



Cheque Collection Policy

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CHEQUE COLLECTION POLICY

Background

Reserve Bank of India, vide its circular DBOD.No. Leg. BC.55/09.07.005/2004-05 dated November 1, 2004, advised the Banks to formulate a comprehensive and transparent policy for cheque collection, covering all relevant aspects of collection process. It was further advised that the Cheque Collection Policy (CCP) should clearly provide for liability of the Bank by way of payments of interest when there is a delay in collection of cheque as against the standards set by the Banks themselves. Technological Developments such as Electronic Clearing Service, Speed Clearing, Cheque Truncation System, etc., have brought in speed and efficiency in the clearing process and therefore a comprehensive CCP needs to be made available for the benefit of the customer and also to appropriately sensitise the dealing officials of the Bank. The instructions are reiterated by RBI every year in its Master Circular on Customer Service.

This policy is a sequel to the said instructions.

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1. Introduction

1.1 IDBI Bank is one of the leading Banks in the country, which deploys state - of - the - art technology to provide world-class service to customers. The Vision Statement of the Bank is "To be the most preferred and trusted Bank enhancing value for all stakeholders".

1.2 As customers are the biggest stakeholders for the Bank, the Vision Statement truly reflects the commitment of the Bank to enhance value to the customers.

1.3 The Mission Statement of the Bank, inter alia incorporates the following:

- a. Delighting customers with excellent service and comprehensive suite of best-in-class financial solutions;
- b. Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
- c. Deploying world class technology, systems and processes to improve business efficiency and exceed customer's expectations;

1.4 Thus, the Bank acknowledges that the customer is the core constituent of the Bank and every action of the Bank should be aimed at Customer Delight.

1.5 The Bank understands that one of the important requirements for customer delight is to have ethical and transparent policy in all its dealings.

1.6 Collection of cheques, and other payment instruments like Demand Drafts, Pay Orders, Dividend Warrants, Interest Warrants etc., (Cheques) for customers is an important service provided by the Bank. Collection of cheques is governed by Negotiable Instruments Act, 1881 and 'The Payment and Settlement Systems Act, 2007'. Various modes of collection include, Local collection, Outstation Collection, and Collection of Foreign Cheques.

1.7 Reserve Bank of India (RBI), has instructed all Banks to put in a Board approved policy on cheque collection.

1.8 Towards this end, the Bank has formulated a 'Cheque Collection Policy (CCP)' that gives the rights and responsibilities of the Customer and Bank, in matters relating to cheque collection.

1.9 The Policy has been made to ensure that the dealing officials at all levels in the Bank are aware of the policy of the Bank in this regard, so that the interactions with the Customer is uniform across geography and all types of customers and is based on transparent standards/procedures.

2. Objectives of the Policy

2.1 To lay down a Policy framework for abiding by RBI guidelines on 'Cheque collection' and our technological capabilities, systems and processes for adherence to such norms.

2.2 To enable the customer to know before or during a relationship, his rights and responsibilities in matters relating to 'Cheque Collection'.

2.3 To reiterate existing system / put in place an appropriate system in a transparent manner so that the customer can take an informed decision in matters relating to cheque collection.

2.4 To reiterate Bank's commitment for increased use of technology to provide quick collection services to its customers.

3. Scope of the Policy

3.1 This policy is applicable across all branches / business segments of the Bank, and is to be read in conjunction with related operational guidelines issued from time to time.

3.2 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. Explanation of various terms used in the Policy

4.1 **Customer:** For the purpose of CCP, customer is defined as a person or entity that maintains an operative account (Savings, Current, Overdraft etc.) or loan/advance account with the Bank. A person who maintains only a Term Deposit Account with the Bank will be considered as a customer for the limited purpose of dealing with the Initial cheque tendered for opening the Term Deposit.

4.2 **Outward Clearing - Local Clearing:** Collection of cheques that are deposited by the customer of the Bank for realisation from the drawee Banks, on behalf of the former. These cheques are drawn by the customer of other Banks and are presented by the Bank, to the drawee Bank concerned through the Bankers' Clearing House. These cheques will be collected by the Bank, subject to the compliance of the rules and the guidelines issued by Reserve Bank of India (RBI) on Collection of Cheques. The Bank, while handling outward clearing cheques, acts as a collecting Bank.

4.3 **Outward Clearing Returns:** Cheques received by the Bank for collection as mentioned in Para 4.2 above but dishonoured by the drawee Bank for various reasons.

4.4 **MICR Clearing:** This was a type of cheque clearing process which could handle large volumes using clearing support machines operating on Magnetic Ink Character Recognition (MICR) technology, at 66 major cities and towns across India. However, this mode of clearing has been fully discontinued after introduction of Cheque Truncation System (CTS).

4.5 **Cheque Truncation System (CTS):** CTS is the facility devised for faster processing of cheques by doing away with the requirement of physical movement of the instruments to the drawee Bank. The system uses the technology of scanning the cheques and passing on the images of the cheques for clearing. The system is operational in the form of three 'Clearing Grids' covering the entire country, with the nodal operational centres at Delhi, Mumbai and Chennai.

4.6 **Non MICR Clearing:** This is a type of cheque clearing process operational in centres that were not covered under MICR clearing. The clearing process is same as that of MICR with the difference that Non MICR system is a semi manual process with limited automation in accounting and settlement aspects, done through specially designed software viz., Magnetic Media Based Clearing System (MMBCS).

4.7 **Express Cheque Clearing System (ECCS):** ECCS is a clearing system that is being implemented in non MICR Centres for handling 'Speed Clearing' which enables banks to process all instruments, including those drawn at a place located beyond the geographical limit of the local clearing house through local clearing, if the drawee bank of such outstation instruments has a branch locally and if it is operating on Core Banking System (CBS). ECCS seeks to replace the traditional MMBCS based clearing in these centres.

4.8 **Speed Clearing:** Speed Clearing refers to collection of non-local cheques through local clearing. Speed Clearing reduces the time taken to realize an outstation cheque as there is no movement of physical cheque from Presenting Centre to Drawee Centre. For example a cheque payable at State Bank of India, Madurai, if it is deposited by a customer at Port Blair, can be sent in Port Blair Local Clearing itself, instead of sending cheques to Madurai. The pre-conditions required for Speed Clearing are (a) both the drawee and collecting Banks should have Core Banking System (CBS) for banking operations and (b) the drawee Bank should have a branch / clearing arrangement at the place where the collecting Bank is located.

4.9 **Inland Outstation Cheques for Collection (IOCC):** Collection of Cheques drawn and payable at up-country centres in India (not covered by CTS, local & speed clearing) is referred to as 'Inland Outstation Cheques for Collection'. Processing of IOCC would mean sending the cheque to the drawee Bank location physically and getting the realization of funds by means of DD / NEFT / RTGS and crediting the proceeds to the customer's (payee's) account.

4.10 **Cheque Drop Box:** A facility provided to customers to deposit the cheques at the specified boxes provided by the Bank at premises of the Branch and Onsite and Offsite ATMs.

4.11 **Automated Teller Machine (ATM):** This is a machine provided by the Bank to enable the customers to do restricted banking activity on a 24*7 basis. Some ATMs provide cheque deposit facility and issue a receipt to the customer.

4.12 **Cheque Deposit Kiosks (CDK):** These are machines installed at eLounges, branches and/or other locations through which instruments, payable to any account holder of IDBI Bank can be deposited by any person, without using an ATM/Debit Card of the payee/account holder concerned. The CDK machines have facility for scanning instruments and generate images required for CTS clearing, thus reducing processing time required for collection.

4.13 **Clearing Branch:** In branches located in the area covered by CTS clearing, the clearing operations except scrutinizing and scanning of outward clearing instruments are conducted at Centralised Clearing Units (CCU) operating at the Grid Centre concerned. At centres where there are more than one Branch but not covered by CTS Clearing, the clearing operations are conducted by the main/designated branch which may function as a 'Service Branch'. At the locations where only one branch of the Bank is present, clearing will be done by the sole branch.

4.14 **Cheque:** The term 'Cheque' includes all payment instruments such as demand drafts, personal cheques, banker's cheques, cashier's cheques, traveler's cheques, Interest/Dividend warrants etc., unless otherwise the situation warrants a specific reference.

4.15 **Nostro Account:** For the purpose of CCP, a 'Nostro Account' is an account denominated in a foreign currency opened by IDBI Bank with the respective country of the currency.

5. Standardization and Enhancement of Security Features in Cheque Forms: CTS-2010 Standards:

5.1 RBI has prescribed certain benchmark towards achieving standardization of cheque forms issued by various Banks across the country, which insists provision of some mandatory security features and also some desirable / additional features on the cheque forms. The prescription includes quality of paper, watermark, Bank's logo in invisible ink, void pantograph, etc. and standardization of field placements on cheque forms. These security features would not only ensure uniformity across all cheque forms issued by the Banks in the country, but also help presenting Banks to ensure genuineness of the instruments 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 also enables straight-through-processing by use of optical/image character recognition technology. The benchmark prescriptions are known as "CTS-2010 standard". As advised by the RBI, all Banks have adopted CTS- 2010 standard in cheque forms. Bank has adopted CTS-2010 standard in all cheques as per specification prescribed by the RBI since August 01,2011.

5.2 CTS Grid Centres are now conducting two types of clearings. One clearing is for CTS compliant instruments and the other clearing is for CTS non-compliant instruments. RBI has advised that while clearing for CTS cheques will be on all applicable working days, clearing for Non CTS cheques would be done only on every Monday w.e.f. November 01, 2014. If the day is a holiday under N.I Act the cheque shall be processed on previous working day.

6. Arrangement for Local Cheque Collection through Clearing:

6.1 All cheques payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branches, ATMs, CDKs and in drop boxes within the specified cut-off time will be taken up for clearing on the same day. Cheques deposited after the cut-off time in branches, ATMs, CDKs and drop boxes will be presented in the next clearing cycle. Such cheques, if presented in the branch, shall be acknowledged with the legend 'too late for today's clearing'. As a policy, Bank would give shadow credit to the customer account on the respective 'Clearing

Settlement Dates' at that centre. Withdrawal of amounts so credited would be permitted after the settlement of outward clearing returns as specified by the clearing house of the location.

6.2 All the branches will display the cut-off time for receipt of cheques. The cut-off time for collection of cheque from Offsite ATM / CDK / drop boxes installed at off-site ATM will be displayed on the drop box / CDK.

7. Arrangement for Local Cheque Collection through Clearing in centres where clearing house is not available:

7.1 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 endeavor to credit the proceeds at the earliest.

8. Arrangement for Local Cheque Collection through Speed Clearing:

8.1 Speed Clearing has now been enabled to all type of accounts except those relating to government cheques. These cheques shall also be taken up for local clearing based on the same lines as mentioned in paragraph 6.1 above. The bank may levy charges for instruments collected through speed clearing, wherever applicable as per guidelines issued by RBI from time to time.

9. Arrangement for Inland Outstation Cheques for Collection (IOCC)

9.1 Outstation cheques would be sent in local clearing, if the drawee Bank on which the outstation cheque is drawn, is listed under speed clearing centre. Only those cheques that cannot be presented through speed clearing locally and are 'payable on demand' and are drawn on a 'Bank' as defined in Banking Regulation Act – 1949 and licensed by Reserve Bank of India, will be handled as IOCC.

9.2 Outstation cheques drawn on centres where IDBI Bank has branches would be sent to IDBI Bank Branches only. As all branches of the Bank are connected through Core Banking Software (CBS), the Bank will provide next day credit to the customer (after clear credit indicating realization of the proceeds) in respect of outstation cheques drawn on location where Bank has a branch.

9.3 If a cheque is drawn on a centre where the Bank does not have any branch, the said cheque would be sent for collection directly to the drawee Bank or to a correspondent Bank.

9.4 Where proceeds are received by means of demand drafts from other collecting Bank, the same would be processed in local clearing / IOCC and the depositor's account will be credited on realization of clear funds from the drawee Bank.

9.5 On receipt of clear credit in the books of the Bank, the customer's account would be credited and charges of agency Bank and IDBI Bank will be recovered from the account of customer.

9.6 If the IOCC Cheques are returned unpaid by the paying branch / Bank, the original cheque and the return memo would be returned to the customer after recovering charges levied by the drawee / correspondent Bank and those due to IDBI Bank.

10. Suo Moto Payment of Compensation on delayed collection of IOCC

10.1 Bank shall pay interest on the value of cheque without waiting for any demand from the customer, if there is a delay in crediting funds to the depositor's account beyond the time period prescribed for realisation. The following time norms are applicable for cheques sent for collection to outstation centres within the country.

- I. Cheques drawn on Banks located at Metro Centres and State Capitals: Maximum period of 7 days (including cheques sent for collection from any of the metro centre to other metro centres other than those of North Eastern States and Sikkim).
- II. Cheques drawn on Banks located at Major Cities: Maximum period of 10 days (For cheques presented at centres other than Metro Cities and State Capital and where IDBI Bank has a branch)
- III. Cheques drawn on Banks located at Other Locations: Maximum period of 14 days (For cheques presented at location where IDBI Bank does not have a branch)

10.2 Bank will pay interest if there is delay in giving credit beyond the time period mentioned above. The interest is to be paid for delayed period beyond 7/10/14 days, excluding maximum permissible period as mentioned above, as the case may be, 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) If the delay is beyond 14 days: interest will be paid at the rate applicable for term deposit for the 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.
- d) In the event 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 loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

10.3 As per the Bank's Code for Commitment to Customers, 2009, monitored by BCSBI, Bank shall make payment of the said compensation to the customers, in case of delay in realization of outstation cheques, beyond the prescribed period, without any demand from the customer and through computer automated process. However, due to system limitations, compensation / interest would be paid to CC / OD / Loan accounts for delayed realization through manual intervention.

11. Immediate Credit of Local and Outstation Cheques

11.1 Immediate credit will be provided against local and outstation cheques for amounts up to INR 15,000/- tendered for collection at the specific request of the customer, subject to fulfillment of the following conditions:

- a) The facility of immediate credit will be offered to all Individual Deposit Account holders without making a distinction about their account i.e. savings bank / current accounts etc.(Not available for the savings account of NRO, NRE and Minors). Cheques should be in favour of individual account holders.
- b) The account should be in Indian Rupees.
- c) The cheque/DD should be drawn on a scheduled commercial Bank, payable in India (excluding a co-operative Bank).

- d) The facility shall be extended to a customer at his/her home branch only.
- e) The account should have been opened more than one year back and account should have been conducted satisfactorily. There should not be any irregular dealings/ suspicious transactions in last 6 months and no adverse features attached to the account / account holders has been brought to the notice of the Bank.
- f) Cheques should not be postdated/out of date/nearing out of date. The cheque must be deposited at least 7 working days from the date of expiry of the cheque.
- g) There should not be any debit of penal charges for unsatisfactory conduct of the account, such as average balance charges, cheque/ECS return charges etc. The account should not be "inactive" or "dormant"
- h) The amount of immediate credit, whether for a single or multiple cheques/DDs, shall not exceed Rs. 15,000/- in an eligible account, ensuring inter-alia that the liability on account of outstanding of cheques purchased does not exceed Rs. 15,000/- at any point in time.
- i) No partial credit for a cheque would be allowed.
- j) The cheque shall not be the customer's own cheque from another account i.e. not a self-drawn cheque.
- k) Immediate credit will be provided to customers only against deposition of physical cheques for collection.
- l) The Bank should not have experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

11.2 The facility of immediate credit would also be made available in respect of local cheques at centres' where no formal clearing house exists.

11.3 The Bank shall levy applicable collection charges and out of pocket expenses while providing immediate credit against outstation cheques tendered for collection.

11.4 If a cheque where immediate credit is given and against which withdrawal is permitted from a current / savings account, is returned unpaid, the amount withdrawn shall be treated as a temporary overdraft and the amount shall be recovered from the account-holder along with applicable interest for the period Bank remained out of

funds and also cheque return charges. Interest will be charged from the date of credit of proceeds of the cheque in the account till reimbursement/realization of the amount to/by the Bank.

11.5 Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for interest purposes if the cheque is returned unpaid.

11.6 If proceeds are credited in an overdraft/loan account, interest would be recovered at applicable rate/clean overdraft rate, whichever is higher, on the amount of returned cheque/instrument.

11.7 The Bank does not offer instant credit facility for Foreign Currency denominated Cheques/Instruments.

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

12.1 In consonance with the legal requirements and in particular the intent of the Negotiable Instrument Act, 1881 and in accordance with the Reserve Bank of India directives, Bank shall not collect cheques having account payee crossing, for any person other than the payee named therein.

12.2 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 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.

12.3 In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited by the sub- member for credit to their customers' account and endorsed to IDBI Bank as an 'Agent for collection' for and on behalf of that bank can be collected by the Bank as a member Bank of the clearing house.

12.4 With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, Bank shall consider collecting account payee cheques drawn for an amount not exceeding Rs. 50000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents/members of such co-operative credit societies. While collecting the cheques as aforesaid, Bank shall have a clear representation in writing given by the co-operative credit societies concerned that upon realization, the proceeds of the cheques shall 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 Instrument Act, 1881, including Section 131 thereof.

13. Payable at Par (PAP) Cheques

13.1 PAP cheques help the customer to use his cheque for payment across all the centres where the Bank has a branch. All customers who are eligible for cheque books are entitled for issuance of PAP cheque. However, as per the enhanced scope for 'Speed Clearing', all types of instruments except those issued by government departments are treated as 'payable at par' at all branches of the drawee Bank.

13.2 Cheques drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/business segment, except Govt. Cheques received across the counter or through Drop-Box are not required to be presented in clearing. These instruments shall be disposed of at their end only, subject to ceiling for non-home payment as decided by the Bank & advised to branches from time to time. 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, who will afford credit directly to the payee's account.

13.3 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, cheque number 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,

limit exceeding in case of loan account. As per the recommendation of the Goiporia Committee, it needs to be ensured that all dishonoured instruments are returned / despatched to the customer promptly without delay, in any case within 24 hours.

14. Payment of Compensation for delay in Clearance of Local Cheques

14.1 Local cheques are subjected to clearing process as per the clearing cycle of the respective location. Thus the cheques accepted across counter and cleared from ATM/CDK/drop boxes before the cut off time shall be sent for clearing on the same day while those accepted beyond the cutoff time shall be taken up for clearing the next day.

14.2 If there is any delay in collection of local cheques beyond the period mentioned above, the Bank will pay compensation as per the Compensation Policy of the Bank.

15. Arrangement for Foreign Cheque for Collection

15.1 Cheques / Instruments denominated in currencies other than Indian Rupees such as US Dollar (USD), Euro (EUR), Pound Sterling (GBP), Japanese Yen (JPY), etc. are called foreign currency cheques / instruments. Foreign Currency instruments / cheques include demand drafts, personal cheques, banker's cheques, cashier's cheques, traveler's cheques, etc. Since such cheques are not payable in India, they are therefore required to be sent to the country of the currency in which the cheque is drawn, for realization of proceeds.

15.2 Cheques denominated in Foreign Currency (including Foreign Postal Orders) drawn on/ payable in India would be handled as local cheques. In case proceeds are obtained in rupee, the Bank would not be responsible for the conversion rate applied and collection charges levied by drawee / collecting Banks. The applicable charge will be deducted from the proceeds as per schedule of facilities applicable for rupee cheques along with P&T/ Courier charges as per the prevailing rates.

15.3 There are basically three types of arrangements adopted by Bank:

- (i) Cash Letter Arrangement (CLA)
- (ii) Final Credit Services (FCS)
- (iii) Direct Collection Arrangement (DCA)

15.3.1 Cash Letter Arrangement (CLA):

- a. Foreign Currency denominated Cheques/Instruments payable in the country of the currency will be handled on "Cash Letter Arrangement (CLA)" basis offered by the Correspondent Banks (CB). Under this facility the CB will give provisional credit to the Bank on a predetermined date, which varies from 7 to 10 working days after tendering the cheque to the correspondent Bank. However, it will again be subject to cooling period (i.e. waiting period for the possible return of the cheque under provisions of the laws of the respective countries) before parting with the amount to the beneficiary / payee. Cooling period is dependent on the mode and the area of collection. Bank observes a cooling period of 21 days after the CB gives provisional credit in the Bank's Nostro Account, before releasing the credit into the account of the customer. However, the cheques / instruments might be returned within a period up to 1 year (for frauds on the face of the cheque) and 3 years (for frauds on the reverse of the cheque). Bank reserves the right to recover the amount of the Cheque/Instrument already credited to the customers' account with all costs and charges, if the same is subsequently returned dishonoured for ~~valid~~ any reasons as per the prevailing laws of the country on whose currency the Cheque/Instrument is drawn.
- b. Some of the correspondent Banks transmit the image of the cheque through electronic file transfer versus the traditional courier of physical cheques to New York to save time in transit. The system has been facilitated under the Check-21 legislation. Under the same, the dealings are cleared utilizing the exchange of cheque images from Bank to Bank.
- c. Bank will collect its Service Charges as prescribed in the "Schedule of Charges" of the Bank and any other miscellaneous / out of pocket charges (such as postage, courier charges etc.). Nostro Bank charges will be collected separately as per their monthly invoice.

15.3.2 Final Credit Services (FCS):

- a. On specific request of the customer, Bank may utilize the Final Collection Services (FCS) / Preferred Collection Services (PCS) offered in certain currencies by some of the Correspondent Banks. Under this arrangement, the CB offering this service guarantees confirmed credit against the Cheque/Instrument for a fee and the Bank receives final credit in its Nostro accounts without any recourse. However, the confirmed credit is subject to limitations of FCS coverage as per applicable terms of CBs, which may interalia include as under:
 - (i) Raised amount of the cheque
 - (ii) Altered payees on the cheque
 - (iii) Fraud on the back of the cheque such as forged, fraudulent or missing endorsement; any other forged, false, fraudulent or missing information on the back of the cheque accepted or printed by the Bank; any alteration on the back of the cheque, etc.
- b. As per the Bank's policy, USD cheques of amounts more than USD 5000 will be sent under this arrangement. This service normally does not have any cooling period as the cooling period has been factored by the CBs before releasing the clear funds. The Bank will recover any such fee charged by the correspondent Bank from the customer along with its own fees.
- c. Bank will collect its Service Charges as prescribed in the "Schedule of Charges" of the Bank and any other miscellaneous / out of pocket charges (such as postage and courier charges etc.). Nostro Bank charges will be collected separately as per their monthly invoice.

15.3.3 Direct Collection Arrangement (DCA):

- a. Cheques/Instruments drawn in currencies in which Bank does not maintain any Nostro account or does not have collection arrangements with a CB will be handled through Direct Collection Arrangement (DCA). Under this, Cheques/Instruments are sent directly to the drawee Banks for collection.
- b. The basic legal framework for determining rights, responsibilities and liabilities of the parties in connection with collection of USD denominated cheques drawn on US Banks are governed by the legal framework as laid down under the US

Federal and State laws like Uniform Commercial Code (UCC) etc. However, in the event of return of counterfeit cheque handled through this process, the drawee Bank in the US has the right to recover the proceeds from presenting Banks within the period stipulated under US Clearing House guidelines.

- c. In addition to the charges, if any, of the Drawee Bank and/or CB, the Bank will collect its Service Charges as prescribed in the "Schedule of Charges" of the Bank and any other miscellaneous / out of pocket charges (such as postage and courier charges etc.).
- d. The Bank reserves the right to recover the amount of the Cheque/Instrument already credited to the customer's account with all costs and charges, if the Cheque/Instrument that was sent for collection/realization is subsequently dishonoured for ~~valid~~ any reasons as per the prevailing laws of the country on whose currency the Cheque/Instrument is drawn.

15.4 The Bank is not obliged to call back cheques/instruments which are confiscated or retained by the CB/Paying Bank or return the same to the customer. All charges of CB in such instances also will be recovered from the customers on the basis of non-payment advice received from the CB or the paying Bank.

15.5 Cheques drawn on foreign countries (where IDBI does not have a Branch) are accepted for collection on 'best effort' basis. Bank may enter into specific collection arrangement with its Correspondent Banks for speedy collection of such cheques. The timelines for collection of such cheques are as follows:

Collection Method	Collection Timeframe
For USD/GBP/EUR Cheques/Instruments sent under Cash Letter Arrangement (CLA) of our Correspondent Banks.	Credit to the customer's account after expiry of the cooling period i.e. 21 days from the date of provisional credit in Nostro Account
For USD/GBP/EUR Cheques/Instruments sent under Final Collection Services (FCS) / Preferred Collection Services (PCS) of our Correspondent Banks.	Immediate credit to the customer's account after sighting the funds in Nostro account.
For Cheques/Instruments sent under Direct Collection Arrangement (DCA).	Immediate credit to the customer's account after sighting the funds in Nostro account.

15.6 The above time norms are applicable irrespective of whether Cheques/Instruments are drawn on the Bank's own branches or branches of other Banks.

15.7 The Bank may permit selective withdrawal of funds before the expiry of the cooling period depending on the customer's credit worthiness, relationship with the Bank, KYC compliance, indemnity undertaking, etc. as per the delegation of power (DOP) for waiver of cooling period by the designated authority.

15.8 Bank takes adequate care for prompt and expeditious despatch and realization of all clean cheques. In view of different clearing rules and legal provisions prevailing in different countries with regard to the collection of clean cheques, it is difficult to ascertain the exact due date of payment towards the Foreign Currency denominated Cheques / Instruments sent for collection. However, in case of delay in applying the credit after sighting the funds in the Bank's Nostro account or after the expiry of the cooling period as the case may be, the depositor will be paid interest @ 2% over the rate applicable to the Savings Bank deposit for the delayed period.

15.9 If the Cheque/Instrument amount is kept as Foreign Currency Deposit in the same currency, the deposit will be value dated as the date of the Nostro credit.

15.10 Format for Request letter for Purchase / collection of Foreign Cheque / Draft and Declaration –cum-Undertaking is given at Annexure I and Annexure II.

16 Cheques/ Instruments lost in transit/ in clearing process/ at paying Bank's branch

16.1 In the event of 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 about 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, obtain duplicate cheque in lieu of the lost cheque and also take care that cheques, if any, issued by him/her are not dishonored due to non-credit of the amount of the lost cheques/instruments.

16.2 If the outstation cheque sent for collection (IOCC) is not received by the paying Bank / branch, and after making proper enquiries with post / courier company, the Bank is reasonably satisfied that the cheque is irretrievably lost, the drawee Bank /

branch will be advised about the fact and requested to exercise caution. Bank shall also bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and obtain duplicate cheque in lieu of the lost cheque.

16.3 The Bank shall provide all assistance to the customer to obtain a duplicate cheque from the drawer of the cheque, if required.

16.4 In case, an international cheque is lost, the Bank shall also advise the correspondent/ drawee Bank all particulars of lost cheques/ instruments for exercising caution. The Bank shall arrange to get payment of the international cheque based on the photocopy/ scanned image of the cheque wherever the practice is prevalent.

16.5 Bank shall compensate the account holder in respect of cheques lost in transit as per the Compensation Policy of the Bank

17 Responsibility of the Bank

17.1 Whenever the Customer deposits the cheque at the counters of the branch, Bank shall give an acknowledgement on counterfoil by affixing appropriate stamp with legend 'Received for Clearing / Collection' indicating date of receipt and authentication by the receiving staff.

17.2 The Bank will take all steps to send outward cheques in the immediate next clearing / collection (subject to conditions mentioned as above) through the process which enables quick realization of funds in the most cost-effective manner.

17.3 In case of outward cheque return, an advice will be prepared by the Bank wherein the reason for return of the cheque will be indicated. The advice along with the dishonoured cheque will be sent to the customer by registered post/local delivery / across counter. The Bank shall return/ dispatch the dishonored cheques to the customer at his / her last recorded address available with the branch.

17.4 Since all branches are networked in CBS platform, cheques drawn on Bank's own branches at outstation centres will be collected locally as a transfer cheque. If a cheque presented to the Bank for settlement of transaction by way of transfer between

two accounts within Bank is returned, the same shall be returned to the payee within one working day by observing the above process.

17.5 For the purpose of adducing evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee/holder of a dishonored cheque) in any proceeding relating to dishonored cheque before a court, consumer forum or any other competent authority, Bank shall extend full co-operation and shall furnish them documentary proof of the fact of dishonor of cheques.

17.6 As per the extant RBI directives, Banks shall not levy any outward cheque return charge to the customer, if such cheque is returned for no fault of the customer. Accordingly, illustrative but not exhaustive list of objections where customers are not at fault is listed below :

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp/date required
36	Wrongly delivered/ not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear ; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular/ requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount/ Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient(applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/cheque requires counter signature
76	Required information not legible/correct
80	Bank's certificate ambiguous/ incomplete/required

81	Draft lost by issuing office; confirmation required from issuing office
82	Bank/ Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	Payee's a/c Credited'-Stamp required
92	Bank excluded

17.7 Cheques that need to be presented again without any reference to the payee, shall be presented again in the immediate next clearing cycle, with due notification to the customers of such action through SMS alert, email etc.

18 Responsibility of the Customer

18.1 Cheque tendered for collection (across the counter or deposited in cheque drop box) should be accompanied by a Deposit Slip (Pay-in-slip) duly filled-in and signed by the customer or his/her representative. Separate Deposit Slips are required to be filled in for local and outstation (separate for each centre) Cheques. Customer / his / her representative should write the Payee's Account Number (to which the amount is to be credited) and contact phone number on the reverse of the instrument for easy contact in case there is a need for the same.

18.2 The Deposit Slip and counterfoil should be legible. All the columns in the cheque and deposit slip should be completed in full. Cheques / Deposit slips not fulfilling these criteria cannot be taken up for clearing at the sole risk and responsibility of the customer.

18.3 Customer shall ensure that cheque is not mutilated and does not give any indication of alteration / forgery.

18.4 Any over-writing / alteration in Cheque should be avoided. Instruments containing alterations/over-writings without authentication under full signatures of the drawer are invalid and will not be processed. In case of CTS Centres, overwriting / alteration in cheques other than in 'date of issue' is not allowed.

18.5 The cheque should not bear crossing or clearing stamps of other Banks, which are not cancelled.

18.6 The Bank may at its discretion, enquire about large value cheques tendered for collection / payment and may seek a declaration/proof regarding the transaction / source of funds, from the customer. The Customer has to provide such details to the Bank, along with proof, if any, on demand.

18.7 Customer should use only CTS 2010 Standard cheques forms.

18.8 Customers are not permitted to print / scan the signature of their authorized signatories on the cheques issued to them unless there is written agreement between the Bank & customer to the effect.

18.9 The Bank also offers a specialized Cash Management Services product for collection of cheques of corporates and other high value customers. The customers should follow prescribed guidelines of the product / agreement before sending the cheques on collection under this service.

18.10 Customer's responsibility while depositing cheques in the Branch ATMs / CDKs / Offsite ATMs Drop Box:

- a) The customer can deposit the cheque in cheque drop box. The customer in such cases should ensure that the cheque is crossed account payee and also specially crossed with the Bank's crossing stamp provided beside the drop box.
- b) Customers belonging to Corporate and CMS business segment should personally hand over the cheques to the Bank across the counter and get acknowledgement.
- c) All other Customers should personally hand over the cheques to the Bank across the counter and get acknowledgement, if the value of the cheque is Rs. 50000/- and more.

19 Force Majeure

19.1 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.

20 Customer Grievances Redressal

20.1 The Policy seeks to provide transparency in dealing with customer and to minimize their inconvenience. Any customer having grievances against the Bank on any of the above grounds or having complaints due to non-payment or inordinate delay in the payment or collection of cheques, may approach either the Branch Head or the Customer Care Centre, IDBI Bank Ltd., 19th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba-400 005 over phone, letter or e-mail (customercare@idbi.co.in).



Annexure I
Request letter for Purchase / collection of Foreign Cheque / Draft

To,
The Manager / Branch Head,
IDBI Bank Ltd.,

Place: _____
Date: _____

Dear Sir,

Please purchase / receive for collection the cheque(s)/draft(s) stated below in all for USD/GBP/DEM/EURO/.....in words (.....)

Please have the same collected through your Correspondent / Agents entirely at my/our risk and responsibility in all respects and on the basis of “immediate credit” (subject to final payment - as per home currency rules) / “on collection basis” (at higher cost of collection but firm credit). In case of immediate credit I/We are aware that I/We are liable to reimburse to the Bank with interest and other charges the amount of the dishonouredcheque(s)/draft(s) presented by me/us.

I/We agree that your Bank assumes no responsibility beyond the exercise of due care and I/We further agree that your Bank shall not be liable for the default or negligence of the Correspondent Bank / Drawee Bank.

I/We hereby waive notice of dishonor /non-payment in respect of the same.

I/We hereby authorise the Bank to reverse the entry by effecting sale of foreign currency as per your rules in this behalf in the event of delayed realisation and undertake to reimburse any loss incurred by you on account of exchange risk/exchange rate fluctuations. I/We also undertake to reimburse the Bank any loss incurred by the Bank arising either on account of exchange risk/exchange rate fluctuations, or the cheque/draft is returned unpaid for any reasons whatsoever, in addition to the reimbursement of the amount advanced together with overdue interest and any other expenses/cost incurred in this behalf including those of the Correspondent Bank/Drawee Bank.

I/We further agree that the Bank will not be responsible in case the instrument(s) is/are lost/destroyed in transit.

Sl. No.	Cheque/Draft no.	Drawee	Bank Details	Amount in F.C.
01.				
02.				
03.				
			Total	

Please mention following details as per RBI requirements:

1. Purpose of the remittance -
2. Name and address of the remitter -

Signature of the depositor/account holder

Name:.....

Account No:

Annexure II
Declaration –cum-Undertaking

To,
The Location Head
Trade Finance Dept.
IDBI Bank Limited

Place:
Date:

Dear Sir,

Sub: Cheque No-----dated -----for USD -----

With reference to the subject cheque tendered to you on collection basis, I hereby acknowledge, declare and undertake as under:-

- In case of cheque handled by Bank on ‘Cash Letter ‘basis, proceeds will be paid to me after expiry of the applicable cooling period as per Bank’s extant policy on Cheque Collection.
- Unless otherwise instructed in writing, Bank will handle all USD denominated cheques /instruments amounting to USD 5000 and above **on Final Collection Services (FCS)**’ basis only.
- Apart from the normal charges for cheque collection, charges levied by the correspondent banks towards the above service will be borne by me.
- Bank reserves the right to recover the realization proceeds of the Cheque /Instrument credited to my account ,with all cost and charges, if the Cheque /Instrument that was sent for Collection/realization is subsequently returned / dishonoured for the valid reason as per the prevailing USA laws.
- Bank is not obliged to obtain from the Correspondent Banks (CB) or return to me such instruments as are confiscated or retained by the CB. All charges of CB in such instance also will be recovered by the bank from my account on the basis of non- payment advice received from the CB or the paying bank.

This declaration-cum-undertaking is to be treated as part and parcel of the paying-in slip tendered with the cheque/instrument.

With regards,

(Signature of the Payee)