

SHRI RAJKOT DISTRICT CO-OPERATIVE BANK LTD.

CHEQUE COLLECTION POLICY

Introduction

As a part of normal banking operations, the Bank undertakes collection of cheques deposited by its customers, some of which could also be drawn on non-local bank branches. Such cheques are called outstation cheques. In order to facilitate faster collection of outstation cheques, the Reserve Bank of India started a various type of clearing i. e CTS clearing by leveraging the core banking solutions implemented in banks.

To bring about public awareness on CTS clearing, we have revised the policy to reflect the features of this collection system. The policy is mandated by NABARD/RBI

The details of the policy are as under;

Aspects of the Cheque Collection Policy

- 1 Collection of cheques and other instruments payable locally or any grid center within India.
- 2 Bank's commitment regarding time norms for collection of instruments
- 3 Policy on payment of interest in cases where the Bank fails to meet time norms for realization of proceeds of outstation instruments.
- 4 Our policy in dealing with collection instruments lost in transit.

1. Arrangements for collection

A. 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 on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including ATMs and Cheque Deposit Kiosks will be presented in the next clearing cycle. As a policy, the bank would give credit to the customer account on the same day on which the final clearing settlement takes place or at the most the next working day of their presentation in clearing. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

To enhance the efficiency of paper based clearing system, the Cheque Truncation System (CTS) was implemented in the National Capital Region (NCR). Since July 2008, all the member banks of the "New Delhi Bankers" Clearing House are participating in the CTS. CTS was subsequently implemented in Chennai and Mumbai in a grid model where various states/cities under the grid participate through the grid. Accordingly, the pan India CTS operations shall be now handled through three grids only viz., National grid.

With the introduction of the imaging and truncation of cheques, the physical movement of instruments would be stopped and the electronic movement of images and data of cheques would speed up the process of settlements and ultimately alter the clearing cycles. The number of clearing cycles could be increased and it would be possible for customers to realize the proceeds of cheques early. Thus the realization time of proceeds for a cheque presented in clearing would be decreased and the customer would be able to derive the benefit of earlier credit of funds. Grid clearing would ensure erasing of boundaries and eliminating the process of intercity clearing, thus enabling the realization of cheques across cities along with the local cheques.

Thus the benefits could be summarized as:

- Faster clearing cycle
- Better reconciliation/verification process
- Better Customer Service. Enhanced Customer Window
- T+2 for Local and intercity clearing cheques
- The jurisdiction of Clearing House can be extended to the entire country –
No Geographical Dependence
- Minimizes Transaction Costs.
- Reduces operational risk by securing the transmission route.
- Grid clearing enables centralization of CTS activities bringing in economies of scale and cost effectiveness.

Timing for acceptance

Cheques would be accepted during the business hours of the branch across the counter as well as the drop boxes if facility provided. The acknowledgement should be given to the customer where the cheque is deposited across the counter. Alternately, cheques can be deposited at the drop-boxes at the ATMs / CDKs round-the-clock if facility established.

Collection timings for local cheques drawn on own branches of bank (Transfer cheques)

1.	Cheques deposited across the counter and in branch drop box.	Same day
2.	Cheques deposited in ATM drop box if facility established.	Within a period of 2 working days after Pickup.

Foreign currency cheques.

Since bank doesn't have FERA/FEMA license Or RBI permission to collect foreign currency cheque. Hence this facility is not available to customer.

Immediate Credit of local/outstation/foreign currency cheques/instruments

No immediate credit of local cheques would be given in view of the Bank's efficient clearing procedures, which ensure that delays do not occur in realization of proceeds of the cheques. At centers where no clearing house exists cheques will be presented across the counter and the proceeds will be credited at the earliest.

Branches of the Bank would grant immediate credit for outstation cheques / instruments drawn on Shri Rajkot district co-operative bank.

Immediate credit will be provided at the sole discretion of the Branch Head after carefully verifying the satisfactory conduct of the account, creditworthiness of the customer and the genuineness of the need of the customer.

The facility will be offered on savings bank/current/cash credit accounts of the customers.

Under this policy, prepaid instruments like demand drafts, interest/dividend warrants/Bankers cheque shall be treated on par with cheques and accordingly process at central level.

For the purpose of this policy, a satisfactorily conducted account shall be the one, which fulfills all of the following: -

- 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.
- e) Maintenance of Average Quarterly Balance (AQB) stipulation for at least 2 preceding quarters.

Immediate credit would also be subject to the following criteria.

- a) The account should be in Indian Rupees.
- b) The facility shall be extended to the customer at his / her base branch only.
- c) Cheques shall not be post-dated / out of date / nearing out of date (to avoid risk of return in clearing). The cheques must be at least 14 working days from the date of expiry of the cheque.
- d) The account shall not be „inoperative“.
- e) There should be no partial immediate credit of a cheque / DD.
- f) The cheque shall not be the customer's own cheque from another account i.e. not self-drawn cheque.
- g) The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.
- h) The policy of immediate credit would be reviewed annually considering the amount of losses, frauds and customer issues.

Charging of interest on cheques returned unpaid where immediate Credit was given.

In the event the cheque is returned unpaid in the case of immediate credit, the value of the cheque will be immediately debited to the account. Interest at the Saving deposit rate will be charged from the date of credit of the cheque till the date on which the customer makes good the amount, in case of insufficient balance in the account on the date of return of the cheque. (Applicable to immediate credit of cheque and Interest rate will be applicable to saving deposit rate for the period of credit and return returned)

Cheque return charges applicable will be levied in such cases.

B. Cheques returned unpaid by the payee bank

In the event of a cheque presented in local clearing or sent for collection being returned unpaid, the instrument along with an advice providing reasons for return would be dispatched to the account holder at his / her mailing address recorded with the Bank. The instrument may also be handed over to the account holder or to his/her representative with the consent of the account holder. Charges applicable as per the Bank's Schedule of Charges will be levied.

Cheques return charges would be levied only in cases where the customer is at fault and is responsible for such returns. The illustrative list of reasons for returns, where the customers are not at fault is attached as Annexure-I.

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 re-presentation through SMS alert, email, etc.

Timeframe for collection of local / outstation cheques/instruments

Sr.	Cheque Type	Time Norms	Remarks
5.a	Cheques sent for collection in CTS clearing	T+2 depending on the time and location (branch/ATM/CDK) of deposit of the instrument by the customer. The cut off time for deposit may vary from branch to branch, city to city and grid to grid. For the instruments	The realization of the credit may vary based on the cut off time for the returns applicable to the respective grid.

5.b	Cheques sent for CTS clearing – Uniform holidays calendar for the grid	As per the holiday declared in the Grid	<p>Uniform holidays calendar is observed across the three grids, where the grid hub centers viz., National grid will be working on most of the holidays, even while other locations in the grid are observing holidays, As per the Uniform holidays calendar, the grid hub centers will be closed on notified days and on such occasions the credit to the customer is afforded on the next working day of the Grid hub.</p> <p>The Uniform Holidays calendar for the grid would be available at a nearest branch.</p>
-----	------------------------------------------------------------------------	-----------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The timeframe specified above for collection shall be treated as the outer limit and credit shall be afforded earlier if the process of collection gets completed earlier.

The Bank will not decline to accept outstation cheques deposited by the customers for collection.

2. Interest payment on delayed collection of local / outstation cheques

The Bank will pay interest to the customer on the amount of the collection instrument in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be calculated and paid as per the Customer Compensation Policy of the Bank. The period of delay for this calculation would be from the date of expiry of turnaround time indicated in the table on timeframe for collection of local / outstation instrument upto the date of realization of the instrument.

This payment would be made without any demand from customers in all types of accounts. There will 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 except for reasons which are beyond the control of the Bank. Interest payments would be applicable only for instruments (drawn in INR) sent for collection within India.

3. 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 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 dishonoured due to non-credit of the amount of the lost cheques/instruments.

If the cheque/instrument has been lost at the paying bank's branch, the collecting branch will have a right to recover the amount, including charges / interest expenses reimbursed to the customer for the loss of the cheque/instrument from the paying banker.

The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. This would be applicable only to instruments drawn in INR payable within India.

The Bank will compensate the account holder in respect of instruments lost in transit as follows and will recover it from the paying bank.

- In case intimation regarding loss of instrument is conveyed to the customer after 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 applicable savings bank rate. In addition, the Bank will pay interest on the amount of the cheque for a period of 15 days at savings bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- 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.

Force Major

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, accident, fires, terrorist attacks, 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.

Illustrative but not exhaustive list of objections where customers are not at fault

(Applicable for Instrument and Image-based Cheque Clearing to Uniform Regulations and Rules for Bankers' Clearing Houses)

Code	Reason for
<u>No.</u>	<u>Return</u>
33	Instrument mutilated; requires bank's guarantee
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
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 / requires 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 1st proximo
75	Pay order requires 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