



THE ZOROASTRIAN CO-OPERATIVE BANK LTD.

CHEQUE COLLECTION POLICY

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CHEQUE COLLECTION POLICY

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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. The 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 increasing the use of technology in order to provide quick collection services to its customers.

This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- The Bank's commitment regarding time norms for collection of instruments.
- The Bank's policy on dealing with collection instruments lost in transit.

ARRANGEMENTS FOR COLLECTION

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 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, the Bank will give credit to the customer's account on the same day the 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 centers 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.

OUTSTATION CHEQUES:

Cheques drawn on branches of other banks at outstation centres 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 directly be sent for collection to the drawee bank or collected through a correspondent bank.

The Bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

For Cheques drawn on Bank's own branches covered under Core Banking System network at outstation centres, the Bank will provide same day credit to its customers.

The Bank would debit the customer's account with applicable service charge as per the tariff schedule notified by the Bank. Courier/postage charges and any out of pocket expenses will be levied on actual basis.

SPEED CLEARING

Speed Clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core banking enabled branches of banks, if they have a net worked branch locally.

With Speed Clearing, any outstation cheques and other instruments (except demand drafts, pay orders) drawn on CBS enabled branches of member banks are presented in local clearing at Cheque Truncation System centres.

The criteria for instruments to be eligible for speed clearing:

1. Cheque should be in CTS format
2. Drawee branch should be on CBS platform.
3. Drawee bank must participate in local clearing.
4. The Bank participates in outward as well as Inward Speed Clearing.

All outstation cheques drawn on the branches, eligible to be covered under the Speed Clearing Scheme of the Reserve Bank of India would be presented through the Speed Clearing and not be sent as outstation cheques for collection.

CHEQUES PAYABLE IN FOREIGN COUNTRIES:

The services of correspondent banks will be utilized in country/centres where the correspondent banks have presence or agency arrangements.

IMMEDIATE CREDIT OF LOCAL /OUTSTATION CHEQUES/ INSTRUMENTS:

Branches/extension counters of the Bank will consider providing immediate credit for outstation cheques/instruments up to the aggregate present value of Rs. 15,000/- (enhanced from existing Rs. 7,500/-) tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 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 and for the amount the customer has availed of the funds, at the rate applicable for overdraft limits sanctioned for individual customers.

For the purpose of this Policy, a satisfactorily conducted account shall be the one:

- Opened at least six 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 for which immediate credit was afforded on an earlier occasion was returned unpaid for financial reasons.
- Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Normal collection charges and out of pocket expenses will be charged while providing immediate credit against outstation instruments tendered for collection together with charges levied by the paying Bank.

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 return charges levied will be as per Bank's applicable Service charges.

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 customer has made use of funds. In case of SOD/Cash Credit account the interest benefit derived would be recovered.

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 overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument was returned unpaid.

A notice regarding the availability of facility should be prominently displayed at each branch.

PURCHASE OF LOCAL/OUTSTATION CHEQUES:

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.

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

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.

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

Maximum timeframe for collection of cheques drawn on state capitals / major cities / other locations are 7/10/14 days respectively.

In case of cheques sent for collection through Correspondent Banks, 10 (T-10) working days from the day of lodgement if day of lodgment is considered as T-0.

Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis.

The Bank has entered 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 Account with the correspondent bank.

INTEREST PAYMENT FOR DELAYED COLLECTION:

In all cases of delay in collection of outstation cheques and other instruments, the Bank will pay interest at saving bank rate for delayed collection of outstation cheques/instruments drawn on outstation branches of other (drawee) banks and sent for collection.

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 tenure of fixed deposit for the period of delay beyond the specified period for collection of outstation instruments.

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

Wherever necessary, the Bank would provide letters/certificates to the customer to obtain a duplicate instrument from the drawer of the cheque.

The bank will compensate the account holder for any reasonable loss suffered by him/her in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument, subject to the provisions contained in Customer Compensation Policy.

POSITIVE PAY SYSTEM :

As per RBI circular no. RBI/2020-21/41 DPSS.CO.RPPD.No. 309/04.07.005/ 2020-21 dated 25th Sept 2020:

RBI has introduced Positive Pay System (PPS) for Cheque Truncation System (CTS) with effect from January 01, 2021. The concept of Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures. National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant banks. Bank may consider making it mandatory in case of cheques for amount of Rs.5,00,000/- and above. While availing this facility is at the discretion of the account holder only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids.

