Saraswat Bank

Saraswat Co-operative Bank Ltd.

(Scheduled Bank)

CHEQUE COLLECTION POLICY

(2023-2026)

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CHEQUE COLLECTION POLICY

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I. PREAMBLE:

- Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been implemented by the banking industry in general, it is imperative for the Bank to draw up a Cheque Collection Policy.
- The Bank's Cheque Collection Policy is periodically reviewed, considering the guidelines issued by Reserve Bank of India (RBI) and NPCI from time to time.
- The Cheque Collection Policy takes adequate care to ensure that the interests of all customers are fully protected, and this has been integrated with the Deposit Policy formulated by the Bank in line with the IBA's model Cheque Deposit policy.
- The Bank's Cheque Collection Policy document has been formulated as a comprehensive document considering our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods.

II. OBJECTIVES:

- To document the principles under which the Bank will conduct the business of collection of cheques for its customers within the framework of the directives of RBI.
- To document the system for collection of cheques to ensure that the system is more efficient.
- This Cheque Collection Policy of the Bank will reflect the Bank's on-going efforts to provide better service to our customers and set higher standards for performance.

III. APPLICABILITY OF THE POLICY:

This Policy is applicable to all Branches & Departments of the Bank and to all staff involved in the process of cheque collection on behalf of the customers.

IV. SCOPE OF THE POLICY:

The principles underlying the processes for collection of local/outstation instruments and instruments drawn on foreign countries, interest payment for delayed collection etc. is incorporated in the Policy.

V. VALIDITY:

The Policy is for the year 2023-26 and will be valid till the next policy is approved by the Board.

VI. BROAD CONTOUR: -

1. The Policy is based on the principles of transparency and fairness in the

treatment of customers.

2. The Bank is committed to enhanced use of technology to provide quick collection service to its customers.

3. This Policy document covers the following aspects**: -**

   i. Arrangements for Collection of cheques and other instruments payable locally as well as outstation at centers within India and abroad.

   ii. Bank's commitment regarding time norms for collection of instruments.

   iii. Policy on payment of interest in cases where the Bank fails to meet time norms for realization of proceeds of outstation instruments.

   iv. Bank's policy on dealing with collection instruments lost in transit.

VII. ARRANGEMENTS FOR COLLECTION: -

1. Local Cheques

(i) All CTS compliant cheques and other negotiable instruments payable under a grid system will be presented through the clearing system prevailing at the center.

(ii) 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.

(iii) Cheques deposited after the cut-off time and in collection boxes outside the branch premises, including off-site ATM will be presented in the next clearing cycle.

(iv) The Bank will give credit to the customer's account on the same day on which the clearing settlement takes place.

(v) In case of Banks who have obtained extension for their Inward cheque process, then the clearance of the cheques of such Banks will be granted on next working day, after the cheque-return process is completed for that day.

(vi) NPCI circular, indicating the name of the banks taking concession for returning their unpaid cheques, be forwarded to all the branches and to COCPCs. This will enable the branches to reply to customer query for late clearance of cheques.

(vii) Withdrawal of amounts so credited will be permitted only after the cheque-return process is completed.

(viii) Bank branches, situated at centers where no clearing house exists, will present local cheques on branches of the drawee banks across the counter and it will be the Bank's endeavor to credit the proceeds at the earliest.

(ix) In 2013 CTS was introduced and three CTS Grids were established i.e. Northern Grid at Delhi, Southern Grid at Chennai and Western Grid at Mumbai. In 2023 the three Grids are merged into a single Grid i.e., CTS – National Grid, located at Chennai.

(x) Reserve Bank of India has stopped non-CTS clearing with effect from 1st

January 2019 hence treatment will be given to non-CTS cheques as outstation cheques.

(xi) The timings for the acceptance of cheques will be as follows:

i. Cheques will be accepted during business hours of the Bank's branch. Alternatively, cheques can be deposited at ATM centers in the drop-box, CDMs, round the clock.

ii. The cut-off time for sending cheques for collection will be worked out for each location/branch based on the cut-off time afforded by the clearing house at each location.

iii. The cut-off timings will be displayed at branches/ATM for the benefit of each customer.

2. Outstation Cheques: -

(i) The Bank will not decline to accept outstation cheques deposited by its customers for collection.

(ii) All outstation cheques will initially be presented in CTS Clearing through the National Grid.

(iii) If outstation cheques returned/rejected in National Grid CTS Clearing, then below mentioned steps will be followed.

(iv) Cheques drawn on other banks at outstation centers will normally be collected through our Bank's branches at those centers.

(v) Where the Bank does not have a branch of its own, the instrument will be sent directly for collection to the branch of a drawee bank or collected through a correspondent bank / a bank where a collection arrangement exists, if any.

(vi) Cheques drawn on the Bank's own branches covered under CBS network at outstation centers same day credit will be provided to customers.

(vii) As a policy --

i. The OBC cheques will be sent for collection to the postal address of the drawee bank within a day of receiving the cheques by the branches /COCPC clusters through registered post /courier.

ii. In cases wherein the cheques contain incomplete address of the drawee bank's branch, the COCPC cluster/branch will obtain the full postal address and then after receipt of the same will send it by registered post to the drawee bank.

iv. The Bank will debit the customer's account with applicable service charges, as per the tariff schedule notified by the Bank from time to time. The charges notified will be all inclusive and no additional charges such as courier charges, out of pocket expenses, etc, will be recovered from the customers.

3. Cheques payable in Foreign Countries: -

a. The services of correspondent banks will be utilized in countries/centers where the correspondent banks have a presence.
b. Cheques drawn on foreign banks at a center in which the Bank's correspondents do not have a presence, 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 depending on the currency of the instruments.
c. In case of remittances, value date will be the date of provisional credit to the Bank's Nostro account.
d. Cooling period of major currencies which is in vogue presently varies from 15-21 days.
e. Credit will be given to the customer on due date i.e. value date plus expiry of the normal cooling period.

Third party endorsements: RBI has prohibited banks from crediting "Account Payee" cheque to the Account of a person other than the payee constituent named therein. The Bank will not collect cheques for any person other than the payee constituent.

However, in case of co-operative credit societies branches shall collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided 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. The Bank shall subject the society to the usual KYC norms and enter into an agreement with the society that the KYC documents in respect of the society's customers are preserved in the society's records and are available to the Bank for scrutiny. The Bank shall, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner affected by these instructions and Bank will have to establish that they acted in good faith and without negligence while collecting the cheque in question. The branches shall get the necessary approval for the above arrangement from Zonal Head and Head Retail Banking. An annual review of the arrangement shall be placed by the respective branches along with the recommendations of the Zonal Head, for the consideration of Head Retail Banking.

VIII. TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION CHEQUES / INSTRUMENTS:

(i) 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.

(ii) For cheques and other instruments sent for collection to centers within the country the following time norms will apply:

Particulars	Time Norms (working days)
i) Cheque presented at any of the Major Metro centers (Mumbai, New Delhi, Chennai, or Kolkata) and payable at any of the other three major metro centers	7
ii) Cheque payable at Metro centers (Mumbai, New-Delhi, Chennai or Kolkata) and State Capitals (other than those of North Eastern States and Sikkim) but presented elsewhere.	10
iii) Cheques payable at Other centers	14

(Working days exclude second & fourth Saturdays, Sundays and bank holidays at the respective centers)

IX. TIMEFRAME FOR CHEQUES DRAWN ON FOREIGN COUNTRIES:

(i) Such instruments will be accepted for collection on the 'best of effort' basis.

(ii) In case of cheques sent for collection abroad through the Bank's Correspondents, the time frame under final credit service for crediting the amount to the customer will be 10 working days from the day of lodgment after recovering necessary charges.

(iii) In other cases, the time frame for crediting will be 21 working days from the day of lodgment

(iv) The instruments will be sent to the Correspondent Banks, by the respective Forex centers on the same day/next working day.

(v) The Bank has entered into specific collection arrangement with its correspondent banks for speedy collection of such instruments. Bank will give credit to the party on credit of proceeds to the Bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

Note: The time-limits indicated above would be taken as the outer limit for collection of local cheques / instruments & instruments payable in foreign currencies. Due to limited network of our branches and our dependence predominantly on correspondent banks/drawee banks for collection of outstation instruments the above time periods may vary.

The collection period of outstation cheques and interest payable thereon in case of

delay will be displayed on the noticeboard at the branches**.**

X. IMMEDIATE CREDIT OF LOCAL / OUTSTATION CHEQUES / INSTRUMENTS:

(i) Branches of the Bank will consider providing immediate credit for outstation cheques/instruments up to the aggregate value of Rs. 7500/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than six months and taking into consideration the average balance maintained in the account**.**

(ii) Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement after assessing the risk profile of the customer**.**

(iii) The facility of immediate credit will also be made available in respect of local cheques at centers where no formal clearing house exists**.**

(iv) The facility of immediate credit will be offered on savings /current/overdraft accounts of the customers after assessing the risk and the profile of the customer. For extending this facility, there will not be any separate stipulation of minimum balance in the account.

(v) Under this Policy, prepaid instruments such as demand drafts, interest /dividend warrants will be treated on par with cheques.

(vi) For the above purpose, a satisfactorily conducted account will be the one:-

i. Opened at least six months prior and complying with KYC norms and.
ii. Conduct of which has been satisfactory and the Bank has not noticed any irregular dealings and.
iii. No cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons and the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
iv. The account should be in Indian Rupees
v. The facility shall be extended to a customer at his/her base branch only.
vi. Cheques shall not be postdated/out of date/nearing out of date (to avoid risk of return in clearing). The cheque must be deposited at least 7 working days from the date of expiry of the cheque.
vii. The account shall not have had any cheque return charges – both for Inward & outward clearing in last three months preceding the Immediate credit request

Normal collection charges and actual out of pocket expenses will be charged while providing immediate credit against outstation instruments tendered for collection**.**

XI. PURCHASE OF LOCAL /OUTSTATION CHEQUES/INSTRUMENTS:

(i) Bank may, at its discretion, and as permitted by the regulatory authorities purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement.

(ii) Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

XII. INTEREST PAYMENT FOR DELAYED COLLECTION: -

(i) As per the Compensation Policy of the Bank, in case of delay in collection of outstation cheques and other instruments beyond the above-mentioned stipulated time norms, the Bank will pay interest to its customer at the saving bank rate on the amount of the collection instruments.

(ii) 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.

(iii) If the proceeds are not realized /credited to the customers' accounts or the unpaid instruments are not returned to customers within the period specified from the date of their lodgment, and if the delay is abnormal (i.e. above 30 days) Bank will pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond the specified period for collection of outstation instruments.

(iv) Such interest will be paid without any demand from customers in all types of accounts.

(v) The interest payment as given above will be applicable only for instruments sent for collection within India.

(vi) As regards cheques sent for collection to the drawee bank for payment, in the absence of our branch/cheque collection arrangement, Bank will pay interest to our customer @ savings rate for the period of delay in crediting the proceeds beyond the collection period. However Bank shall claim reimbursement of the same from the drawee bank since the delay has occurred due to failure of the drawee bank to remit the proceeds promptly to our Bank; however our Bank will share and notify our customer on demand that the delays are due to the drawee bank.

XIII. CHEQUES/ INSTRUMENTS LOST IN TRANSIT / DURING THE CLEARING PROCESS OR AT PAYING BANK BRANCH: -

(i) 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 will 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 dishonored due to non-credit of the amount of the lost cheques/instruments.

(ii) In case an international cheque is lost, the Bank shall also advise the correspondent/ drawee bank the particulars of the lost cheques/instruments for exercising caution.

(iii) The Bank will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

(iv) In line with the Compensation Policy of the Bank, the Bank will compensate the

account holder in respect of instruments lost in transit in the following way: -

(a) In case intimation regarding loss of instruments is conveyed to the customer beyond 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 savings rate.

(b) In addition, the Bank will pay interest on the amount of cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque / instrument & collection thereof**.**

(c) The Bank will compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of a receipt (maximum Rs.500/-), in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of a duplicate instrument.

(d) In case the cheque is lost by the Bank, the charges for "stop payment" instructions will not be levied on the customer.

(e) However when a cheque/instrument is claimed to have been deposited by the customer in the Drop-Box, but the Bank's records do not show receipt of such a cheque with the Bank, the Bank cannot decide on the compensation amount for the lost cheque in the absence of details of cheque like date, amount, drawee bank/branch/drawee center etc., In such cases, the customer will have to corroborate a claim for lost cheque with full facts, inter-alia including confirmation/enquiries from the drawee person/ banks about genuineness of the claim and, on this basis, if it is established that the customer has, in fact, tendered the cheque in the Drop- Box, the Bank will consider payment of compensation in terms of the Compensation Policy.

XIV. CHARGING OF INTEREST ON CHEQUES RETURNED UNPAID WHERE INSTANT CREDIT WAS GIVEN:

(i) When 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 customer's account.

(ii) 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 has remained out of funds on account of withdrawal of funds.

(iii) Interest, where applicable, will be charged on the notional overdrawn balances in the account, had the credit not been given initially.

(iv) When the proceeds of the cheque credited to the savings/current bank account are not withdrawn, no interest is payable by the customer in case the cheque is returned unpaid. However, interest will be recovered at the rate of PLR + 2% from the date of credit to the date of reversal of the entry to the extent the Bank is out of funds

(v) In case of proceeds credited to an overdraft/loan account, interest will be

recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry to the extent the Bank was out of funds.

XV. DISHONOR OF CHEQUES: -

Intimation of dishonors of cheques to customers: -

(i) The Bank will ensure that the dishonored instrument is returned / dispatched to the customer promptly without delay on the same day but in any case, within 24 hours.

(ii) Customers will be informed of the dishonor of instruments by telephone or directly on their visit to the presenting branch. In case of OBC, after recovering cheque return charges by COCPC clusters, the returned cheque instruments will be handed over to the presenting branch by the COCPC clusters.

(iii) In case of local cheques, the cheque return charges will be recovered by branches.

(iv) The presenting branch is expected to contact the customer and hand over the same/forward the cheque to the home branch through internal dispatch. The customer will be handed over the physical cheque by the presenting branch / home branch only after production of the counter foil of the pay-in-slip & identity proof.

(v) Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. Charges shall not be levied for cheque returns where customers are not at fault in the return. The illustrative, but not exhaustive, list of chargeable and non-chargeable cheque return reasons is furnished in the Annexure)

(vi) Outward clearing 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) by the concerned clearing cluster.

XVI. WITHDRAWAL OF FUNDS: -

The Bank shall permit customers to withdraw funds credited to customer's account (via cheques deposited) immediately after outward cheque return process is completed.

XVII. POSITIVE PAY SYSTEM (PPS) FACILITY:

RBI vide its circular Ref No: RBI/2020-21/41 PSS.CO.RPPD. No.309/04.07.005/2020-2021 instructed all banks to participate in the Positive Pay System (PPS) for CTS. The concept of Positive Pay involves a process of reconfirming key details of large value cheques with a view to eliminate the possibility of frauds due to tampering of cheques. NPCI developed the facility of Positive Pay in CTS and made it available to all participant banks.

Our Bank has implemented PPS with effect from August 2022. The PPS facility is applicable for all customers issuing cheques of Rs. 50,000 and above. However, this facility is mandatory in case of cheques issued for amounts of Rs. 5.00 lakh and above. Branch outlet, Internet Banking and our Banks website are the channels available to our customers for submitting the cheque details.

XVIII. FORCE MAJEURE

The Bank will not be liable to compensate customers for delayed credit if some unforeseen events (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

List of Chargeable / Non-Chargeable Cheque Return Reasons

Code No.	Reason for Return	Chargeable / Non-Chargeable
1	Funds insufficient	Chargeable
2	Exceeds arrangement	Chargeable
3	Effects not cleared, present again.	Chargeable
4	Refer to drawer	Chargeable
5	Kindly contact Drawer/ Drawee Bank and please present again	Chargeable
10	Drawer's signature incomplete	Chargeable
11	Drawer's signature illegible	Chargeable
12	Drawer's signature differs	Chargeable
13	Drawer's signature required	Chargeable
14	Drawer's signature not as per mandate	Chargeable
15	Drawer's signature to operate account not received	Chargeable
16	Drawer's authority to operate account not received	Chargeable
17	Alteration requires drawer's authentication	Chargeable
20	Payment stopped by drawer	Chargeable
21	Payment stopped by attachment order	Chargeable
22	Payment stopped by court order	Chargeable
23	Withdrawal stopped owing to death of account holder	Chargeable
24	Withdrawal stopped owing to lunacy of account holder	Chargeable
25	Withdrawal stopped owing to insolvency of account holder	Chargeable
30	Instrument post dated	Chargeable
31	Instrument outdated / stale	Chargeable
32	Instrument undated / without proper date	Chargeable
33	Instrument mutilated; requires Bank's guarantee	Non-Chargeable
34	Cheque irregularly drawn / amount in words and figures differ	Chargeable
35	Clearing House stamp / date required	Non-Chargeable
36	Wrongly delivered / Not drawn on us	Non-Chargeable
37	Present in proper zone	Non-Chargeable
38	Instrument contains extraneous matter	Non-Chargeable
39	Image not clear, present again with paper	Non-Chargeable
40	Present with document	Non-Chargeable
41	Item listed twice	Non-Chargeable

42	Paper not received	Non-Chargeable
50	Account closed	Chargeable
51	Account transferred to another branch	Chargeable
52	No such account	Chargeable
53	Title of account required	Chargeable
54	Title of account wrong / incomplete	Chargeable
55	Account blocked (situation covered in 21-25)	Chargeable
60	Crossed to two banks	Non-Chargeable
61	Crossing stamp not cancelled	Non-Chargeable
62	Clearing stamp not cancelled	Non-Chargeable
63	Instrument specially crossed to another bank	Non-Chargeable
64	Amount in protective crossing incorrect	Chargeable
65	Amount in protective crossing required/ illegible	Chargeable
66	Payee's endorsement required	Chargeable
67	Payee's endorsement irregular / requires collecting bank's confirmation	Non-Chargeable
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal.	Non-Chargeable
70	Advice not received	Non-Chargeable
71	Amount / Name differs on advice	Non-Chargeable
72	Drawee bank's funds with sponsor bank insufficient	Non-Chargeable
73	Payee's separate discharge to bank required	Non-Chargeable
74	Not payable till 1st proximo	Non-Chargeable
75	Pay order / cheque requires counter signature	Non-Chargeable
76	Required information not legible/ correct	Non-Chargeable
80	Bank's certificate ambiguous / incomplete / required	Non-Chargeable
81	Draft lost by issuing office / confirmation required from issuing office	Non-Chargeable
82	Bank/ Branch blocked	Non-Chargeable
83	Digital Certificate Validation failure	Non-Chargeable
84	Other reason- connectivity failure	Non-Chargeable
85	Alterations on Instrument - Other than “Date” field (Alteration /correction on instrument's are prohibited under CTS)	Chargeable
86	Fake/Forged/Stolen draft/ cheque /cash order /interest warrant/dividend warrant	Chargeable
87	Payee's A/c credited Stamp required	Non-Chargeable
88	Other reasons	Chargeable
92	Bank Excluded	Non-Chargeable

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