

Policy on Collection of Cheques / Instruments

1. Introduction

Keeping in view the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation Instruments and (iii) Interest Payment for Delayed Collection. 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 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 over-riding objective of the policy is to put in place a normative framework for collection of cheque and other instruments for Bank's customers, adherence to such norms and customer compensation in case of delay.

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.

3. Scope / Coverage

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.

4. Arrangements for Collection:

Branches will receive the cheque for collection/clearing throughout the business hours.

4.1. Local Cheques

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 cheque drop boxes before the specified cut-off time will be presented for clearing on the same day. 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 clearinghouse at the centre. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

The respective branches will display the cut-off time for receipt of cheques to be sent in clearing on the same day in their premises. 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. Accordingly, cut-off time for receipt of high value clearing and receipt of cheque for payment to Government account like Income Tax etc., will also be displayed in the branches.

The 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.

Local cheques drawn on our branches will be credited in the customers account on the same day.

4.2. Outstation Cheques

Cheques drawn on other banks at outstation centres 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. The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. The collection of outstation cheques drawn on CBS branches of our network and other banks CBS network will be as under:

i. Cheques drawn on Bank's own branches:

All branches of the Bank are on CBS platform since September 2009. Thus all branches will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches .

ii. Outstation cheques drawn on other bank's network through **Speed Clearing:**

Outstation cheques drawn on other bank's network which are under Core Banking environment are collected locally through Speed Clearing system.

In order to leverage CBS in faster clearing/collection of outstation cheques, Speed Clearing was introduced by RBI at all the MICR Clearing Centres in the country. The concept of Speed Clearing envisages for the Banks to locally pay outstation cheques of branches covered under CBS without having to physically send the cheque to the branch of the drawee bank for clearing. Customers would in such cases get credit on T+1 basis ('T' being cheque presentation day at the clearing house) provided the other conditions for passing the cheques are met. In other words, outstation cheques drawn on branches covered under the CBS will effectively be treated as local cheques for clearing purposes saving time and cost of collection, thus benefiting the customers

4.3 Cheques payable in Foreign Countries

Cheques payable at foreign centres 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 / centres where the correspondent has presence. Cheques drawn on foreign banks at centres 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.

Collection of foreign currency denominated cheques USD/EURO/GBP :

For collection of US\$ cheques Bank has arrangement with Wells Fargo bank and Deutsche Bank. Branches send the cheques directly to their Mumbai office. The CBs convert the cheques and send the images on the same day to their Bank in U.S. which saves transit time.

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 authorised branches are sent to authorised branch for collection. Authorised 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.

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 (Base Rate+3%). 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 will be taken from the customer by the branches.

Service Charges:

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

Clean instrument for collection:-

Commission to be recovered on clean instruments sent for collection abroad is 0.1% of amount, Minimum Rs.50/- , Maximum Rs.5000/-.

4.4 Immediate Credit of Local / Outstation Cheques / Instruments:

The Branches / extension counters of the 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 such KYC Compliant accounts for a period not less than 6 months. 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 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.

The Bank has devised special pay-in-slip (Form No.291) in which customers desiring to avail the facility are required to tender the cheque duly filled up and signed.

Under this policy, instruments like **Demand Drafts**, Interest / Dividend warrants shall be treated on par with cheques.

In the event of dishonor 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 to 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.

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 gist of 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.

Apart from providing immediate credit of Rs.20,000/- for outstation cheques to customers, immediate credit for extended amount is also available for the following products:

- i. Baroda Premium Current Account - Rs.50,000/-
- ii. Baroda Privilege Current Account - Rs.1,50,000/-
- iii. Baroda Centenary Savings Bank Account - Rs 25000/-
- iv. Baroda Subh Savings Bank Account - Rs.25000/-

The branches may consider providing higher amount of immediate credit in respect of prepaid instruments and those issued by government undertakings, reputed companies after ascertaining the genuineness of the instruments.

4.5 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.

5. 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.

Cheques / Instruments presented in high value clearing shall be credited on the same day (applicable only in areas covered by high value 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 four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres: Maximum period of 7 days.
- b) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days.
- c) In all other Centres: Maximum period of 14 days.
- d) Cheques drawn on Foreign Countries: The maximum period for affording credit will be 25 working days or 1 calendar month whichever is higher (subject to holidays in these 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 within 24 Hours.

6. Payment of Interest for delayed Collection of 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) 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 but up to 90 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 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.

7. 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 .

8. 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.

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 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.

9. 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.

10. 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. 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 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 was 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.

11. 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.

12. Periodicity of Review of the Policy

The policy will be effective for one year from the date of approval and it will continue to be in force till the reviewed policy comes into place.
