



POLICY

ON

COLLECTION

OF

CHEQUES / INSTRUMENTS

Approved by the Board Agenda Item No. O-3 Dated 24.04.2019

Operations & Services
Head Office
Baroda

Policy on Collection of Cheques / Instruments

1. Preamble

Policy on Collection of Cheques and Instruments was prepared in 2005 based on Model Policy given by IBA and renewed annually as per the guidelines issued by RBI/IBA/BCSBI from time to time. This collection policy of our Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for performance.

2. Purpose / Objective

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

The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to increase use of technology to provide quick collection services to its customers.

3. Scope / Coverage

This policy document covers the following aspects:

- Arrangements for Collection of domestic cheques and other instruments payable locally including coverage Under CTS clearing at centers within India.
- Procedure for collection of cheques payable outside India, time period, interest on delayed collection etc.
- Immediate credit of cheques payable in India and in foreign countries
- Commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet standard time norms for realization of proceeds of outstation instruments.
- Policy on dealing with collection instruments lost in transit/in clearing process or at paying bank's branch
- Reasons for return.

Guidelines/ detailed procedure for collection of Domestic cheques/instruments and cheques payable in Foreign Countries covering time frame for collection, immediate credit, interest payment for delayed collection etc., are given in Annexure -1 and Annexure-2 respectively.

Procedure for collection of cheques payable locally and outstation including CTS clearing which covers details as under. (Annexure-1)

1. Local cheques at MICR/NON-MICR centres
 - 1.1 Local cheques through CTS clearing
2. Outstation Cheques
 - 2.1 Drawn on our Bank's own branches
 - 2.2 Outstation cheques drawn on other bank's network
 - 2.3 Through speed clearing
3. Immediate Credit of Local / Outstation Cheques / Instruments
 - 3.1 Interest on cheques returned unpaid under Immediate Credit
4. Purchase of Local / Outstation Cheques
5. Time frame for collection of local / outstation cheques / instruments
6. Payment of interest for delayed collection
 - 6.1 Local Cheques
 - 6.2 Outstation Cheques sent for collection within India
7. Service Charges
8. Cheque return on account of technical reason along with list of reasons.
9. Collection of third party cheque
10. Collection of cheques in the name of Deceased person
11. Validity of Cheques / Drafts / Banker's cheques etc,
12. Cheques / Instruments lost in transit / in clearing process or at paying branch.

Procedure for collection of cheques payable in Foreign countries (Annexure-2)

1. Cheques payable in Foreign Countries
2. Immediate Credit of Foreign Currency Cheques
3. Service Charges
4. Payment of interest for delayed collection

4. 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.

5. Periodicity of Review of the Policy

The policy will be valid upto 31st March, 2022. ***The MD & CEO may allow continuation of the policy for a maximum period of six months from due date of review, in case the policy cannot be reviewed on or before due date.***

1. Arrangements for Collection:

Customer can deposit cheques for collection/clearing during the business hours at counter at branch or through Drop Box (where ever available).

1.1 (a) Local Cheques

All **CTS compliant** cheques and other Negotiable Instruments payable under **the grid system** would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in cheque drop boxes before the specified cut-off time will be presented for clearing during immediate cycle of clearing. Cheques deposited after the cut-off time in cheque drop boxes within and 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 day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house at the centre.

The branches will display the cut-off time for receipt of cheques to be sent in clearing during the next clearing cycle. The cut-off time for collection of cheque from drop boxes installed at off-site ATM will be displayed on the face of the drop boxes.

Local cheques drawn on our branches will be credited in the customer's account on the same day subject to confirming the guidelines on Inter-SOL transactions.

There are no charges for collection of local cheques.

1.1(b) Non-CTS Cheques will be presented in the clearing house at the prescribed intervals which is presently once in week on each Monday or as decided by RBI from time to time. In certain categories of cheques, (subject to amendments in guidelines) or instruments demanded by the correspondent Bank or Image quality Assessment (IQA) failure will be presented in physical form to the drawee bank.

1.1(c) The Bank branches, situated at centers where there are no arrangements of clearing house, 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. **But not later than 3rd working day from the date of deposit by customer**

1.2 Outstation Cheques :

1.2 (a) Cheques drawn on other banks at outstation centres other than those covered under para-1 above, 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.

1.2 (b) Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

2. Immediate Credit of Local / Outstation Cheques / Instruments:

Bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.20,000/- tendered for collection by individual account holders subject to **satisfactory conduct** of KYC Compliant accounts for a period not less than 6 months. Immediate credit will be provided against collection of 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 facility of immediate credit will be offered on Savings Bank / Current / OD/ Cash Credit Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance requirement in the account.

Under this policy, instruments like Demand Draft / Bankers Cheque, Interest / Dividend warrant etc., 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.
- b) 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.
- e) The account is complied with KYC AML Policy of the Bank on the date of credit provided

The 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.

The Branches will display the scheme of immediate credit of outstation cheques on their notice board for knowledge of the customers. This will also be displayed on Bank's web-site.

However, wherever product specific limits are specified for immediate credit of outstation cheques are provided, the same will be extended to the customers or Rs.20000/- whichever is higher.

2.1 Interest on cheques returned unpaid under Immediate Credit :

If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will not be charged any interest from the date immediate credit was given to the date of return of the instrument unless the bank had remained out of funds on account of withdrawal of funds. Interest wherever applicable would be charged on the notional overdrawn balances in the account had credit not been given initially.

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

3. Purchase of local / outstation cheques

The 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.

Charges as applicable from time to time will be levied.

3.1 Immediate credit of Banker's Cheque, Drafts etc. during suspension of clearing

In case of temporary suspension of Clearing House operations for reasons beyond the control of authorities /bank, and it is apprehended that suspension may prolonged, in order to entail hardship of the constituents, bank may try to accommodate both borrowers and depositors to the extent possible by purchasing Banker's cheques, demand draft etc and cheques deposited in their account drawn by Government Departments and Demand Draft drawn on local banks. This facility will be extended on the basis of creditworthiness, integrity, past dealings and occupation of the constituents to safe guard the interest of the bank against possibility of such instruments being dishonoured subsequently.

b) Time Frame for Collection of Local / Outstation Cheques / Instruments:

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

(a) Cheques payable at CTS centres : Maximum period of 7 days.

(b) Non CTS centres : Maximum period of 10/14 days.

As per the Compensation policy of bank, Bank will pay interest to its customer on the amount of collection of local cheques at the Savings bank interest rate in case there is delay in giving credit beyond the time frame given for collection of local cheques given at Para -5.

c) Payment of Interest for delayed Collection:

5.1 Outstation Cheques sent for Collection within India

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) Saving Bank Rate for the period of delay beyond 3 working days in case of local cheques.**
- (b) Savings Bank rate for the period of delay beyond 7 days in collection of outstation cheques payable at CTS Centres and 10 days in non CTS Centres.**
- (c) Where the delay is beyond 14 days interest will be paid at the rate applicable to term deposit for the respective period.**
- d) 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.**
- e) In the event the proceeds of cheque under collection are 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.**

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

6. Service Charges:

For all collection services the bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer by displaying the same on Bank's website.

7. Cheque return on account of technical reason along with list of reasons and Representation of returned cheque

Cheques returned on account of technical reason will be represented (wherever required and possible) in the immediate next presentation clearing not later than 24 hours (excluding holidays).

Cheque will be returned if any alteration is made in cheque. No changes / corrections should be carried out on the cheques in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. excepting change in the date for validation period, fresh cheque forms should be used by customers. It is also applicable for the instruments presented in clearing at CTS-2010 grid based clearing centres. 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.

Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. List of reason for returns where the customers are not at fault are indicated in Annexure –I.a.

8. Collection of third party cheque:

“In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, branch will not collect account payee cheques for any person other than the payee constituent”.

However, under following circumstances bank will collect account payee cheques for third parties.

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

- b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.
- c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, bank may consider collecting account payee cheques drawn for an amount not exceeding Rs. 50,000/- to the account of their customers and the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, bank will obtain a clear representation in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will 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 Instruments Act, 1881, including Section 131 thereof.

This is applicable to Drafts, Pay Orders and Banker's Cheque also.

9. Collection of cheques in the name of Deceased Person :

For collection of cheque in the name of deceased person, bank will obtain authorization from the Survivor(s)/nominee of a deceased account holder to open an account styled as "Estate of Shri _____ Deceased". Where all pipeline flows in the name of deceased account holder could be allowed to be credited, provided no withdrawals are made.

Or

The Bank would be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark "Account holder deceased" and will intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary.

10. Validity of Cheques / Drafts / Pay orders / Banker's Cheques :

With effect from April 1, 2012, the validity of Cheques / Drafts / Banker's Cheques is three months only from the date of issue. The validity period is mentioned on the face of Cheque leaves, Drafts / Banker's Cheques printed after 01.04.2012. Instruments should be presented within the validity period of three months from the date of issue.

11. 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 bring the same to the notice of the account holder so that the account holder 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.

The onus of such loss lies with the collecting banker and not the account holder. If the cheque / instrument have been lost at the paying bank's branch, the collecting banker will have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

In line with the compensation policy of the bank the bank will compensate the account holder 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 under point No.4.
- 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. The charges incurred for making stop payment of the lost cheque by the customer with the Paying Bank will be compensated by the Bank.
- d) In the cases where cheque is lost after it has been discounted, Bank will not recover the interest for a period of 15 days when it comes to know about the loss of the instrument. This will give ample time to the borrower to obtain duplicate instrument from the drawer. In case borrowers fail to liquidate the account after lapse of 15 days, the interest at contractual rate will be recovered from them till the amount advanced is fully paid.

12. *Miscellaneous:*

- a. ***Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours. However in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the bank will be***



responsible to keep these instruments for a maximum period of 3 months.

- b. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 48 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days bank will send them back at the recorded address by post or courier.**

Illustrative but not exhaustive list of objections / reasons 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	Reasons 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 1 st proximo
75	Pay order 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

A. Cheques payable in Foreign Countries

Such instruments are accepted for collection on the “best of efforts” basis. The bank is committed to ensuring that instruments drawn in foreign currencies and payable outside India are collected in the quickest and most efficient manner. Cheques payable at foreign centers where the bank has branch operations (or banking operations through 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 drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

The maximum period for affording credit will be 25 working days or 1 calendar month whichever is higher (subject to holidays in those countries).

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

The dishonored instruments will be returned/dispatched to customers as per policy on “Dishonour of Cheques”.

Collection of foreign currency denominated cheques payable outside India.

For collection of USD cheques/instruments drawn on USA, Authorized Dealers (AD branches) to forward the same to NRI Branch, Mumbai identified as Nodal Branch/single point collection centre to collect cheques and instruments. Nodal Branch (NRI branch, Mumbai) will pool the instruments received from all branches in India and shall forward to Bank of Baroda New York.

Cheques /Drafts deposited for the purpose of opening of FCNR account should be sent by AD branches directly to BOB New York for credit of specific designated Nostro account for FCNR deposit.

Authorized branches presently having cheque collection arrangements with Wells Fargo Bank may continue to use their services in addition to the cheques collection arrangement with BOB New York as mentioned above.

For cheques drawn in currencies like EUR/GBP tendered for collection at our branches, cheques drawn in Euro is sent for collection to our Brussels branch and those drawn in GBP to our London main branch. Major transactions in these currencies are done through wire transfers.

As such no separate Correspondent Banking arrangement for collection of Euro /GBP denominated cheques is envisaged.

The Bank will endeavour to provide the credit to its Customers at the earliest. Foreign currency cheques received at non authorized branches are sent to authorized branch for collection. Authorized branch sends it to respective correspondent bank on the same day through Bank's approved reliable courier service. The time norms for collection and return of the instruments varies from country to country and place to place within the country where a 'cooling period' is prescribed, which are as under:-

- on New York, USA is 6 working days
- on other centers in the USA is 15 working days
- on London, UK is 5 working days
- on other centers in the UK is 15 working days
- on Brussels one month

The effect of credit in customer's account will be given from the date of credit in Nostro account. In exceptional cases, where there is delay in giving credit, interest is paid at the applicable rate for the delayed period.

B. Immediate Credit of Foreign Currency cheques

The Bank may consider providing upfront credit by purchasing the customer's personal cheques/ instruments, demand drafts, international money orders, bankers pay orders payable abroad. If the conduct of the account has been satisfactory in the past, for a charge at its sole discretion i.e. applicable buying rate plus interest for a transit period of 15 days at domestic commercial rate of interest (**MCLR (One year)+SP+6.25**). Alternatively, the customer may utilize the Final Credit Service, provided by certain correspondents of our Bank on payment of a fee, which gives return free credit subject to certain conditions.

Cheques/instruments drawn on other banks /our branches located outside India will be collected at the risk & responsibility of the customers for which a Letter of Indemnity (**as per Annexure-II.a**) will be taken from the customer by the branches.

C. Service Charges:

There is a separate schedule of charges for collection of foreign currency cheques which is as under:-

Clean instrument for collection:-

Commission will be recovered on collection of instruments sent for collection abroad at prevailing rate approved by bank from time to time.

D. Payment of Interest for delayed Collection of Cheques sent for collection to foreign countries.

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

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

Saturday may continue to be treated as working day except for transactions involving conversion at confirmed exchange rate.

Additional Interest:

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

Interest for delayed collections will be payable at the following rates:

2% over the applicable Saving Bank rate of interest for the period of delay

The customer will also be compensated for the loss on account of adverse movement of exchange rate i.e. loss due to exchange rate difference, if any, between the actual exchange rate at which foreign currency is converted into Indian Rupees and the exchange rate as on the latest due date of payment .



Annexure - II. a

To be stamped as Letter of Indemnity

DRAFT OF INDEMNITY

(For collection of cheques drawn outside India)

Place:

Date:

To

Bank of Baroda

_____ Branch

Dear Sir,

In consideration of your undertaking/agreeing to undertake the function of collection of cheques drawn on other Banks / your branches located outside India (overseas branches, for short) in my / our favour and deposited in my / our savings / or other deposit _____ account/s, I / / We

_____ hereby agree, undertake and assure to indemnify and keep you indemnified, save you harmless and safe against/from/and of all actions, losses, costs, consequences, charges, expenses, claims and demands which BANK OF BARODA may incur or sustain by reason or on account of the Bank's such collection of foreign cheque/s or other instruments for and on my/our behalf, thereby action as my/our Agents, including those claims etc., occasioned by/arising from/out of return of cheques and other instruments and/or discrepancies whether technical or financial, if any found, subsequent to crediting of realization proceeds of cheques and other instruments to my/our _____ Account (No. _____/ Nos.

_____) and I am/we are allowed to draw/withdraw the same out of the said account/s such claims against the Bank arising whensoever for whatsoever reason/s and howsoever and whether or not the said account/s is/are alive operative at the time when the Bank make a demand on/claim against me/us.

Yours faithfully,

(Name/s of Customer/s)