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Policy for Collection of Cheques and Instruments for the 2024-25

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1. Policy Overview

The Policy for Collection of Cheques and Instruments reflects our on-going efforts to provide better service to our customers and set higher standards for performance, especially in respect of Collection of Cheques/Clearing Services. The bank is committed to increased use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

- 1.1. Collection of cheques and other instruments payable locally, at centres within India and abroad.
- 1.2. Defining time norms for collection of instruments and payment of compensation in cases where Bank falls short in meeting time norms for realization of proceeds or outstation instruments.
- 1.3. Dealing with collection instruments lost in transit.

2. Policy Details

2.1. Background:

The Policy for Collection of Cheques and Instruments has been designed to set out guidelines for dealing with the collection process of instruments in a fair and transparent manner. The policy lays the guiding principles to deal with collection of instruments payable locally or abroad, their time norms, payment of interest for delay in collection of outstation cheques and instruments that are lost in transit.

The policy is based on the guiding principles enlisted in the RBI "Master Circular on Customer Service in Banks" circulated vide RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1st July 2015 and RBI Circular on Positive Pay System for Cheque Truncation System circulated vide RBI/2020-21/41/DPSS.CO.RPPD.No.309/04.07.005/2020-21.

2.2. Objective:

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.

2.3. Scope and Applicability:

The Policy shall cover the Instrument/Cheque Collection functions of all the Offices of the Bank.

2.4. Policy Contents:

The Policy on Collection of Cheques and Instruments, in terms of the RBI Master Circular on Customer Service in Banks circulated vide RBI letter dated 01st July, 2015, broadly includes the following aspects:

- a. Immediate Credit for Local/Outstation Cheques
- b. Time frame for Collection of Local/Outstation Instruments
- c. Interest payment for delayed collection

2.4.1. Arrangements for Collection:

2.4.1.1. Local Cheques

All CTS compliant 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 on which clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

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 but not later than 3rd working day from the date of deposit by customer.

2.4.1.2. Outstation Cheques

Cheques drawn on other banks at outstation centres 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 offered by the Reserve Bank of India at centres where such collection services exist.

Since the bank is offering anywhere banking services to its customers, same day credit will be provided in respect of outstation instruments drawn on any of its branches in the CBS network, if received in the branch up to specified time and latest by next working day, if deposited/dropped in collection box outside the branch premises including the offsite ATMs.

2.4.1.3. Cheques payable in Foreign Countries

Cheques payable at foreign centres where the bank 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/centres where the correspondent Bank has presence.

Cheques drawn on foreign banks at centres 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 bank maintained with one of the correspondent Banks.

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2.4.1.4. Purchase of Local / Outstation Cheques

Bank may, at its discretion, purchase local / outstation cheque tendered for collection at the specific request of the customer for credit to Govt. Deptt. / Central or State Govt. Undertakings only.

2.4.1.5. 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 centres within the country, the following time norms shall be applied:

Cheques presented at CTS Centres : Maximum period of 7 days.

Non-CTS Centres : Maximum period of 10/14days.

Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best of efforts' basis. Bank may enter 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 considering cooling periods as applicable to the countries concerned.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks.

2.4.1.6. Payment of Interest for delayed Collection of Local/ 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 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 3 working days in case of local cheques.
- b) Saving Bank rate for the period of delay beyond 7 days in collection of outstation cheques payable at CTS centres and 10/14 days in non-CTS centres.
- c) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the respective period.
- d) 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.
- e) In the event of delay where 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.

2.4.1.7. 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 account holder so that the account holder can inform the drawer to record stop payment and 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, the bank will compensate the account holder 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 (3/7/10/14 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.

2.4.1.8. Delay in re-presentation of technical return cheques and levy of charges for such returns

The bank will levy cheque return charges only in cases where the customer is at fault and is responsible for such returns.

Further, in cases where the cheques need to be re-presented without any recourse to the payee, such re-presentation shall be made in the immediate next clearing presentation not later than 24 hours (excluding holidays) with due notification to the customers of such representation through SMS alerts, email, etc.

2.4.1.9. Changes/Corrections in Cheques:

- a). 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., except change in the date for validation period, fresh cheque forms should be used by customers. This will help the bank to identify and control fraudulent alterations.

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

a). Bank would 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, 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.

b). 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 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.

c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, bank 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, bank 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 fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

2.4.1.11. Validity of cheque/ draft/ pay order/ Banker's cheque:

It has been reduced from 6 months to 3 months w.e.f. 01.04.2012.

2.4.1.12. Dishonour/ Return of cheques:

Bank needs to mention the 'Date of Return' & sign/ initial the Cheque Return Memo and the Objection Slip is to be signed/initialled 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.

2.4.1.13. Positive Pay System:

The facility of Positive Pay System for Cheque Truncation System is implemented in our bank. Under this system, the issuer of the cheque submits certain minimum details such as Cheque Number, Cheque Amount, Cheque date, Payee/Beneficiary Name to the drawee bank. The submitted details are cross checked with the presented cheque by CTS system. Any discrepancy

found in presented cheque is flagged by CTS system to the drawee bank and presenting bank, who would take redressal measures. This facility will be available for all account holders issuing cheques of Rs. 50,000/- and above. The customers may avail this facility by submitting the desired details of the cheque issued by them through Branch/Internet Banking Service / Mobile Banking Service (PNB ONE), SMS Banking and through PNB Corporate Website. Availing of this facility will be mandatory for cheque amount above the threshold limit as prescribed by RBI/Regulatory Authority/Bank from time to time.

However, only those cheques which are compliant with instructions of Positive Pay System shall be accepted under dispute resolution mechanism at the CTS grids.

2.4.1.14. Bills for Collection - Payment of interest for Delays in collection of bills

Bills for collection including bills discounted required to be collected through another bank at the realising centre should be forwarded directly by the forwarding office to the realising office.

The lodger's bank should pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts.

The delayed period should be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills of drawees (iii) Remittance of proceeds to the lodger's bank (iv) Crediting the proceeds to drawer's account.

2.4.1.15. Miscellaneous:

Cheque which are deposited with wrong account number mentioned on the pay-in slip, Bank will return such cheques to the customer on the address mentioned within 48 working hours. However, in cases with incomplete address, incomplete phone no. or no phone number mentioned on the pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.

Cheque received back unpaid will be returned by post/courier, etc., to the customer within 48 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days, bank will send back at the recorded address by post or courier.

Bank shall give wide publicity to the CCP by prominently displaying salient features thereof in bold and visible letters on the notice board at their branches. A copy of the complete CCP shall be made available by the branch manager, if the customers require so.

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2.4.1.16. Service Charges:

The Bank will recover appropriate service charges for all collection services as decided by Bank from time to time and communicate to the customers by displaying the same on bank's website.

2.4.1.17. 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.

Appendix

A. List of Acronyms and Definitions

CTS: Cheque Truncation System

B. List of references including related policies/forms, RBI circulars, etc.

RBI "Master Circular on Customer Service in Banks" circulated vide RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1st July 2015 and RBI Circular on Positive Pay System for Cheque Truncation System circulated vide RBI/2020-21/41/DPSS.CO.RPPD.No.309/04.07.005/2020-21.
