

Cheque Collection Policy

1. Introduction

Bank's Cheque Collection Policy has been formulated as a Comprehensive document with transparency, covering following aspects, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The policy takes adequate care to ensure that the interests of small depositors are fully protected and is in line with IBA's model policy on Collection of cheques / instruments. The procedure for collection of domestic cheques / instruments and international instruments has been included herein.

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:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- Our commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Our policy on dealing with instruments lost in transit.

2. Arrangements for Collection:

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 will be presented for clearing on the same day. As a policy, bank would give credit to the customer account on the date of funds 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.

2.2 Outstation Cheques

Cheques drawn on other banks at outstation centers 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. The bank would also use the National Clearing services (CTS System) offered by the Reserve Bank of India at centers where such services exist. Cheques drawn on bank's own branches at outstation centers will be collected on the same day during office hours to its customers in respect of outstation instruments drawn on any branches in the CBS network.

2.3 Speed Clearing

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

2.3.a Cheque Truncation System

“CTS-2010 Standard” is a set of benchmarks prescribed by RBI towards achieving at the collecting bank and only image is transferred to the drawee bank. The drawee bank processes the instrument using the image. Certain image specifications are mandated by RBI in the CTS clearing. Images that do not meet the specifications are rejected. In Cheque Truncation System or CTS, physical movement of the cheque is stopped. In CTS, the payments are made by the drawee bank on the basis of the images. It known as "CTS-2010 standard" order to ensure quality of the images transmitted for processing at the drawee bank, provision of mandatory minimum security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardization of cheques issued by banks across the country. These include standardization of field placements on cheques.

2.3.b Special directives by RBI regarding correction/alteration 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.

2.4 Cheques payable in Foreign Countries

Cheques payable at foreign centers will be collected through sponsor bank in country / centers where the correspondent has presence.

2.5 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 value of Rs 2,500/- 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 centers 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 overdraft / loans 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.

2.6 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.

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.

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

Collection of cheques drawn on Metro Cities	Maximum period of 7 days.
Collection of cheques drawn on State Capital and on major (Area I) cities	Maximum period of 10 days.
In all other Centers	Maximum period of 14 days
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 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 Outstation Cheques:

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 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 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.

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 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.

In line with the compensation policy of the bank the bank will compensate the accountholder 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 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.

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, 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.

7. 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 was 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 to the extent the bank was out of funds.

8. Cheque collection policy is available on bank's website www.adcbank.coop.

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavour to review the Policy at annual intervals.