

<b>From</b> <b>Indian Overseas Bank</b> <b>Central Office</b> <b>763, Anna Salai</b> <b>Chennai 600002</b>		<b>Ref. No. MISC/308/2025-26</b> <b>Dated: 10.03.2026</b> <b>Issuing Department: Banking Operations</b>
--	---	---

Circular to All Branches/Regional Offices/CO Departments and Other Offices

## **Renewal of Policy on Collection of Cheques/Instruments**

### **I. Preamble**

The Cheque Collection Policy of the Banks reflects our ongoing 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 Policy on Collection of Cheques/Instruments was approved by Board on 09.02.2023 with validity period of three years up to 28.02.2026 subject to annual review.

During the Renewal process, Regulatory Directions, Internal and External Audit observations, Revision/Modification in the Existing Policy Terms and Additional requirements have been considered and approved by the Board on 27.02.2026. The modification/addition in the policy is detailed in Operational Instructions after the Salient features of the Policy.

### **II. Operational Instructions**

#### **The Salient Features of the Policy Includes the following:**

- Collection of Cheques and other instruments payable locally, at centers 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 of Instruments Lost in Transit.
- Doorstep Banking Services through PSB Alliance.
- Positive Pay System (PPS) on Cheque Truncation System.

#### **The Modifications/Additions made in the policy are as follows,**

Sl. No	Addition / Modification/ Deletion	Existing Clause	Modified Clause
<b>Sl. No.1, Page no.1</b>	<b>Addition</b>	<b>New Addition</b>	<b>Now RBI Vide its notification dated August 13,2025 had decided to transition CTS to</b>

			<p><b>Continuous Clearing and Settlement on Realization in two phases.</b></p> <ul style="list-style-type: none"> <li>➤ Phase 1 shall be implemented on October 4, 2025 (which has been successfully implemented).</li> <li>➤ Phase 2 on January 3, 2026.</li> </ul> <p>During phase I cheques presented on our bank have to be confirmed (positive/negative) latest by end of confirmation session or else those will be deemed to have been approved and included for settlement. During phase II the expiry time of the cheques shall be changed to T+3 clear hours and the presented cheques have to be confirmed (positive/negative) latest by in T+3 clear hours, otherwise they will be considered as deemed approved.</p>
Sl. No.2, Clause No.2.1(a), Page no.2	Modification	<p><b>Arrangements for Collection:</b></p> <p>2.1 (a) Local Cheques: All Cheque Truncation System (CTS) Compliance cheques and other Negotiable Instruments which are payable under a gird system will be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within</p>	<p><b>Arrangements for Collection:</b></p> <p><b>2.1 (a) Local Cheques:</b> All Cheque Truncation System (CTS) Compliance cheques and other Negotiable Instruments which are payable under a gird system will be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in collection boxes within the branch</p>

		<p>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 after the cheque return schedule of the clearing house. All branches will fix up the day's cut off time for the inclusion of instruments for clearing, taking into account the time required for scanning uploading and other related operations. While arriving at the said cutoff time care would be taken to extend maximum leverage time to the advantage of the customers. Once the clearing zone is cleared Branch Manager to ensure that the credits are released and regularized. Display board will be placed in the banking hall, indicating the cut off time limit for receipt of cheques for clearing for the day.</p>	<p>premises before the specified cut off time will be presented for clearing in the <b>Next Cycle for Continuous Clearing processing</b> of 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 after the cheque return schedule of the clearing house. All branches will fix up the day's cut off time for the inclusion of instruments for <b>clearing cycle of the day for the continuous clearing</b>, taking into account the time required for scanning uploading and other related operations. While arriving at the said cut-off time care would be taken to extend maximum leverage time to the advantage of the customers. <b>Once Bank will receive response from National Payment Corporation of India (NPCI), Bank will credit the amount directly to respective customer account.</b> Display board will be placed in the</p>
--	--	--	--

			banking hall, indicating the Cycle & Cut off time limit for receipt of cheques for clearing for the day.
Sl. No.2, Clause No.2.1(d), Page no.3	Deletion - Existing and New Addition	2.1.(d) The cheque / instruments drawn on Banks which are not participating in the respective Grid but participating in the other Grids, will be sent to the concerned CBOs for presentation in the CTS Clearing for realization of the proceeds for credit to customer's account accordingly.	<b>2.1.(d) Now, various grid concept is closed and clearing has been centralized at our City Back Office, Chennai under "One Nation One Grid" concept. Hence, all the cheques / instruments drawn on Banks are eligible to put at any branch of the bank for realization through continuous clearing. Bank once received response from NPCI will credit the amount directly to respective customer account.</b>

### III. Conclusion

Branches and Regional offices are advised to the revised guidelines under the Policy on Collection of Cheques/Instruments for rendering effective Customer Service.

**(Purna Chandra Satapathy)**  
**Deputy General Manager & HOD**

# **POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS**

<b>Board Approval</b>	<b>27.02.2026</b>
<b>Validity</b>	<b>27.02.2026 to 28.02.2029</b>
<b>Owner Department</b>	<b>Banking Operations</b>

# Indian Overseas Bank

Banking Operations Department, Central Office, Chennai

## RENEWAL OF POLICY ON COLLECTION OF CHEQUES /INSTRUMENTS

### I N D E X

CHAPTER No	CONTENTS	PAGE No
<b>1</b>	PREAMBLE	<b>1</b>
<b>2</b>	Arrangements of Collection	<b>2-7</b>
	2.1 Local Cheques 2.2 Outstation Cheques 2.3 Cheques payable in Foreign Countries 2.4 Immediate credit of local/Outstation Cheques/Instruments 2.5 Purchase of Local and Outstation Cheques	
<b>3</b>	Time Frame for Collection of Outstation Cheques/Instruments	<b>7</b>
<b>4</b>	Payment of interest for delayed Collection of Outstation Cheques and instruments sent for collection within India	<b>7-8</b>
<b>5</b>	Collection of account payee cheque to third party account	<b>8</b>
<b>6</b>	Cheques/Instruments Lost in Transit/ in clearing process or at paying bank's branch	<b>8-9</b>
<b>7</b>	Cheques/Debit instructions issued by the Customers	<b>9-14</b>
	7.1 Cheque Drop Box Facility 7.2 Dishonoured Cheques	
<b>8</b>	PSB Alliance – Doorstep Banking Services	<b>14</b>
<b>9</b>	Positive Pay System (PPS) on Cheque Truncation System	<b>15</b>
<b>10</b>	Service Charge	<b>15</b>
<b>11</b>	Force Majeure	<b>15</b>
<b>12</b>	Validity of the Policy	<b>15</b>

**Indian Overseas Bank  
Banking Operation Department  
Central Office, Chennai**

**Policy on Collection of Cheques / Instruments**

**1. Preamble:**

From April 27, 2013 onwards, after migration of the entire cheque volume from MICR system to CTS, the traditional MICR-based cheque processing has been discontinued and cheque truncation has started. Cheque truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank to the paying bank branch. In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like date on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across bank branches, other than in exceptional circumstances for clearing purposes. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing.

The electronic movement of images can facilitate reduction in the clearing cycles as well. Moreover, there is no fear of loss of instruments in transit. Further, limitations of the existing clearing system in terms of geography or jurisdiction can be removed, thus enabling consolidation and integration of multiple clearing locations managed by different banks with varying service levels into a nationwide standard clearing system with uniform processes and practices. Under grid-based cheque truncation system clearing, all cheques drawn on bank branches falling within the grid jurisdiction are treated and cleared as local cheques. No outstation cheque collection charges / Speed Clearing charges to be levied if the collecting bank and the paying bank are located within the jurisdiction of the same CTS grid even though they are located in different cities. Detailed circular regarding the procedure of CTS is in place.

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.

***Now RBI Vide its notification dated August 13,2025 had decided to transition CTS to Continuous Clearing and Settlement on Realisation in two phases.***

- ***Phase 1 shall be implemented on October 4,2025(which has been successfully implemented.***
- ***Phase 2 on January 3,2026.***

***During phase I cheques presented on our bank have to be confirmed (positive/negative) latest by end of confirmation session or else those will be deemed to have been approved and included for settlement. During phase II the expiry time of the cheques shall be changed to T+3 clear hours and the presented cheques have to be confirmed (positive/negative) latest by in T+3clear hours, otherwise they will be considered as deemed approved.***

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. (a) Local Cheques**

All Cheque Truncation System (CTS) Compliance cheques and other Negotiable Instruments which are payable under a grid system will 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 in the **Next Cycle for Continuous Clearing processing of 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 after the cheque return schedule of the clearing. All branches will fix up the day's cut off time for the inclusion of instruments for **Clearing Cycle of the day for the continuous clearing**, taking into account the time required for scanning, uploading and other related operations. While arriving at the said cut off time, care would be taken to extend maximum leverage time to the advantage of the customers. **Once Bank will receive response from National Payment Corporation of India (NPCI), Bank will credit the amount directly to respective customer account.** Display board will be placed in the banking hall, indicating the cut off time limit for receipt of cheques for clearing for the day.

2.1 (b) Bank branches situated at centres which are not members of any CTS Grid or 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 but not later than 7 working days from the date of deposit by Customer.

2.1. (c) The cheque / instruments drawn on Banks which are participating in the CTS clearing of the respective Grid will be presented through CTS clearing and credit are passed on to the customer's account accordingly.

**2.1.(d) Now, various grid concept is closed and clearing has been centralised at our City Back Office, Chennai under "One Nation One Grid "concept. Hence, all the cheques / instruments drawn on Banks are eligible to put at any branch of the bank for realisation through continuous clearing. Bank once received response from NPCI will credit the amount directly to respective customer account.**

2.1 (e) The cheque /instruments drawn on bank's which are not participating in the CTS clearing at all, then the instruments will be presented directly or through our branch if any in the same centre, for over-the-counter presentation.

All the branches having cheque drop box facility to be secured with lock and key. The customer can drop the cheques directly in the box or tender the instruments to the counter staff. When the cheque is handed over to the staff member an acknowledgement will be given to the person tendering the cheque. The cheque dropped in the drop box are taken outside for lodging, under the supervision of an officer. If an instrument is lost after being received at the branch either personally or through drop box, or if there is delay in crediting the proceeds the bank will take quick action to protect the interest of the customers.

## **2.2. Outstation Cheques**

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 correspondent bank.

Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

## **2.3 Cheques payable in Foreign Countries**

### **USD Cheques up to USD 10,000.00**

All USD clean instruments/cheques payable in USA up to USD 10,000 will be sent to The Chief Manager, Treasury Department, Central Office, Chennai only, for collection under Bank of America "International Cash Letter Services (ICLS)" by all the Authorised Dealer (AD) branches irrespective of their designated US Dollar correspondent.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

### **USD Cheques above USD 10,000.00**

Cheques above USD 10,000 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 bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.

### **EUR Cheques upto EURO 10,000.00**

All clean instruments/ cheques of currency EUR drawn on Banks in Euro Zone, UK and Switzerland will be sent by the Authorized Dealer (AD) Branches to The Chief Manager, Treasury Department, Central Office for collection under Euro Cash Letter Services provided by Standard Chartered Bank irrespective of their Designated Correspondents.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

### **EURO Cheques above EURO 10,000.00**

Cheques above EURO 10,000 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 bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.

### **GBP Cheques up to GBP 10,000.00**

All clean instruments/ cheques drawn in currency GBP will also be sent by the Authorized Dealer (AD) Branches to The Chief Manager, Treasury Department, Central Office for collection through Cash Letter Services provided by Standard Chartered Bank.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

### **GBP Cheques above GBP 10,000.00**

Cheques above GBP 10,000 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 bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.

### **Cheques in Other Currencies**

Cheques drawn on currencies other than USD, EUR and GBP 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 bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.

Other Foreign Currency (other than USD, EUR and GBP) Cheques above 10,000.00 in the respective Foreign Currency

Cheques above 10,000 in foreign currency other than USD, EUR and GBP 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 bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.

**General guidelines:**

- 1) The exchange rate will be the rate applicable on the date on which the foreign currency is converted in Indian Rupees and credited to the customer's account by the Bank (Date of Vouching).
- 2) As returns on account of frauds and forgeries have no time frame, branches are advised to conduct due diligence and comply with KYC/AML guidelines strictly in respect of new accounts, dormant accounts and in-operative accounts or such accounts where recovery (in case of return of cheque) will be difficult.
- 3) Cheques are not to be accepted for collection from customers representing receipt of foreign contribution by entities like associations/organisations having definite cultural, economic, educational, religious and social programmes and governed by the Foreign Contribution Regulation Act, 2010."

**2.4 Immediate credit of local / Outstation cheques/ instruments:**

Branches of the Bank will consider providing immediate credit of outstation Cheques/ instruments drawn on other Banks, 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 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 arrangements.

The facility of immediate credit will be offered on savings bank/ current/ cash credit accounts of the customers. In the event of dishonour of cheques against which immediate credit was provided, interest shall be recovered from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers, and at commercial rate of interest for current/ Cash credit account of customers.

For the purpose of this policy, a satisfactorily conducted account shall be the one:

- a) Opened at least six months earlier and complied KYC norms.
- b) Conduct of the account 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.

### **2.5 Purchase of Local and Outstation cheques:**

Bank may at its discretion, purchase local outstation cheque tendered for collection at the specific request of the customer or as per the 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.

### **3. Time Frame for Collection of Outstation Cheques / instruments:**

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

- a) Cheques payable at CTS centres: Maximum period of 7 days.
- b) Cheques drawn on foreign countries: Cheques/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 may enter into specific collection arrangements with its correspondent banks in those countries for speedy collection of such instrument(s). Bank would give credit to the party upon realisation credit of proceeds into the bank's Nostro Account with the correspondent 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.

### **4. Payment of interest for delayed Collection of Outstation Cheques and instruments sent for collection within India**

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

### **Interest for delayed collection shall be paid at the following rates:**

- a) Saving Bank Rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Savings bank rate whichever is higher.
- 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 loan account. For extraordinary delays, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to the loan account.

### **5. Collection of account payee cheque to third party account:**

As per Negotiable Instrument Act and with a view to protect the banks being burdened with liabilities arising out of unauthorised collection, bank should not collect account payee cheque for any person other than account holder.

In order to facilitate collection of cheques from a payment system angle, account payee cheque deposited with sub member for credit to their customer's account can be collected by the member bank (sponsor bank) with an undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only upon realization. It is further clarified that collecting bank may consider collecting account payee cheques drawn for an amount not exceeding Rs. 50000/- to the account of the customer who are cooperative credit societies, if the payee of such cheques is the constituent of such cooperative societies.

It is also to be noted that w.e.f., 01.04.2012, banks should not make payment of cheques/ draft/pay order bearing the date or any subsequent date, if they are presented beyond the period of three months from the date of such instruments.

### **6. 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 such 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.

In line with the compensation policy of the bank, the bank will compensate the account holder in respect of instruments lost in transit in the following way:

- i. 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 above.
- ii. 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.
- iii. 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.

**Miscellaneous:**

1. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 24 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days' bank will send them back at the recorded address by post or courier.
2. Bank will levy cheque return charge only in cases where the customer is at fault and is responsible for such returns.
3. Regarding the dealing of frequent dishonour of cheques of value Rs.1crore and above, bank has issued detailed circular with No MISC/391/2009-10 dated 14.08.2009 by Banking Operations Department and also refer to RBI Circular issued vide., 2016-17/33, DBR.No.Leg.BC.3/09.07.005/2016-17 dated 04.08.2016.

**7. Cheques/ debit instructions issued by the customers:**

- a) Bank will keep original cheques/ debit instructions acted upon from the customer's account or copies or images of the cheques received from the presenting bank under Cheque Truncation System (CTS) for such periods as required by law.
- b) Bank will give the cheque / image of the cheque/ debit instruction acted upon or copy thereof as evidence as long as records are available with us. If there is a dispute about a cheque paid / debit

instructions from customer's account and in case the request for such cheque/ debit instructions, no charge will be levied. In respect of requests received beyond this period; charges will be levied as per tariff schedule.

### **7.1 Cheque Drop Box Facility:**

- a) The bank should have both the facilities of Cheque Drop Box and facility for acknowledgment of the cheques on regular collection counter. Branch should not refuse to give on acknowledgement if the customer tenders the cheques at the counter.
- b) Bank shall ensure that customers are not compelled to drop the cheques in the Drop Box. Bank shall in the context of customer awareness, in variable display on the cheque Drop Box itself that customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips. The above message is required to be displayed in English, Hindi, and the concerned regional language of the State.
- c) Bank Shall ensure to have fool proof arrangements accounting for the number of instruments each time the box is opened. So that there are no disputes and the customer's interests will not be compromised.

**7.2 Dishonoured Cheques:** Dishonoured cheques presented for settlement of transaction by way of transfer between two accounts within the bank should be returned to payees/ holders immediately.

**7.2.1** Information on dishonoured cheques that reporting of data by the branches to their respective Regional Office/ Central Office in respect of each dishonoured cheques for amount of Rs 1 crore and above should be made part of Bank's MIS on constituents.

**7.2.2** Reporting of data by the branch to their respective regional office / CO in respect of cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by the Bank irrespective of the value of such cheques as a part of their MIS relating to broker entities.

**7.2.3** As per RBI advised Banks should have a Board approved policy for dealing with recalcitrant customers whose cheques /ECS mandate of value less than Rs one core are frequently dishonoured. They further advised that such policy should also deal with matters relating to frequent dishonour of Cheques/ECS mandate.

- i) The procedures regarding referring and return of cheques are to be scrupulously followed.
- ii) The cheque return charges are to be recovered as per circular on service charges issued by BOD from time to time.
- iii) When cheque is returned for the third time pertaining to a particular account in a financial year due to insufficiency of funds, branches should send a caution advice (Annexure-I)

to the customer requesting him to maintain the account properly and in accordance with the Bank rules and regulations.

- iv) In the event of dishonour of cheques drawn on a particular account of the drawer on four occasions in a financial year, the branch should record the reasons which lead to dishonour of cheques in the account and no fresh cheque books should be issued.
- v) If the customer does not maintain the account properly even then, the branch should send a letter (Annexure-II) to the account holder be registered post with acknowledgement due requesting that the account holder should maintain the account properly and cautioning him that the Bank will close the account if it is not conducted properly within one month. Even after expiry of the notice period if the account is not conducted properly the branch should close the account and remit the balance payable to the customer by draft by registered post with acknowledgement due (Annexure-V). The branch should call for return of the unutilized cheque leaves from the customer and effectively follow up to obtain the same. However, if branches, despite cheque returns, desirous of continuation of account after the notice period should refer to the Regional Office. Regional Managers are vested with authority to allow continuation of the account even after the notice period, taking into consideration merits of the case.
- vi) When the account holder is also a borrower, the returns are to be reported to the sanctioning authorities and the same is to be reckoned while the account is appraised for review/ renewal/ enhancement of limits.

**7.2.4** Dealing with incidents of frequent dishonour of cheques of value Rs1 crore and above to enforce financial discipline among the customers, bank to issue a letter advising the constituents of the conditions for operation with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above on a particular account.

- a) The procedures regarding referring and return of cheques are to be scrupulously followed.
- b) The cheque return charges are to be recovered as per circular on service charges issued by BOD from time to time.
- c) When cheque is returned in a financial year for the First Occasion, branches should send a caution advice (Annexure-I-A) to the customer requesting him to maintain the account properly and in accordance with the Bank rules and regulations. Branches should also draw the attention of customers that if the cheque is returned for second occasion, further cheque books would not be issued. If the customer does not maintain the

account properly even after receipt of the letter, the branch should send a letter to him by Registered post with acknowledgement due (Annexure-II-A) requesting him that he should maintain the account properly failing which there is no other alternative to the Bank but to close the account if the cheque is returned for third time.

- d) The Bank should also caution the customer that their account will be closed if it is not conducted properly within one month. Even after expiry of the notice period if the account is not conducted properly the branch should close the account and remit the balance payable to the customer by draft by Registered post with acknowledgement due (Annexure-V-(A)). The branch should call for return of the unutilized cheque leaves from the customer and effectively follow up to obtain the same. However, if branches, despite cheque returns, desirous of continuation of account after the notice period should refer to the Regional Office. Regional Managers are vested with authority to allow continuation of the account even after the notice period, taking into consideration merits of the case.
- e) In the event of dishonour of cheques drawn on a particular account of the drawer on two occasions, no fresh cheque book is to be issued to the account holder. In such cases branches should put up a comprehensive report to the Regional Office furnishing the reason which lead to the dishonour together with their specific recommendation for withdrawing or continuing cheque facility to the customer.
- f) When the account holder is also a borrower, the return is to be reported to the authorities sanctioning the credit limits and the same is to be incorporated while the account is reviewed for renewal/ enhancement of limits.
- g) Branch should report on daily basis the particulars of all the dishonoured cheques for Rs 1 cr and above and return of all cheques irrespective of amount issued in favour of stock exchanges by stockbroker entities to the respective Regional Offices. Regional Offices should consolidate all such reports every quarter and submit a consolidated statement for the Region to Banking Operation department, Central Office. Regional Offices should submit all the particulars like name of the drawer, name of the beneficiary, purpose of which the cheques are issued, reason for dishonour, number of times cheques are returned during the last year and action taken for non-recurrence etc.

**7.2.5**The policy should also deal with matters relating to frequent dishonour of ECS Mandates.

- a) In the present Banking scenario, public are encouraged to use electronic modes of payment. It is preferable to become less dependent on cash as a mode of payment since electronic

modes of payment are safe, secure, and efficient. It is risk free compared to use of cash as cash is prone to theft and counterfeiting. It necessitates a lot of manpower to handle it and a lot of storage space to store it apart from creating difficulties in physical movement.

- b) The Electronic clearing envisages lodgement of mandate by a customer with his Banker authorizing him to debit his account when a claim is made by an user institution through ECS Clearing. Also, Electronic credit clearing service is provided for effecting bulk payment transactions which had helped dispensing the need of issuing and handling paper instruments by Banks/ Companies/ Corporates /Govt. Departments for effecting payments. To encourage ECS usage, RBI has provided the necessary infrastructure.
- c) Banks should present the ECS mandates on due dates for which it was authorized by customers. Banks should not levy ECS return charges due to dishonour when the mandate is presented prior to the scheduled/ given due date.
- d) When an ECS mandate is dishonoured for the third time in a financial year branch should send a caution advice to the customer (Annexure-III) requesting him to maintain the account properly and in accordance with the Bank rules and regulations. Branches should also draw the attention of customers that if the Mandate is dishonoured for fourth time even after receipt of the letter, ECS will be stopped. If the ECS is returned 4<sup>th</sup> time the branch should send a letter to him by Registered post with acknowledgement due (Annexure-IV) requesting him that he should maintain the account properly failing which there is no alternative to the Bank but to close the account. If the account is not conducted properly the account should be closed and intimation sent to the customer as per Annexure-V. Intimation is to be sent to the customer advising them to cancel the ECS mandate given by the account holder as per Annexure – VI. However, If branches, despite dishonour of ECS mandates, desirous of continuation of account after the notice period should refer to the Regional Office. Regional Managers are vested with authority to allow continuation of the account even after the notice period, taking into consideration merits of the case.
- e) To discourage Banks from indiscriminately charging ECS customers and with a view to encourage ECS by the Public, RBI has prescribed the ceiling limits for charges for ECS returns.
- f) In addition to the above charges, charges levied by RBI/ECS managing Banks, If any, should be recovered from the customers.
- g) National Payment Corporation of India (NPCI) has initiated a project NACH (National Automatic Clearing House) which will

replace the existing ECS/RECS/NECS systems handled by RBI. NACH project consists of two components viz. (i) Mandate Management System (MMS) & (ii) Electronic Transactions handling system. There are two Banks involved in the transactions, i.e., i. Sponsor Bank and ii. Destination Bank. Sponsor Bank will act as mandate beneficiary bank and Destination Bank will be the paying Bank. Our Bank is active as a Destination Bank as well as Sponsor Bank.

**7.2.6** For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e., Payee/holder of dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, bank should extend full cooperation, and should furnish him /her documentary proof of fact of dishonour of cheques.

**7.2.7** Bank shall adopt appropriate procedure for dealing with dishonoured cheques with inherent preventive measures and checks to prevent any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/holder or the return of such dishonoured cheque to him.

**7.2.8** Bank shall lay down requisite internal guidelines for the officers and staff and advise them to adhere to the guidelines and ensure strict compliance thereof to achieve aforesaid object of effective communication and delivery of dishonoured cheque to the payee.

## **8. PSB Alliance – Doorstep Banking Services:**

PSB Alliance Doorstep Banking Services has been launched to customers of all public sector Banks through a common platform under supervision of IBA. Doorstep banking services offered for collection of cheques through PSB alliance or similar agencies is only an extended customer service rendered by the bank for picking up of the negotiable instruments from the customer's door steps and hence such collection process is not a part of this policy.

This policy on collection of cheques/instruments deals with the core function of the bank as a "Collecting Banker" in the normal banking parlance.

However, the negotiable instruments collected through DSB process may be included under the purview of this policy after these cheques/instruments are duly deposited at branch counters or in the collection boxes within the Branch premises.

## **9. Positive Pay System (PPS) on Cheque Truncation System**

To augment customer safety in cheque payment and reduce instance of Fraud, RBI has introduced a new mechanism "Positive Pay System on CTS" from January 2021 for all the cheques of Rs. 50,000 & above and mandatory for Rs.5.00 lakhs and above.

The Cheque details which are available in the Positive Pay System will alone be accepted under Dispute Resolution Mechanism at the CTS Grids

PPS has been facilitated through the following channels with effect from 1<sup>st</sup> January 2021

- Internet Banking
- Mobile Banking
- Website [www.iob.in](http://www.iob.in) (those who do not have Internet Banking/ Mobile Banking)

Cheque of Rs 5.00 Lakhs and above, if not complied with the Positive Pay Guidelines will be dishonoured.

## **10. Service Charge**

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

## **11. 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, Lock out, 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 for all types of transportation etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

## **12. Validity of the Policy:**

This policy is valid for a period of three years from the date of approval and review to be done every year. MD &CEO has the discretion to extend the validity of the policy by 6 months. Any changes suggested by RBI/Other Regulatory authorities during the currency of the said Policy, will automatically form part of the Policy.

\*\*\*\*\*



**Letter to the Customer for dishonour of cheques**

**Annexure-I**

Branch

Date:

To

**Regd post with ack due**

Mr./Ms

Sir/Madam,

**Dishonour of cheques in your savings bank/current a/c No.**

We bring to your kind attention that the cheques issued by you on three occasions during the current financial year have been dishonoured for want of funds in your account. The details of such cheques are given below:-

S.No.	Cheque No.	Date	Amount Rs.	Name of the beneficiary
1				
2				
3				

As you are aware sufficient balance is required to be maintained in the account while issuing cheques as per the existing rules and regulations of the Bank. The bank is also liable to be penalized by RBI when the return of cheques exceeds certain tolerance level. Further, dishonor of cheques for insufficiency of funds attracts penal action against the drawer under Negotiable Instruments Act. The above actions are to instill financial discipline amongst the banking public.

In view of the above, we advise you to maintain sufficient balance in your account while issuing cheques. Please note that if any further cheque is returned in your account within one month due to insufficiency of funds during this financial year, we will be constrained to stop issuing cheque books to you.



We hope that you will appreciate our concern and take necessary precaution to avoid dishonor of your cheques.

We request for your continued patronage.

Assuring you of our best services at all times,

Thanking you,

Yours faithfully,

**MANAGER**





**Letter to the Customer for dishonour of cheques – 4<sup>th</sup> Occasion**

**Annexure-II**

Branch

Date:

To

**Regd post with ack due**

Mr./Ms

Sir/Madam,

**Dishonour of cheques in your savings bank/current a/c No.**

We bring to your kind attention that the cheques issued by you on four occasions during the current financial year have been dishonoured for want of funds in your account. The details of such cheques are given below:-

S.No.	Cheque No.	Date	Amount Rs.	Name of the beneficiary
1				
2				
3				
4				

As you are aware sufficient balance is required to be maintained in the account while issuing cheques as per the existing rules and regulations of the Bank.

We also refer to our letter dated ..... sent to your in this regard.

In spite of our repeated intimation, you have not maintained the account properly and therefore please note that if any further cheque is returned in your account due to insufficiency of funds during this financial year, we will be constrained to stop issuing cheque books to you and **will be constrained to close your account** as per our policy.



We hope that you will appreciate our concern and take necessary precaution to avoid dishonor of your cheques.

We request for your continued patronage.

Assuring you of our best services at all times,

Thanking you,

Yours faithfully,

**MANAGER**





**Letter to the Customer for dishonour of ECS MANDATE**

**Annexure-III**

Branch

Date:

To

**Regd post with ack due**

Mr./Ms

Sir/Madam,

**Dishonour of ECS mandate**

We bring to your kind attention that your ECS mandate could not be carried out on three occasions during the current financial year for want of funds in your account amounting to dishonour. The details are given below:-

S.No.	Date	Amount Rs.	Name of the beneficiary
1			
2			
3			

As you are aware when instructions are given for payment through ECS, sufficient balance is required to be maintained in the account on the due dates as per the existing rules and regulations of the Bank. The bank is also liable to be penalized by RBI when the dishonor of ECS mandate exceeds certain tolerance level. Dishonouring the payment also attracts penal action. The above actions are to instill financial discipline amongst the banking public.

In view of the above, we advise you to maintain sufficient balance in your account in order to comply with the standing instructions for ECS payment on due dates. Please note that if your ECS mandate could not be carried out for want of funds for the fourth time during this financial year, even after receipt of this letter, we will be constrained to cancel your mandate for ECS payment at the sole discretion of the Bank as per our policy.



---

We hope that you will appreciate our concern and take necessary precaution to avoid dishonor of your ECS mandate.

We request for your continued patronage.

Assuring you of our best services at all times,

Thanking you,

Yours faithfully,

**MANAGER**





**Letter to the Customer for dishonour of ECS MANDATE – 4<sup>th</sup> Occasion**

**Annexure-IV**

Branch

Date:

To

**Regd post with ack due**

Mr./Ms

Sir/Madam,

**Dishonour of ECS mandate**

We bring to your kind attention that your ECS mandate could not be carried out on four occasions during the current financial year for want of funds in your account amounting to dishonour. The details are given below:-

S.No.	Date	Amount Rs.	Name of the beneficiary
1			
2			
3			
4			

We refer to our earlier letter dated ..... in this regard.

In spite of our repeated intimation, you have not maintained the account properly and therefore please note that if your ECS mandate could not be carried out for want of funds, even after receipt of this letter, we will be constrained to cancel your mandate for ECS payment besides **closure of the account** at the sole discretion of the Bank as per our policy.

We hope that you will appreciate our concern and take necessary precaution to avoid dishonor of your ECS mandate.



We request for your continued patronage.

Assuring you of our best services at all times,

Thanking you,

Yours faithfully,

**MANAGER**





**Letter to the Customer on closure of the account**

**Annexure-V**

Branch

Date:

To

**Regd post with ack due**

Mr./Ms

Sir/Madam,

**Dishonour of cheques/ECS Mandates in your savings bank/current a/c No.**

We bring to your kind attention that the cheques issued by you/ECS Mandate on four occasions during the current financial year have been dishonoured for want of funds in your account.

We refer to our letter dated ..... sent to you in this regard. We regret to note that even after our clear intimation, you had not kept sufficient balance in your above account for honouring the cheques/ECS mandates.

Hence, as already cautioned in our earlier letter dated ....., we were constrained to close your account and are sending the proceeds of the account by way of our Draft No..... dated ..... for Rs..... in your favour.

**Please return the unused cheque leaves for our records.**

Please acknowledge receipt of this letter and the draft.

Thanking you,

Yours faithfully,

**MANAGER**

Encl. : draft





**Letter to the Company for cancellation of ECS MANDATE**

**Annexure-VI**

Branch

Date:

To

**Regd post with ack due**

M/s.

Sirs,

**Dishonour of ECS mandate A/c. Mr./Mrs./Ms./ M/s.**

We bring to your kind attention that ECS mandate of the above party could not be carried out on four occasions during the current financial year for want of funds in their account amounting to dishonour. The details are given below:-

S.No.	Date	Amount Rs.	Name of the beneficiary
1			
2			
3			
4			

As you are aware when instructions are given for payment through ECS, sufficient balance is required to be maintained in the account on the due dates as per the existing rules and regulations of the Bank. The above actions are to instill financial discipline amongst the banking public.

In view of the above, we had already cautioned the account holder as per our letter dated ..... to maintain sufficient balance for honouring the ECS commitment lest the account will be closed. Since the account holder had not followed the instructions, we were constrained to close their account on ..... In the circumstances we request you to cancel the ECS MANDATE given by the above account holder.



We hope that you will appreciate our concern and do the needful.

Thanking you,

Yours faithfully,

**MANAGER**

