

# SAURASHTRA GRAMIN BANK

HEAD OFFICE - RAJKOT



## Cheque Collection Policy

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## **1. Introduction**

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of Banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial Banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation Instruments and (iii) Interest Payment for Delayed Collection by leaving it to the individual banks to formulate policies in this regard covering all the above three aspects, taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents and ensure that the interests of the small depositors are fully protected. The withdrawal of these mandatory guidelines was expected to enable market forces of competition to come into play to improve efficiencies in collection of cheques and other instruments. 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. The Bank is committed to increased use of technology to provide quick collection services to its customers. This policy 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.
- Dealing with collection instruments lost in transit.
- Dealing with incidence of frequent dishonour of cheques.

## **2. 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”. Bank has adopted CTS-2010 standard in all cheques as per specification prescribed by the RBI.

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

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

**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. Accordingly all our centers are covered under western grid.

#### **4. 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.

#### **5. Validity of cheque /draft /pay order/Banker's cheque up to 3 months:**

As per RBI directive, Bank shall not make payment of cheques/drafts which are presented for payment beyond a period of three months from the date of issuance. As per RBI directive, an instrument written in Hindi having date as per Saka Samvat calendar is a valid instrument. Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) should, therefore, be accepted by banks for payment, if otherwise in order. Banks can ascertain the Gregorian calendar date corresponding to the National Saka calendar in order to avoid payment of stale cheques.

## **6. Collection of Third Party Cheques in clearing:**

RBI has prohibited Banks from crediting "account payee" cheques to the account of any person other than the payee named therein.

## **7. Arrangements for Collection:**

### **A. Cheques Drawn on Bank Branches**

For cheques drawn on Bank's own branches at outstation centers, same day credit will be provided to the customers through our inter branch transfer system.

### **B. CTS Cheques drawn on other Bank collected**

#### **i. Through CTS Branches**

All cheques (CTS – 2010 Standards) and other Negotiable Instruments payable locally would be presented through the CTS clearing System. 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 will be presented in the next clearing cycle. As a policy, Bank would give credit to the customer account on the same day of clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

#### **ii. Through Non-CTS Branches**

Cheques drawn on other Banks which are collected by branches where no CTS clearing exist, the instrument would be sent for collection to the Banks nearby identified CTS clearing branch.

#### **iii. Cheques payable in Foreign Countries**

Cheques payable at foreign centers will be sent direct to the link SBI branch (sponsor Bank) with instructions to credit proceeds to the respective Account of the Bank maintained with them.

## **8. Positive Pay System for Cheque Truncation System**

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 bank, details of which shall be cross checked with the presented cheque by CTS.

Bank shall enable it for all account holders issuing cheques for amounts of Rs.50,000/- and above at the discretion of the account holder. Bank may consider making it mandatory in case of cheques for amounts of Rs.5,00,000/- and above.

Bank shall provide the facility to customers through branches (via web portal) as well as alternate channels like Android/IOS App, Web Portal on internet, Mobile Banking and INB.

Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids.

### **9. Immediate Credit of Local/Outstation Cheques/Instruments**

- A. Branches of the Bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.10,000/-tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of Twelve 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.
- B. 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.
- C. Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated on par with cheques.
- D. In the event of dishonour 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 overdraft limits sanctioned for individual customers.
- E. For the purpose of this Policy, a satisfactorily conducted account shall be the one;
  - i. Opened at least twelve months earlier and complying with KYC norms.
  - ii. Conduct of which has been satisfactory and Bank has not noticed any irregular dealings.
  - iii. Where no cheques / instruments drawn for which immediate credit was afforded returned unpaid for financial reasons.
  - iv. 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.

### **10. Purchase of local/outstation cheques**

Bank may, at its sole discretion to 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.

### **11. Time Frame for Collection of Local / Outstation/Foreign Cheques / Instruments:**

For CTS cheques presented in clearing, credit will be afforded as on the date of settlement of funds in CTS clearing. For cheques and other instruments collected by our different branches, the following time norms shall be applied:

- A. Cheques/ instruments drawn on one of our branch deposited at another branch – same day.
- B. Cheques/instruments drawn on other Bank collected by our CTS branch – T + 2 Days
- C. Cheques/instruments drawn on other Bank collected by our Non CTS branch – T+6 days

**Cheques drawn on foreign countries:**

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 sponsor Bank for speedy collection of such instrument(s). Bank would give credit to the party upon realization of proceeds in the Bank's Account with the SBI. Country/location specific norms wherever stipulated will be specified for foreign currency instruments and made known to the customers at the point in time of accepting instruments in collection.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on any Banks.

**12. 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 as per details given here 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 T+1 day in collection of cheques which are drawn on our branches.
- B. Savings Bank Rate for the period of delay beyond T+2 days in collection of CTS cheques which are collected by our CTS branches.
- C. Savings Bank Rate for the period of delay beyond T+6 days in collection of CTS cheques which are collected by our Non CTS branches.
- D. In case of cheques drawn on foreign countries, interest at the rate of savings Bank interest rate will be paid on the amount of cheque collected for any delay from the value date of credit to the Current Account of Bank, with SBI till the date of actual credit to customer's account.
- E. In the event when 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 overdraft / loan account as per above norms specified in A, B, C & D.

- F. In case of extraordinary delay, i.e. delays exceeding 90 days in case of A, B, C, D & E above, interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.

### **13. 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 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, 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 (T+2/T+6 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 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.

### **14. 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.

### **15. 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. 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 overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/ instrument were returned unpaid to the extent the Bank was out of funds.

## **16. Service Charges**

For all collection services, 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.

## **17. Procedure for return / dispatch of dishonoured cheques**

- A. Branches will return dishonoured cheques presented through CTS strictly as per the return discipline prescribed for CTS.
- B. In relation to cheques presented direct to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such dishonoured cheques to payees / holders immediately.
- C. Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonour as "insufficient funds.
- D. Cheques 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 them back at the recorded address by post or courier.
- E. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours. However in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the Bank may keep the instrument for a maximum period of 3 months. During such period, Bank shall endeavour to contact the customers to return the instrument.

## **18. Dealing with incidence of frequent dishonour of cheques of Rs.1.00 Crore and above**

- A. With a view to enforce financial discipline among the customers, Bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The Bank may also consider closing current account at its discretion. However in respect of advances accounts such as Cash credit

account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts will be reviewed by appropriate authority higher than the sanctioning authority.

- B. For the purposes of introduction of the condition mentioned at (a) above in relation to operation of the existing accounts, Bank may, at the time of issuing new cheque book incorporate such condition in guidelines section of cheque book.
- C. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, Bank will issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice will be issued if the Bank intends to close the account.

### **19. General**

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e., payee/holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, Bank will extend full co-operation, and will furnish him / her documentary proof of fact of dishonour of cheques. At the cost of repetition, it is reiterated that, all the cheques, if they are to be returned for want of funds in the account, then they will be returned with the reason "insufficient funds in the account" only.

### **20. SMS/e-mail Alerts**

The Bank as a policy will enable the customer to receive SMS/e-mail based alerts for realization or dishonour of instruments sent through clearing/collection.

### **21. Right to amend of Policy:**

Bank retains the right to amend / modify the policy and display of the same on notice board of branches/on the web site would be deemed to be adequate notice to customers of the said change.

### **22. Review of Policy:**

F& A Department shall put up the policy for review to the Bank's Board annually.