



**POLICY ON
COLLECTION OF
CHEQUES / INSTRUMENTS**

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Customer Relations Department

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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

Collection of cheques or other instruments will be accepted up to the closure of business hours in the collection centers' of the bank. Customers can make use of cheque drop box facility at ATM's and other places, wherever available.

2.1. Local Cheques

All cheques and other Negotiable Instruments payable locally would 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 prescribed for that centre, 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 same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Bank branches situated at centres 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.

2.1A. Cheque Truncation System

CTS-2010 Standard is a set of benchmarks prescribed by RBI towards achieving standardization of cheques issued by banks across the country. These include provision of mandatory minimum security features on cheque forms like quality of paper, watermark, and bank's logo in invisible ink, void pantograph etc and standardization of field placements on cheques.

Policy on Dealing with Collection of Cheques / Instruments

In Cheque Truncation System or CTS, physical movement of the cheque is stopped at the collecting bank and only image is transferred to the drawee bank. The drawee bank processes the instrument using the image. In CTS, the payments are made by the drawee bank on the basis of the images. In order to ensure quality of the images transmitted for processing at the drawee bank, certain image specifications are mandated by RBI in the CTS clearing. Images that do not meet the specifications are rejected. Apart from the process changes, customers may be guided by a special directive by RBI regarding corrections/ alterations on cheques.

For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc, excepting change in the date for validation period, fresh cheque forms should be used by customers. This will help bank to identify and control fraudulent alterations. From October 2010, Bank has migrated to CTS clearing system and discontinued Non CTS clearing with effect from 31.12.2018.

2.1. B. Outstation Cheques

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

2.2 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 through that office. The services of correspondent banks will be utilized in country/centers' where the correspondent has presence. Cheques drawn on foreign banks at centers' 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.

2.3 Categorization of Accounts for issue of cheque books

Type of Accounts	Junior SB Accounts	Financial inclusion Accounts: BSBDA (Basic SB /BSBDA Small)	ABB operative Accounts
Type of cheque books	No cheque books	May be issued at Bank's discretion	Payable at par CTS 2010 standard cheque books
No cheque book issued to Junior SB accounts. Issue of cheque books to other type of operative account will be done after considering factors like previous transactions, cheque return and unused cheques available in the account etc.			

2.4. Risk Management procedures

1. Collection of cheque will be allowed only on strict compliance of KYC norms.
2. Post facto verification of all cheque issued accounts will be ensured by offsite monitoring team.
3. New cheque books will be issued only after verifying the satisfactory operation of the account.
4. New cheque books will not be issued to account holders who have pending charges to be paid to the bank.
5. Cheque book will not be issued in accounts that have high number of unused cheques and cheque returns. The same will also not be issued in accounts with large number of NACH / Direct debit returns.
6. Customers who are in need of large number of cheque for the reason for post dated EMI payments are advised to opt for NACH / Direct Debit Mandate for the same instead of giving post dated cheques.
7. No cheque book will be given to Junior Accounts. Cheque books may be issued for Financial inclusion Accounts at the Bank's discretion.
8. Withdrawal slips will be issued only for cash withdrawal from parent branch on producing passbook.

2.5 Purchase of local/outstation cheques

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.

2.6 Immediate Credit of Local/ Outstation Cheques/ Instrument

Branches/ extension counters of the bank will consider providing immediate credit for outstation cheques / instruments tendered for collection by individual account holders subject to approval from respective Regional Offices. 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. This facility should be allowed only after enforcing strict compliance of KYC. 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 maximum commercial rate of interest plus penal interest, if any, 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 cheque purchase will not, however be charged. The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

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 at that Centre.

In CBS environment, cheques can be collected at any location without sending the physical instrument to the drawee branch. This is applicable irrespective of the fact that the cheque is payable at par at all the branches or not. Bank will also process the NACH/ Direct Debit mandates received by us.

The presently used Cheque Truncation System (CTS) involves the stoppage of the physical movement of the cheque and the replacement of physical instrument by the image/s of the instrument and the corresponding data contained in MICR line. The Negotiable Instrument Act defines a truncated cheque to mean “a cheque which is truncated during the course of a clearing cycle, either by the Clearing House or by the bank, whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing” (Section 6 of the amended NI Act, 1881).

In the Clearing by CTS, as the payment processing is done on the basis of images, the onus of due diligence shifts to the Presenting Bank, as provided in the explanation II to the Section 131 of amended Negotiable Instruments Act. The presenting bank takes full responsibility for collecting on behalf of the intended payee and exercises due diligence as per the conditions laid down in the amended Negotiable Instruments Act.

The Instruments shall be preserved for ready retrieval, whenever required at a later date, by bundling together. The physical instruments must be stored for the required statutory period as laid by law in force from, time to time. Cheques drawn on outstation CBS branches of a drawee bank can be processed at the notified Speed Clearing centres provided the drawee bank has a branch at the specified centre. As on date, the local cheques are processed on T+1 working day basis and customers get the benefit of withdrawal of funds on a T+1 or T+ 2 basis, depending on the clearing norms. 'T' denotes transaction day viz. date of presentation of cheque at the Clearing House.

For the speedy realization of instruments lodged for collection, branches falling outside the notified centres may send instruments to the nearest Speed Clearing Centre branch for clearance after ensuring that the drawee bank has presence in that centre.

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

- a) Cheques presented in CTS Clearing: Maximum period of 3 days (i.e. T+2)
- b) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. Bank would 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, (21 days in general) as applicable to the countries concerned.

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 Local Cheques, 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 [for outstation cheques drawn on state capital / major cities / other locations] 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 to 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 were 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.

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 account holder so that the account holder can inform the drawer to record stop payment. Account holder to take care that cheque, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the account holder to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy, 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 instrument 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 rates specified under Para 4 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.
- d) In case a cheque is lost by the bank, the charges for recording stop payment order will be borne by the bank.
- e) In case a discounted cheque is lost by the bank, the bank will not charge the customer any overdue interest for the period of delay.

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, accident, fires, strikes and labour disruption, 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. 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 as indicated in the Code of Banks Commitment to Customers adopted by the bank.

8. 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 of immediate credit 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, if the cheque is returned unpaid.

In the event of dishonor of cheque against which immediate credit was provided to a Savings Bank / Current Account, interest shall be recoverable from the customer for the period the bank remained out of funds, to the extent the bank was out of funds. The rate of interest will be that of maximum commercial rate of interest, plus penal interest, if any, applicable for clean overdraft limits sanctioned for individual customers. If the proceeds were credited to an overdraft

/ loan account, interest shall 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.

9. Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account

- a) In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, banks were directed that they should not collect account payee cheques for any person other than the payee constituent.
- b) Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, bank should ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank.
- c) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.
- d) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is further clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding ₹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 as aforesaid, banks should have a clear representation in writing given by 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. This shall, however, be subject to the fulfilment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

10. Redressal of Complaints/ Grievances

For any complaint / grievance with regard to services rendered by the Bank, customer has a right to approach authority (ies) designated by the Bank for handling customer complaint/grievances. The details of the internal set up for redressal of complaints/ grievances will be displayed in the branch premises. The branch officials shall provide all required information regarding procedure for lodging the complaint. The same is also available in Bank's Website under Help Desk -> Complaint Registration. In case the depositor does not get response from the Bank within a period of one month after the bank received the complaint, or the bank rejects the complaint, or if the complainant is not satisfied with the reply given by the bank; he has a right to approach Banking Ombudsman appointed by the Reserve Bank of India.
