

## **CHEQUE COLLECTION POLICY**

1.1. Bank's Cheque Collection Policy document has been formulated as a comprehensive document with transparency 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 adequate care to ensure that the interests of small depositors are fully protected and this has been integrated with the Deposit Policy formulated by the Bank in line with the IBA's model deposit policy. The procedure for collection of domestic cheques/instruments and international instruments have been placed in Annexure-I & II respectively, which, inter alia, incorporate the following:

- a) Detailed procedure for collection of cheques (local and Outstation).
- b) Collection of cheques between two banks and between CBS and non-CBS branches of other banks.
- c) Reduced time frame for collection of outstation/local cheques drawn on branches of the Bank
- d) Penalty for delayed collection in a progressive manner
- e) Amounts of cheques up to which immediate credit is to be provided.

### **ARRANGEMENTS FOR COLLECTION OF DOMESTIC CHEQUES**

## **2. ARRANGEMENTS FOR COLLECTION OF DOMESTIC CHEQUES.**

### **2.1 Local Cheques**

All cheques, and other Negotiable Instruments, payable locally in clearing, would be presented through the clearing system prevailing at the centre.

2.1.1 Cheques deposited at branch counters and in Drop-boxes, within the branch premises, before the specified cut-off time will be presented for clearing on the same day.

2.1.2 The broad time-limit for receipt of cheques (say up to 3 hours after opening of branch, 1 hour before closure of business etc.), which can be fine tuned for individual locations/branches, based on local practices, will be fixed by the Controllers of the respective branches.

2.1.3 All the drop-boxes shall indicate clearly the time up to which cheques dropped in the drop boxes would be sent for clearing on the same day.

2.2. Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and proceeds would be credited, at the earliest, on realization.

2.3 Outstation Cheques payable in India Cheques drawn on other banks at outstation centres in India. 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.

#### **2.4 Timeframe 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 hitherto in the CCP 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. Also, branches of the Bank shall not decline to accept outstation cheques deposited by its customers for collection.

### **3.ARRANGEMENTS FOR COLLECTION OF CHEQUES INSTRUMENTS DRAWN ON UGB BRANCH NETWORK SC/ DDP AUTOMATION**

The cheques/ instruments received at the branches for realization across the counter or through the Drop Box facility will be lodged as per process flow for all branches.

#### **3.1. INSTRUMENTS DRAWN ON LOCAL AND OUTSTATION BRANCHES:**

Cheques drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/business segment, received across the counter or through Drop-Box are not required to be presented in clearing or purchased as DD/ sent out on collection as SC but these instruments shall be disposed off at their end only. 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, as if these have been drawn on them and will afford credit directly to the payee's account using the CBS strength. and recover applicable service charges as per RBI's instructions regarding collection of outstation cheques.

#### **3.2. INSTRUMENTS DRAWN ON LOCAL BRANCHES OF OTHER**

##### **BANKS/ASSOCIATE BANKS:**

3.2.1 These instruments will be presented by the receiving branches in local clearing and credit afforded to the payee's account on realization or else arranges to send these instruments to the designated branch/service branch, which will in turn present these instruments in local clearing and afford credit directly to the payee's account using CBS strength.

**3.2.2. INSTRUMENTS DRAWN ON OUTSTATION BRANCHES OF OTHER BANKS/ASSOCIATES BANKS:**

3.2.3. The receiving branches will send such instruments to our own branches, for collection/ realization through SC.

3.2.4. The revised cheque collection instructions shall be universally applicable at all centers.

3.2.5. The outstation cheques will be paid subject to recovery of usual service charges as per Bank's extant instructions, but in any case, such charges shall not be more than the service charges by the RBI for Outstation Collection Charges .No additional charges, P&T, Courier charges etc.will be recovered. However, such charges will attract service tax as per prescribed rate.

3.3 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, 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, exceeding limit in case of loan account.

Clearing House Member branches: The clearing House Member branches are being quoted as under;

RO I: Uttarkashi, New Tehri, Dehradun, Aryanagar, Roorkee, Laksar, Rishikesh, Vikasnagar

RO II: Kotdwar, Lansdown, Satpuli, Pauri, Srinagar, Rudraprayag, Karnprayag, Gopeshwar, Joshimath

RO III: Champawat, Pithoragarh

RO IV: Almora, Bageshwar, Ranikhet, Haldwani, Rudrapur, Nainital and Sakeniamor

**4.TIME FRAME FOR COLLECTION OF OUTSTATION INSTRUMENTS:**

4.1. With the leverage of CBS and upgradation of technology the time frame for collection of outstations cheques will be as per normal clearing cycle at the respective centre and for all other centres, the time frame for collection of cheques/ instruments payable in India is as under

	<b>Branches of Other Banks</b>
a) Collections between Metropolitan Centres/ Major 'A' class cities ( Mumbai, Chennai, Kolkata, New Delhi, Ahmedabad, Banglore & Hyderabad ) and State Capital	7 days
a) Collections between places at (a) above and State Capital and Area I cities i. e. Pune, Nagpur, Kanpur, Surat, Vishakapatnam, Vadodara, Kochi, Indore, Ludhiana, Coimbatore, Agra, Madurai and Varanasi	10 days
b) Collections between all other Centres	14 days

4.2 The timeframe mentioned above are the outer limits and once the instruments are realised, proceeds should be credited to the customer's account immediately.

4.3 Considering technology up gradation and faster communications modes, delays (in collection of cheques/instruments) beyond 45 days, from the notional date of credit as per time frame mentioned in paragraph 4.1 above, would be treated as abnormal delays.

**5. INTEREST PAYMENT FOR DELAYED COLLECTION**

5.1 It is the responsibility of the Bank to collect the instruments within the time frame prescribed for the purpose and to compensate the customers for delays due to non- adherence to time schedule. Following guidelines are, therefore, laid down for cheques/ instruments payable in India:

a) Interest shall be payable on daily product basis, without any claim from the customers, if the Instruments are not realized/ proceeds credited to the customer's accounts within the period mentioned in paragraph 4.1, above.

b) The rate of interest payable will be 2%above Savings Bank interest rate, i.e., currently 6% p.a., if the collections of outstation instruments are delayed beyond the stipulated period and up to 45 days where the proceeds of the instruments are to be credited to deposit accounts. Where proceeds are to be credited to overdraft or loan accounts of the customers, interest payable would be at rate applicable on loan account.

5.2. For abnormal delays, exceeding 45 days from the notional date of credit as per time frame mentioned in paragraph 4.1 above, the rate of interest

payable would be @ 1% above the prescribed rate of 6% p.a. i.e.@ effective rate of 7% in deposit accounts and @ 1% above the applicable rate at the relevant time in case of overdraft/loan accounts.

5.3 Such interest shall be payable with a minimum of Rs.20/- (Rupees twenty only) even if the interest calculated works out to less than Rs.20/-.

5.4 It is reiterated that compensation, as detailed above, shall be paid without any formal demand from the customers.

## **6. CHEQUES / INSTRUMENTS LOST IN TRANSIT / IN**

### **CLEARING PROCESS OR AT PAYING BANK'S BRANCH:**

6.1 In the event of a cheque/instrument accepted for collection being lost in transit or in the clearing process or at the paying bank's branch, Bank shall immediately, on coming to know of the loss of instrument, not only bring the same to the notice of the account holder, so that the drawer can be informed to record stop payment, and take care that cheques, if any, issued by him/her are returned with specific remarks and not just dishonored due to non-credit of the amount of the lost cheques/instruments. Bank would also advise the drawee bank all particulars of lost cheques / instruments for exercising caution and provide all assistance to the customer in obtaining a duplicate instrument from the drawer of the cheque. The onus of such loss lies with the collecting banker and not the account holder.

If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

6.2 Where a cheque/instrument is claimed to have been deposited by the customer in Drop-Box, but Bank's records do not show receipt of such cheque with the Bank, Bank can not decide on the compensation amount for lost cheque in the absence of details of cheque like date, amount, drawee bank/branch/drawee centre etc., In such cases, the customer will have to corroborate a claim for lost cheque with full facts, inter-alia including confirmation/enquiries from the drawee person/banks about genuineness of the claim and, on this basis, if it is established that the customer has, in fact, tendered the cheque in Drop-Box, Bank will consider payment of compensation in terms of the Uttarakhand Gramin Bank Compensation Policy.

## **7.Collection of Account Payee Cheque - Prohibition on Crediting**

### **Proceeds to Third Party Account**

7.1) 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 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.

7.2) 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.

7.3) 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 fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

7.4) Banks may note that the above instructions shall also extend to drafts, pay orders and bankers' cheque.

**8.1. Payment of Cheques/ Drafts/Pay Orders/Banker's Cheques** With effect from April 1, 2012, banks should not make payment of cheques/drafts/payorders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument. Banks should ensure strict compliance of these directions and notify the holders of such instruments of the change in practice by printing or stamping on the cheque leaves, drafts, pay orders and banker's cheques issued on or after April 1, 2012, by issuing suitable instruction for presentment within the period of three months from the date of the instrument.