

**KERALA GRAMIN BANK
HEAD OFFICE :: MALAPPURAM**

FINANCIAL MANAGEMENT WING

POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS – 2024-25

INDEX SI No.	Details	Page No.
1	INTRODUCTION	2
2	ARRANGEMENTS FOR COLLECTION	2
3	TIME FRAME FOR COLLECTION OF LOCAL / OUTSTATION CHEQUES / INSTRUMENTS	5
4	PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES AND CHEQUES PAYABLE OUTSIDE INDIA	6
5	CHEQUES / INSTRUMENTS LOST IN TRANSIT / IN CLEARING PROCESS OR AT PAYING BANK'S BRANCH	7
6	FORCE MAJEURE	7
7	CHARGING OF INTEREST ON CHEQUES RETURNED UNPAID WHERE INSTANT CREDIT WAS GIVEN	7
8	SERVICE CHARGE	8
9	Annexure I	9
10	Annexure II	11

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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 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. 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.

2. Arrangements for Collection:

2.1. Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. 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 clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

Normal collection charges applicable at the material time will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.

2.1.1. Speed Clearing

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.

2.1.2. CTS Clearing (Cheque Truncation System)

The Bank is participating in the CTS grid Clearing, **Southern Grid at Chennai**, as an indirect member, through Canara Bank. **Southern Grid** in Chennai covers Andhra Pradesh, North Eastern States, Orissa, Karnataka, Kerala, Tamilnadu & West Bengal states.

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

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.

Clearance of Govt. cheque is presently under "paper to follow" system at CTS and other clearing centres. However, RBI proposes to introduce CTS for Govt. Cheques also. Upon receipt of RBI instructions the Bank would modify its systems suitably.

2.1.3. 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-I to this policy.

2.1.4. 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-II.

2.1.5. Cheques that need to be re-presented without any recourse to the payee shall be presented in the immediate next presentation clearing, not later than 24 hours(excluding holidays),with due notification to the customers of such presentation.

2.1.6. Dishonor /Return of cheques:

Bank needs to mention the 'Date of Return' & sign/initial the Cheque Return Memo and the objection slip is to be signed/initialed, giving therein a definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

2.1.7. Collection of Third Party Cheques in clearing:

RBI has prohibited Banks from crediting 'account payee' cheques to the account of any person other than the payee named therein. However, with a view to mitigating the difficulties faced by members of co-operative credit societies in collection of account payee cheques, RBI has permitted banks to collect for such societies account payee cheques drawn for an amount not exceeding Rs.50,000/- on behalf of their constituents.

2.1.7.1 Normal collection charges will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.

2.2. Outstation Cheques

2.2.1. Cheques drawn on other banks at outstation centres other than those covered under 2.1 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/sponsor bank. The bank would also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

2.2.2. 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 subject to the limit prescribed.

2.2.3. All "CTS-2010 Standard" Cheques and other Negotiable Instruments (CTS compliant), payable outstation on any banks, would be presented by the branches linked to respective CTS-Grid through the grid based clearing system. (Chennai, Mumbai and Delhi Grids). As at present we are member of Southern Grid clearing at Chennai only, outstation cheque beyond the centers of Southern Grid Clearing shall be presented directly to the Bank branch concerned.

2.2.4. Timeframe for collection of cheques :

Cheques drawn on branches of other banks located at State Capitals and Major "A" class Cities/other locations will be collected within 10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified as per Para 4 shall be paid without insisting/waiting for a request from the customer.

2.2.5. Outstation cheques will be paid subject to recovery of usual service charges, plus GST applicable, as per Bank's extant instructions.

2.3. Cheques payable in Foreign Countries

The services of Sponsor bank will be utilized for collecting the foreign currency denominated Cheques payable at foreign centres, tendered by our customers for collection.

The Foreign Sight for Collection (FOSC) will be accepted on collection basis only. As per arrangement, the instrument shall be routed through FM wing at Head Office to be sent for collection to Malappuram Main branch of Canara Bank to be lodged with its designated FD branch.

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

Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15000/-tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 6- 12 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.

Under this policy, prepaid 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 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 / CTS clearing arrangements.

2.4 .1 Immediate credit of Inter SOL cheques:

Inter SOL cheques means, KGB cheques drawn on other branches deposited by the customer of the collecting branch. Immediate credit of inter SoL cheque up to Rs.10 lakhs is permitted in the CBS system of the Bank without levying any charges. Inter SoL cheques above Rs.10 lakhs shall be cleared/credited after obtaining permission from HO FM wing. Collection charges at appropriate rate shall be made for value of cheque above Rs.10 lakhs.

2.5. Purchase of local/outstation cheques

Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

This will be done within the discretionary powers vested with the Branch Manager in the respective Grade/Scale, as per discretionary power structure, on the day of purchase itself and is required to be reported to the next higher authority, immediately.

3. 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 that centre.

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

- a) Metro Centres and State Capitals (other than those of North Eastern States and Sikkim):
Maximum period of 10 days.
- b) In all other Centres : Maximum period of 14 days.
- c) Cheques drawn on 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. Towards this the Bank has an arrangement with its Sponsor Bank for speedy collection of such instrument(s) through their Foreign Department, at designated centers. . Bank would give credit to the party upon realization credit of proceeds into the bank's Nostro Account with the Sponsor bank after taking into account cooling periods as applicable to the countries concerned. Country/location specific times norms wherever stipulated will be specified for foreign currency instruments and made known to the customers at the point in time of while accepting instruments for collection.

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

The bank will pay interest to its customer on the amount of collection instruments under 3.a, and b given above 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) For the delay up to 14 days beyond the permitted collection period (10/14 days) interest shall be paid at SB rate.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for 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 was to be credited to an overdraft/ loan account of the customer, interest will be paid at the rate applicable to the overdraft/ loan account.

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 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 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 (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.

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.

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 sponsor bank, 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. 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 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 clean 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. 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.

Annexure I : REASONS FOR RETURN

COD E 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
----	---------------

Annexure II : 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')

Cod e 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

