



Ujjivan Small Finance Bank

Cheque Collection Policy

1. Introduction

Ujjivan Small Finance Bank (hereinafter referred to as “USFB”) is committed to providing responsible and best in class financial services to its customers. Customer Service is the key focus area of USFB following a holistic approach targeting consistent improvement in customer experience and quality of operations.

Keeping in view the regulatory guidelines, USFB has formulated a comprehensive and transparent cheque collection policy.

2. Objective

This cheque collection policy of USFB reflects its on-going efforts to provide better service to its customers and set higher standards of performance. The policy is based on principles of transparency and fairness in the treatment of customers. USFB is committed to increased use of technology to provide quick collection services to its customers.

The key objectives of the policy areas are:

- Lay down norms for collection of local and outstation cheques and other instruments
- Lay down procedures to be adopted in case of loss of cheques or delay in collection of cheques and other instruments
- Devise the mechanism for handling returned cheques and re-presentation of cheques
- Put in place a mechanism to monitor instances of frequent return of cheques and take appropriate action with respect to accounts having high number of returned cheques

3. Applicability

The policy will apply to all customers of USFB and it covers cheques and all such instruments that may be sent for collection by its branches and offices. It also captures the roles and responsibilities of bank employees, scope of activities, scope of operations and the monitoring mechanism of the processes and procedures relating to collection of cheques.

4. Governance Structure

USFB shall have the following governance structure for the approval and implementation of this policy.

Board of Directors / Customer Service Committee of the Board

The first version of the policy shall be reviewed and approved by the Board of Directors (Board) of USFB. The Board shall also review and approve all subsequent versions till the Customer Service Committee of the Board (CSCB) is constituted. The power to review and approve all future revisions and versions will vest with the CSCB once it is duly constituted.

Head of Operations

The Head of Operations shall prepare the policy in consultation with other key stakeholders such as Information Technology, Liabilities, Product, Risk and Compliance, Service Quality etc. and ensure that all processes and procedures relating to collection of cheques are aligned to the policy. He or she shall incorporate the changes / provisions suggested by the stakeholders and put up the final version to the Board / CSCB for their approval.

The Head of Operations along with the Head of Liabilities & Financial products would review and revise the Policy at the beginning of each year and/or whenever there is a change in regulations/statutes that have a bearing on the cheque collection process and the Head of Operations would place all the revisions in the Policy, if any, before the Customer Service Committee of the Board on a quarterly basis.

Risk and Compliance

The Risk and Compliance Department of USFB shall examine if the cheque collection processes and procedures are aligned to the policy. They shall approve the processes and procedures, or any changes to them only if they are aligned to the policy and the relevant regulations and statutes.

5. General Guidelines on Acceptance of Cheques

USFB shall accept cheques conforming to CTS 2010 standards from customers / depositors over the counters at its branches, through drop boxes installed in its branches and ATM centres and at center meetings where doorstep banking services are provided.

USFB shall provide acknowledgement for the cheques collected through the branches and doorstep interaction. USFB shall not compel customers to drop the cheques in drop boxes. USFB shall display notices in English, Hindi and the regional languages concerned in its branches and atop drop boxes that customers shall have the option to tender the cheques at the counters and obtain acknowledgement.

USFB shall not decline to accept outstation cheques deposited by its customers for collection. The Bank shall not collect any account payee cheque for any person/s other than the payee constituent mentioned in the cheque.

USFB shall accept a cheque for collection even if the date mentioned on the cheque is a date in Hindi or the date is as per the National Calendar (Saka Samvat), if the cheque is otherwise in order. It shall ascertain the Gregorian calendar date corresponding to the National Saka calendar date in order to avoid collection of stale cheques.

USFB shall not collect cheques that are presented beyond the period of 3 months from the dates mentioned on the instruments. It shall not collect instruments containing material alterations (other than in the date) even if such alterations are authenticated by the drawer/s. It shall not collect Non MICR cheques.

USFB shall subject the cheques accepted for collection to scrutiny under ultraviolet lamps and other such checks as deemed fit and reject instruments that are suspected to have been tampered. Instruments that pass scrutiny and other checks will be collected on a good faith basis with recourse to the account holder / depositor.

6. Arrangements for collection of Instruments

6.1 Collection of Cheques

A) Local Cheques

All cheques that can be collected at the same location where they are tendered – either through CTS clearing or local non- CTS clearing / speed clearing – shall be presented locally, through the clearing system prevalent at the location.

Cheques that are presented over the counters at USFB's branch and collectible locally will be sent for clearing on the same day, if tendered within the cut- off time specified. Cheques dropped in the drop boxes up to the cut- off timings mentioned on them will be sent for clearing on the same day. Cheques tendered or dropped after the cut- off time will be processed in the next working day.

USFB would give credit for local cheques to the customers' accounts on the same day on which the final clearing settlement takes place. It will permit withdrawal of the amounts so credited on the same day.

If the location where a cheque is tendered does not have a clearing mechanism, but has a branch of the drawee bank, USFB's branch will present the cheque directly to the drawee bank, over the latter's counters. In such a case, the proceeds of the cheque will be credited to the payee's account on the same day the funds are received from the drawee bank. The Bank will engage with the drawee bank branch to ensure that the funds are received or fate of the cheque known within a reasonable turn-around-time (TAT).

For the cheques drawn on its own branches, the TAT for collection is as below:

- Cheques deposited across counter during banking hours: Same working day
- Cheques deposited in drop boxes: On the same day they are received at the branches

B) Outstation Cheques

Any cheque that cannot be collected locally because the location where it is tendered is not linked to a CTS grid and the drawee bank does not have a branch there will be treated as an outstation cheque. Such cheques will be collected through one of the mechanisms explained below.

- (i) The cheque is payable at a location where USFB has a branch: The instrument will be collected through USFB's branch at *that* location.
- (ii) The cheque is payable at a location where USFB does not have a branch, but has a correspondent bank arrangement there: The instrument will be collected through the correspondent bank's branch.
- (iii) The cheque is payable at a location where USFB has neither a branch nor a correspondent bank arrangement: The instrument will be sent directly to the drawee bank branch for collection.

6.2 Cheques/ Instruments lost in transit/ in clearing process or at paying Bank's branch:

In respect of cheques lost in transit or in the clearing process or at the branch, USFB shall immediately bring the fact to the notice of the accountholder through any of the channels i.e. in writing, call, SMS or email so that accountholder can inform the drawer to record stop payment and can also take measures to ensure that cheques issued by him or her (the accountholder) are not dishonoured due to non-credit of the amount of the lost cheques / instruments. USFB shall compensate the customer with respect to the cheque/s lost in transit or delayed clearing of cheques as per the Customer Compensation Policy of the Bank.

Additionally, it shall reimburse the accountholder all expenses incurred for obtaining duplicate instruments based on appropriate documentation produced by the customer and also interest for reasonable delays occurred in obtaining the same. If the cheque/ instrument have

been lost at the paying bank's branch, USFB shall reserve the right to recover the amount reimbursed to the customer for the loss of the cheque/ instrument.

7. Time Frame for Collection of Local and Outstation Instruments:

A) Local Cheques

The cut- off time for presenting cheques in clearing or over the counter to the drawee banks and the TAT for crediting proceeds of the cheques shall be aligned to the clearing timings prevalent locally at the location.

Cheques that are tendered / received for collection within the cut- off time shall be presented in clearing (or over the counter to the drawee banks, as the case may be) on the same day. Cheques received after the cut- off time will be processed on the subsequent working day.

Credits for cheques presented in clearing shall be afforded on the day the clearing settlement takes place or within the first working hour on the next business day, depending on the return clearing timings. The cleared funds will be made available to customers immediately after they are credited.

While the cheques are yet under clearing, USFB will afford a 'shadow' credit in the customers' accounts. Allowing customers to utilize 'shadow' credits will be at the discretion of USFB.

Credits for cheques tendered over the counter to drawee banks (at locations where a clearing mechanism does not exist) will be afforded on receipt of cleared funds from the latter. Credits received during banking hours will be afforded on the same day, and credits received after banking hours would be afforded on the next business day.

B) Outstation Cheques

The TAT for collection of outstation cheques will be as per the norms outlined below:

1. Cheques drawn on metros and state capitals (other than Sikkim and North Eastern states) where USFB has a branch: 7 business days
2. Cheques drawn on major cities where USFB has a branch: 10 business days
3. Cheques drawn on locations where USFB has a correspondent bank arrangement: 14 business days
4. Cheques drawn on locations where USFB has neither a branch nor a correspondent bank arrangement: 14 business days

8. Dishonored Cheques

8.1 Procedure for return/dispatch of dishonored cheques

USFB shall ensure that the dishonored instruments are returned or dispatched to the account holders or depositors promptly without delay, in any case within 1 working day.

In case of returned cheques, a cheque return memo will be prepared by USFB wherein the reason for return of the cheque will be indicated. The memo along with the dishonored cheque will be sent to the customer by registered post or through a local courier, or will be handed over across the table. USFB shall return or dispatch the dishonored cheques to the customer at his / her last recorded address available. In case a cheque had been received by another branch of USFB on collection, it shall be dispatched to the sending branch along with the cheque return memo and advice within 1 working day from the date of dishonor.

8.2 Dealing with incidents of frequent dishonor of outward cheques

In instances of frequent return of outward cheques, USFB may send letters advising customers concerned to take steps necessary to reduce the number of returns. If the issue persists despite repeated engagement on its part, USFB may consider closing the accounts after issuing due notice to the concerned customers.

8.3 Re-presentation of Technical Return Cheques and Levy of Charges for such Returns:

If a cheque is returned for a technical reason and can be presented again without any action or intervention of the account holder or depositor's part, USFB will present the cheque again, after intimating the account holder / depositor through one of the channels – by letter, via e-mail, through SMS or over a phone call.

However, if an instrument is returned for reasons relating to availability of funds in the drawer's account or due to a technical reason which requires an action from either the drawer or the payee, USFB will return the cheque to the payee / depositor / accountholder as per the process explained in section 8.1 above.

USFB shall levy cheque return charges only in cases where the reason for return can be attributed to either the drawer or the payee. Charges will not be levied if the reason for return is attributable to the Bank.

9. Purchase of local cheques:

USFB, at its discretion, may purchase local cheque tendered for collection as per the customer's request or as per any prior arrangement. It shall, in addition to the satisfactory conduct of account, shall consider the standing of the drawer of the cheque as a factor while purchasing a cheque. All branches will follow the internal guidelines as per the extant delegation of authority given on purchase of cheques.

10. Immediate Credit of Outstation Cheques

USFB will afford immediate credit of outstation cheques up to an amount of Rs.5000/- (Rupees Five Thousand only) subject to satisfactory conduct of the account.

11. Charges for Collection of Cheques

USFB shall not levy any charge for collection of local cheques presented through CTS, non-CTS or speed clearing. In case of local cheques presented over the counter to drawee banks (at locations where a clearing mechanism does not exist), USFB will not levy any charge on its part; only the paying bank's charges, if any, will be levied to the account.

Charges for collection of outstation cheques will be as per the general schedule of charges communicated from time to time. The charges, in any case, shall not be more than the ceiling prescribed by Reserve Bank of India from time to time. The charges will be all inclusive; i.e., no additional charges such as courier charges, out-of-pocket expenses etc., will be levied.

12. Force Majeure

The Bank shall not be liable if any transaction does not fructify or may not be completed or for any failure on part of the Bank to perform any of its obligations contemplated hereunder if performance is prevented, hindered or delayed by a Force Majeure event (defined below) and in such case its obligations shall be suspended for so long as the Force Majeure. "Force Majeure Event" means any event due to any cause beyond the reasonable control of the Bank, including without limitations, unavailability of any communication systems, breach, or virus in the processes or payment or delivery mechanism, sabotage, fire, flood, explosion, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), civil commotion, strikes or industrial action of any kind, riots, insurrection, war, acts of government, computer hacking, unauthorized access to computer data and storage devices, computer crashes, malfunctioning in the computer terminal or the systems getting affected by any malicious, destructive or corrupting code or program, mechanical or technical errors/failures or power shut down, faults or failures in telecommunication etc. which prevents it from performing its obligations within the specified service delivery parameters.

13. Reporting Requirements

The Operations team shall collate on a quarterly basis, the centralized MIS for the data in respect of dishonored. The data shall be shared with the business verticals concerned for them to engage with the customers concerned and take suitable action, if necessary.

The Head of Operations shall place before the Customer Service Committee of the Board on a quarterly basis, all the revisions made in the Policy, if any.

The Head of Liabilities & Financial products shall place before their Audit/ Supervisory Committee of the Board, every quarter, a consolidated data with respect to incidents of frequent dishonour of cheques and the actions taken on such accounts.

An employee of USFB shall report to his or her senior official/s in case he or she finds any discrepancy in the cheque, with a view to reduce the risk of fraud. Any instance of fraud will be reported to Reserve Bank of India in the manner prescribed by them and to the Board or the relevant constituent committee of the Board.

14. Record Keeping

USFB shall preserve the physical instruments and deposit slips in respect of CTS clearing securely for a period of 10 years as required under Procedural Guidelines for CTS. In case of cheques presented through non- CTS clearing, over the counter and sent on collection, the deposit slips and other relevant documents shall be retained for a period of 10 years from the date of cessation of relationship with customer, so as to permit reconstruction of the customer transactions.

