



**FIRSTRAND**  
Bank

## **POLICY ON COLLECTION OF CHEQUES**

### **1. INTRODUCTION**

The Reserve Bank of India had, with effect from 1<sup>st</sup> November 2004, withdrawn its earlier instructions to commercial banks on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
- (iii) Interest Payment for Delayed Collection.

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.
- Our policy on dealing with collection instruments lost in transit.



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### **2. ARRANGEMENTS FOR COLLECTION**

#### **2.1. Local Cheques**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. As a policy, bank would give credit to the customer account on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank 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.

#### **Time Norms:**

- 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 off-site ATMs (if applicable) will be presented in the next clearing cycle.
- Cutoff timings will be displayed at the branches for the benefit of the customers.

#### **2.2. Outstation Cheques**

Cheques drawn on other banks at outstation centres will normally be collected through bank's branches or through a correspondent bank arrangements made by the Bank. Where no such arrangement exists, the instrument would be directly sent for collection to the drawee bank. The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.



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Cheques drawn on bank's own branches anywhere in the country (transfer cheques) will be collected using the inter-branch arrangements. The Bank provides anywhere banking services to its customers, and therefore will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches.

### **Time Norms:**

- Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be sent to the drawee location for collection on the same day.
- Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs (if applicable) will be processed and dispatched in the manner above, on the next working day.
- For own branch cheques (transfer cheques), credits will be afforded to the clients on the same day, if the cheque is presented at the bank counters within banking hours.
- Cutoff timings will be displayed at the branches for the benefit of the customers.

### **2.3 Cheques payable in Foreign Countries**

Cheques payable at foreign centres will be collected through our correspondent bank network. Cheques drawn on foreign banks at centres where no such arrangements exist will be sent direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Time Norms as applicable to Outstation cheques as provided in section 2.2 will apply.

The proceeds of foreign currency cheques will be credited to customers' accounts upon realization. The average realisation time for foreign currency cheques is 21-30 working days from the time the



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cheque is received at branch, depending on the drawee location and currency of the instrument. The Bank, however, reserves the right to debit the customers' account for the value of any Foreign Currency cheque sent through it for collection, in the event of the cheque being returned unpaid (for any reasons whatsoever) by the drawee bank at a later date after crediting the customers' account. The conversion rate used is the rate prevalent on the day of credit to the customers account.

### **2.4 Immediate Credit of Outstation Cheques:**

The Bank will consider providing immediate credit for outstation cheques up to the aggregate value of Rs. 15,000/- tendered for collection by individual account holders, subject to satisfactory conduct of such account for a period of not less than 6 months.

This facility will be provided only for those cheques that are drawn on correspondent bank branch location.

The Bank will levy normal collection charges and actual out of pocket expenses.

In the event the cheque is returned unpaid, interest at Bank's PLR will be recovered, from the date of credit of the cheque till date on which the amount is made good to the Bank.

The facility of immediate credit will be provided only upon a specific request made by the customer.

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.



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- 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.

### **2.5 Purchase of local/outstation cheques**

Bank may, at its discretion, 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.

### **3. TIME FRAME FOR COLLECTION OF CHEQUES**

#### **Local Cheques**

Local Cheques presented in Clearing will be credited to customer accounts as on the date of settlement of funds as per clearing house timelines, and withdrawals will be permitted after return clearing has been processed. This applies to both High Value and normal clearing as applicable to the drawee location.

#### **Outstation Cheques**

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Cheques drawn on any of Bank branch locations: Same day credit
- b) Cheques drawn on correspondent bank locations: Within 7 working days
- c) Cheques drawn on any other location: Only after receipt of clear funds from the drawee bank.



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For cheques drawn on foreign countries, instruments are accepted for collection on 'best of efforts' basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. 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.

In case of cheques drawn on correspondent bank locations, or foreign currency instruments, if the instrument is returned by the drawee bank after the funds have been credited to the customers' account, the Bank reserves the right to reverse the credit and recover applicable interest from the customer for the period that the customer enjoyed a credit in the account.

#### **4. PAYMENT OF INTEREST FOR DELAYED COLLECTIONS**

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments 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 the committed time frames mentioned above in clause 3.
- b) Where the delay is beyond 15 working days interest will be paid at the rate applicable to 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.
- d) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will



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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.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

### **5. CHEQUES LOST IN TRANSIT**

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. 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 accountholder 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 for collection as stipulated above, 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 for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any direct costs and/or reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of relevant documentary evidence.



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6. **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.

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