



Cheques Collection Sub-Policy - India

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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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on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.

Hence, leaving it to individual banks to draft a comprehensive and transparent policy covering all the above three aspects taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents.

This cheques collection policy of SBM India is a reflection of the bank's 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. SBM India 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 centres within India and abroad.
- The bank's commitment regarding time norms for collection of instruments.
- Payment of interest in cases where SBM India fails to meet time norms for realization of proceeds of outstation instruments.
- Dealing with collection instruments lost in transit.

2. ARRANGEMENT

Under this policy, prepaid instruments like Demand Drafts/Bankers' Cheques, Interest/Dividend Warrants shall be treated on par with cheques

2.1 Account Payee Cheques

SBM India is not legally permitted to credit the proceeds of 'account payee' cheques to the account of any person other than the payee named therein and accordingly the bank shall not collect 'account payee' cheques for any person other than the payee constituent of the bank.

Where the drawer/payee instructs the bank to credit the proceeds of collection cheques to any account other than that of the payee of the cheque, the bank will ask the drawer/payee to have the cheque (or the account payee mandate thereon) withdrawn by the drawer.

2.2 Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the center. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified 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. The cut-off time will be displayed by the bank on its premises prominently.

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 clearinghouse. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank branches situated at centers where no clearing house exists, would present local cheques on drawee banks across the counter and it would be SBM India's endeavor to credit the proceeds at the earliest.

2.2.1 Speed Clearing

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

2.3 Outstation Cheques

Cheques drawn on other banks at outstation centers other than those covered under 2.1 above, will normally be collected through bank's branches at those centers. Where SBM India 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. SBM India would also use the National Clearing services offered by the Reserve Bank of India at centers where such collection services exist.

Cheques drawn on bank's own branches at outstation centers will be collected using the inter-branch arrangements in operation.

2.4 Cheques payable in Foreign Countries

Cheques payable at foreign centers where SBM India 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 SBM India or its correspondents do not have direct presence will be sent direct to the drawee bank or collected through a correspondent bank with instructions to credit proceeds to the respective Nostro Account of SBM India maintained with one of the correspondent banks.

2.5 Immediate Credit of Local / Outstation Cheques / Instruments:

Branches of SBM India will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of INR 2500/- rendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 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.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period SBM India 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 SBM India 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.

In case where the instrument of face value exceeding INR2,500/- is received for clearing and the proceeds of the instruments are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the rate as applicable for clean advances in addition to the usual service charges shall also be levied for the period for which outlay of funds is involved.

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.

2.7 Other Stipulation Guidelines

- Where more than one cheque and / or cheques for the value of more than INR 2,500/- are deposited for collection in a day or on subsequent days, withdrawal as per above instructions will be allowed up to a maximum of INR 2,500/- so that at any point of time, the collecting

Bank will have an exposure for an amount not exceeding INR2,500/- against any individual customer.

- For extending the facility there will not be any separate stipulation of minimum balance.

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 operation at 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 at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres: Maximum period of 7 working days.
- b) State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 working days.
- c) In all other Centres : Maximum period of 14 working days
- d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. SBM India is committed to ensuring that instruments drawn in foreign currencies and payable outside India are collected in the quickest and most efficient manner. Towards this SBM India may enter into specific collection arrangements with its correspondent banks in those countries for speedy collection of such instrument(s). Bank would give credit to the party upon realization credit of proceeds into SBM India's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

Country/location specific times norms wherever stipulated will be specified for foreign currency instruments and made known to the customers at the point in time of while accepting instruments for collection.

Currency – Normal Cooling Period

S.no	Currency	Normal Cooling Period
1.	USD	10 international working days from value for cheques in NY- USA
2.	GBP	15 international working days from value for cheques in LON-GBP
3.	EUR	10 international working days from value for cheques in FRT-GER
4.	JPY	10 international working days from value for cheques in TOK-JAPAN
5.	MUR	10 international working days from value for cheques in SBM- MAU

- a. Value date is the date of credit to our Nostro account
- b. The card rate prevailing on the date of credit to customers account would be the applicable exchange rate.
- c. The due date is the value date of credit to Nostro account plus normal cooling period as

stipulated above

- d. Foreign currency cheques sent for collection – service charges Commission – INR 1000.00 as per changes schedule.

4. CHEQUE TRUNCATION SYSTEM (CTS)

The Reserve Bank of India has implemented the Grid Based Cheque Truncation System (CTS). SBM India shall switch over entirely to use of cheques conforming to CTS-2010 standards. However as the clearing of non-CTS-2010 standard instruments is being done at less frequent intervals, there is likelihood of delays in the realization of such instruments if any tendered for collection by customers, depending on the frequency of non-CTS clearing adopted by the Clearing House.

5. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES PAYABLE OUTSIDE INDIA

As part of the compensation policy of SBM India, the bank will pay interest to its customer on the amount of collection instruments (both local and outstation) under 3.a, b and c given below 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 SBM India'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) At 4% per annum 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, as published by the bank from time to time.
- 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.
- e) Payment of interest as above would be applicable only for instruments sent for collection in India.

6. 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, SBM India 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 dishonored due to non-credit of the amount of the lost cheques / instruments. SBM India 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 SBM India 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 4% per annum to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) SBM India 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.

7. FORCE MAJEURE

SBM India 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 labor disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to SBM India'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 SBM India prevents it from performing its obligations within the specified service delivery parameters.

8. CHEQUES RETURNED UNPAID

SBM India on receipt of dishonored cheques shall dispatch them immediately to the payee/holder. In case of the cheques presented directly to the bank for settlement by way of transfer between two accounts within the bank is dishonored for any reason, SBM India shall return such cheques to the payee/holder immediately.

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 hrs. (excluding holidays) with due notification to the customers of such representation.

If a cheque sent for collection for which immediate credit was provided by SBM India 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 SBM India had remained out of funds on account of withdrawal of funds. Interest where applicable would be charged at the rate applicable for temporary overdraft limits sanctioned for individual customers 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 were returned unpaid to the extent SBM India was out of funds.

In addition to interest, wherever applicable, charges for cheque returned unpaid will be recovered as per Service Charges. These charges are subject to review from time to time.

Cheque return charges will be levied only in cases where the customer is at fault and is responsible for such return. The illustrative, but not exhaustive, list of reasons for return where the customers are not at fault are given in Annexure 1

9. DISHONOUR OF CHEQUES

9.1 Returning dishonoured cheques

1. SBM India shall implement the recommendation of the Goiporia Committee that dishonoured instruments are returned / dispatched to the customer promptly without delay, in any case within 24 hours.
2. The paying bank shall return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations And Rules for Bankers' Clearing Houses. The collecting bank on receipt of such dishonoured cheques shall dispatch it immediately to the payees / holders.
3. In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, it shall return such dishonoured cheques to payees/ holders immediately.
4. In case of dishonor / return of cheques, the paying banks shall clearly indicate the return reason code on the return memo / objection slip which shall also bear the signature / initial of the bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

9.2 Information on dishonoured cheques

Data in respect of each dishonored cheque for amount of 1 crore and above shall be made part of the bank's MIS on constituents and concerned branches shall report such data to their respective controlling office / Head Office.

Data in respect of cheques drawn in favour of stock exchanges and dishonoured shall be consolidated separately by SBM India irrespective of the value of such cheques as a part of its MIS relating to broker entities, and be reported to the respective Head Offices / Central Offices.

9.3 Dealing with incidents of frequent dishonour of cheques of value 1 crore and above

1. In the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also the bank may consider closing current account at its discretion.
2. In respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts would be reviewed by appropriate authority higher than the sanctioning authority.
3. For introducing the conditions in point 1, SBM India would issue a cautionary advice to the client drawing his attention to aforesaid provisions and consequential stoppage of cheque book facility/ closure of account to the client. Further such cautionary advice shall be reiterated at the time of third dishonor and when SBM India intends to close the account.

9.4 Dealing with frequent dishonour of cheques of value of less than 1 crore

SBM India will also have a board approved policy in place for dealing with frequent dishonor of cheques of value of less than 1 crore. This policy shall also deal with matters relating to frequent

dishonour of ECS mandates.

9.5 General

1. SBM India shall extend full cooperation for the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant and shall furnish him/her documentary proof of fact of dishonour of cheques.
2. SBM India shall place before their Audit/ Management Committee, every quarter consolidated data in respect of the matters referred to above.

9.6 Procedure for dealing with dishonoured cheques

1. SBM India shall also adopt a Board approved procedure for dealing with dishonoured cheques with inherent preventive measures and checks to prevent any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/ holder or the return of such dishonoured cheque to him.
2. SBM India shall also lay down requisite internal guidelines for their officers and staff and advise them to adhere to such guidelines and ensure strict compliance thereof to achieve aforesaid object of effective communication and delivery of dishonoured cheque to the payee.

10. SERVICE CHARGE

For all collection services SBM India will recover appropriate service charges as decided by SBM India from time to time and communicated to customer as indicated in the code of banks commitment to customers adopted by the bank.

11. PURCHASE OF LOCAL CHEQUES, DRAFT, ETC., DURING SUSPENSION OF CLEARING

On occasions when Clearing House operations are temporarily suspended, SBM India must take remedial action to minimize the inconvenience and hardship to banks' constituents as also to maintain good customer service. SBM India shall temporarily accommodate their constituents, both borrowers and depositors, to the extent possible by purchasing the local cheques, drafts, etc., deposited in their accounts for collection, special consideration being shown in respect of cheques drawn by Government departments/companies of good standing and repute, as also demand drafts drawn on local banks. While extending this facility, SBM India shall however take into consideration such factors as creditworthiness, integrity, past dealings and occupation of the constituents, so as to guard themselves against any possibility of such instruments being dishonoured subsequently.

12. ACCEPTANCE OF CHEQUES BEARING A DATE AS PER NATIONAL CALENDAR (SAKA SAMVAT) FOR PAYMENT

As the Government of India has accepted Saka Samvat as National Calendar with effect from 22 March 1957, an instrument written in Hindi having date as per Saka Samvat calendar is a valid instrument. SBM India shall accept cheques bearing date in Hindi as per the National Calendar (Saka Samvat) for payment. The bank can ascertain the Gregorian calendar date corresponding to the National Saka calendar in order to avoid payment of stale cheques.

13. POLICY REVIEWS

This Policy will be reviewed at least once a year or more frequently (if required) by Risk Management Division. Further, inputs from the India Chief Executive will also be sought at the time of the review, with regards to the India Supplement.

14. POLICY AMENDMENT AUTHORITY

SBM Risk Management Committee must recommend to the Board any changes or amendments to the policy for their approval.

15. POLICY AUTHORIZATION

By their signatures below, on behalf of the Board of SBM, the Chief Executive and Head of Risk hereby certify that this Policy has been drafted to comply with, and is in accordance with, practices at SBM and will be fully adopted and adhered to.

16. LIST OF ACRONYMS

CTS	Cheque Truncation System
MIS	Management Information System
ECS	Electronic Clearing System

APPENDIX 1 - REASONS FOR RETURN OF CHEQUES

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
	Drawee bank's fund with sponsor bank insufficient(applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1stproximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	'Payee's a/c Credited' - Stamp required
92	Bank excluded