

Annexure 13: Cheque Collection Policy

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that have been undertaken by a number of banks, Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on: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. As per the referred RBI circular RBI/2004/261 DBOD. No. Leg. BC. 55/09.07. 005/2004-05 dated 01.11.2004, the discretion to formulate the policy on the above points was given to banks keeping in view the interest of the Depositors /customers. Accordingly, the points are covered in this Policy under point no 5.2.11, point no 6 & point no 7 respectively. 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. The Bank has a cheque collection policy last approved in 2017 that reflect 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.

DCB Bank Ltd., with its continued focus on providing seamless and efficient services to the customers, has adopted the above aspects with the enhanced usage of technology to provide more effective and efficient Cheque Collection Services.

2. Key changes:

- Discontinuation of NON- CTS (Cheque Truncation system) Clearing.
- Discontinuation of National Clearing Service.
- Inclusion of timeline of CTS (Cheque Truncation system) Clearing: Holiday on 2nd & 4th Saturdays.
- Inclusion of Positive Pay System.
- Inclusion of Cheque payable in foreign country-Correspondent Bank & Cash Letter service.
- Addition of separate process for the Foreign cheques sent on collection and sent under Cash letter service of Foreign Bank.
- Addition of point on Foreign cheques returned unpaid under cash letter. Out of pocket expenses to be recovered from the customers.
- In case of Foreign cheques, Value dated credit can be given to the customers from the date of Nostro credit after waiting for 'cooling period' i.e. 30 banking days
- Inclusion of Uniform Rules Collection document 522 of International Chamber of Commerce.
- Discontinuation of immediate credit of local, outstation and foreign cheque.

3. Scope:

This policy is available on website of the Bank and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy shall

always be read in tandem/auto-corrected with the changes/modifications that may be advised by RBI and / or by any regulator and / or by the Bank from time to time.

4. Ownership & Key responsibilities:

Clearing and Trade Finance Unit which are centralised units shall be the primary owners of this policy.

* Key responsibilities of Central Clearing:

- i. Processing of CTS 2010 Standard Cheques.
- ii. Processing of Outstation Cheques.
- iii. Payment of Interest for Delayed collection of Local & Outstation Cheques.
- iv. Instruments Lost in Transit of Local & Outstation Cheques clearing Process.

* Key responsibilities of Trade Finance Unit:

- i) Cheques Payable in Foreign Countries.
- ii) Purchase of Local Cheques, Drafts etc.
- iii) Payment of Interest for Delayed Collection of Outstation & Foreign Cheques.

4. Arrangements for Collection:

(a) Local Cheques

All Cheques and other Negotiable Instruments payable locally, would be presented through the clearing system prevailing at the centre. Cheques tendered at branch counters and those deposited in the collection drop boxes placed within the branch premises before the specified cut-off time would be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection drop boxes outside the branch premises including at the off-site ATMs, would be presented in the next clearing cycle. Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. Cheque/s that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customer of such re-presentation through SMS alert, email, etc.

The timeline for clearing of local cheques will be extended by two additional days in case of branches having non-Sunday holiday and preceding working day in 2nd & 4th weekend also being holiday. It will be extended by one additional day only during 1st, 3rd & 5th week for branches.

(b) CTS Cheques

Under 'Cheque Truncation System (CTS)' instead of presenting cheque in physical form, image of cheque is presented to the Drawee Bank. The original cheque remains in the custody of the Collecting Bank. Drawee Bank processes the instrument using the image. To guard against fraudulent activities and to facilitate smooth functioning of the clearing in CTS environment, Bank issues "CTS 2010 Standard Cheques" as per RBI instructions. As per RBI Payments Vision 2025, our Bank has successfully

migrated Northern Grid & Western Grid with CTS Southern Grid which is called as "National Grid".

For CTS Clearing, RBI has directed that no changes/corrections should be carried out on the cheque (except date). Therefore, customers are advised to use fresh cheque forms in case of any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. This will help banks identify and control fraudulent alterations. However, these restrictions will not be applicable to cheques over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.

(c) Non-CTS Cheques

As notified by Reserve Bank of India vide circular no. NCC.MRO. Cir. No.1764/03.01.005/2017-18 dt. June 22, 2018, clearance of Non-CTS instruments has been discontinued from 31st December 2018.

(d) Outstation Cheques

Cheques drawn on other banks at outstation centres will normally be collected through DCB Bank 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.

Cheques drawn on any of DCB Bank's own branches at outstation centres would be collected using the centralised processing arrangement, as DCB Bank offers Any Branch Banking services and same day credit would be provided to the customers upon realisation.

Note: Outstation Cheques processing is subject to drawee bank and branch is not participating in CTS clearing.

(e) Positive Pay System

RBI vide letter no. RBI: 2020-21:41 DPSS.CO. RPPD.No.309:04.07.005:2020-21 dated 25.09.2020 has directed all the Banks to implement Positive Pay System from 01.01.2021. The concept of Positive Pay involves a process of validating key details of large value cheques (Rs.50,000/- and above). Under this process, the issuer of the cheque submits electronically, through channels like Internet Banking, Mobile App, WhatsApp and ATM, etc. certain minimum details of that cheque (like date, name of the beneficiary/payee, amount, cheque no. etc.) to the Drawee Bank, details of which are cross checked with the cheque presented under CTS. Any discrepancy is flagged by CTS to the Drawee Bank and presenting Bank, who would take remedial measures.

DCB Bank went live with positive pay system on website channel, on Jan 01, 2021, and implemented positive pay system through other channels like Mobile Banking, Internet Banking and WhatsApp.

(f) Out-of-date (stale) cheque

Cheques presented for collection, three months after the date of issue of the cheque will not be collected by us.

(g) Cheques Payable in Foreign Countries

Such Cheques would be collected on the “best of efforts” basis. For speedy collection of Cheques payable at foreign centres, DCB Bank has entered in specific collection arrangements with its Correspondent Banks, whose services would continue to be utilized in countries / centres where the Correspondent has its presence. Upon periodic review, such arrangements would be entered into with new Correspondents in additional countries.

Cheques drawn on Foreign Banks at centres where the Bank or its Correspondents do not have direct presence would be sent directly to the drawee bank on collection, with instructions to credit proceeds to the respective Nostro Account of the Bank maintained with one of the Correspondent Banks. The rate of exchange applicable will be the TT Buying rate applicable on the date of affording the credit.

In case of Cheques sent on collection basis to correspondent bank: Cheque collection funds will be credited to the client on next Banking Day from the date of credit of proceeds in Nostro Account of the Bank. Value dated credit will be given from the date of credit of proceeds to the Bank’s Nostro Account with the Correspondent Bank.

In case of Cheques sent under Cash Letter service of Foreign Bank: Cheque proceeds will be credited to the client after 30-45 banking days (Cooling period) from the date of credit of proceeds in Nostro Account of the Bank. Value dated credit will be given from the date of credit of proceeds to the Bank’s Nostro Account with the Correspondent Bank.

Foreign Cheques returned unpaid under Cash letter: In case the foreign cheques are returned unpaid sent under cash letter, credit proceeds passed on to the client will be debited from the clients account at the applicable TT selling rate along with the charges.

Out of pocket expenses like Foreign Bank’s charges, Courier charges etc. will be recovered from the customers on actual basis along with the Bank’s standard collection charges in all above cases.

Cheques payable in foreign countries are subject to Uniform Rules Collection document 522 of International Chamber of Commerce.

(h) Immediate Credit of Local / Outstation Instruments

- No immediate credit will be given for Local / Outstation Instruments as per RBI Circular No. RBI/2004/261 DBOD.No.Leg.BC.55/09.07.005/2004-05 dated 01.11.2004.
- No immediate credit will be given for foreign currency cheques in view of generally enhanced risk in such instruments.

(i) Purchase of Local / Outstation Cheques

The Bank would, at its discretion, purchase local/outstation cheques tendered for collection at the specific request of the customer, on occasion when clearing house operations may have to be suspended if any, or as per prior arrangement. Besides

satisfactory conduct of account and dealing of the customer, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

(j) Procedure in case of Dishonour of Instruments

All instruments returned unpaid would be processed on the same day and forwarded to the branches concerned. These would be retained at the branches on the day the instruments are received, for being handed over to the customers. In cases where these are not collected by the customers, the same would be dispatched at their mailing address on the next working day. In all such cases, normal service charges would be applied, as displayed on the Home page of the Bank's website.

5. Time Frame for Collection of Local & Outstation Cheques / Instruments:

In case of Local Cheques

As a policy, for all local cheques presented in clearing, the Bank would give credit to the customer account on the same day when the local clearing settlement takes place, provided that, the settlement takes place and, as per the cheque return schedule of the clearing house, the unpaid returned instruments are received before 6.00 p.m. In any case, the proceeds would be credited to the customer accounts latest by the morning of the third working day, subject to the instruments being tendered before the cut-off time on the first working day. If not, the instruments would be presented in the next clearing cycle. The cut-off time would vary at different locations and at different branches, depending upon the time when the clearing settlement takes place at different locations and the proximity of the branches to the unit processing the clearing instruments.

Payment of Interest for Delayed Collection of Local Cheques:

In cases where there is delay in collecting and crediting the proceeds of an instrument beyond the time period mentioned above, DCB Bank, as part of its Compensation Policy, will pay interest to its customers on the amount of local instruments collected, provided that, such a delay is due to any deficiency in service on the part of the Bank, or due to any act of omission or commission directly attributable to the Bank and payment of interest of interest would be applicable as under:

Compensation for delays in collecting local cheques in clearing - Rs.3/- per every Rs.1000/-subject to maximum up to Rs.100/-.

In case of Instruments Drawn on Outstation Locations

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied, and proceeds collected / fate known, as under:

- Cheques presented at and drawn on any of the four metro centres - New Delhi, Mumbai, Kolkata and Chennai and payable at any of the other 3 centres – Within 7 working days.
- Cheques presented at other metro centres and state capitals where there is MICR clearing facility (other than those of North-eastern states and Sikkim) – Within 10 working days.

- Cheques drawn on all other centres having DCB Bank branches – Within 7 working days.
- In case of instruments sent directly to the drawee banks at all other centres – Upon realisation of the proceeds / fate, usually, within 14 working days
- Cheques drawn on and presented in foreign countries – Upon credit of proceeds to the Bank's Nostro Account with the Correspondent Bank and after considering the 'cooling' period as applicable, but generally, within 30 banking days in most cases. Value dated credit will be given from the date of credit of proceeds to the Bank's Nostro Account with the Correspondent Bank

6. Payment of Interest for Delayed Collection of Outstation & Foreign Cheques:

In cases where there is delay in collecting and crediting the proceeds of an instrument beyond the time period mentioned above, DCB Bank, as part of its Compensation Policy, will pay interest to its customers on the amount of outstation instruments collected, provided that, such a delay is due to any deficiency in service on the part of the Bank, or due to any act of omission or commission directly attributable to the Bank and subject to the amount of such interest being Rs.10/- or above. Such interest shall be paid without any demand having to be made by its customers holding any type of Savings Bank accounts. For payment of interest on delayed collection, there shall be no distinction between instruments drawn on the Bank's own branches or, those drawn on the branches of other banks. Payment of interest as shown below would be applicable only for instruments sent for collection within India.

Interest for delayed collection shall be paid for the period of delay beyond the stipulated period, at the following rates:

- For delay upto 14 days --Savings Bank rate for the period of delay beyond 7/10/14 days, as applicable.
- For delay from 14 days to 90 days -Term Deposit rates, for the respective period.
- For delays beyond 90 days - 2% above the corresponding rate for Term Deposits, in case of extraordinary delay, i.e. delays exceeding 90 days.
- In the event the proceeds of an instrument under collection were to be credited to an Overdraft/Cash-Credit/Loan account of the customer, interest will be paid at the rate applicable to such borrowal account. In case of extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to such account.
- In case of Cheques drawn on and presented in Foreign Countries – At Savings Bank rate for the period of delay beyond 30 banking days (cooling period) of credit of our Nostro Account with the Correspondent Bank. At Term Deposit rate for the period of delay beyond 60 days of credit to our Nostro Account.

7. Instruments Lost in Transit / In the clearing process / At the Paying Bank's branch:

In the event a cheque or an instrument accepted for collection is lost in transit, or in the clearing process, the Bank shall:

- Immediately bring the fact to the notice of the account holder, to enable him to inform the drawer of the instrument to stop payment thereon and to ensure that other cheques drawn if any by the customer, are not dishonoured, due to non-credit of the amount of the lost instrument

- The Bank would render all possible help to the account holder in getting a duplicate from the drawer of the instrument and in arranging to get the payment of the lost instrument stopped.
- In line with the compensation policy of the Bank, compensate the account holder in respect of instruments lost in transit in the following way:
 - In case intimation regarding loss of instrument is conveyed to the customer beyond 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 rates specified in 4 above.
 - In addition, interest will be paid on the amount of the cheque for a further period of 15 days at Savings Bank rate, if a further delay is likely in obtaining duplicate Cheque / instrument and collection thereof.
 - The Bank would also reimburse the account holder the related reasonable expenses up to Rs.500/- that he/she may incur in stopping the payment of the instrument lost and in getting the duplicate cheque / instrument, upon production of relevant records and receipt to this effect, in the event the instrument is to be obtained from a bank / institution, which may charge a fee for issue of duplicate instrument.
 - If the instrument is lost at the paying bank branch, DCB, having the right to recover the amount of loss reimbursed if any, to the account holder, shall recover the same from the paying Bank.

8. Force Majeure:

The Bank shall not be liable to compensate customers for any delayed credit due to, some unforeseen event like (including but not limited to), lockout, strike, or other labour disturbances (at the drawee banks), non-participation of drawee banks, civil commotion, terrorist attacks, sabotage, accidents, fires, natural disasters or other “Acts of God”, war, damage to the Bank’s facilities or, at any of the banks involved in the process or, at its correspondent banks due to any reason whatsoever, absence of the usual means of communication etc., beyond the control of the Bank, prevents it from performing its obligations within the service delivery parameters specified herein.

9. Process

Local and Foreign Cheque collection process will be governed by a separate MCAP approved process note.

10. Exception

Any exception to this Policy document to be approved by MANCO.

11. Policy Review Frequency:

The Policy will be reviewed once in three years or in case of any modifications arising due to legislative / regulatory changes, to the Policy from time to time till the next review.
