

CHEQUE COLLECTION POLICY

Introduction :-

Technological progress in payment and settlement systems and qualitative changes in operational systems and processes that have been undertaken by Banks has necessitated the framing of a comprehensive Cheque Collection Policy.

The primary objective of this policy is to bring transparency in the systems & processes adopted by the Bank for collection of cheques and other instruments. It is also a reflection of our on-going efforts to provide better service to our customers & set higher performance standards.

Scope :-

This policy document covers the following ;

- 1) Collection of local cheques/outstation cheques and other instruments
- 2) Time frame for collection of local / outstation cheques and cheques payable abroad
- 3) Interest payment for delayed collection
- 4) Cheques/Instruments lost in transit
- 5) Procedure for dishonoured cheques

1. Collection of local cheques/outstation cheques and other instruments

1.1 Local Cheques

- a. All CTS Compliant cheques and other negotiable instruments payable under a grid system would be presented through the clearing system prevailing at the centre.
- b. Cheques deposited at branch counters and in cheque collection boxes placed within the branch premises, before the specified cut-off time will be presented for clearing the same day.
- c. Cheques deposited after the specified cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle.
- d. Cut-off time for deposit of cheques will be branch-specific, depending on location and based on local practices and fixed by the Regional Offices.
- e. Cut-off time will be displayed on the collection counter.
- f. Bank branches situated at centers which are not members of any CTS Grid or where no clearing-house exists, will present local cheques on drawee banks across the counter and proceeds would be credited at the earliest on realization.

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

1.2 Outstation Cheques

- a. Cheques drawn on Bank's own branches at outstation centers are NOT required to be presented in clearing. Same day credit will be given to its customers in respect of cheques drawn on Bank's own branches covered under CBS network provided cheques/instruments are presented within business hours of both branches.
- b. Cheques drawn on other Banks at outstation centres will normally be collected through SVC Bank's branches at those centres.
- c. Cheques drawn on other Banks at outstation centres where SVC 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.

Applicable service charges as per the tariff schedule notified by the Bank will be recovered for the above.

1.3 Cheques payable in Foreign Countries

- a. For collection of cheques payable in foreign countries, the services of correspondent banks will be utilized where the correspondent banks have presence.
- b. Where correspondent banks do not have presence, cheques drawn on foreign banks will be sent directly to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks. Customer account will be credited after receiving an intimation from the correspondent Bank regarding receipt of credit in Nostro Account, after taking into account cooling periods as applicable to the countries concerned.

1.4 Immediate Credit of Local / Outstation Cheques / Instruments

- a. With the availability of CBS, Immediate Credit of Local / Outstation Cheques / Instruments is not to be encouraged.
- b. Bank may consider giving immediate credit of outstation cheques/instruments drawn on Banks not on CBS platform, based on the merits of the case.
- c. Branches can consider giving immediate credit for outstation cheques / instruments upto the value of Rs 7500.00 tendered for collection by individual account holders – subject to satisfactory conduct of such accounts for a period of not less than 6 months.
 - Immediate credit will be provided against such collection instruments at the specific request of the customer.

- The facility of immediate credit will be offered to Savings/Current Accounts of customers.
- d. Prepaid instruments like Demand Drafts/Interest/Dividend Warrants will be treated on par with cheques for providing the facility of immediate credit.
- e. Bank shall levy normal collection charges and out of pocket expenses while providing the facility of immediate credit of outstation cheques/instruments.
- f. In the event of dishonor of cheque against which immediate credit was provided, Bank will recover original credit along with interest from the customer for the period for which Bank remained out of funds. Interest will be charged at the rate applicable to 'Clean Overdrafts' prevailing on the date of recovery.

For the purpose of this policy a satisfactorily conducted account shall be one

- Opened at least 6 months earlier and complying with KYC norms.
- Conduct of which has been satisfactory and Bank has not noticed any irregular dealings.
- Where no cheques/instruments were returned unpaid for financial reasons in the past
- Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit

1.5 Collection of Account Payee Cheque - Prohibition on crediting proceeds to third party account

As per Reserve Bank of India directives, bank shall NOT collect account payee cheques for any person other than the payee constituent and the bank shall not credit 'account payee' cheque to the account of any person other than the payee named therein, except for the following :

- Bank may consider collecting account payee cheques drawn for an amount not exceeding Rs.50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques Bank shall obtain a clear undertaking in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque, subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

1.6 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 account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

2. Time frame for collection of outstation cheques and cheques payable abroad

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

- (a) Cheques payable at CTS centres : Maximum period of 7 days.
- (b) Non CTS centres : Maximum period of 10 days.

2.1 Cheques drawn on foreign countries :

a. Cheque drawn on foreign countries are accepted for collection on a 'best effort' basis. Services of correspondent banks will be utilized for speedy collection of such cheques. Bank will give credit to the customer on credit of proceeds to the Bank's Nostro Account with correspondent bank, after taking into account cooling periods as applicable to the countries concerned.

3. Interest payment for delayed collection

It is the responsibility of the Bank to collect the cheques /instruments within the time frame prescribed for the purpose and to compensate the customers for delay due to non-adherence to time schedule.

If there is any delay in collection for cheques/ instruments payable in India beyond the specified period as mentioned above, interest at the rates specified below shall be paid :

- (a) Saving Bank Rate for the period of delay beyond 3 working days in case of local cheques.
- (b) Savings Bank rate for the period of delay beyond 7 days in collection of outstation cheques payable at CTS Centres and 10 days in non CTS Centres.
- b. Where the delay is beyond 14 days and upto 90 days interest will be paid at the rate applicable for term deposit for the respective period. In case of delay beyond 90 days, interest will be paid at the rate of 2% p.a. above the corresponding Term Deposit rate.
- c. 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.

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

a. In the event of a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying banks branch, the Bank shall immediately on knowledge about the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care

that cheques, if any, issued by him/her are not dishonored due to non-credit of the amount of the lost cheques/instruments.

- b. In case an international cheque is lost, the Bank shall also advise the correspondent/ drawee bank all particulars of lost cheques/instruments for exercising caution.
- c. If the Bank loses the cheque, the Bank will bear the stop payment charges on customer producing relevant documents. The Bank may use its discretionary powers to reimburse reasonable expenses incurred by the customer in connection with the lost cheque.

5. Procedure for dishonored cheques

a. Branches shall return/ dispatch the dishonoured instruments to the customer at his / her last recorded address available with the branch through courier / post, promptly without delay, in any case within 48 hours. Cheque returning charges as specified in the Schedule of Service Charges of the bank in force at the time of return of the cheque would be levied.

Detailed procedure to be followed by branches for returning dishonoured instruments to the customer has been outlined by way of an internal circular.

b. With respect to cheques presented across the counter for settlement of transaction by way of transfer between two accounts within the Bank, the Bank shall return such dishonoured cheques to the payees/holders immediately with cheque returned memo duly signed by officials.

c. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours. However in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.

6. 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 customer, displayed on Bank's website.

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/other labour disturbances, due notice whereof is given in advance to the customers through media, accident, fires, natural disasters or other "Acts of God", war, damage to bank's facilities or of its correspondent bank(s), absence of all types of usual modes of transportation, etc.) beyond the control of the bank prevents it from performing its obligation within the specified service delivery parameters.