

Cheque Collection Policy and Policy for dealing with frequent dishonour of cheques/ ECS mandates of the Bank

Introduction

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, has withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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. 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.

1. Arrangements for Collection:

a. Collection of cheques through CTS Process:

Cheque clearing process under revised scenario of CTS based clearing system.

Cheque truncation is the process of eliminating the flow of physical cheque issued by a drawer to the drawee branch. The physical cheque will be truncated and electronic image of the cheque are captured for processing. The physical cheques are retained at the presenting bank itself. The captured image along with data is exchanged across the banks.

2.1.1: Receiving payment based on an electronic image of a truncated cheque:

- a. Cheque truncation system- Sec 131 of Negotiable Instrument Act 1881 (Amendments)
- b. Onus of due diligence shifted to the presenting bank in CTS environment

Legal status of the cheque truncation is derived from amendments made to the Negotiable Instrument Act, 1881 by virtue of Negotiable Instruments (Amendments and Miscellaneous Provision) Act, 2002 whereby among others the section 6,64,81,89 and 131 of the NI Act,1881 are also suitably amended to incorporate the validity of the truncated image of the cheque. We invite the attention to the amendment to section 131 where in the existing explanation is **renumbered as explanation I and the following explanation is inserted as explanation II.**

Explanation II - It shall be the duty of the banker who receives payment based on an electronic image of a truncated cheque held with him, to verify the prima facie genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care.

In view of the above amendment, the presenting bank takes responsibility for exercise of due diligence. The branches while sending cheques to CTS scanning center should ensure the following:

- a) To exercise due diligence on all instruments

- b) To check the apparent tenor of the instruments
- c) To ensure verification under Ultra Violet Lamp (UVL)
- d) To scrutinize the cheques for material alteration
- e) To ensure genuineness and validity of instruments
- f) To ensure that pay in slip is properly filled up with 15 digit correct account number and **name of the account holder.**

The scanning center while scanning the instruments should inter alia also ensure the following:

- a) To check the apparent tenor and genuineness of the instruments
- b) To ensure verification of instruments under UV Lamp
- c) To ensure that instrument conforms to features of CTS 2010 standard
- d) To ensure that physical feel of the instrument meets the usual paper standard used for cheque
- e) To ensure that no material alteration visible to naked eye

2.1.2 Our branches issue only Payable at Par CTS Standard 2010 cheques to customers.

2.1.3 Cheque Truncation System (CTS) is presently working at **New Delhi grid** in Delhi, **Chennai Grid** in Chennai and **Mumbai grid** in Mumbai.

2.1.4 States covered in Grid based CTS-2010 centers:

New Delhi Grid in Delhi covers centres of Bihar, Chandigarh, Delhi, Haryana, Jammu & Kashmir, Jharkhand, Rajasthan, Uttar Pradesh, Uttarakhand, Himachal Pradesh & Punjab states.

Chennai Grid in Chennai covers Andhra Pradesh, **Telangana**, North Eastern States, Orissa, Karnataka, Kerala, Tamilnadu & West Bengal states.

Mumbai Grid in Mumbai covers Chhattisgarh, Goa, Gujarat, Madhya Pradesh, and Maharashtra states.

2.1.5 All centers covered under the same grid will be treated as a single clearing zone and cheques drawn on these centers and presented at any of the grid centers are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

2.1.6 A uniform holiday arrangement is operational at the three CTS locations viz., Delhi Chennai and Mumbai with effect from October 7, 2013. The CTS centers in New Delhi, Chennai and Mumbai will adopt RTGS holidays as uniform holidays for the respective grid. Additionally, CTS operations will be closed on such days when all the participating states in the grid are observing holidays, even though RTGS is working on such days. The President of the respective CTS location will notify the list of such uniform holidays well in advance to enable smooth inward clearing processing at the grid location.

2.1.7. Separate clearing session was introduced in the three CTS grids (Mumbai, Chennai and New Delhi) for clearing of non-CTS-2010 cheques (including PDCs and EMI cheques) with effect from 1st January 2014. This separate clearing session initially operated thrice in a week (Monday, Wednesday and Friday) up to 30th April, 2014. Thereafter, the frequency was reduced to twice a week up to 31st October, 2014 and further to weekly (every Tuesday) from 1st November 2014 onwards.

2.1.8. Frequency of separate session of clearing of Non-CTS 2010 cheques have been reduced to once a fortnight from July 1, 2018 (every alternate Wednesday, beginning July 4th) and thereafter to once a month from September 1, 2018 (second Wednesday of the month, beginning September 12th).

The separate clearing session has been discontinued from December 31, 2018. Banks can, however, continue to present such instruments in Express Cheque Clearing System (ECCS)

centers. There would be no separate clearing session for Non-CTS instruments under CTS clearing. The instructions are issued under section 18 of the Payment and Settlement Systems Act 2007(Act 51 of 2007).

RBI has also advised to direct the Bank Branches not to refuse such Non-CTS instruments and collect the Non-CTS instruments using other means of collection such as OBCO, OCCF, OBCC etc.

2.1.9 RBI has directed that no changes/corrections should be carried out on the cheques. For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. fresh cheque forms should be used by customers. This will help Banks to identify and control fraudulent alterations. Collecting banks have to ensure that such cheques are not accepted for presentation in CTS. It is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.

2.1.10 Endeavour shall be made to update the latest mobile numbers of Customers including authorized signatories of Corporate customers so that contact can be established for seeking clarification regarding inward cheques or for sending alerts.

2.1.11 For inward clearing cheques amounting Rs.25,000/- and above, an SMS alert is sent to the customer when the electronic file is uploaded at NCC (presently Delhi, Mumbai and Chennai), before debit of the cheque amount. A customer can contact his Base branch in case of any discrepancy/doubt before the cheque is passed.

2.1.12 As an additional precautionary measure, the Base branch shall endeavour to contact account holder at his mobile number registered with the branch for any inward cheque received for Rs.2,00,000/- and above for confirmation.

2.1.13 Process for clearing at clearing centers: All Banks participating at clearing centers have been provided with Express Cheque Clearing System (ECCS) software and a server is located at Clearing House, where all bank branches exchange their cheques and also submit the data of cheques presented in clearing to Clearing House by removable storage devices. The Clearing House has ECCS software of Clearing House module, which processes the data received from the member banks and generates Bank wise report and settlement report. Based on the ECCS report in accounts maintained with the bank, settlement is made. All provisions of Uniform Rules and Regulations for Bankers' Clearing House (URRBCH) issued by RBI are to be adhered to by the Clearing House.

2.1.14 **Cheque return processing:** Presenting Bank Clearing House Interface shall receive the return exchange files for each return session containing the returns on the presentation lodged by them. An instrument may be returned as long as its clearing length has not expired, and a session is available for the particular clearing type. The return file shall contain the instrument detail and return reason code. It shall be the responsibility of the presenting bank to generate the return memo from the information in the return file.

2.1.15 Speed Clearing System: - Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing system, except that such cheques will be collected by the collecting bank against realization of service charges specified for the purpose by the RBI. Speed Clearing System is applicable for both CTS-2010 grid based clearing system and non-CTS clearing system.

2.1.16 The list of objections for return of Instruments and Image based Cheque Clearing, as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing House, has been placed as Annexure-III of this document.

2.1.17 Cheque return charges shall, however, be levied only in cases where the customer is at fault and is responsible for such returns. The list of reasons for return, where the customers are not at fault is as per Annexure-IV.

b. Local Cheques which are not covered under CTS System

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 off-site ATMs will be presented in the next clearing cycle. 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 clearinghouse.

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 endeavour to credit the proceeds at the earliest.

The branches will display on their Notice Board the cut-off time upto which cheques received will be sent for the clearing on the same day, cut-off time for High Value Clearing (same day credit) and the cut-off time for receipt of cheques for payment to Government accounts like Income-Tax etc. (wherever the branches transact Government Business). Branches will indicate the cut-off time prescribed on each of the collection boxes.

2.2 a. Speed Clearing

Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with as if they were local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing except services charges as prescribed from time to time.

2.3 Outstation Cheques :

Cheques drawn on other banks at outstation centers other than covered under 2.1 & 2.2 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 a correspondent bank.

Since, branches are now connected through a centralized processing arrangement and are offering anywhere banking services to its customers, same day credit will be provided to its customers in respect of outstation instruments drawn on any of its branches in the CBS network.

2.4 Cheques payable in Foreign Countries :

Cheques payable at foreign centers, where the bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers where the bank or its correspondents do not have direct presence 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.

All Foreign Currency instruments denominated in USD shall be processed only under Confirmed Credit Services of Wells Fargo Bank N.A, irrespective of amount and nature of the transaction (Commercial or Non-commercial).

All Foreign Currency instruments denominated in EUR or GBP shall be processed only under Cash Letter Services of Standard Chartered Bank irrespective of amount and nature of the transaction (Commercial or Non-commercial).

All Foreign Currency instruments denominated in AUD shall be processed only under Cash Letter Services of ANZ Bank irrespective of amount and nature of transaction (Commercial or Non-commercial).

All Foreign Currency instruments denominated in CAD shall be processed only under Direct Collection Services of Toronto Dominion Bank irrespective of amount and nature of the transaction (Commercial or Non-commercial).

All Foreign Currency instruments denominated in currencies other than those mentioned above, shall be processed only under Direct Collection Services of respective Nostro Correspondent Banks, wherever bank has a Nostro Correspondent Banking arrangement. In case there is no Nostro Correspondent Banking arrangement for any particular currency, Foreign Currency instruments denominated in such currencies shall be handled under Direct Collection Services through banks in the drawee country after appraising the process involved, turnaround time, charges, etc to the client. The Bank shall handle the cheques/instruments for a minimum amount of USD 100 or its equivalent (in case of CAD minimum value of instrument should be CAD 200).

Cheques/Instruments handled by the Bank where the credit to the customer is given after final realization, the normal transit time shall be 30 to 40 days.

In the event a cheque or an instrument accepted for collection is lost in transit, the bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment. The bank would provide all assistance to the customer to obtain either a duplicate instrument from the drawer of the cheque or the payment of the instrument lost in transit. The charges, if any, levied by the drawee Bank or our correspondent Bank for recording the stop payment or for obtaining the payment of the instruments lost in transit shall be borne by the Bank.

In line with the compensation policy of the bank, the bank will compensate the account holder in respect of instruments lost in transit.

2.5 Immediate Credit of Local / Out-station Cheques / Instruments:

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000/- tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period not less than 6-12 months. In respect of Drafts/Pay Orders issued by Commercial Banks and cheques drawn by Government Departments/Public Sector Undertakings immediate credit is allowed upto Rs.50000*. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centres where no formal clearing house exists.

*The limit to be decided by Individual 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.

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.

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. Exchange charges applicable for cheque purchase will not, however be charged.

The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

2.6 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.

3.0 Time Frame for Collection of Local /Outstation Cheques / Instruments:

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 norms in vogue at the centre.

Cheques / Instruments presented in high value clearing (with the minimum value of Rs.1 lac) shall be credited on the same day (applicable only in areas covered by high value / same day clearing).

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

- a. Cheques presented at any of the State capitals : Maximum period of 7 days.
- b. In all Major Centres : Maximum period of 10 days.
- c. In all other Centres : Maximum period of 14 days.

Time norms as prescribed by RBI in their master Circular dated **1.7.2015**

- d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the '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.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks.

4.0 Payment of Interest for delayed Collection of Outstation Cheques and Cheques Payable outside India:

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments under a, b and c given below in case there is delay in giving credit beyond the time period 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 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 **or savings bank rate, whichever is higher.**

- 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 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 exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.

4.1 Payment of interest for delayed collection of local cheques:

Collection of local cheques should ordinarily be completed within clearing cycle plus three days. If the delay is beyond clearing cycle plus three days and upto 14 days then SB rate interest will be paid as penalty after getting approval from Zonal Offices. If there is delay in collection beyond 14 days then in all such cases staff accountability is to be examined. Relevant maturity term deposit rate interest will be paid as penalty in all such cases after getting approval from Zonal Offices.

Local cheques Compensation	
Period of Delay	Rate
Clearing Cycle plus three days (excluding holidays)	Nil
Beyond Clearing Cycle plus three days upto 14 days	SB rate
Beyond 14 days	Relevant Maturity Term Deposit Rate

5. 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. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque and charges if any levied by the Bank for recording the stop payment will be borne by the Bank on making a claim.

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 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 above under 4 a ,b,c, &d.
- 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 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.

In the event a cheque or an instrument discounted by the Bank is lost in transit or in the clearing process or at the paying bank's branch, the Bank shall immediately on coming to know of the loss bring the same to the notice of the account holder and he is bound to co-operate with the Bank in stop payment of the lost instrument and obtaining duplicate instrument from the drawer of the cheque expeditiously. Charges, if any levied by the Bank for recording the stop payment will be borne by the Bank on making a claim.

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.

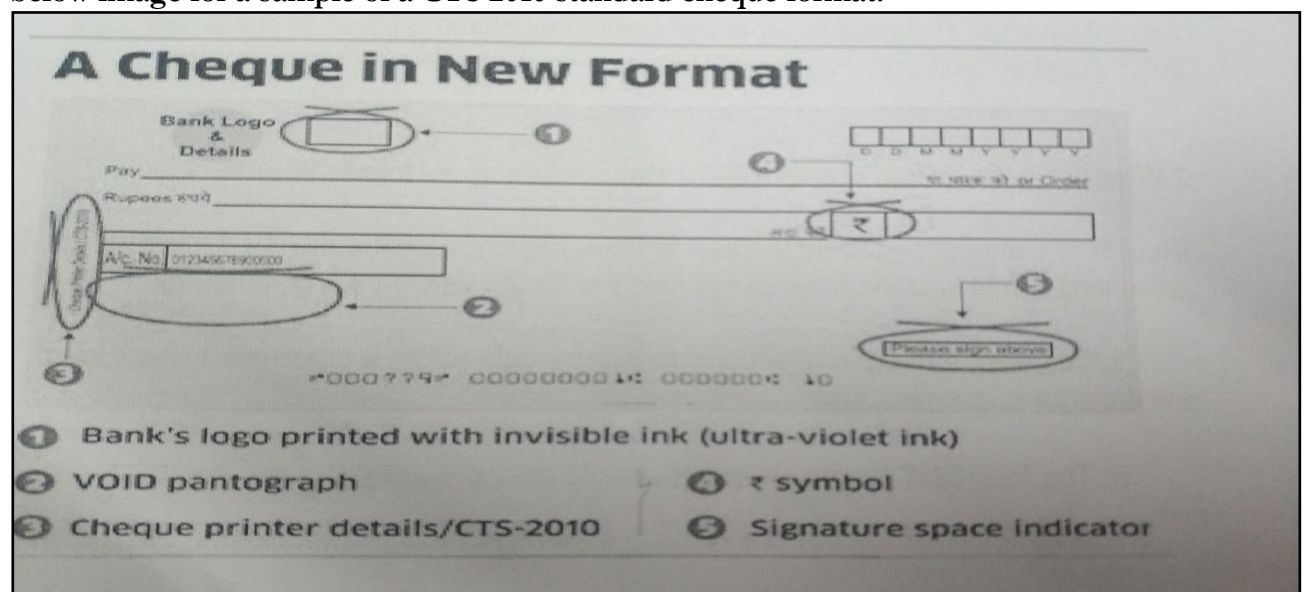
7. Charging of Interest on cheques returned unpaid where Instant Credit was given:

If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. Interest where applicable would be charged on the notional overdrawn balances in the account had credit not been given initially.

If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to a clean overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/ instrument was returned unpaid to the extent the bank was out of funds.

8. Cheque Format

A “CTS 2010” cheque will have Bank’s logo printed with invisible ink, Void Pantograph, Cheque printer details/CTS-2010, Rupee Symbol and Signature space indicator. Please refer below image for a sample of a CTS 2010 standard cheque format.



9. Service Charge

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer as indicated in the code of banks commitment to customers adopted by the bank.

2. POLICY FOR DEALING WITH FREQUENT DISHONOUR OF CHEQUES/NACH/ ECS MANDATES OF VALUE Rs.1 CR AND ABOVE AS WELL AS BELOW RS.1 CR

Background:

RBI vide their Notification no.DBOD.NO.Leg.BC.59/09.07.005/2009-10 dated 9th November, 2009 advised that frequent instances of dishonour of cheques of value less than Rs.1 crore is a matter of great concern and that banks need to take appropriate action in those accounts where such dishonour of cheques occur. RBI has advised the steps laid down in paragraph 15.4 vide their Master Circular DBR NO.Leg.BC.21/ 09.07.006/2015-16 dated 1st July, 2015 for dishonour of cheques of Rs. 1 crore and above which has been placed as Annexure-II. However, the RBI has mentioned that it is not necessary to extend all steps laid down in paragraph 15.4 of their circular for smaller cheques and banks can have their own approach to deal with recalcitrant customers and can have their Board approved policy for dealing with incidents of frequent dishonour of cheques of value less than Rs.1.crore. RBI has also advised that the policy should also deal with matters relating to frequent dishonour of NACH/ECS mandates. RBI has further advised modification in procedure vide notification no. RBI/2016-17/33 DBR.No.Leg.BC.3/09.07.005/2016-17 dated 04th August, 2016 that it has been decided to leave it to the discretion of the banks to determine their response to dishonour of cheques of the account holders. Banks should put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and also to avoid penalizing customers for unintended dishonour of cheques.

2. Accordingly, the policy has been drawn for dealing with incidents of frequent dishonour of Cheque for value Rs. 1 Crore and above as well as for value below Rs.1 crore and failed NACH/ ECS, as under:

1. *The customer has to be informed at the time of delivery of cheque book about the procedure adopted by the Bank in dealing with the frequent dishonour of cheques.*
2. Cheque book will not be issued to such accounts where violations as regards the maintenance of the prescribed quarterly average balance, is observed during two consecutive quarters in a financial year.
3. If cheques are returned for the third time in a financial year, a review of these accounts be carried out by appropriate authority and will decide on the continuance or otherwise of cheque facility and finally closure of the account in the event of cheque being dishonoured for the fourth occasion on the same account. Such accounts will be considered for closure at the discretion of the bank.
4. *However, in respect of borrowal accounts, such as cash credit account, over draft account, the need for continuance or otherwise of the cheque facility to these accounts shall be reviewed by appropriate authority, higher than the sanctioning authority.* In case of borrowal accounts where the sanctioning authority is Management Committee of the Board (MC), the General Manager (Credit) shall be the authority to decide continuance or otherwise of the cheque facility.
5. No fresh cheque book shall be issued to an account holder in the event of dishonour of cheques, drawn on a particulars account of the drawer for want of funds on four occasions during a financial year.
6. Such accounts will be considered for closure at the discretion of the bank.
7. In case the branch decides to close such unsatisfactory Savings Bank/Current accounts the same shall be done as per the laid down procedure furnished in Savings Bank Manual under "Procedure for Closure of Undesirable Accounts" by giving the 30 days advance notice to the customers indicating the reasons for such closure. In such cases, the customer will be required to make alternate arrangements for cheques already issued by him/her and desist from issuing any fresh cheques on such account.

8. Undertaking from the account holder that sufficient funds will be maintained in the account to honour the ECS mandates shall be obtained at the time of offering facility.
9. ECS mandates shall not be accepted in respect of the accounts where cheques/ECS mandates have been returned for want of funds more than 4 occasions in a Financial Year and/or violation as regards to maintenance of the prescribed quarterly average balance has been noticed during two consecutive quarters in a "Financial Year".
10. Higher charges as prescribed from time to time shall be levied for discouraging frequent returns if ECS mandates are returned more than 3 times in a financial year. Recovery of such charges will be ensured as per extant instructions on Service Charges enforce. Returning of Cheque over the counter will also be recorded in the system as rejected transaction and applicable service charges will be levied.
11. As and when cheques/ECS mandates are returned, message through SMS shall be sent to the customer cautioning him/her about the consequential stoppage of cheque facility and closure of account in the event of cheque/ECS mandate being dishonoured for the fourth occasion on the same account during the financial year.
12. Branch Managers are authorized to issue cheque books to the customers in exceptional cases, where such irregularities in the operation of the accounts and frequent dishonour of cheques and ECS mandate are observed, if they are satisfied with the explanation given by such customers after obtaining a letter of undertaking to the effect that sufficient balance to honour cheques/ECS mandates will be maintained and deal satisfactorily.
13. Approved Policy guidelines on frequent return of cheques/ECS mandates concerning the customers shall be brought to the notice of the customers by display of the same on Branch Notice Board/publishing in the Bank's website.
14. Copy of Policy documents shall be circulated amongst the staff members for ready reference and compliance.
15. *Quarterly note in respect of the information on cheques for 1 Crore and above dishonoured as well as the cheques favouring Stock Exchange has to be placed before the Audit Committee of the Board. Further, the note on the consolidated data in respect of the cheques / ECS dishonoured upto Rs. 1 Crore has to be placed before the Audit Committee of the Board on a quarterly basis.*

3. LEGAL ACTION TO BE TAKEN IN CASE OF DISHONOUR OF CHEQUES

- Section 138 of the Negotiable Instruments Act, 1881 deals with the dishonour of cheque for insufficiency of funds in the account and prosecution in respect of dishonoured cheque. Thus, the return of cheques for want of funds attracts legal action including prosecution of the drawer of the cheque as per section 138 of Negotiable Instruments Act.
- Section 25 of the Payment and Settlement Systems Act, 2007 accords the same rights and remedies to the Payee against dishonor of Electronic Fund Transfer instructions, for insufficiency of funds in the account of the payer, as are available to the Payee under Section 138 of the Negotiable Instruments Act, 1881. Thus the matter of failed ECS mandate/the dishonour of electronic fund transfer for insufficiency of funds in the account is governed by the Section 25 of Payment and Settlement System Act, 2007.
- The transaction as per the Standing Instruction of the customer, will be an electronic fund transaction only if the transfer of fund is via computer system, without the direct intervention of bank staff and the Branch is admitted for participation in the EFT system and in such case the protection under Section 25 of Payment and Settlement System Act, 2007 is available.

- The protection under Section 138 of the Negotiable Instruments Act, 1881 in case of dishonor of cheque for or under Section 25 of the Payment and Settlement Systems Act, 2007 in case of dishonor of electronic fund transfer initiated is available for payment of money in discharge of any legally enforceable debt or liability.

4. PROCEDURE FOR DEALING WITH INCIDENTS OF FREQUENT DISHONOUR OF CHEQUES

(i) Returning time for dishonoured cheques

The dishonoured instruments are required to be returned/dispatched to the customer promptly without any delay, in any case within 24 hours of dishonour.

(ii) Procedure for return/dispatch of dishonoured cheques

- (a) The paying bank should return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations And Rules for Bankers' Clearing Houses (URRBCH). The collecting bank on receipt of such dishonoured cheques should despatch it immediately to the payees/holders.
- (b) In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, it should return such dishonoured cheques to payees/holders immediately.
- (c) In case of dishonor/return of cheques, the paying banks should clearly indicate the return reason code on the return memo/objection slip which should also bear the signature/ initial of the bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

5. PROCEDURE FOR HANDLING FAILED NACH/ECS

- a) NACH/ECS transactions are presently processed centrally at Service ECS-Branch, Mumbai. In case of return of NACH transaction, the Service ECS-Branch Mumbai, as a sponsor bank, dispatches the return & rejection report and also the response file of each uploaded file (which contains the full uploaded data with return reason code) to the concerned branches and also to service branches and they forward to the respective corporate for flagging the record.
- b) It would be the responsibility of the Sponsor Branch (refer to the branch which had agreed to act as the agent of the User company i.e. utility-companies, insurance/ corporations/Collection Service Provider/Govt. departments, or any institution receiving/collecting payments from a large number of branches/credit banker etc) to advise the User regarding failed NACH/ECS debit.

6. REGULATORY INCLUSION

The guidelines issued by regulatory authorities from time to time will form part of this policy and will be deemed to be incorporated in the policy as and when such guidelines are made applicable.

DISHONOUR OF CHEQUES OF VALUE OF RS. 1 CR & ABOVE - PROCEDURE THEREOF FOR DEALING WITH AS PER RBI GUIDELINES: SECTION 15.4 OF MASTER POLICY ON CUSTOMER SERVICE DATED 1st JULY, 2015.

Dealing with incidents of frequent dishonour of cheques of value of Rs. 1 Cr and above

- i) With a view to enforce financial discipline among the customers, branch should introduce a condition for operation of account with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on 4 occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued.
- ii) Also, the branch may consider closing Savings Bank/ Current account at its discretion, recording its reason as per Savings Bank account/ Current Account Rule. However, in respect of advances accounts such as Cash Credit account, Overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.
- iii) For the purposes of introduction of the condition mentioned at (i) above in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, obtain a letter from the constituents regarding acceptance of the new condition for operation of account.
- iv) If a cheque is dishonoured for a third time in the above stated situation at (i) above on a particular account of the drawer during the financial year, branch should issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on next occasion on the same account during the financial year. Similar cautionary advice may be issued if the branch intends to close the account.

Annexure-III

CODE NO.	REASON FOR RETURN
(01-03)	Funds
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared, present again.
(04-05)	Reference to Drawer
04	Refer to drawer
05	Kindly contact Drawer / Drawee Bank and please present again.
(10-17)	Signature
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawer's authentication
(20-29)	Stop Payment
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
(30-42)	Instrument
30	Instrument post dated
31	Instrument out dated/stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
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
(50-55)	Account
50	Account closed
51	Account transferred to another branch
52	No such account

53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)
(60-68)	Crossing/Endorsement
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/illegible
66	Payee's endorsement required
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
(70-76)	RBI /Government
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient
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
(80-92)	Miscellaneous
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
85	Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
86	Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87	'Payee's a/c credited'- Stamp required
88	Other reasons (Please specify)
92	Bank Excluded

Illustrative but not exhaustive list of objections where customers are not at fault

(Applicable for instrument and image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

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
