Policy on Collection of Cheques / Instruments
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1. Background

Reserve Bank of India, vide its Master Circular on Customer Service in Banks DBR.No.Leg.BC.21/09.07.006/2015-16 dated July 1, 2015 advised banks to formulate a comprehensive and transparent Cheque Collection policy taking into account their technological capabilities, system and processes adopted for clearing arrangements and other internal arrangement for collection of cheques / instrument through correspondents. It was further advised that the Cheque Collection Policy (CCP) should clearly provide for liability of the Bank by way of payment of interest when there is a delay in collection of cheques as against the standards set by the Bank. The policy shall cover the following three aspects:

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

The policy of the Bank indicates its efforts to provide better service to its customers and set higher standards of performance.

Emirates NBD India shall place the policy before Local Management Committee and obtain its specific approval on the reasonableness of the policy and compliance with the spirit of Reserve Bank Guidelines.

2. Objective

The main objective of the policy is to provide framework for collection of cheques and other instruments for Bank’s customers taking into account the bank’s technological capabilities, systems and processes for adherence to such norms and compensation to customer in case of delay in collection of cheques/Instruments. 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 services to its customers.

3. Coverage

This policy document covers the following aspects:

   a. Arrangements for Collection of domestic cheques and other instruments payable locally.
   b. Procedure for collection of cheques payable outside India, time period, payment of interest on delayed collection etc.
   c. Immediate credit of cheques payable in India
   d. Commitment regarding time schedule for collection of instruments.
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e. Policy on payment of interest in cases where the bank fails to meet standard time norms for realization of proceeds of outstation instruments.

f. Policy on dealing with collection instruments lost in transit/in clearing process or at paying bank’s branch.

g. Reasons for return.

4. Arrangements for Collection:

Customer can deposit cheques for collection / clearing during the business hours at the branch or in the drop box provided therefore.

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 Cheque Deposit Kiosks will be presented in the next clearing cycle. As a policy, the bank would give credit to the customer account on the same day on which the final clearing settlement takes place or at the most the next working day of their presentation in clearing. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

4.2. Outstation Cheques

Banks as a part of their normal banking operations undertake collection of cheques deposited by their customers, some of which also could be drawn on non-local bank branches. Such cheques are called 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 correspondent bank.

Cheques drawn on Bank’s own branches at outstation centres will be collected using the inter branch arrangements in vogue. Branches, which are connected through a centralized, processing arrangement and are offering anywhere banking services to its customer will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the Core Banking Solution network.

The definition of outstation cheques excludes demand drafts, banker cheques, IPAY, I-multipay instruments, interest warrants, dividend warrants drawn on Bank itself.

4.3. Speed Clearing

In order to facilitate faster collection of outstation cheques, the Reserve Bank of India started a special clearing called “Speed Clearing” by leveraging the core-banking-solutions (CBS) implemented in banks.

Speed clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core-banking-enabled branches of banks, if they have a networked branch locally.
Under “Speed Clearing” system, cheques payable at any CBS branches of any banks of any centres is realised through local clearing and not through outstation collection.

Outstation cheque collection through collection basis takes around one to three week’s time depending on the drawee centre. Under Speed Clearing, it would be realised as per the clearing cycle of the location.

4.4. **Policy on collection of foreign cheques/ instruments**

4.4.1. **Timing for acceptance of cheques**

Foreign currency cheques/instruments would be accepted during business hours of the Bank branch.

4.4.2. **Arrangements for collection**

Cheques payable at foreign centres will be collected (realised) using services of correspondent banks. Cheques drawn on foreign banks at centres where the Bank does not have cheque collection arrangement with its correspondent banks will be sent directly to the drawee bank for collection with instructions to credit proceeds to the respective nostro account of the bank maintained with one of the correspondent banks. The cheque collection would be conducted within following parameters:

a. Instruments with value greater than the limits mentioned below will be accepted for processing, to ensure that the charges are always lower than the value of the cheque/instrument. For currencies not mentioned herein, the limits applicable will be USD. These limits can be reviewed and modified by the bank.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Minimum Amount***</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGD payable within Singapore</td>
<td>SGD500</td>
</tr>
<tr>
<td>GBP payable within UK</td>
<td>GBP500</td>
</tr>
<tr>
<td>AUD payable within Australia</td>
<td>AUD500</td>
</tr>
<tr>
<td>EUR payable within EU</td>
<td>EUR500</td>
</tr>
<tr>
<td>CAD payable in Canada</td>
<td>CAD500</td>
</tr>
<tr>
<td>USD payable in USA</td>
<td>USD500</td>
</tr>
<tr>
<td>AED payable in UAE</td>
<td>AED500</td>
</tr>
<tr>
<td>SAR payable in Saudi Arabia</td>
<td>SAR500</td>
</tr>
<tr>
<td>FCC Payable in India</td>
<td>-</td>
</tr>
<tr>
<td>FCC Payable outside the home country (e.g. GBP payable in USA)</td>
<td>USD500 Equivalent</td>
</tr>
</tbody>
</table>

*** The bank may decide and indicate the same in this table.

b. The mode of collection for foreign currency cheques/instruments will depend on the currency, drawee location and the amount of the instrument and would be informed to customer.

c. The date of credit to account will be reckoned considering the value date of credit to Nostro account or credit to the nostro account plus applicable cooling period.
d. The exchange rate prevailing on the day of processing will be applied to the customer’s transaction.

e. The charges applicable would be as mentioned in Schedule of Charges duly updated in the bank’s website and with Branch.

4.5. **Immediate Credit of Local / Outstation Cheques / Instruments**

The bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of *INR _____* tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 6 - 12 months (minimum 6 months; no upper limit!!). Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement.

* the limit to be decided by the bank.

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.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated on par with cheques.

For the purpose of this Policy, a satisfactorily conducted account shall be the one;

a. Opened at least six months earlier and complying with KYC norms.

b. Conduct of which has been satisfactory and bank has not noticed any irregular dealings.

c. Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons

d. 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.

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 clean overdraft limits sanctioned for individual customers.

4.6. **Purchase of local/outstation cheques**

Bank may, at its discretion, purchase local/outstation cheques 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. This facility will not be available to cheques collected under speed clearing arrangements.
5. **Time Frame for Collection of Local / Outstation Cheques / Instruments**

Time frame for collection of local/outstation cheques/instruments:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Cheque Type</th>
<th>Time Norms</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Local Cheque</td>
<td>On Settlement of funds</td>
<td>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 cycle is complete and clear credit is available in customer account.</td>
</tr>
<tr>
<td>2.</td>
<td>Outstation cheques where cheque is drawn and presented on a four Major Centres (Mumbai, Delhi, Kolkatta, Chennai)</td>
<td>Seven working days</td>
<td>Working days shall not include Bank Holidays and days when clearing house is not operational. Working days will be considered only if it is working day at both the ends/centres.</td>
</tr>
<tr>
<td>3.</td>
<td>Outstation cheques where cheque is drawn on a state capitals or major city (except North Eastern States and Sikkim)</td>
<td>Ten working days</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Outstation cheques where cheque is drawn on any other location in India</td>
<td>Fourteen working days</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Cheque drawn on foreign countries</td>
<td>Best effort basis</td>
<td>Bank would give credit to the party on credit of proceeds to the Bank’s Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.</td>
</tr>
</tbody>
</table>

The above time period (except cheques drawn on branches in foreign countries) are applicable irrespective of whether cheques/instruments are drawn on the bank’s own branches or branches of other banks if they participate in clearing house at the drawee location.
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6. Payment of Interest for delayed Collection of Local / Outstation Cheques and Cheques Payable outside India

As part of the compensation policy, the bank will pay interest to its customer on the amount of collection instruments at the rate given below in case there is delay in giving credit beyond the time period fixed by the bank. 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.

6.1. Local Cheques

Compensation at savings bank interest rate shall be paid for the corresponding period of delay.

6.2. Outstation Cheques

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 (from the day one of the delay).

d. In the event 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 (delay beyond 90 days), interest will be paid at the rate of 2% above the rate applicable to the loan account (from the day one of the delay).

6.3. Cheques payable outside India to be discussed

The Bank will pay interest to its customers on account of collection of outstation instruments sent for collection to foreign countries where the credit has not been given.

Bank would pay interest on amount of cheque from the date of sighting credit in their Nostro account till such time the customer account is credited. Interest would be paid at the Savings Bank rate calculated on the amount of proceeds credited to the customer’s account.

Additional Interest:

Compensation by way of interest will be paid to the customer for delay in collection beyond the declared collection period as per the bank’s policy, without the customer requesting for the same and such interest will be on "step-up basis" for the period of delay.

Interest for delayed collections will be payable at the following rates:
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2% over the applicable Saving Bank rate of interest for the period of delay. The customer will also be compensated for the loss on account of adverse movement of exchange rate i.e. loss due to exchange rate difference, if any, between the actual exchange rate at which foreign currency is converted into Indian Rupees and the exchange rate as on the latest due date of payment.

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 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.

If the cheque/instrument has been lost at the paying bank’s branch, the collecting branch will have a right to recover the amount, including charges / interest expenses reimbursed to the customer for the loss of the cheque/instrument from the paying banker.

The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. This would be applicable only to instruments drawn in INR payable within India.

The Bank will compensate the account holder in respect of instruments lost in transit as follows and will recover it from the paying bank.

a. In case intimation regarding loss of instrument is conveyed to the customer after 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 applicable savings bank rate. In addition, the Bank will pay interest on the amount of the cheque for a period of 15 days at savings bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.

b. 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.

c. For foreign currency cheques lost prior to receipt by the correspondent bank, the Bank will bear the stop payment charges on customer producing the relevant document. Compensation for foreign currency cheques would be applicable only if the Bank or its correspondent bank loses the cheque. The compensation in such case would be as follows: -

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time stipulated for collection, interest will be paid for the period exceeding the stipulated collection period at the applicable savings bank rate.
The Bank will 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 that would charge a fee for issue of duplicate instrument.

The Bank would also compensate for any possible loss due to adverse movement of foreign exchange rate in case of foreign currency cheques. The compensation would thus be calculated based on the time stipulated for collection.

8. 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 in accordance with the Reserve Bank of India guidelines/instructions, Bank shall not collect cheques having account payee crossing for any person other than payee mentioned therein.

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 shall ask the drawer/payee to have the fresh cheque or the account payee mandate thereon withdrawn by the drawer. This instruction shall also apply with respect to the cheque drawn by a bank payable to another bank.

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 of the Clearing House.

9. Payment of cheques/drafts/payment orders/banker’s cheques

The bank would not make payment of cheques/drafts/payment orders/banker’s cheques bearing that date or any subsequent date, if they are presented beyond the period of 3 months from the date of such instruments.

10. 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.

11. Cheques returned unpaid where Instant Credit was given to be discussed

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.

Such instrument will be returned/despatched to the customer promptly (within 24 hours). The bank shall recover, in full, any charges that may be levied by the collecting bank, in addition to the Bank’s charges as defined in the Bank’s ‘Schedule of Service Charges’ and communicated to customers.

The bank shall return all cheques dishonoured for want of funds in respect of all accounts along with a memo indicating therein the reason for dishonour.

12. Service Charge

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and notified as per the schedule of charges.

13. Periodicity of Review of the Policy

The policy will be effective for one year from the date of approval and it will continue to be in force till the reviewed policy comes into place. Any directive/guidelines issued by RBI shall form part of this policy automatically during the currency of this policy.