



DHANLAXMI BANK

POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS

Version: 2024

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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. Objective

The objective of the policy is to formulate a comprehensive and transparent Policy for establishing Cheque/Instruments Collections and other internal arrangements for collection through correspondents and adhere to various Statutory/Regulatory Guidelines on the subject matter.

3. Scope

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.

4. Arrangements for Collection**4.1 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.

A similar discipline will be followed wherever the Bank introduces cheque drop boxes at the ATMs and stand-alone locations.

4.2 Collection of "CTS-2010 Standard" Cheques at Cheque Truncation System (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 (National Grid).

In CTS, the movement of physical instruments across bank branches is stopped. The payments are made on the basis of the images. Images that do not meet the specifications are rejected. In order to ensure quality of the images transmitted for processing at the drawee bank, certain image specifications are mandated by RBI in the CTS clearing. Images that do not meet the specifications are rejected. Apart from the process changes, customers may be guided by a special directive by RBI regarding corrections/ alterations on cheques.

Customers should preferably use image-friendly coloured inks while writing cheques and avoid any alterations / corrections thereon. Preferably, a new cheque leaf may be used in the event of any alterations / corrections as the cheque may be cleared through image based clearing system.

Non-CTS 2010 clearing service discontinued with effect from 31st December 2018.

4.3 Outstation Cheques

Cheques drawn on other banks at outstation centres other than those covered under 2.1. 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 corresponding bank. The bank would use the National Clearing services—offered by the Reserve Bank of India at centres where such collection service exists.

4.4 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.

5. Delay in presentment of cheques in CTS clearing:

In case it is proved that there is a delay in presentation of a local clearing instrument by the Bank beyond 2 working days of depositing the instrument, and where the delay is attributable to internal systems of the Bank and not the banking system as a whole, and is not attributable to force majeure events, the Bank shall pay interest on the cheque amount at the extant savings rate for the period of delay.

6. 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 showed/displayed/Seen 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 for outstation cheques as per the schedule of charges.

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 centers: 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 will be dealt with as Collection Bill and such instruments will be send to the issuing Bank abroad one to one for collection under Uniform Rules for Collection with applicable charges to the Customer account.

Country / location specific time-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.

7. 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 were 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

8. 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.

9. Validity of Cheque /Draft/Pay orders/Banker's Cheques

With effect from April 1, 2012, the validity of Cheque /Draft/Pay orders/Banker's Cheques is three months only from the date of issue. The validity period is mentioned on the face of Cheque Leaves /Draft/Pay orders/Banker's Cheques printed after 01.04.2012. Instruments should be presented within the validity period of three months from the date of issue.

10. 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).

11. 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.

12. 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.

13. 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. as displayed in Bank’s website.

14. Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account

In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, banks were directed that they should not collect account payee cheque for any person other than the payee constituent.

b) 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, bank should ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank.

c) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the respective CTS Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.

d) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is further clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding 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, banks should have a clear representation in writing given by 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 fulfilment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

15. Positive Pay

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. Only those cheques which are compliant with above

instructions will be accepted under dispute resolution mechanism at the CTS grids. The facility of Positive Pay is enabled for all account holders issuing cheques for amounts of ₹50,000 and above.

The various channels through which the Positive Pay can be enabled by the customers are: -

- a) Retail Internet Banking
- b) Corporate Internet Banking
- c) Mobile Banking
- d) Branch Mode (Customer can share the details to their home branch and branch can key in the details in the system)
- e) Customers can access this facility from the home page of our Bank's Website. For this, customer has to select the option "Positive Pay" from the drop-down box of Other Services

16. 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.

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)

| 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 |
| 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 1 st 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 |