

CHAPTER 11

COLLECTION / PURCHASE OF FOREIGN CURRENCY CHEQUES/ DDs /TCs

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11. Introduction

Our bank is in the process of availing several products of handling the cheques offered by our correspondent banks, with a view to reduce the time leg involved between the lodgment date and the actual realisation date. The said products are being implemented at our DFB & IBD, Mumbai and **Foreign Cheques Collection Centres (CCCs)** has been established at Overseas Branch, Mumbai & at Overseas Branch Ernakulam to centralize the foreign cheques/ FDDs/TCs etc. collection process.

However, with a view to enable our CCC to handle all the cheques, that are received, on day to day basis as also to ensure crediting customers' account promptly, it is desired that the branches also take extra care in handling such transactions.

11.1. Procedure to be followed at originating Branch

1. All Branches, both Exchange Dealing as well as non Exchange Dealing will obtain a revised application in triplicate from the customer as per Annexure-I. Branches to return one copy to the customer as acknowledgement.

2. Branches will accept cheques/drafts/payments/TC and other instruments only if these are payable to the customer having account with the Branch. The originating branch will guarantee on the reverse of the instrument as regards "payee's a/c will be credited on realization or payee's a/c credited."

3. In case of the instruments for FCNR (B) Deposits, the same should be clearly mentioned in the forwarding schedule with a request to retain the proceeds in foreign currency. Other guidelines are as under:

(a) In case of Deposit receipt is to be issued before realization of Instrument, the designated branch will report to FCNR cell and create Deposit at their end from the date of lodgement. The designated branch will give the details of the Deposit created in the covering schedule to CCC

and send the instrument to CCC for collection under FBPA No.

(b) In case of cheque, the designated branch will merely forward the instrument to CCC along with the covering schedule under FBC No. clearly indicating that the proceeds are for creating the FCNR Deposit.

4. Branches will complete necessary verification of the instruments and make their recommendation on the customer for complying with KYC norms and Foreign Contribution Regulation Act (FCRA), 2010 as the case may be. Branches will retain photocopy both front and reverse, of the instrument for their records.

5. The branch will control the instrument manually with FBC / FBP No. and give the name of the Branch on the face of the cheque as well as in customer application.

6. Where the customer requests to purchase the cheque, the branches will forward the instrument with their FBP No. to CCC. The CCC will obtain the rate and credit the Rupee equivalent to the Parties account maintained with the respective Branch to the debit of office account through Intersole. To avoid postal delays branches may send fax of the covering schedule and cheque to CCC. CCC will credit to the Customer's account immediately on receipt of fax. Branches to verify the credit details in CBS system, get cheque purchase no. (FBP) through the system and give the FBP number in the instrument and covering schedule, clearly marking in schedule that the cheque has already been purchased and customer has been credited.

7. Branches will forward the instrument alongwith Cheque Deposit slip as per Annexure-I on currency-wise and destination wise (payable in USA or outside USA) basis. All cheques duly crossed with Bank's name and duly endorsed on the reverse of the instrument will be forwarded on daily basis to Central Collection Centre (CCC) by the courier / speed post service.

11.2. At Central Collection Centre:

1. The Central Collection Centre (CCC) will be part of Overseas Branch Mumbai

for all operational activities and RBI reporting for cheques received at CCC.

2. CCC on receipt of the instruments control them under cheque for collection in Finacle, either with NA or NE reference giving all details as required. In case of purchase cheques, the advance will be controlled at the originating Branch by the CCC through Intersol. The office (FBP) account will be debited and the parties account to be credited through Intersol by CCC directly.

3. On completion of the formalities as above, CCC will send the cheques for collection to different Banks as required.

4. Non-USD cheques and USD cheques payable outside USA will be sent under Cash letter service/ collect and credit basis to the correspondent Bank/drawee bank as per the need.

5. High value cheques above USD 10000 will be handled only on final collection basis. Such cheques will not be included under cash letter service in view of the risk of return of the instrument unpaid for any reason.

6. On the Balance sheet dates, the entire Contra reporting under the head will be done by the CCC Branch. All Branches will reverse contra entries as being done presently.

11.3. Cheques pertaining to advance payment/bill payment of Export (Collection or Purchase)

In cases where cheques received by branches, pertaining to advance payment of exports or payment of export bills, such cheques will be handled only on final payment basis. The customer should be informed of the higher charges, for such collections.

11.3.1. Cheques pertaining to Advance payment.

In such cases 'C' category branch will forward the instrument to their nearest

'B' category branch who will make necessary notings as regards the advance payment and forward the same to CCC for realization under FBC number. Up on realization, CCC will send the proceeds to the 'C' category branch as per the disposal instructions and FIRC to 'B' category branch for necessary follow-up, for submission of export bills and complying with FEMA guidelines and reporting in 'R' Return (ENC statement).

11.3.2 Purchase of Export bill.

At times, contrary to the intimation given in the presentation schedule, Draft / Cheque are being forwarded for purchase of Export bill. Under such circumstances, the following procedure is to be followed:

i) Proceeds of collection bill

Here the instrument will be forwarded to the CCC through the respective 'B' category branch who will give 'C' number with the relevant instructions. Up on realization, CCC will remit proceeds to 'B' category branch for release of the GR and necessary 'R' Return reporting (ENC statement).

ii) Proceeds of purchase bill.

Here the same procedure as in (i) above will be followed except that the payment will be called for to the credit of Nostro account towards the transaction was reported at the time of purchase of bill.

11.3.3. Special Provision For USD Cheques

To provide for more customer friendly collection arrangements, bank has decided to implement the following policy for USD currency cheque collection

i) Instant credit for cheques upto USD 500/-

The cheques of denomination upto USD 500/- will be treated under small

value cheques where instant credit will be provided to the **existing customers**(The account should be minimum six months old and should be a operative account) . Instant credit on **sighting** of the credit in Nostro a/c. shall be passed on without observing the prescribed cooling off period, for such small value cheques as part of our regular Cheque Collection Policy. The branches should invariably write in the covering collection schedule for immediate credit of cheques upto USD 500/-, after satisfying that the account has been satisfactorily operated for a minimum period of 6 months.

b. Regular credit for cheques over USD 500/-

All credits to customers shall be with **value date effect** from the date of credit to our Nostro a/c. However, the prescribed cooling off period shall be observed and after this period credit will be given with value date.

c. The facility of instant credit for cheques upto USD 500/-(as detailed in point a) and regular credit for cheques over USD 500/- (as detailed in point b), to be made available exclusively for Savings Bank Account customers and that too only for personal transactions and not for any business related transactions. It is reiterated that in both of the above cases **value dated credit** will be given. In case of credits of cheques upto USD 500/-, credit will be given at the time of sighting and in case of credits of cheques over USD 500/- after observation of cooling off period, **with value date as the date of credit to Nostro a/c.**

d. In case of subsequent return of cheque which has been credited to the account, for any reason, the account has to be debited **along with the exchange**. An under taking to this effect is already incorporated in the pay in slip, requiring the customer to return the proceeds in case of return of cheque in **foreign currency**.

e. Interest to be paid at the rate of savings bank interest on the amount of the cheque collected for any delay from the value date of credit to the Nostro a/c. till the date-of actual credit to the customer's a/c. The payment of interest for delayed credit is to be given **even without the specific request**

of the customer. However any payment made to be reported to Regional Office / next controlling office giving the reasons for delay and steps taken to minimize it. If repeated instances are noticed, staff accountability for such lapse to be fixed and reported to Regional Office / next controlling for action.

f. In order to bring in more transparency, the above guidelines should be displayed on the notice board of the branches.

11.4 Realization and Reporting

1. Entries relating to collection items will be picked up on 7/15th day from the value date in case of USD instruments payable in USA.. In case of cheques received from the branches under CBS, the CCC will debit POB a/c Treasury Branch and will credit the customer account net of charges through intersol. In respect of the purchase instruments, CCC on sighting the credit, will debit POB a/c Treasury Branch for the original amount of cheque at controlled rate and credit the FBP controlled at the originating branch through intersol. The short realization if any will be recovered from the party by CCC through intersol at the TT selling rate (Card rate). In cases where there is insufficient balance in the a/c or the a/c is a loan/Advance a/c, **POB** will be raised on the Branch for the same. POB on Treasury Branch in such cases will be net of the amount of short realization to be recovered' from the party. The contra/control entry relating to the collection/purchase .at CBS branches will be reversed by CCC.

2. In case of cheques relating to Export Bills as stated in para 11.3. above, proceeds will be disposed as mentioned earlier. CCC will request Treasury Branch to credit the settlement account of 'B' category branch for the EEFC amount, if any. CCC through Intersol will debit the mirror settlement a/c at the 'B' category branch and credit EEFC a/c of the party at the notional rate and for the foreign currency amount.

3. In case of FCNR(B) Deposits the guidelines are as under:

(a) In case of DD where the Deposit is already created with the branch, CCC will

inform Treasury Branch about the realization and Treasury Branch in turn will pick up the entry and will send Authority cheque/IBC advice directly to the designated branch for adjustment of the FBP at their end.

(b) In case of personal cheque received under FBC number, the full details of the realization will be informed to the designated branch who in turn will take up with Treasury Branch for creation of the Deposit from the value date of realization. Treasury Branch in turn will pick up the credit and will send Authority cheque/IBC advice at the control rate directly to the designated branch.

4. Necessary reporting under 'R' return except purchased Export bills will be done by CCC branch. All requests for Inward Remittance Certificate will be handled by CCC for all branches, FIRC will be sent along with realization where requested by the respective branches. Subsequent reporting in ENC statement, release of GR. will be done by respective 'B' Category Branches on the basis of FIRC.

5. Requests for final credits before the cool off period of 7/15 days can be on case-to-case basis on the specific recommendation of the originating branch. They will carefully consider such request only for customers who have satisfactory relationship and having operative accounts for a minimum period of one year. Also cheques have not been returned unpaid in the past. An undertaking: to be obtained to make good the amount and the exchange loss, if the cheque is returned as per Annexure-II

6. Ensure your branch IBR Code and Customer's 15 digit account number are clearly written. Purpose of remittance is properly incorporated in the schedule. Ensure use of different cheque collection pay slips for different currencies.

7. Branches, where such undertakings have been obtained and having satisfied the credential of the customer, can request in the covering schedule to give credit immediately on sighting the funds and CCC will give credit on the next day of receiving funds as against normal period of 7/15 days. Branches are advised to use this

facility to deserving customers to increase the business.

8. Instruments returned for any reason whatsoever, intimation thereof will be sent by CCC to the respective branches to arrange for debits in case if the credit is already passed on to the customer.

9. The Branches are required to send the cheques in a separate envelope to Chief Manager, Central Collection Centre, Overseas Branch, Ground Floor, Union Bank Bhawan, Nariman Point, Central Office ,Mumbai.

11.5 Cooling Off Period For Different Currencies

Instrument in USD, drawn on Banks in New York	7 days of sighting the credit
Instrument in USD drawn on Banks on other centres in USA	15 days of sighting the credit
Cheques in USD drawn on Banks in other country (Customers to be informed that the Charges for collection in this case will be high and the realization time will be about 30 days)	On realization from Nostro Bank
Instrument in GBP drawn on Bank in London	15 days of sighting the credit
Instrument in GBP drawn on Bank other than London but in UK	20 days of sighting the credit
Instruments in EURO	20 days of sighting the credit
Instruments in Canadian Dollar/CHF	15 days of sighting the credit

11.6 Interest Rate Applicable

Type of transaction	Interest rates applicable
1. Encashment of TT s/Purchase of MTs / DDs in respect of which cover has been received in nostro accounts.	1. Current TT buying rate. No interest to be charged.

2. Encashment of customer's personal Cheques, demand drafts, International money orders, bankers pay orders payable abroad representing their transit export proceeds.	2. Current TT buying rate. Interest to be recovered separately for a transit period of 15 days from the customer at commercial rate of interest
3.Clean Cheques / Demand Drafts , Bankers' Cheques representing export proceeds	3.Interest at concessional rate

11.7 Return Of Cheques

If cheques are returned unpaid funds are to be recovered from the payee at TT selling rate. Interest is to be charged at 4% p.a above BPLR from the date of purchase, less already charged.

If amount converted at TT selling rate is less than the original advance, difference is to be recovered from the customer forthwith. On the other hand If the converted amount is more the same has to be treated as amount of advance and difference is to be taken as Income a/c of 'A' category branch. In both the cases, customer is to be called upon to provide funds for reversal of the returned instruments from FBP a/c. The returned instruments should not be returned until our advance is fully recovered.

11.8 Loss Of Instruments In Transit

If instruments are lost in outward postal/courier transit, branches can obtain payment against photocopy held by them(both sides), by providing indemnity either on the photocopy of the instrument itself or providing separate stamped indemnity.

If instruments returned unpaid are lost, steps as per para 11.7 are to be taken for recovery of advance. Branch should ensure registration of stop payment instructions and thereafter issue a certificate to the payee to enable him to either obtain a fresh instrument from the drawer or enforce payment/initiate recovery measures.

11.9. Annexure-I

UNION BANK OF INDIA
Foreign Currency Cheque Deposit Slip

Branch

Date:

Name of
customer:
Account No.

Details of cheque:

<u>Cheque No.</u>	<u>Payable Bank</u>	<u>At Country</u>	<u>Currency</u>	<u>Amount</u>
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I request for collection/purchase the instrument and credit proceeds to my account as above at the Exchange rate applicable on the date of purchase/realization.

The purpose of remittances is Maintenance of Family/ Gifts/ Investment in Property/FCNR Deposit/Savings/Export realization/Advance remittance for export/ Others.

- Please purchase the instrument.
- Please handle the instrument on collection basis.
- Please issue FIRC for this remittance.

It is requested that my EEFC a/c no be credited with being_% of the proceeds
I agree to the terms and conditions as per reverse.

(Please tick the box as applicable and sign on the reverse)

For use of Branch

Branch Ref. No.FBC./FBP

1. We confirm that the account holder has an operative CD/SB account for the last _____ years.
2. We confirm having taken the letter of authority from the party for debiting their a/c for short realisation of purchased instrument and purchased instrument returned unpaid.
3. We have complied with KYC norms.
4. If it is a Trust, we have on record registered No. of the Ministry of Home Affairs as per FCRA, 2010. Further the Trust is not banned to accept Foreign contribution as per I.C. 7447 dtd.02.08.2006.
5. Rate – Normal/Fine/Super-fine.
6. Please tick appropriate box:
 - Please handle the instrument on collection basis.
Please purchase the Instrument No. _____ for _____ amount.
(Foreign Currency amount) to be retained in EEFC.
 - The proceeds of the instrument is for FCNR(B) Deposits.

Authorised Signature
Signature
Name:
P.A.No.

Authorised
Name:
P.A.No.

Terms and Conditions

I confirm that –

1. The instrument is genuine and represents legal payment due to me under FEMA.
2. I agree to pay interest if the cheque is returned unpaid, from the date of purchase till repayment at 4% above **BPLR** or as per applicable rates.
3. The intimation of foreign correspondent bank that the instrument is fraud or forged is binding on me., The Bank has no obligation to return the original instrument to me.
4. If the proceeds of the cheque already credited to my account and subsequently returned or turned into fraud or forgery, I undertake to repay an amount in equivalent foreign currency. The exchange loss arising out of such return be recovered from me.
5. I authorize the Bank to debit my account for the purchased instrument returned unpaid or for any short realization in the purchased instrument.
6. I undertake to pay charges of the Bank, foreign Banks and other out of pocket expenses even if the cheque is returned unpaid.
7. I shall abide by the "Check 21" regulation of USA and other regulations of Foreign Countries as applicable, where the instrument is payable.

Signature of account holder

(N.B. "I" shall be treated as singular as well as plural numbers)

Annexure -II

LETTER OF UNDERTAKING REGARDING CLEAN COLLECTION INSTRUMENTS

From :

To:

Branch Manager

UNION BANK OF INDIA

_____Branch

Dear Sir,

Cheque/DD/TC/IMO/PO No.

dtd.

for

drawn on

In enclosing the above instrument, I/We request you to collect the proceeds of the same.

The details of the above inward remittance are as under:

- Name and address of the remitter :

- Purpose of remittance :

- If pertaining to exports :

- (i) Invoice No. & date :

- (ii) Export Bill Ref.No. of the Bank :

I/We request you to seek unconditional/conditional credit the proceeds to my/our account only after final realisation/on receipt of conditional credit in your Nostro account.

In the event of the instrument returning unpaid, for whatever reason, I/We undertake to reimburse the amount to the Bank at TT selling rate together with interest and other charges.

Thanking you,

Yours faithfully,

Place:

Date: