

JANATA SAHAKARI BANK LTD.,PUNE
(Multistate Scheduled Bank)

Collection Of Cheque Policy

2023-2024

**Department: Inward Clearing under
CICD Department**

**Reference RBI & NPCI Circular's of
Procedural Guidelines**

**Control: Controlling Accounting
Heads must be nil.**

Compliance Officer : HOD CICD

1. Introduction

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local/Outstation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

2. Purpose

The purpose of the policy is to fix normal framework for collection of cheques/instruments of Banks customers & to provide transparency & fairness in the treatment of customers.

3. Scope

This policy is based on following aspects for providing quick collection services to the customer.

- i) Collection of cheques and other instrument payable locally, at centers within India and abroad.
- ii) Our commitment regarding time norms for collection of instruments.
- iii) Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- iv) Policy on dealing with collection instruments lost in transit.

4. Actual Details :

- A) **Local Cheques** – All Cheques and other negotiable instruments payable locally shall 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 shall be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes as well as in collection boxes in off-site ATM shall be presented in the next clearing cycle. Credit shall be given to the customer account on the same day. However, withdrawal of such credit shall be allowed as per the cheque return schedule of the clearing house of local centres.

Branches situated at centres where there is no clearing house local, cheques would be presented on drawee banks across the counter and credit to the customer shall be given on the same day against the proceeds given by drawee bank. Statement showing the details of instrument through bilateral exchange for every month in the prescribed format of R.B.I. Signed by the concerned branch manager and it should be sent to the concerned Regional Director of RBI, National Clearing Cell.

B) **Special Clearing** - Outstation cheques drawn on banks participating in speed clearing at specified locations shall be collected and treated as local cheques (at par cheques) and credit shall be given as per the return schedule of the clearing house of that particular centre.

C) **Outstation Cheques - OBC** Cheques drawn on banks at outstation centres. Not having our branch, the instrument would be directly sent for collection to the drawee bank or agency bank with whom our tie-up arrangement exists.

Cheques drawn on our own branches at outstation centers shall be collected through centralized processing arrangement (CBS) and the credit shall be given on the same day.

D) Cheques payable at Foreign Centres (countries) shall be collected through the local banks having our collection arrangement for such cheques. The cheques received at our branches till 12.00 p.m. shall be sent to those banks on the same day. The cheques received after 12.00 p.m. shall be sent the next day.

The credit shall be given on receipt of intimation of credit to our account by the agency bank. Such instruments shall be accepted for collection on 'the best of efforts' basis.

5. Risk Identification:

While transacting in multiple instruments, many risks are to be countered and payment is to be made with utmost care and without negligence. Following risks are identified as potential threats while clearing the instruments:

- 1) Handling of instruments : While handling the instruments manually, instrument may get deteriorated/torn out. Specially instruments pinned with staple pins etc.
- 2) Loss of instruments : The cheques are carrying from branch to CICD Department by courier facility. It is always a risk of loss/change of branch while returning. The loss of instrument is loss of faith on bank.
- 3) Duplicate/Fake instruments : In modern world technology is so advance that duplication or creating fake instrument is easier. Presentation of fake cheque is hard to negotiate.
- 4) Alteration/False presentation : stolen cheque/cheque received under fraudulent identity may get deposited at branch level. Any cheque can be alter by advance technological tools. The risk of such alterations and fraudulent cheques lies with bank.

6. Mitigation of Risk :

- 1) Bags and verification of cheques : For avoiding handling risk separate bag for each branch is provided to couriers having locking system with one key to branch and one at CICD level. The cheques are physically verified and unpinned at CICD.

- 2) Counting of cheques : The cheques get counted at CICD and batch ticket describing no of cheques, total amount of batch etc. Separation of other bank cheques (ABB) is done at this level.
- 3) UV Scanning : Duplicate/fake instrument can find out by scanning under ultra violet lamp fitted inside scanner, which highlights logo/bank name hidden under cheque (watermark).
- 4) Alteration/false representation : The high value cheque (above 1.00 lac) scanned under UV machines may reveal alterations. Some alterations maybe found with naked eyes. Emails can be sent to respective banks to take caution while passing such cheque/s, for its genuineness and confirmation of drawing the cheque by drawer.
- 5) Implementation of Positive Pay System : Positive Pay is confirmation given by the drawer of the cell for high value cheque at least one day prior to the date of cheque to Drawee bank. So that the Drawee bank can able to submit the cheque details to NPCI before the cheque present for clearing

7. Time frame for collection of local/outstation cheques/instruments

For local cheque presented in clearing credit shall be given as on the date of settlement of funds in clearing and the customer shall be allowed to withdraw funds as per the return clearing norms prevalent at that centre.

- i) Cheques presented at any of the four major centres (New Delhi, Mumbai, Chennai, Kolkatta) maximum period of 7 days.
- ii) Metro centres and state capitals (other than those of north eastern states) maximum 10 days.
- iii) In all other centres -maximum 15 days.
- iv) Cheques drawn on foreign countries as early as possible and such instruments are accepted for collection on the best of efforts basis.

8. Payment of interest for delayed collection of outstation cheques and cheques payable Outside India.

As part of the compensation policy the bank shall pay interest to its customer on the amount of collection instruments under above i, ii, iii, in case there is a delay in giving credit beyond the time period mentioned above.

Interest for delayed collection shall be paid at the following rates.

- i) Saving bank rate for the period of delay beyond 7 / 10 / 15 days as the cash may be in collection of outstation cheques.
- ii) Where the delay is beyond 15 days interest shall be paid at the rate applicable to for short term deposit for the respective period.
- iii) In case of extra ordinary delay i.e. exceeding 90 days interest shall be paid at the rate of 2% above the corresponding term deposit rate.
- iv) In case of loan account the interest shall be paid at the rate applicable to the loan account.

9. Cheques/instruments lost in transit / in clearing process or at paying banks branch

In case a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying banks branch the bank shall immediately on coming to know of the loss, inform to the customers/so that he can inform the drawer to record stop payment. The bank should provide all assistance to customer to obtain a duplicate instrument from the drawer of the cheque.

The bank shall compensate the customer in respect of instruments lost in transit in the following way -

- i) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7,10,14 days) interest shall be paid for the period exceeding the stipulated collection period at the rates specified above.
- ii) In addition bank shall pay interest on the amount of the cheque for a further period of 15 days at saving bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- iii) The bank would also compensate the customer for any reasonable charges he incurs in getting duplicate cheque.

10. Superior Force

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 disaster, that may damage to the banks facilities or of its correspondent banks, absence of the usual means of communication or all types of transportation beyond the control of the bank, prevents it from performing its obligation within the specified service delivery parameters.

11. Service charges

For all collection services the bank shall 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 customer adopted by the bank. The charges however shall be within the RBI stipulated schedule of charges. (The current schedule of service charges of our Bank is attached.)

12. Periodicity on Review of the policy

The policy on collection of cheques/Instruments shall be effective for one year & subject to review every year.

13. CTS CLEARING SYSTEM: -

NPCI (National Payments corporation of India) is the sister concern of RBI, which take care of all the clearing activities in India. NPCI introduced new clearing system i.e. CTS (Cheque Truncation System) in 2010, prior to this implementation of new system, a cheque has to be truncated physically to the particular branch of the bank. In CTS the image of the cheque is truncated not the physical cheque hence this system is also known as ICS i.e. Image Based Clearing System.

Our bank implemented CTS in 2014 for all its branches. Every bank segregated the C.T.S. work into Outward and inward clearing.

Outward clearing means: - The cheques which are credited to our bank's customer accounts. Bank has to adhere the timings of NPCI for presentation of cheques as well as for uploading the return files, hence branches need to send the cheques collected over the counter to CICD till or on 1.00 PM then only it is possible to process and send those cheques to NPCI on T+1 basis, if instruments received by CICD after 1.00 PM, then it shall be settled on T+2 basis on concern account.

Time line for CTS work process for branch related work.

Inward clearing: - On or before 12.00 PM

Outward clearing: - Instruments received before 1.00 PM on T+1 basis.

Instruments received after 1.00 PM on T+2 basis.

Customer Grievances: -

It is obvious to receive some complaints in CTS from customers, Bank shall follow the RBI guidelines to resolve them on priority basis.

14. PPS (Positive Pay System) :

According to RBI circular dated 25/09/2020 Positive Pay System is introduced by NPCI for its member banks. Our bank had also implemented the PPS system from 01/01/2021,

In positive pay system information of cheque up and above Rs.50,000.00 is required to filled in. It is on customer's wish to enter the information of cheque amounting to "Rs.50,000.00 to 4,99,999.00, but information above RS 5,00,000.00 and above is bounded to be filled in positive pay system.

The positive pay system includes following information to be updated in app.
1) Cheque no. 2) Date of cheque, 3) Name of the payee, 4) Amount in words
5) amount in figure 6) Upload cheque image.

Our bank had decided to provide this facility through JSB positive pay application on mobile, Internet Banking facility, Information to home branch for feeding information on bank's software.

The DD/Pay order issued by branch should also feed data in bank's software, if the amount crosses the above limits.

15. Abbreviations :

- 1) NPCI : National Payment Council of India
- 2) PPS : Positive Pay System
- 3) OBC : Outstation Bills Collection
- 4) UVS : Ultra violet Scanner
- 5) CTS : Cheque Truncation System
- 6) MICR : Magnetic Ink Character Recognition (Reader)
- 7) CTSOW : Cheque Truncation System Outward Clearing
- 8) P2F : Paper to follow
- 9) ABB : Any Branch Banking