

Model Policy on Collection of Cheques/Instruments

1. Introduction

Keeping in view the technological progress in payment and settlements 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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on :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 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 (including Cheques purchased) and other instruments payable locally, at centers 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.

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 center. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing as far as possible 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 available clearing cycle. As a policy, bank would give credit to the customer's account on the same day on which clearing settlement takes place at that centre. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

The respective branches will display the cut-off time for receipt of cheques to be sent in clearing on the same day in their premises. The cut-off time for collection of cheques from drop boxes installed at off-site ATM will be displayed on the face of the drop boxes. Accordingly, cut-off time for receipt of high value clearing and receipt of cheques for payment to Government accounts like Income Tax etc., will also be displayed in the branches. Bank branches situated at centers 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.

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2,1(a) Speed Clearing

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

The speed clearing process applicable to Outward and Inward Clearing at Speed Clearing Centres is given below :

A. Outward Clearing

In all Speed Clearing Centres, our branches would accept cheques drawn on Upcountry CBS branches of other Banks, alongwith local cheques deposited by customers and present them in local clearing. Service Charges as stipulated by RBI are levied.

B. Inward Clearing

Our Service Branches/Main Branches receive cheques of our Upcountry CBS Branches in their Inward MICR Clearing alongwith the cheques drawn on local Branches. These upcountry instruments should be treated as local cheques in Speed Clearing centres and honoured by our Service Branches/Main Branches, after adhering to all the instructions pertaining to passing of Cheques. No charges to be levied on these instruments.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centers other than those covered under 2.1(a) above will normally be collected through bank's branches at those centers. Where the bank does not have a branch of its own, the instruments would be directly sent for collection to the drawee bank or collected through a correspondent bank.

Cheques drawn on bank's own branches at outstation centers 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.

2.3 Cheques payable in Foreign Countries

Cheques payable at foreign centers where the bank has branch operations (or banking operations through a subsidiary, etc.) will be collected generally through that office/branch. 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.

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The Bank will endeavour to provide the credit to its Customers at the earliest. The time norms for collection and return of the instruments, varies from country to country and place to place within the country where a 'hold period' is prescribed. The due date for providing credit is calculated and taken as one more week from date of notional credit in NOSTRO account plus the hold period prescribed for the country

For USD cheques drawn on Banks in USA:

- i. For cheques drawn on Banks in New York city area
(New York, Connecticut & New Jersey) 7 New York business days
- ii. For cheques drawn on USA but outside New York city area
11 New York business days

For EURO cheques drawn on Banks in various countries in European Union:

	<u>Country</u>	<u>Hold period in working days</u>
i.	Germany	27 days
ii.	Austria	27 days
iii.	Belgium	12 days
iv.	Spain	12 days
v.	Ireland	14 days
vi.	Italy	30 days
vii.	Luxemburg	12 days
viii.	Portugal	10 days
ix.	Sweden	14 days
x.	France	6 days

For GBP cheques drawn on Banks in UK: 9 UK working days

Note : These days are subject to revision from time to time depending upon the practices of those countries.

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The Bank may consider providing upfront credit by purchasing the instrument, if the conduct of the account has been satisfactory in the past, for a charge at its sole discretion.

The various articles as detailed in the International Chamber of Commerce, Uniform rules for collection (ICC-522) will be applicable for collection of cheques.

- a.) The Customer instructing the Bank to perform services shall be bound by and liable to indemnify the Bank against all obligations and responsibilities imposed by foreign laws and usages.
- b) Customers depositing cheques drawn on foreign centers are expected to be aware of usage / practices and laws related to cheques collection prevailing in drawee countries.
- c) The cheques sent for collection by the collecting Bank can be returned by the Banks located in any foreign country (after their presentation in clearing/collection) due to fraud / financial reasons. The fraudulent cheques can be returned by the Banks in Foreign countries at any time after their presentation.
 - i) In case of returned cheques, no protection is available to the collecting Bank. Since the Foreign Bank recovers the amount of returned cheques earlier credited into account of collecting Bank by debiting its nostro account, the collecting Bank will not be able to provide any compensation to the depositor for cheques returned on fraud / financial reasons.
 - ii) Further, the Bank has right to recover the proceeds of the cheques credited in depositor's account (at the ruling exchange rate equivalent to foreign currency amount debited by foreign bank to the nostro account of the collecting Bank) along with the interest from the date of credit of proceeds till the date on which amount is recovered

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. 15000/- 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 credit given under this facility should not exceed Rs. 15000/- per customer at any given point of time. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exist.

The facility of immediate credit will be offered in Savings Bank/Current/Cash Credit/Overdraft 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 of other Banks shall be treated on par with cheques.

In the event of dishonour 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 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.
- 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 cheques purchase will not, however be charged.

The facility of immediate credit would not be applicable to cheques collected under Speed Clearing arrangements.

2.5 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. Besides satisfactory conduct of the 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.

For cheques and other instruments sent for collection to centres within the country, generally 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 : 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. Towards this, the Bank may enter into specific collection arrangements with its correspondent banks in those countries for speedy collection of such instrument(s). Bank would give credit to the party upon realisation of proceeds in the Bank's Nostro Account with the correspondent Bank, after taking into account the cooling periods as applicable to the countries concerned.

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Country/location specific norms wherever stipulated will be specified for foreign currency instruments and made known to the customers in time, at the point of accepting instruments for collection.

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 and cheques payable outside India :

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 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 / cash credit / loan account of the customer, interest will be paid at the rate applicable to the overdraft / cash credit / loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the overdraft / cash credit / loan account.

The interest may be paid only when such amount is Rs.10/- or more.

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 dishonoured 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 (7/10/14/30 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 sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. 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 / cash credit / loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the clean 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 Service Charge

For all collection services, the Bank will recover appropriate service charges as decided by the Bank, from time to time and communicated to the customers as indicated in the code of Bank's commitment to the customers; adopted by the Bank.



BANK OF INDIA

BANK'S CHEQUE COLLECTION POLICY

**SYSTEMS & MANAGEMENT SERVICES DEPARTMENT
HEAD OFFICE**

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