

Thane Bharat Sahakari Bank Ltd.

(Scheduled Bank)

Policy on Collection of cheques/ instruments

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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. The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increase 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 collection instruments lost in transit.

2. Standardization and Enhancement of Security Features in Cheque Forms: CTS-2010 Standards:

RBI has prescribed certain benchmark towards achieving standardization of cheque forms issued by various Banks across the country, which insists provision of some mandatory security features and also some desirable / additional features on the cheque forms. The prescription includes quality of paper, watermark, Bank's logo in invisible ink, void pantograph, etc. and standardization of field placements on cheque forms. These security features would not only ensure uniformity across all cheque forms issued by the Banks in the country, but also help presenting Banks to ensure genuineness of the instruments while scrutinizing /recognizing cheques of drawee Banks in an image based processing scenario. The homogeneity in security

features is expected to act as Cheque Collection Policy a deterrent against cheque frauds, while standardization of field placements on cheque forms also enables straight-through-processing by use of optical/image character recognition technology. The benchmark prescriptions are known as “CTS- 2010 standard”. As advised by the RBI, all Banks have adopted CTS- 2010 standard in cheque forms. Bank has adopted CTS-2010 standard in all cheques as per specification prescribed by the RBI.

To enhance the efficiency of paper based clearing system, the Cheque Truncation System (CTS) was implemented in the National Capital Region (NCR). Since July 2008, all the member banks of the New Delhi Bankers’ Clearing House are participating in the CTS. CTS were subsequently implemented in Chennai and Mumbai in a grid model where various states/cities under the grid participate through the grid. Accordingly, the pan India CTS operations now handled through three grids only viz., South/West/North. Our Bank is participating in Western Grid.

With the introduction of the imaging and truncation of cheques, the physical movement of instruments has been stopped and the electronic movement of images and data of cheques speed up the process of settlements and ultimately alter the clearing cycles. The number of clearing cycles could be increased and it would be possible for customers to realize the proceeds of cheques early. Thus the realization time of proceeds for a cheque presented in clearing would be decreased and the customer would be able to derive the benefit of early credit of funds. Grid clearing would ensure erasing of boundaries and eliminating the process of intercity clearing, thus enabling the realization of cheques across cities along with the local cheques.

Thus the benefits could be summarized as:

- Faster clearing cycle
- Better reconciliation/verification process
- Better Customer Service. Enhanced Customer Window
- The jurisdiction of Clearing House can be extended to the entire country – No Geographical Dependence.
- Minimizes Transaction Costs.
- Reduces operational risk by securing the transmission route.
- Grid clearing enables centralization of CTS activities bringing in economies of scale and cost effectiveness.

CTS Grid Centres are now conducting clearings only for CTS compliant instruments.

3. Arrangements for Collection:

3.1. 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 Cheque Depository Machine 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 Cheque Depository Machine inside the branch premises including on-site ATMs, will be presented in the next clearing cycle. To fix the cut-off time limit for receipt of cheques will be decided by respective Branch Manager as per geographical locations of the branch, and the respective branches will display the cut-off time for receipt of cheques to be sent in clearing on the same day in their premises. The cut-off time for collection of cheque from cheque Depository machine and ATM will be displayed.

As a policy, bank would give credit to the customer account on the same day on which clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearinghouse.

3.2. 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 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 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.

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 endeavor to credit the proceeds at the earliest.

3.3 Cheques payable in Foreign Countries

Cheques payable at foreign centers will be collected through our correspondent bank (At present Yes bank Thane & Bank of India, Thane). 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 correspondent bank at a specific request of the customer.

Branches will accept the cheques/instruments and the application from the customers and will forward the same to HO-Back Office for collection/realization through Yes Bank or Bank of India or other Bank.

Presently we are routing Inward/Outward foreign Remittances through Yes Bank, Thane Branch. or Bank of India, Thane Branch. We are utilizing the services of the Bank even for collection of foreign outward cheques. We may also utilize the services of any other Bank in this respect in future if required after due approval from the Board.

3.4 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. 5,000/-(Rs. Five thousand only) 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 Clearinghouse exists.

The facility of immediate credit will be offered only to individual account holders. 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 prevailing rate applicable for 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, operative and complying with KYC norms.
- b) Conduct of which has been satisfactory and bank has not noticed any irregular

dealings/disproportionate transactions in relations to average balance in the account.

- c) Where no cheques / instruments for which immediate credit was offered 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.

3.5 Purchase of local/outstation cheques

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer who has been maintaining satisfactorily conducted account within the prescribed limits by the board / RBI from time to time.

3.6 Collection of account payee cheques – Prohibition on crediting proceeds to third party account

Banks should not collect 'account payee' cheques for any person other than the payee constituent. 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, banks should ask the drawer/ payee to have the cheque or the account payee mandate thereon withdrawn by the drawer.

However, Banks may consider collecting account payee cheques drawn for an amount not exceeding Rs.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, Bank should 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. This shall, however, be 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. Bank will act in good faith and without negligence while collecting the cheque in question.

4. 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:

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| a) Cheques presented at any of the four major Metro Centers (New Delhi, Mumbai, Kolkata and Chennai): and payable at any of the other three centers | Maximum period of 7 days. |
| b) Metro Centers and State Capitals (other than those of North Eastern States and Sikkim): | Maximum period of 10 days. |
| c) In all other Centers | Maximum period of 14 days. |
| d) 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 (Country/Location specific time norms) as applicable to the countries concerned.

Our customer account will be credited after receipt of proceeds from Yes Bank, Thane or Bank of India, Thane with whom we have made an arrangement for Inward/Outward foreign remittances 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. (As per the information provided by the bank with whom we are having tie-up arrangement for foreign remittances)

The above time norms are applicable irrespective of whether cheques/ instruments are drawn on the bank's own branches with whom we have made an arrangement or with branches of other banks.

5. 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 45 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.

For Cheques out of India

The bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent (*). Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period(**) stipulated. The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

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, the bank/branch 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. 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.

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. Service Charge :

For all collection services the bank will recover appropriate services 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.



9. 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. 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.

The aforesaid Cheque Collection Policy is submitted for the approval.

A.V. Gangal
Dy. General Manager

P.S. Dandekar
Holding Charge of
Chief Executive Officer