



BNP PARIBAS - INDIA

POLICY

Collection of Local and Outstation Cheque

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SECTION I: GENERAL POLICY

1.00 INTRODUCTION

In the current banking scenario ‘Collection of instruments(Cheques, drafts, Pay Orders, warrants etc)’ is one of the important ancillary services provided by all the banks. This service has great potential to enhance customer satisfaction, and to attract new clients besides providing good scope for increasing the fee-based income of the bank.. BNP Paribas –India is providing collection of local and outstation cheques services under normal cheque collection facility and also under specialised Cash Management Services.

2.00 LEGAL PROVISIONS

The relationship between the collecting bank and its customer is that of agent and principal, the bank being the agent. The collecting bank is expected to exercise reasonable skill, care and diligence in presenting and obtaining payment of the instruments received from the customer for collection. In case, the customer suffers loss or damage, on account of the bank’s negligence in discharging the duties, the bank would be liable for action by the customer against the bank.

3.00 BANK’S RESPONSIBILITY

Section 84 of the Negotiable Instruments Act 1881 stipulates that “Where a cheque is not presented for payment within a reasonable time of its issue, and the drawer or person on whose account it is drawn had the right, at the time when presentment ought to have been made, as between himself and the banker, to have the cheque paid and suffers actual damage through the delay, he is discharged to the extent of such damage ,that is to say, to the extent to which such drawer or person is a creditor of the banker to a larger amount than he would have been if such cheque had been paid.”

The collecting bank, therefore, must present the cheque to the drawee bank within a reasonable time. Section 84 further states that “In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade and of bankers, and the facts of the particular case.”

Hence BNPP branches should present the cheques through the next available local clearing immediately on receipt of the instruments before the cut-off time fixed by each branch in India.

In respect of cheques lost in transit or in the clearing process or at the paying bank’s branch, the bank should immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record stop payment and can also take care that other cheques issued by him are not dishonoured due to non credit of the amount of the lost cheques / instruments.

The onus of such loss lies with the collecting banker and not the accountholder.

The bank should reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

4.00 PROTECTION TO THE BANK

Section 131 of the Negotiable Instruments Act states that: "A banker who has, in good faith and without negligence, received payment for a customer of a Cheque crossed generally or specially to himself shall not, in case the title to the cheque proves defective, incur any liability to the true owner of the Cheque by reason only of having received such payment." Hence the collection must be in good faith and without negligence.

5.00 GENERAL GUIDELINES

5.01. Cheque collection facility is generally provided to the clients of the bank. A customer means a person/corporate entity who has an account with the bank and his/its dealing with the latter are in the nature of banking business.

5.02. All the cheques received by BNPP Branches/offices are invariably crossed with the bank's clearing rubber stamp as a precaution against their being stolen and encashed.

5.03. BNPP branches while collecting the cheques, must act in good faith and without negligence.

5.04. The cheques marked "Account Payee" or "Account Payee only" must be collected on behalf of the payee only.

5.05. Third party cheques should not normally be collected unless approved by the appropriate authorities.

5.06. Branches should accept cheques for collection along with the prescribed Paying-in-Slip duly filled in and signed by the client/client's representative.

5.07. The Paying-in-Slip has to be verified properly and date stamp has to be affixed by the verifying official with his/her signature and the time of receipt.

5.08. Instruments tendered ,should be examined in detail to ensure that they are complete in all respects and are in order.

5.09. If an instrument is in favour of a bank or specially crossed to a bank, it should not be accepted for collection except when we are acting as an agent of that bank for collection.

5.10. Cheques drawn on banks under moratorium declared by RBI should not be accepted for collection.

5.11. If the instrument tendered is for credit of a new account and the instrument bears a date prior to the date of opening the account, proper enquiries should be made to ensure genuineness of the title of the depositor.

5.12. Branches should exercise due care while accepting cheques for a customer's account drawn by him 'Per Pro', or by him and another, on behalf of his firm or his principal, and made payable to himself.

5.13. Irrespective of whether the instrument has been crossed or not, the instrument should unfailingly be crossed specially to the Bank by affixing a special crossing seal across the face of the instrument.

5.14. Branches should enquire into circumstances surrounding operations of an account which are of unusual nature e.g. cheque/s presented for collection for large amounts or not in tune with the nature or volume of business/activity of the customer, withdrawal of large amounts immediately on collection.

5.15. While sending the instruments for collection the following procedure has to be followed by the branches:

- a). instruments drawn on local place where our Branch is situated have to be presented locally in the appropriate clearing.
- b). instruments drawn on a branch of our bank, should be sent to that particular branch directly.
- c). instruments drawn on another bank where our Bank branch is located should be sent to our bank branch .
- d). instruments drawn on another bank in places where our bank has no branch, should be sent through the correspondent bank where we have tie-up arrangements. In case we do not have any tie up arrangement, such instruments shall be sent directly to the drawee bank branches or to another bank branch for collection.

5.16. Appropriate endorsements are to be made on the reverse of instruments sent for collection and all endorsements should unfailingly be authenticated by the concerned supervisor.

5.17. All instruments lodged for collection on or before the cut-off time (to be fixed by each of our branches) should be processed and dispatched to the respective banks/branches on the same day.

5.18. All instruments should be sent by Registered Post or through the Courier through whom the bank has an arrangement.

5.19. It should be ensured that the complete address of the collecting Bank Branch/Drawee Branch is legibly written and that instruments are dispatched to the right destination.

5.20. Proper follow up of instruments sent for collection should be ensured. If the proceeds are not received within a reasonable time, a reminder followed by Telegram and Registered letter A.D should be sent.

5.21. When an instrument sent for collection is lost in transit and a confirmation to this effect is received from the Collecting Bank/Branch, an intimation has to be sent to our Customer informing him of the loss of the instrument in transit and request for duplicate instrument and to make arrangement for settling the transaction.

5.22. Proceeds received by way of Demand Draft should be verified to ensure that the amount remitted is correct and should be sent for collection through local clearing.

5.23. Our Branches should show due diligence in informing the customer about the dishonour of a cheque so as to enable him to recover the amount from the parties liable. If the return is due to insufficiency of funds, this must be clearly communicated. If a cheque is returned for technical reasons which are to be rectified by our Bank Branch as a collecting Branch, it should nevertheless inform the customer about the return and representation of the cheque.

5.24. The returned instrument together with the return memo(issued by the drawee bank/branch) should be returned to the customer immediately either by hand delivery or by Regd Post A.D or by Courier against proper acknowledgement.

5.25. Commission and out of pocket expenses should be collected as per our card rate/as per our sanction to the customer.

5.26. Value Payable Letter charges paid if any should be recovered from the customer. When the instrument is returned by a Branch, necessary return charges as per our Card rate /agreement with the customer has to be recovered.

5.27. If an instrument sent for collection is to be purchased subsequently ,it has to be ensured that the instrument satisfies all the requirements to qualify for such a purchase.

5.28. Instruments sent for collection, which are not realised within a reasonable time, should not be purchased under any circumstances.

5.29. Wherever credits are passed before the receipt of the money(Cheque Purchase) necessary credit limit have to be fixed to the customers. Credit facility is given only to customers with appropriate sanctioned credit limits put in place by the appropriate sanctioning authorities of the Bank.

5.30. Customers wish to avail the cheque collection facility under Cash Management Services of the bank have to execute necessary CMS application and the facility has to be sanctioned by the appropriate authorities.

SECTION II: POLICY ON IMMEDIATE CREDIT OF LOCAL/OUTSTATION CHEQUES

1.00 INTRODUCTION

The RBI had initially advised banks to afford immediate credit in respect of outstation cheques upto Rs.2500/- subject to certain conditions about the proper conduct of the customers' accounts. The Goiporia Committee on Customer Service, had recommended the facility of affording immediate credit of outstation instruments upto Rs.7500/- .The RBI vide Circular DBOD.No.Leg.BC.21/09.07.007 dated August 23, 2002 increased the limit to Rs.15,000/- However the RBI vide Circular DBOD.No.Leg.BC.55/09.07.005/2004-05 dated November 1, 2004 has withdrawn the instructions on immediate credit and left it to the individual banks to formulate their own comprehensive and transparent policy on immediate credit of local and outstation cheques. Accordingly we have framed our Bank's Policy on immediate credit of local and outstation cheques which is as below.

2.00 ELIGIBLE AMOUNT :As most of our individual account holders are high network individuals, we can consider the limit of up to Rs.25,000/- for affording immediate credit.

3.00 ELIGIBLE CUSTOMERS:

3.01. The facility is to be extended to all the Savings , Current or Cash credit accounts held in individual names either singly or jointly .

3.02. The facility should not be extended to staff accounts as a matter of routine.

3.03. While extending this facility, the branch has to ensure that the account has been operating satisfactorily for a minimum period of six months .

3.04. The facility is to be extended to accounts which are properly introduced and adhering to KYC norms.

3.05. The facility can be refused/denied for the following reasons:

- a).Return of instruments without realisation on which the facility was accorded earlier.
- b).Return of instruments without realisation three times during the last one year or from the date of opening of the account whichever is shorter.
- c).Unsatisfactory operations in the account , during any time in the last one year.
- d).Outstanding Liability on account of facility afforded earlier.

4.00 ELIGIBLE INSTRUMENTS:

4.01. The facility is applicable to local as well as outstation instruments (within India) only.

4.02. The facility is available to all the instruments such as Cheques, Demand Drafts, PayOrders, Dividend /Interest / Refund warrants.

4.03. The instrument must be in favour of the account holder.

4.04. The facility can be afforded to a single customer for more than one instrument upto the value of Rs.25,000/-.

4.05. The facility should not be allowed for Self-drawn cheques.

4.06. The facility should not be extended for third party cheques endorsed in favour of the account holder depositing the Cheque.

5.00 OPERATIONAL GUIDELINES

5.01. The customer should mention on the Paying-in-Slip whether he requires immediate credit facility. If the clients are not in need of immediate credit they have to mark as “For collection Only”.

5.02. The bank may consider introducing different pay-in-slips superimposing a notice to the effect that in the event of dishonour of the Cheque, the customer will have to pay interest for the period the bank is out of funds at our BPLR rate **apart from the prescribed service charges**

5.03. A notice regarding the availability of the facility should be prominently displayed at each branch

5.04. Wherever the facility is declined a noting has to be made in the paying-in-slip with the reasons.

5.05. The commitment on account of the immediate credit has to be accounted customer wise under “Cheque Purchase”.

5.06. All instruments against which the facility of immediate credit is extended should be processed immediately and there should not be any delay in the presentation of the instruments.

5.07. In case the instruments under immediate credit facilities are returned unpaid, the amount of the instruments the interest at our card rate and return charges of the banks involved including our own bank charges should be collected from the customer or debited to the clients’ account. **However, 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.**

5.08. The instruments so dishonoured /returned unpaid should be retained by the branch till the account holders settles the amount in full.

5.09. Where recovery of Bank’s dues is not forthcoming the same should be reported to the concerned RM/Business line , Risk and compliance.

5.10. Return of cheques for want of funds attracts legal action including prosecution of the drawer of the Cheque under section 138 of the Negotiable Instruments Act. Branches have to consult our Head-Legal for guidance, if the Cheque is favouring the bank or if there are any issues why the returned instrument cannot be returned to the customer who deposited the cheque.

5.11. The outstanding cheques against which the immediate credit is afforded should be followed up with the collecting Bank Branch promptly.

5.12. In case no balance is available in the account and no securities are held , a notice as per the following format has to be served in consultation with our Head-Legal.

Ref.No.

Date:

Mr./Ms.....

.....

Dear Sir/Madam

Sub:Cheque/Instruments deposited by you with us for collection, which has/have been returned unpaid.

The following instrument/s Cheque/s deposited by you with us for collection onfor the credit of your SB/Current Account No:.....with us has/have been returned unpaid:

Sl. No.	Particulars of the Cheques /Instruments	Date of Insts	Amount of Instruments Rs.	Name of the Drawer	Drawn on	Reason for the Return

You are aware that immediate credit of Rs.....was given to you in respect of the above instruments by credit to your.....account No.....with us pending presentment for payment and payment thereof in clearing or otherwise. Please note that the aforesaid instruments deposited by you for collection was/were presented to the drawee for clearing and the same has/have been returned unpaid by the drawee bank with their Return Memo dated.....for the reason(s).....We have received the unpaid instrument(s) on.....

There is no balance in your.....account No..... with us or the balance was insufficient for reimbursing ourselves by reversing the credit in respect of the immediate credit that was given to you against the instruments deposited pending collection thereof. As also the return charges of the drawee bank and our own. Please note that the immediate credit given to you on.....in respect of the instruments deposited by you for collection has been accounted for in a Cheque Purchase account immediately on payment to you. As the instruments have been returned unpaid, you are liable to pay us as on date a sum of Rs.....being the balance unpaid under the Cheque/s along with interest thereon from the date of credit to date and Cheque return charges. You are called upon to pay the said sum together with interest at the rate of...% per annum, compounded with monthly rests till date of actual payment. immediately on receipt of this letter failing which we shall be constrained to take appropriate action against you for recovery thereof at your risk as to all costs and consequences thereof, which please note.

Yours faithfully,

For BNP PARIBAS

Authorised Signatories

5.13. Generally the bank takes necessary precautions while dispatching the cheques for collection through courier and through Registered Post. In case if the bank comes to know that the instrument sent on collection has been lost in transit, the client will be intimated in writing on the loss of cheques sent on collection and under immediate credit facility. The copy of the communication received from the drawee bank/collecting bank will be provided to the client. In case if the client is in need of a “Non Payment certificate” from the drawee bank, the same will be arranged within a reasonable time.

5.14. In case if the instruments under immediate credit facilities are lost in transit, the amount of the instruments, the interest at our card rate and our bank’s applicable collection charges should be collected from the customer or debited to the clients’ account. However, the cheque return charges will be waived.

5.15. The customer will not be charged any interest from the date immediate credit was given, to the date of intimation of the lost in transit, unless the bank had remained out of funds on account of withdrawal of funds.

5.16. Where recovery of Bank’s dues is not forthcoming, for the cheques lost in transit, the procedure as stated under Point No: 5.09.to 5.12 has to be followed and a letter with necessary modifications in consultation with our legal, has to be issued to recover our dues.

6.00 SERVICE CHARGES

A.LOCAL INSTRUMENTS UPTO Rs.25,000.00 : Rs.25.00

B.OUTSTATION INSTRUMENTS: ON BNPP LOCATIONS NON-BNPP LOCATIONS

1.UPTO Rs.10,000.00 : Rs.50.00 Rs.100.00

2.ABOVE Rs.10,000.00 AND UPTO Rs.25,000: Rs.100.00 Rs.250.00

NOTE: No separate Cheque purchasing charges need be levied

In case of the instruments are returned unpaid, the interest at our BPLR + 2% should be collected.

(The charges are subject to change periodically)

SECTION III: POLICY ON TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION CHEQUES

1.00 INTRODUCTION

The RBI had vide Circular DBOD.No.BC.No.59./09.07.007 dated May 17, 1995 stipulated time frames for collection of outstation cheques in four metropolitan centres having MICR Cheque clearing system, in respect of State capitals and centres with more than 100 bank offices as also in case of local cheques.

However the RBI vide Circular DBOD.No.Leg.BC.55/09.07.005/2004-05 dated November 1, 2004 has withdrawn the instructions on time frame for cheque collections and left to the individual banks to formulate their own comprehensive and transparent policy on the time frame for the collection of local and outstation cheques. Accordingly we have framed our Bank's Policy on time frame for the collection of local and outstation cheques which is as below.

2.00 BNPP-INDIA TIME FRAME FOR LOCAL AND OUTSTATION CHEQUE COLLECTIONS

2.01 LOCAL CHEQUES

ON BNPP LOCATIONS

2.01.1 CHEQUES UNDER HIGH VALUE CLEARING (Lodged on or before the clearing cut-off time): Credit will be offered on the same day **The cut of time for lodgement is 11.15am (except Saturdays)**

For eg: If a High Value cheque is lodged at 11.15am on Monday morning the credit will be offered on the same day in the evening before 5.00pm.

2.01.2 CHEQUES UNDER MICR CLEARING : (Lodged on or before the clearing cut-off time)

Credit will be offered latest by the third working day **The cut off time for lodgement is 3.00pm from Mon to Fri and 12.00 Noon on Saturdays)**

For eg: If a MICR Cheque is lodged at 3.00pm on Monday the credit will be offered on 10.30am on Tuesday or the next working day however the withdrawal is subject to the Cheque return information received from the clearing house.

ON NON BNPP LOCATIONS (Under Specific arrangement)

2.01.3 CHEQUES UNDER HIGH VALUE CLEARING (Lodged on or before the clearing cut-off time):Credit will be offered on the immediate next working day

2.01.4 CHEQUES UNDER MICR CLEARING : (Lodged on or before the clearing cut-off time)

Credit will be offered latest by the third working day

The clearing cut off time various from place to place selected by the clients

2.02 OUTSTATION CHEQUES

2.02.01 CHEQUES DRAWN ON BNPP LOCATIONS:

Credit will be offered within a week. latest on the same day in the following week i.e. 8th day from the date of lodgment of instruments.

2.02.02 CHEQUES DRAWN ON LOCATIONS WITH MORE THAN 100 BANK OFFICES(EXCLUDING BNPP LOCATIONS):

Credit will be offered within 10 working days(excluding intervening holidays) from the date of lodgment of instruments

LOCATIONS:

Agra, Amritsar, Bhopal, Chandigarh, Coimbatore, Indore, Jaipur, Jallundhar, Kanpur, Kochi, Lucknow, Ludhiana, Madurai, Mangalore, Nagpur, Patna, Surat, Thiruvananthapuram, Vadodara, Varanasi.

2.02.03 CHEQUES DRAWN ON OTHER LOCATIONS: (EXCLUDING EAST, NORTH EAST AND REMOTE LOCATIONS)

Credit will be offered within 15 working days(excluding intervening holidays) from the date of lodgment of instruments.

2.02.04 CHEQUES DRAWN ON EAST, NORTH EAST AND OTHER REMOTE LOCATIONS

Credit will be offered within 25 working days(excluding intervening holidays) from the date of lodgment of instruments.

2.03 CHEQUES PAYABLE IN FOREIGN COUNTRIES

Cheques payable at foreign centres 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/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 the drawee banks with instructions to credit the proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

SECTION IV: POLICY ON INTEREST PAYMENT FOR DELAYED COLLECTION OF OUTSTATION CHEQUES

1.00 INTRODUCTION:

The RBI advised banks vide Circulars DBOD.No.Leg.BC.88/C.466(IV)/88 dated February 4,1988 and DBOD.No.BC.147/09.07007/99-2000 dated March 9,2000 to pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10/14 days in collection of outstation instruments. Banks were also advised vide circular dated March 9,2000 to pay penal interest at the rate of 2 per cent above fixed deposit rate as applicable for abnormal delay caused by branch in collection of outstation instruments.

However the RBI vide their Circular DBOD.No.Leg.BC.55/09.07.005/2004-05 dated November 1, 2004 has withdrawn the instructions on interest payment for delayed collection and left to the individual banks to formulate their own comprehensive and transparent policy on interest payment for delayed collection of outstation cheques. Accordingly we have framed our Bank's Policy on interest payment on delayed collection of outstation cheques.

2.00 TIME NORMS FOR COLLECTION OF OUTSTATION INSTRUMENTS

CHEQUES ON BNPP LOCATIONS: on or before 8th day

CHEQUES ON LOCATIONS WITH MORE THAN 100 OFFICES: on or before 10 working days

CHEQUES ON OTHER LOCATIONS(other than East, Northeast and remote Locations): on or before 15 working days

CHEQUES ON EAST , NORTHEAST AND REMOTE LOCATIONS: on or before 25 working days.

3.00 RATE OF INTEREST PAYABLE FOR DELAYED COLLECTION OF OUTSTATION CHEQUES

3.01. When instruments are collected for credit to Non-borrowal accounts ,our bank will pay interest at :Option: 2% above Savings bank rate for the delayed period.

3.02. When instruments are collected for credit to borrowal accounts, our bank will pay interest at Saving bank rate + 2 % or interest charged to the borrowal account whichever is less.

3.03. No interest is payable when instruments/collection proceeds are lost in transit.

3.04. Interest will be paid only when the amount of interest is more than Rs.10/-

3.05. Interest will be rounded off to the nearest rupee

3.06. Interest shall be calculated on the total amount of instrument sent for collection on a day.

3.07. Interest shall be calculated only for the period of delay above the days mentioned in Section III above.

3.08. Instruments received from clients under the Cash Management Services of the Bank will not be considered under this category.

3.09. 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 labor disturbances, accident, fire, 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 or its correspondent bank(s) prevents it from performing its obligations within the specified service delivery parameters.

4.00 OPERATIONAL GUIDELINES:

4.01. Branches should maintain proper record of all cases where the branch had to pay interest, with full particulars.

4.02. The Manager Operations / Branch Manager / Head of Cash Management will seek approval from the Head of Coverage / Head of Liabilities and Cash Management for payment of interests on delay of collection of outstation cheques.

4.03. The interest for delayed collection should be credited to customer’s account or by Cheque and should not be paid to the customer in cash.

4.04. Interest paid on account of delayed collection, should be paid by debiting” Interest paid on Delayed Collection A/c”

4.05. Where the delay has occurred at the other bank, interest should be paid to the customer immediately and the amount so paid, should be claimed from the other bank, subsequently.

4.06. A note has to be prepared client wise for each interest payment on delayed collection of outstation instruments and a complete record has to be maintained by each branch for verification by the audit team in the following format.

DETAILS TO BE FURNISHED IN THE NOTE

1. Name of the Customer

2. Details of the instruments lodged for collection:

3. Details of the Bank/Branch where instruments sent for collection:

4. Date of receipt of the instruments for collection:

5. Date of dispatch of the instruments for collection:

6. Date of credit of the proceeds:

7. No.of days delayed in collection:

8. Applicable rate of interest:

9. Amount of instrument sent for collection:

10. Interest amount to be paid :

11. Reason for the delay:

OFFICER

HEAD-BRANCH OPERATIONS

5.00 RECORD TO BE MAINTAINED BY OUR BRANCHES:

S. No	Name of The Customer	Inst Drawn On Bk	Inst sent to Bank/Br.for collection	Dt.of Receipt	Dt.of Credit	Actual Due date	No.of days of delay	Amount of Instrument	Amount of Interest paid	Reason for delay

SECTION V: RBI CIRCULARS

Customer Service - Immediate credit for outstation and local cheques - enhancement of ceiling

Reserve Bank of India
Central Office
Department of Banking Operations and Development
Centre - 1, World Trade Centre
Cuffe Parade, Colaba, Mumbai - 400 005

Ref.DBOD.No.Leg.BC. 21 / 09.07.007 / 2002-03
August 23, 2002.

All scheduled commercial banks
(excluding RRBs and LABs)

Dear Sir,

Customer Service - Immediate credit for outstation and local cheques - enhancement of ceiling

Please refer to our circular DBOD No.BC.181 / 09.07.007 / 99-2000 dated May 29, 2000 advising banks to afford immediate credit upto the value of Rs.7, 500/- in respect of outstation and local cheque tendered for collection by customers.

2. We advise that based on the recommendation of the Indian Banks' Association (IBA), it has been decided that the present ceiling of Rs.7, 500/- should be enhanced to Rs.15, 000/- for immediate credit of outstation / local cheques subject to the extant guidelines issued by the Reserve Bank of India from time to time.

3. In terms of the extant instructions, banks are required to observe the following guidelines for affording immediate credit in respect of outstation/ local cheques tendered for collection by their customers:

- (i) Normal collection charges may be recovered in case of outstation cheques and a charge of Rs.5/- may be recovered for local cheques.
- (ii) The bank should be satisfied about the proper conduct of the account of customer.
- (iii) The bank may extend the facility to all individual depositors without making a distinction about their status, i.e. Savings Bank, Current or Cash Credit Account.
- (iv) The banks should not lay any separate stipulation for minimum balance for extending the facility.
- (v) The facility is also to be allowed to the customers at the bank's Extension Counters subject to the usual precautions taken by banks in this regard.

- (vi) While immediate credit of cheque will amount to grant of advance, non-charging of interest on such cheque of the face value upto Rs.15, 000/- will not be viewed as violation of Reserve Bank of India's directive on interest rates on advances.
- (vii) In case where the instrument of face value exceeding Rs.15, 000/- is received for clearing and the proceeds of the instrument are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the stipulated rate (in addition to the usual service charges prescribed by the bank), shall also be charged for the period for which outlay of funds is involved.
- (viii) In the event of the cheque being returned unpaid, the bank can recover interest in conformity with the applicable interest rate directive of Reserve Bank of India for the period the bank is out of funds.
 - a. No interest is to be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
 - b. Banks may charge interest from the date of return of the cheque till the reimbursement of money to the bank.
 - c. Where the cheque is credited to a savings bank account, no interest will be payable on the amount so credited if the cheque is returned unpaid.
- (ix) The banks may consider introducing different pay-in-slips superimposing a notice to the effect that in the event of dishonour of the cheque, the customer will have to pay interest for the period the bank is out of funds at the normal rate.
- (x) A notice regarding the availability of facility should be prominently displayed at each branch.

4. You may, accordingly, issue suitable instructions to your branches for immediate action.

5. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)
Chief General Manager-in-Charge



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2004/261

DBOD.No.Leg.BC.55 /09.07.005/2004-05

November 1, 2004

To

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Committee on Procedures and Performance Audit on Public Services (CPPAPS)-
Formulating policy for (i) Immediate Credit of local / outstation cheques (ii) Time
Frame for Collection of local / outstation cheques and (iii) Interest Payment for
delayed collection

As you are aware, Reserve Bank has been issuing instructions, from time to time, to banks on issues relating to (i) Immediate credit of local / outstation cheques (ii) Time frame for collection of local / outstation cheques and (iii) Interest payment for delayed collection. The instructions in this regard are briefly summarised below:

2.(i) Immediate Credit of local / outstation cheques: Banks were advised to afford immediate credit in respect of outstation cheques upto Rs.2,500/- subject to certain conditions such as bank being satisfied about the proper conduct of the customers' accounts etc., which was raised to Rs.15,000/- vide our Circular DBOD.No.Leg.BC.21/09.07.007 dated August 23, 2002.

(ii) Time Frame for Collection of Local / Outstation Instruments: We had vide our Circular DBOD.No. BC.No.59/09.07.007 dated May 17, 1995 stipulated the time frame for collection of outstation cheques in the four metropolitan centers having MICR cheque clearing system, in respect of State capitals and centres with more than 100 bank offices as also in case of local cheques.

(iii) Interest payment for delayed collection: We had advised banks vide our Circulars DBOD.No.Leg. BC.88/C.466(IV)/88 dated February 4, 1988 and DBOD.No.BC.147/09.07007/99-2000 dated March 9, 2000 to pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10 / 14 days in collection of outstation instruments. Banks were also advised vide the circular dated March 9, 2000 to pay penal interest at the rate of 2 per cent above fixed deposit rate applicable for abnormal delay caused by branch in collection of outstation instruments.

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3. On a comprehensive review of 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, it is observed that prescription of a single set of rules may not be appropriate. Pertinently in most countries banks are obliged to develop their own individual policy / procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights. Hence, efficiencies in collection of proceeds and providing funds to customers in time is best achieved through a spirit of competition among the banks rather than through issue of guidelines by RBI.

4. Keeping in view the above, it has been decided to withdraw the instructions issued regarding (i), (ii) and (iii) above, leaving it to the individual banks to formulate policies in this regard. Banks should consequently formulate a comprehensive and transparent policy covering all the above three aspects, taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. Further, they may also review their existing arrangements and capabilities and work out a scheme for reduction in collection period. **Adequate care also may be taken to ensure that the interests of the small depositors are fully protected.** The policy framed in this regard should be integrated with the deposit policy formulated by the bank in line with the IBA's model deposit policy. **The policy should clearly lay down the liability of the banks by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer.**

5. The policy may be placed before the Board of the Bank alongwith our current instructions and the Board's specific approval should be obtained on the reasonableness of the policy and the compliance with the spirit of our guidelines.

6. Banks may thereafter ensure that wide publicity is given to the policy formulated by the them in this regard by placing it on the web-site and also displaying the same on the notice board in their branches. The customers should be clearly apprised of the assurances of the bank on the services on these aspects at the time of establishment of the initial relationship be it as a depositor, borrower or otherwise. Further, they may also take necessary steps to keep the customers duly informed of the changes in the policy formulated by them from time to time.

7. The above guidelines have been issued to ensure that the obligations of the bank to the customers and the rights of the customers stand clearly established and observed in practice without demur. However, it may please be noted that the Reserve Bank of India and the Banking Ombudsman would continue to exercise the prerogative to examine any dispute which may arise between the bank and any of its customer, vis-à-vis their published policies and procedures.

8. Please acknowledge receipt. Yours faithfully

(C.R.Muralidharan)
Chief General Manager-in-Charge