

**CITY UNION BANK LIMITED, CENTRAL OFFICE
KUMBAKONAM**



**POLICY ON
COLLECTION OF CHEQUES/INSTRUMENTS**

From Nov.2019

POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS

1) INTRODUCTION:

Keeping in view the technological progress in payment and settlement 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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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:

- 1) Collection of cheques and other instruments payable locally, at centres within India and abroad.
- 2) Our 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 on dealing with collection instruments lost in transit.

2) ARRANGEMENTS FOR COLLECTION:

2.1) (a) Local Cheques

All CTS complaint cheques and other Negotiable Instruments which are payable under a grid system will be presented through the clearing system prevailing at the centre. 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 off-site ATMs will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account on the day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearinghouse.

2.1 (b) Non-CTS cheques will be presented in the clearing house at the prescribed intervals which is presently once in a 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.

2.1 © Bank branches situated at centres which are not members of any CTS Grid or where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest but not later than 3rd working day from the date of deposit by the customer.

2.2) Outstation Cheques:

2.2 (a) Cheques drawn on other banks at outstation centres other than those covered under 2.1 above, will normally be collected through bank's 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.

2.2 (b) Cheques drawn on bank's own branches at outstation centres 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 if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

2.3) Cheques payable in Foreign Countries:

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

2.4 Collection of Account payee cheque- prohibition on crediting the proceeds to third party account:

The bank shall strictly adhere to the directions and guidelines issued by Reserve Bank of India from time to time.

3) Time Frame for Collection of Local / Outstation Cheques / Instruments:

3.1 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
- c. Cheques drawn on foreign countries: Bank collects cheques drawn on foreign countries wherever arrangement for collection of cheques are in place with

correspondent banks. The proceeds are credited to the customer's account after taking into account the cooling periods as applicable to the Countries concerned.

3.2 Bank accepts cheques drawn on foreign countries and send the same for collection wherever collection arrangements are in place. The period of collection will be informed to the customer as and when such information are requested by the customers.

3.3: Time frame for re-presentation of cheques

Banks shall re-present the cheques that need to be made without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours (excluding holiday) with due notification to the customers of such re-presentation through sms alert, email etc.,

4. Immediate Credit of 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 (Rupees fifteen thousand only) tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of not less than six months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.

The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit 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 shall be treated on par with cheques. In the event of dishonor 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.

In respect of accounts not operated for more than 6 months, necessary usual safeguards shall be undertaken

The 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 cheque purchase will not, however be charged. The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

4.1 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. The customer will not be charged any interest from the date immediate credit was given to the date of return of the instrument unless the bank had remained out of funds on account of withdrawal of funds. 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 were 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/ 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.

5. Purchase of local/outstation cheques:

The Bank may, at its discretion, purchase local/outstation cheque 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.

6.A. Payment of Interest for delayed Collection of local/ Outstation Cheques payable and cheque payable outside India:

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 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 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

c) Where the delay is beyond 14 days interest will be paid at the rate applicable to term deposit for the respective period.

d) 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.

e) In the event of 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 extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

6.B. Payment of Interest for delays in collection of Bills

The Bank shall pay interest to the customer for the delayed period in respect of Bills tendered for collection at the rate of 2% above the SB rate. The delayed period shall be reckoned after making allowance for normal transfer transit period based upon a time frame of 2 days each for the following:

- i. Despatch of Bills
- ii. Presentation of Bills to drawers
- iii. Remittance of proceeds to our bank
- iv. Crediting the proceeds to the drawer's account

To the extent the delay is attributing to the drawee's bank. The bank shall recover interest for such delay from that bank. The compensation stated above will be applicable only for instruments sent for collection within India.

7) Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

7.1 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 such 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.

7.2 In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit.

7.3 Miscellaneous:

a) 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 number / 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.

b) Cheques received back unpaid will be returned by post/ courier etc., to the customer within 48 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/ she makes a request for the same. If not collected by the customer within 15 days bank will send them back at the recorded address by post or courier.

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 customer, displayed on Bank's website.

8.1 Bank shall levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive, list of returns where the customers are **not** at fault are indicated in the annexure 1.

9) 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.

Annexure 1

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).

S.No	Code No.	Reason for Return
1	33	Instrument mutilated requires bank's guarantee
2	35	Clearing House stamp / date required
3	36	Wrongly delivered / not drawn on us
4	37	Present in proper zone
5	38	Instrument contains extraneous matter
6	39	Image not clear, present again with paper
7	40	Present with document
8	41	Item listed twice
9	42	Paper not received
10	60	Crossed to two banks
11	61	Crossing stamp not cancelled
12	62	Clearing stamp not cancelled
13	63	Instrument specially crossed to another bank
14	67	Payee's endorsement irregular/ requires collecting bank's confirmation
15	68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
16	70	Advice not received
17	71	Amount / Name differs on advice
18	72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
19	73	Payee's separate discharge to bank required
20	74	Not payable till 1 st proximo
21	75	Pay order requires counter signature
22	76	Requires information not legible / correct
23	80	Bank's certificate ambiguous / incomplete / required
24	81	Draft lost by issuing office, confirmation required from issuing office
25	82	Bank / branch blocked
26	83	Digital Certificate validation failure
27	84	Other reasons- connectivity failure
28	87	'Payee's a/c Credited' - stamp required
29	92	Bank excluded