

## **BANK'S CHEQUE COLLECTION POLICY (CCP)**

### **Preamble:**

Banks Cheque Collection Policy (CCP) was first formulated in 2014-15 and reviewed periodically. Policy has framed as comprehensive document with transference, 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 care to ensure that the interests of depositors are fully protected and is in line with the IBA's model policy on collection of cheques/instruments.

### **Cheque clearing process under CTS based clearing system:**

Telangana Grameena Bank has adopted CTS-2010 standard in all cheques as per specification prescribed by the RBI.

### **Security Features in "CTS-2010" Cheque Forms:**

RBI has prescribed certain benchmark towards achieving standardization of cheques issued by the banks across the country, which includes 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 field placements on cheques. These minimum security features would not only ensure uniformity across all cheque forms issued by the banks in the country but also help presenting banks while scrutinizing /recognizing cheques of drawee banks in an image-based processing scenario. The homogeneity in security features is expected to act as a deterrent against cheque frauds, while standardization of field placements on cheque forms would enable straight-through-processing by use of optical/image character recognition technology. The benchmark prescriptions shall be known as "CTS-2010 standard". As advised by the RBI, all banks have adopted CTS-2010 standard in cheque facility.

Cheque Truncation System (CTS) is presently working at Northern grid in Delhi, Southern Grid in Chennai and Western grid in Mumbai.

### **States/Circles covered in Grid based CTS-2010 centres:**

Northern grid in Delhi covers Bihar, Chandigarh, Delhi, Haryana, Jammu& Kashmir, Jharkhand, Rajasthan, Uttar Pradesh & Uttarakhand states (Covering Chandigarh, Delhi, Lucknow and Patna Circles). Centres covered are Agra, Amritsar, Allahabad, Bhilwara, Chandigarh, Dehradun, Delhi, Gorakhpur, Jaipur, Jalandhar, Jamshedpur, Jammu, Jodhpur, Kanpur, Kota, Lucknow, Ludhiana, Patna, Ranchi, Udaipur and Varanasi.

Southern grid in Chennai covers Andhra Pradesh, Telangana, North Eastern States, Orissa, Karnataka, Kerala, Tamilnadu & West Bengal states (covering Bangalore, Bhubaneswar, Chennai, Guwahati, Hyderabad, Kolkata and Thiruvananthapuram circles). Centres covered are Bangalore, Belgaum, Bhubaneswar, Calicut, Chennai, Coimbatore, Cuttack, Ernakulum, Erode, Guwahati, Hubli, Hyderabad, Kolkata, Madurai, Mangalore, Mysore, Pondicherry, Salem, Thirunelveli, Tiruchirapalli, Tirupur, Trichur, Trivandrum, Vishakhapatnam and Vijayawada.

Western grid in Mumbai covers Chhattisgarh, Goa, Gujarat, Madhya Pradesh, and Maharashtra states (covering Ahmedabad, Bhopal and Mumbai Circles). Centres covered are Ahmedabad, Anand, Aurangabad, Bhavnagar, Bhopal, Gwalior, Indore, Jabalpur, Jamnagar, Kolhapur, Mumbai, Nagpur, Nasik, Pune, Panaji, Rajkot, Raipur, Solapur, Surat and Vadodara.

All centres covered under the same grid will be treated as a single clearing zone and cheques drawn on these centres and presented at any of the grid centres are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

**Prohibiting Alterations/ Corrections on cheques:** - Consequent upon adoption of Standardization and Enhancement of Security Features in Cheque forms (CTS-2010), RBI directed that no changes/corrections should be carried out on the 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. Collecting banks have to ensure that such cheques are not accepted for presentation in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment).

Clearance of Govt. cheque is presently under "paper to follow" system at CTS and other clearing centres. However, RBI proposes to introduce CTS for Govt. Cheques also. Upon receipt of RBI instructions the Bank would modify its systems suitably.

**Dishonour /Return of cheques- Need to mention the 'Date of Return' & sign/initial the Cheque return Memo.:-** As per RBI's guideline, in case of Dishonour /Return of cheque, there is need to mention the 'Date of Return' in the Cheque Return Memo and the objection slip is to be signed/initialed giving therein a definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

Cheque return charges shall, however, be levied only in cases where the customer is at fault and is responsible for such returns. The list of reasons for return, where the customers are not at fault is annexed.

**Validity of cheque /draft /pay order/Banker's cheque up to 3 months:** This is usual practice in the bank to make payment of only such cheques/drafts which are presented for payment within a period of three months from the date of issuance. In order to stop the misuse of circulation of cheques/drafts/pay orders in the market like cash for six month, RBI has decided in public interest and in the interest of banking policy the period of validity reduced to three month within which the cheques/drafts/pay orders etc are paid from the date of such instruments. Banks are not required to make payment of cheques / drafts / pay orders / Bankers' cheque bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instruments.

**Collection of Third Party Cheques in clearing:** RBI have prohibited Banks from crediting 'account payee' cheques to the account of any person other than the payee named therein.

The payment of compensation to the customers on account of delay in collection of outstation cheques is to be paid to the customer without any request from him.

**Local Cheques/ Instruments:** Cheques deposited at branch counters before the specified cut-off time say 11.00 A.M, will be sent for clearance on same day, for which the clearance period will be T+1 working day. Cheques deposited after this cut off time will be sent for clearing on next day, for which clearance period will be T+2 working days.

As a policy, Bank would give credit to the customer account on the same day after day's clearing settlement takes place. Withdrawal of amount so credited would however be permitted as per the cheque return schedule of the clearing house.

The broad time-limit for receipt of cheques (say 10.00 A.M. to 4.00 P.M.), which may be fine-tuned for individual locations/branches, based on local practices, will be fixed by the Controllers of the respective branches.

**Instruments drawn on our local and outstation branches:** Cheques drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/business segment, except Govt. Cheques, Banker's Cheques, RBI cheques, received across the counter are not required to be presented in clearing or purchased as DD/ sent out on collection as SC. These instruments shall be disposed of at their end only, subject to ceiling for non-home payment as decided by the Bank & advised to branches from time to time. The instruments will be paid by the receiving branches at their end after verifying the genuineness of the instruments and observing all necessary precautions for payment of instruments, who will afford credit directly to the payee's account.

- Cheques drawn on any branch of the our Bank, locally or outstation, will normally be paid on the same day/next day, depending upon the local situations, barring a few exceptional circumstances, for example – insufficient balance, non-availability of drawing power, uncleared balance, cheque number not matching with the cheque range in

the system, same cheque number already paid, difference in signature, any lien stop/hold restrictions (statutory, regulatory or otherwise), marked on the account, limit exceeding in case of loan account.

- The facility of immediate credit will be provided by the branch to the satisfactorily conducted accounts (defined hereinafter in the Policy) of their customers in respect of instruments drawn on any of our branches.

For the purpose of this Policy, a satisfactorily conducted account shall be one which has been:-

- i) Opened at least six months earlier and fully complies with KYC documentation requirements.
- ii) Is not inoperative.
- iii) Where branch has not noticed any irregular dealings/ suspicious transactions in the last 6 months.
- iv) Where the branch has not experienced any difficulty in recovery of any amount advanced in the past, including cheques returned unpaid after giving credit.
- v) Where no adverse features attached to the account/account holders have been brought to the notice of the Bank.
- vi) Where no cheques/ instruments for which immediate credit was afforded returned unpaid for financial reason.

The facility will be available to all individual deposit account holders, without making a distinction about the type of their accounts, i.e. Savings Bank/Current Account etc. It will also be available at all branches/extension counters of the Bank.

#### **Instruments drawn on outstation branches of other banks:**

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

**Time frame for collection of cheques:** Cheques drawn on branches of other banks located at State Capitals/Major "A" class Cities/other locations will be collected within 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified below shall be paid without insisting/waiting for a request from the customer. Time-limit for collection specified by the Bank shall be treated as the outer limit and credit shall be afforded immediately, if the proceeds get collected earlier.

- There is no change in the accounting procedure for DDP in respect of cases where instruments will continue to be purchased by debit to General Ledger Account/Customer's Liability account and sent for realization to the Drawee bank.
- Outstation cheques will be paid subject to recovery of usual service charges, plus service tax applicable, as per Bank's extant instructions, but such charges shall not be more than the service charges prescribed by RBI for Outstation Collection Charges. No additional charges, P&T, Courier charges etc. will be recovered.

**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 customers on the amount of collection instruments in case there is delay in giving credit beyond the time period specified in Bank's Cheque collection policy. 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. Since RBI has further advised to reframe time norms for collection of cheques drawn on state capitals/major cities/other locations are 7/10/14 days respectively for collection of out station cheques. Bank is required to compensate customers for delay in collection of instruments/cheques beyond these days in addition to other deficiency in services.

Interest for delayed collection shall be paid at the following rates:

- a) Saving Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques, i.e. from 8th /11th /15th day, the interest will be payable.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding period or Saving Bank rate, whichever is higher.
- 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, 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, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.

Interest as above shall be payable with a minimum of Rs.25/-.

### **Compensation for delay in clearance of Local Cheques:**

Cheques deposited at the counters up to 11 a. m. will be sent for clearance on same day, for which the clearance period will be T+1 working days. Cheques deposited after 11 a.m. will be sent for clearing on next day, for which clearance period will be T+2 working days.

The compensation to the customers is payable, in case of delay in clearance of local cheques beyond above stipulated period. Such compensation shall be paid without any demand from customers in all types of accounts at Savings Bank interest rate.

Instruments drawn on the bank's own branches and presented across the counter are being credited, to the customers' account on the same day, subject to cheque amount being under existing cap for non-home transactions.

### **Compensation for loss of Cheques / Instruments in transit:**

In the event a cheque or an instrument accepted for collection is lost in transit or in clearing process or lost by the Service Provider ( in case of CMP), the Bank shall immediately on coming to know of the loss of instrument, bring the same to the notice of the account holder so that the account holder 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 cheque/instrument. The Bank would provide all assistance to the customer to obtain a duplicate Instrument from the drawer of the cheque.

In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection, as per the Cheque Collection Policy of the Bank, (7/10/14 days as the case may be) interest will be paid for the period beyond the stipulated collection period .

- i) Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for possible further delay in obtaining duplicate cheque /instrument and collection thereof.
- ii) The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt fin the

event the instrument is to be obtained from a Bank/institution who would charge a fee for issue of duplicate instrument, subject to a maximum of Rs.250/-.

**Compensation for delay in Issuance of Duplicate Banker's Cheque:**

Duplicate BC will be issued within a fortnight from the receipt of such request from the customer thereof. For delay beyond the above stipulated period, interest at the rate applicable for fixed deposit of Corresponding period will be paid as compensation to the customer for such delay.

**Immediate credit of Local/Outstation Cheques or Instruments.**

Branches of the Bank at the request of the individual accounts holders of Savings Bank/Current/Cash Credit Accounts, will consider providing immediate credit for out station Cheques/instruments upto aggregate value of Rs.15,000/- tendered for collection subject to satisfactory conduct of such accounts for a period of 12 months, KYC compliant, no returns history.

The facility of immediate credit would also available in respect of local Cheques at centres where no formal clearing house exists.

**Foreign Cheques/Instruments**

Such instruments are accepted for collection on the 'best of efforts' basis. The proceeds of the cheques drawn in foreign currency and payable outside India are collected through our Sponsor Bank- State Bank of India. Bank would give credit to proceeds of such instruments the party/customer account upon realization of proceeds into our Bank's Account with State Bank of India.

**Force Majeure:**

The bank shall put all out efforts for realization of cheque proceeds within in the stipulated time mentioned above except in the circumstances (like strikes, civil commotion, accidents, fires, natural disasters etc., ) beyond the control of the Bank.

## **Annexure-Reasons for Return**

### **Code no. Reason for return**

#### **(01-03) Funds**

- 01 Funds insufficient
- 02 Exceeds arrangement
- 03 Effects not cleared, present again.

#### **(04-05) Reference to Drawer**

- 04 Refer to drawer
- 05 Kindly contact Drawer/Drawee Bank and please present again.

#### **(10-17) Signature**

- 10 Drawer's signature incomplete
- 11 Drawer's signature illegible
- 12 Drawer's signature differs
- 13 Drawer's signature required
- 14 Drawer's signature not as per mandate
- 15 Drawer's signature to operate account not received
- 16 Drawer's authority to operate account not received
- 17 Alteration requires drawer's authentication

#### **(20-29) Stop Payment**

- 20 Payment stopped by drawer
- 21 Payment stopped by attachment order
- 22 Payment stopped by court order
- 23 Withdrawal stopped owing to death of account holder
- 24 Withdrawal stopped owing to lunacy of account holder
- 25 Withdrawal stopped owing to insolvency of account holder



**(30-42) Instrument**

- 30 Instrument post dated
- 31 Instrument out dated/stale
- 32 Instrument undated/ without proper date
- 33 Instrument mutilated; requires Bank's guarantee
- 34 Cheque irregularly drawn/ amount in words and figures differs
- 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

**(50-55) Account**

- 50 Account closed
- 51 Account transferred to another branch
- 52 No such account
- 53 Title of account required
- 54 Title of account wrong/ incomplete
- 55 Account blocked (situation covered in 21-25)

**(60-68) Crossing/Endorsement**

- 60 Crossed to two banks
- 61 Crossing stamp not cancelled
- 62 Clearing stamp not cancelled
- 63 Instrument specially crossed to another bank
- 64 Amount in protective crossing incorrect

- 65 Amount in protective crossing required/illegible
- 66 Payee's endorsement required
- 67 Payee's endorsement irregular / requires collecting bank's confirmation
- 68 Endorsement by mark/ thumb impression requires attestation by Magistrate with seal

**(70-76) RBI /Government**

- 70 Advice not received
- 71 Amount / Name differs on advice
- 72 Drawee bank's fund with sponsor bank insufficient
- 73 Payee's separate discharge to bank required
- 74 Not payable till 1st proximo
- 75 Pay order/ cheque requires counter signature
- 76 Required information not legible/ correct

**(80-92) Miscellaneous**

- 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
- 85 Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
- 86 Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
- 87 'Payee's a/c credited'- Stamp required
- 88 Other reasons (Please specify)
- 92 Bank Excluded

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

### **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 1st proximo
75	Pay order/cheque 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