate, whichever is higher, on the amount of returned Cheque / instrument.

5. TIME FRAME FOR COLLECTION OF OUTSTATION INSTRUMENTS:

5.1. With the leverage of CBS and up gradation of technology and introduction of Speed Clearing System/CTS-grid based clearing at MICR centre, the time frame for collection of outstation cheques for SBBJ branches/ other banks will be as per normal clearing cycle at the respective centre and for all other centres, the time frame for collection of cheques/ instruments payable in India is as under:

	<u>SBBJ Branches</u>	<u>Branches of Other Banks</u>
a) Collections between Metropolitan Centres/ Major 'A' Class Cities (Mumbai, Chennai, Kolkata, New Delhi, Ahmedabad, Bangalore & Hyderabad)	: 6 days	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	: 8 days	10 days
c) Collections between all other Centres	: 10 days	14 days

- 5.2 The timeframe mentioned above are the outer limits and once the instruments are realized, proceeds should be credited to the customer's account immediately.
- 5.3 Considering technology Up gradation and faster communications modes, delays (in collection of cheques/instruments) beyond 45 days, from the notional date of credit as per time frame mentioned in paragraph 5.1 above, would be treated as abnormal delays.
- 5.4 The time limit for collection of cheques / instruments payable in foreign countries has been mentioned separately in the Policy, under paragraph No.8.

6. INTEREST PAYMENT FOR DELAYED COLLECTION:

- 6.1. As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments under 5.1 a, b and c given above 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.
- 6.2 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 were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extra ordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- 6.3 Such interest shall be payable with a minimum of **Rs. 25/- (Rupees twenty five only)** even if the interest calculated works out to less than **Rs. 25/-**.
- 6.4 It is reiterated that compensation, as detailed above, shall be paid without any formal demand from the customers.

7. CHEQUES / INSTRUMENTS LOST IN TRANSIT / IN CLEARING PROCESS OR AT PAYING BANK'S BRANCH:

- 7.1 In the event of a cheque/instrument accepted for collection being lost in transit or in the clearing process or at the paying bank's branch, 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 the drawer can be informed to record stop payment, and take care that cheques, if any, issued by him/her are returned with specific remarks and not just dishonored due to non-credit of the amount of the lost cheques/instruments. 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.

- 7.2 Where a cheque/instrument is claimed to have been deposited by the customer in Drop-Box, but Bank's records do not show receipt of such cheque with the Bank, Bank can not decide on the compensation amount for lost cheque in the absence of details of cheque like date, amount, drawee bank/branch/drawee centre etc., In such cases, the customer will have to corroborate a claim for lost cheque with full facts, inter-alia including confirmation/enquiries from the drawee person/banks about genuineness of the claim and, on this basis, if it is established that the customer has, in fact, tendered the cheque in Drop-Box, Bank will consider payment of compensation in terms of the bank's Compensation Policy.
- 7.3 In line with the compensation policy of the Bank, the Bank will compensate the account holder in respect of instruments lost in transit in the following way:
- a) In case intimation regarding loss of instruments 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 cheques for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheques / instruments and collection thereof.
 - c) The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate Cheque / instruments upon production of receipt in the event of instrument is to be obtained from a Bank / institution who would charge a fee for issue of duplicate instrument.

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8. PROCEDURE FOR COLLECTION OF INTERNATIONAL CHEQUES/INSTRUMENTS.

- 8.1 Bank handles, on behalf of its customers, at all its branches, collection of cheques drawn in various foreign currencies and payable at various foreign centers. Bulk of the collection instruments are : -
- a) US\$ cheques {including Travellers Cheques (TCs)} payable in USA.
 - b) £ Cheques (including TCs) payable in UK.
 - c) € Cheques (including TCs) payable in Euro countries.
 - d) Cheques denominated in US\$ & €, payable in countries other than USA/Euro Countries.
 - e) Cheques denominated in Australian Dollar, Canadian Dollar and Singapore Dollar payable in their respective countries.
 - f) It is clarified that Travellers cheques issued by various Banks/Entities in various currencies will continue to be paid (by purchase) at designated branches as per bilateral arrangement in place, as advised by **International Banking Department**, Kolkata, from time to time.
 - g) Sale of American Express Travellers Cheques (AMEXFCTCs) has been discontinued w.e.f. 01.09.2012.**
- 8.2 Accordingly, the Policy for International Cheque Collection shall cover the following aspects:
- i) Type of settlement process in foreign countries for collection of cheques.
 - ii) Arrangement for collection of cheques/instruments.
 - iii) Time-frame for collection of cheques.
 - iv) Interest payment for delayed collection and
 - v) Collection instruments lost in transit.
- 8.3 **Settlement Process in Foreign Countries for collection of cheque:**
Collection of cheques at various foreign centers differs vastly from the process prevalent in India, both in advanced markets and developing countries and also from country to country within these two sub-groups. In some of the markets, clearing / settlement system can take more than 1 day i.e. 2-4 days for return clearing and therefore, for final funds settlement. Further, in some countries like USA the recall of funds from the collecting banker can occur even after the time for return clearing for an undefined period (normally up to one month), in cases where National Clearing involves more than one Fed Zone. There are also countries like Germany where cheques are no more the preferred mode of payments (replaced by online payments) and clearing takes place on a weekly basis. The brief description of different types of settlement processes in foreign countries has been given in **Annexure - V**.
- 8.4 **Arrangement for collection of foreign cheques/instruments:-**
- 8.4.1 Which use services of different correspondent banks with large volumes, robust systems, suitable technology back up and country specific strengths to provide efficient service at competitive prices. Different Correspondent Banks are able to offer varied customized products to us for risk reduction, quicker collection, improved reconciliation etc. at various price points. USD cheques valued at over USD 10,000 are to be sent for collection only under Final Credit Service (FCS) (and not Guaranteed No Return [GNR]) except when FCNR (B)/NRE TDR deposit receipt is to be issued and the delay in Nostro Credit will adversely affect the value date of the deposit. In all such cases, branches have to ensure that :
- i) FCNR (B)/ NRE TDR Receipt should be mailed / handed over to the depositor only after the cooling period is over.

- ii) As no protection against frauds on the face of cheques is available in such case (a recall is possible within 1 year) the facility of loans, etc. against such deposits should be extended only where branches are satisfied with the bonafide of the transaction and availability of recourse, if required.

8.4.2 The USD, GBP & EURO cheques drawn on banks in USA, UK, and European countries respectively are accepted by Global Link Service, Mumbai for collection and cheques on these currencies drawn elsewhere as well as cheques of other currencies are required to be sent directly to the drawee bank.

8.5 **Immediate credit of cheques to deposit accounts of individuals: -**

8.5.1 Authorized branches of the Bank will offer immediate credit of cheques drawn in foreign currency for satisfactorily conducted accounts complying with KYC norms where they are satisfied with the scope for recourse, if required, and the customers are willing to pay the cheque purchase charges.

In value terms, cheque purchases for issue of Rupee TDRs may be authorized by Managers/Branch Managers in Scale III/IV incumbencies for a Rupee equivalent up to Rs. 50,000/- (Rupees fifty thousand only) and by AGM branch/ AGM Region/AGM (Administration) for higher values in satisfactorily conducted accounts, as per paragraph 4.3 above, subject to their discretionary power in the matter. In all other cases, the discretionary power to purchase cheques, in aggregate for a particular customer, will be as per the laid down financial powers for clean instruments, subject to the usual reporting to the next higher authority.

8.5.2 If a cheque/instrument, for which immediate credit has been afforded, is returned unpaid, the Bank shall recover interest at clean overdraft rate for the period the Bank remained out of funds and also cheque return charges and exchange loss, if any, subject to the following :

- i) Bank will charge interest from the date of credit of proceeds of the cheques in the account till reimbursement of money to the Bank.
- ii) Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for interest purposes if the cheque is returned.
- iii) If proceeds are credited in an overdraft/ loan account, interest would be recovered at applicable rate/clean overdraft rate, whichever is higher, on the amount of returned cheques/instruments.

8.6 **Time Frame for collection of instruments:-**

The time frame from the date of deposit of a cheques at a branch to the date of credit to the customer's account for USD, Euro, £ Sterling, Australian \$, Canadian \$, cheques/instruments payable in their home countries will be 10 days from the date of clear credit including cooling period or 45 calendar days, whichever is earlier, and for all other instruments (i.e. for instruments drawn on other countries) it will be 10 days from the date of clear credit or 60 calendar days, whichever is earlier. The timeframe mentioned above is the outer limit and once the instruments are realized, subject to expiry of the relevant cooling period, if any, proceeds will be credited to the customer's account.

8.7 **Interest payment for delayed collection:-**

As time for collection of instruments drawn on banks in different countries and even within a country from place to place varies, delay in collection of cheques payable at foreign centers will be construed if the customer's account is not credited within 10 working days, excluding Saturdays, from the date of clear credit to the Bank's Nostro Account i.e. after taking into account the prescribed cooling period for that currency with the respective correspondent.

8.7.1 For the sake of uniformity and clarity, the date of Clear Credit is defined as the date on which clear funds are available in our Nostro Account after an actual or notional cooling period – for actual credit to customers’ account as per Bank’s agreement with the concerned Correspondent Bank. Wherever there is no specific agreement on the cooling period or the funds are directly collected from a paying bank, the Clear Credit Date will be after observing a cooling period, as per the discretion of the Bank, for that specific currency / country / clearing system but not exceeding 10 calendar days from the date of actual credit to Bank’s Nostro Account.

8.7.2 The compensation on account of delay in collection of instruments in foreign currency would be as detailed below :

- 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 for term deposit for the respective period.
- c) In case of extraordinary delay, i.e. delay 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 extra ordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It is reiterated that compensation, as detailed above, shall be paid without any formal demand from the customers.

8.7.3 Compensation as detailed above shall be paid without any formal demand from customers.

8.7.4 No separate compensation is payable by the Bank on account of movement in the values of the respective currencies.

8.7.5 **International Cheques / instruments lost in transit / in clearing process :**
In the event an international cheque or an instrument accepted for collection is lost in transit or in the clearing process, the Bank shall, immediately on coming to know of the loss of instrument, bring the same to the notice of the account holder so that the drawer can be informed to record stop payment. The Bank would also advise the correspondent/ 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 cheques, if required. The Bank will arrange to get payment of the instrument based on the photocopy / scanned image of the instrument wherever the practice is prevalent. The Bank will bear the actual charges of recording Stop Payment instructions levied by drawee bank. The Bank would also reimburse the customer with actual charges levied by the drawer / bank in issuing duplicate cheques / instrument, subject to a maximum of Rs.250/-.

9. **FORCE MAJEURE:**

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, 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.

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 dawn 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/ required 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/ cheque required 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

Code No.	Reason for Return
(01-03)	Funds
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared, present again
(04-09)	Reference to drawer
04	Refer to drawer
05	Kindly contact Drawer/Drawee Bank and please
present	again
(10-19)	Signature
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawers authentication
(20-29)	Stop payment
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account
holder	
(30-49)	Instrument
30	Instrument post dated
31	Instrument out dated/ stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank 's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
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
(50-59)	Account
50	Account closed
51	Account transferred to another branch
52	No such account
53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)

(60-69)	Crossing / Endorsement
60	Crossed to two banks
61	Crossing step not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/ illegible
66	Payee's endorsement required
67	Payee's endorsement irregular/ requires collecting
bank's	
	confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
(70-79)	RBI/ Government
70	Advised not received
71	Amount / name differs on advise
72	Drawee bank's fund with sponsor bank insufficient
73	Payee's separate discharge to bank required
74	Not payable till 1 st proximo
75	Pay order/ cheque requires counter signature
76	Required information not legible/ correct
(80-99)	Miscellaneous
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
85	Alterations on instrument-Other than "Date" field (Alteration/ correction on instruments are prohibited under Cheque Transaction System. Return reason code applicable to instruments presented in CTS)
86	Fake/ Forged/ Stolen-draft/ cheque/ cash order/ interest warrant/ dividend warrant
87	Payee's a/c credited'-Stamp required
88	Other reasons (please specify)
92	Bank Excluded

BRIEF DESCRIPTION OF DIFFERENT TYPES OF SETTLEMENT PROCESSES IN OTHER COUNTRIES

1. Uniform Commercial Code (UCC):-

UCC is the basic legal framework for cheques payment in USA. The rights of drawer of the cheques, the collecting banker and the paying banker are significantly different from the position obtaining in India. The collecting banker enjoys no protection while the paying banker enjoys all the protection in case of a cheque with any alterations (signature, amount, payee, etc.) for a period of at least 1 year. For endorsement related frauds and disputes, the periods is 3 years. For treasury cheques the period is even longer at 7 years. In Euro countries and England, the legal status and practices relating to clearing systems, return instruments and protection to paying banks and collecting banker are similar to those in USA – for frauds, generally, recall of funds by paying Banker beyond 2 weeks or so does not normally happen in these countries.

As customers cannot be made to wait for unduly longer periods to get payment, Banks have devised a system to afford credit after a reasonable cooling period. Cooling Period is the period upto which the Bank will wait, after the credit of proceeds of cheques to its Nostro Account, for a possible return/recall in terms of its experience depending upon the practice followed abroad or special arrangement with the Correspondent Banks. In some cases (\$FCS, Euro), while there is no additional cooling period, the Nostro Credit itself is afforded by the Correspondent Bank after the required cooling period at their end.

2. Guaranteed No Return (GNR):-

Under this system, which is available for collection drawn on banks in USA, the correspondent bank agrees to ensure that no return will be effected after say 10 business days of payment advice. Based on such a service contract (at a small price), after adding the courier time within India and for USA (4 days), processing time in India for preparing a “Master Cash Letter” (cheques collection schedule) – 1 day and processing time for the Correspondent Bank in USA (1-2 business days) a total of about 17 business days or 21 calendar days (including Saturdays, Sundays and Holidays) are required for credit to be afforded to the beneficiary in India. However, this service does not offer any protection against frauds – where refund can be demanded much later – and is therefore used for cheques of value upto US \$10,000 only.

3. Final Credit Service:-

Another service available for USA is the Final Credit Service (FCS) where some due diligence is applied by the correspondent bank at a significantly higher cost (between US\$ 5-10). In this case, while there is no additional cooling period, the credit is passed on to the Bank after 6 to 15 working days, depending on the arrangement with the correspondent bank and the State (location) in USA where the cheque is ultimately payable. While this service improves the level of security or comfort, it normally does not reduce time and is always costlier and is, therefore, normally used for high value cheques of over US\$ 10,000 only. FCS Services are available only for USD cheques payable in USA. For Euro, £ and cheques in all other foreign currencies, services like G.N.R. or plain Cash Letter Service is offered by Correspondent Banks.

4. Check 21 System:-

USA has already moved to Image processing technology under Check 21 system as an additional settlement process which may eventually replace the processing of physical cheques. Other advanced countries are likely to move to similar system over the next few years. This will reduce the time taken for collection by reduction/elimination of courier time. Decentralized scanning (at say 10 important centers in the country) and collection based on Image based processing under Check 21 will reduce the realization period by about 2 to 5 days depending upon the location of the collecting branch in India.
