



# DHANLAXMI BANK

## POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS

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## **1. Introduction**

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.

Bank's Policy on Collection of Cheques / Instruments details the Central Bank's diversion on continuous policy improvement using technology. The document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centres 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. 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. 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 clearinghouse. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

A similar discipline will be followed wherever the Bank introduces cheque drop boxes at the ATMs and stand alone locations. 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 endeavour to credit the proceeds at the earliest.

#### **2.1a Speed Clearing**

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

With a view to leveraging the Core Banking System deployed by Banks effectively and to facilitate speedier collection of non-local cheques, the RBI has been introducing "Speed Clearing" (as part of regular presentation clearing) at different centres on an ongoing basis.

Under this scheme, the outstation non at par cheques will be treated as local cheques for the purpose of clearing. All branches located in the Speed Clearing Centres offer the benefits to the customers. Customers can take the benefit of CBS facility by being able to encash any cheque drawn on any branch of the Bank 'locally', since the cheque acquires the character of being 'local' at any city where it is presented for collection.

## **2.2 Collection of "CTS-2010 Standard" Cheques at CTS Grid:**

All "CTS-2010 Standard" Cheques and other Negotiable Instruments (CTS compliant), payable locally or outstations on any banks, would be presented by the branches linked to CTS-Grid based clearing through the grid based clearing system (Chennai, Mumbai and Delhi Grids).

From 1<sup>st</sup> January 2014, non-CTS cheques would be processed in a special clearing session in three CTS centres, firstly thrice in a week (Monday, Wednesday and Friday) upto 30<sup>th</sup> April, 2014 and, thereafter, twice a week upto 31<sup>st</sup> October, 2014 and on weekly basis (every Monday) from 1<sup>st</sup> November, 2014 onward. This clearing would be delayed clearing and would not be eligible for compensation in case of such delayed collection of local cheques.

With a view to encouraging faster migration to CTS-2010 standard cheques, banks have been advised that non CTS-2010 standard instruments will be cleared at less frequent intervals in the CTS clearing centres. The customers will be notified of the likely delay in realization of non-CTS-2010 standard instruments in view of the arrangement for clearing of such instruments at less frequent intervals

## **2.3 Outstation Cheques**

Cheques drawn on other banks at outstation centres other than those covered under 2.1a above, 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 be directly sent for collection to the drawee bank or collected through a correspondent bank. The bank would also use the National Clearing services/Speed Clearing Services offered by the Reserve Bank of India at centres where such collection services exist.

Cheques drawn on bank's own branches at outstation centres 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.

## **2.4 Cheques payable in Foreign Countries**

The services of correspondent Banks will be utilized in country/centres where the correspondent has presence. Cheques drawn on foreign Banks at centres the 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.

**2.5 Immediate Credit of Local / Outstation Cheques / Instruments:**

Branches of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 6-12 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 the bank 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 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.

**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 at that centre.

Bank shall permit usage of the shadow credit afforded to the customers' accounts immediately after closure of the relative return clearing on the next working day or maximum within an hour of commencement of business on the third working day from the day of presentation in clearing, subject to usual safeguards.

Bank will charge not more than the following for outstation cheques:

- Upto and including Rs.50,000 – Rs.20 per instrument + service tax.
- Above Rs.50,000 and upto and including Rs.1, 00,000 – not exceeding Rs.90 per instrument + service tax.
- Rs.1, 00,001 and above – Rs.140 per instrument + service tax.
- No additional charges such as courier charges, out of pocket expenses, etc., will be levied.

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 days.

b) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days.

c) In all other Centres : Maximum period of 14 days.

d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. The bank 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 the Bank 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 the bank'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.

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/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 under 3.a, b, c and d 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 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.
- e) Savings Bank rate for the period of delay beyond timeframe mentioned in for collection of local cheques under para 2.1

#### **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 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. Re-presentation of technical return cheques and levy of charges for such returns**

Cheque return charges shall be levied only in case where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive, lists of returns, where the customer are not at fault are indicated in the **Annexure** attached.

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

Customers are not charged on account of outward returns where the customer is not at fault. Cheques are represented in the immediate next presentation clearing not later than 24 hours (excluding holidays).

#### **7. 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.

#### **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 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 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 was returned unpaid to the extent the bank was out of funds.

**9. Service Charges**

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 bank's commitment to customers adopted by the bank.

**10. Policy Revision**

This policy is subject to revision based on the extant RBI and IBA guidelines from time to time. Review of the policy will be carried out on an annual basis.

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**Annexure: Illustrative but not exhaustive list of objections where customers are not at fault**

(Applicable for instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

<b>Code No.</b>	<b>Reason for Return</b>
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
72	Drawee bank's fund with sponsor bank insufficient(applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
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