



# Cheque Collection Policy

## Introduction

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

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

### 1. Objective

This cheque collection policy of the Bank reflects its ongoing 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. The Bank 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 like Demand Drafts, Pay orders/Banker Cheques etc.
- 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

### 2. Applicability

The policy will apply to all customers of the Bank and it covers cheques and all such instruments that may be sent for collection by its branches. 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 and other instruments.

### 3. Governance Structure

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

#### Board of Directors

The first version of the policy was reviewed and approved by the Board of Directors (Board) of the Bank. The subsequent versions shall be reviewed and approved by Board of Directors.



### **Operations and Branch Banking**

The Head of Operations shall prepare the policy in consultation with key stakeholders such as National Manager -Branch Banking, Head of Rural Banking & Micro Banking, Risk, Legal, Compliance & Service Quality etc., and ensure that all processes and procedures relating to collection of cheques and other instruments 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 of Directors** for their approval.

### **Risk and Compliance Departments**

The Risk Department and Compliance Department of the Bank shall separately examine if the cheque collection processes and procedures are aligned to the policy. The Process Approval committee that has representatives from Risk and Compliance Departments besides others, shall approve the processes and procedures relating to cheque collection, or any changes to them only if they are aligned to the policy and the relevant regulations and statutes.

## **4. General Guidelines on Acceptance of Cheques and Other Instruments**

The Bank 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 centre meetings where doorstep banking services are provided.

The Bank shall provide acknowledgement for the cheques collected over the counter at its branches and doorstep banking interaction. The Bank shall not compel customers to drop the cheques in drop boxes. The Bank shall display notices in English, Hindi and the regional languages concerned in its branches and on the drop boxes that customers have the option to tender the cheques at the counters and obtain acknowledgement.

The Bank 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.

The Bank shall accept a cheque for collection even if the date mentioned on the cheque is a date in Hindi or a regional language or if 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.

The Bank shall accept a cheque and honour cheques drawn by customers in English, Hindi or in concerned Regional Language subject to the cheques being in order.

The Bank shall not collect cheques that are presented beyond the period of 3 months from the dates mentioned on the instruments. RBI has directed that no changes/corrections are permissible on cheques presented for collection through CTS clearing, with the sole exception of date of the cheque. For any changes in any of the other fields such as payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. fresh cheque forms should be issued by drawers. This will help in identification and control of fraudulent alterations. Such cheques are not to be accepted for



presentation in CTS clearing. However, the same is not applicable to cheques collected over the counter or direct collection of cheques outside the clearing house arrangements.

The Bank 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 with. Instruments that pass scrutiny and other checks will be collected on a good faith basis with recourse to the account holder / depositor.

## **5. Arrangements for collection of Instruments**

### **a) Local Cheques**

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

- Cheque deposit across the counter – Same working day
- Cheque deposit in drop box- Same working day within cut off time

With effect from September 2020, non-CTS clearing across the country has been stopped. CTS clearing has been extended to all locations and all non- CTS clearing houses (ECCS clearing houses) have been migrated to CTS clearing. Consequently, all cheques that are drawn on banks that participate in CTS clearing shall be collected at the same location where they are tendered through CTS clearing.

Cheques that are presented over the counters at Bank's branch and collectable through CTS clearing shall 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 too shall be sent for clearing on the same day, if they are collectible through CTS clearing. Cheques tendered or dropped after the cut- off time will be processed in the next working day.

The Bank would give credit for such 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.

In CTS clearing, if original cheques have to be tendered to the drawee bank because (a) they belong to the category of cheques that have to be tendered in original or (b) the drawee banks demand certain cheques in original or (c) the image quality assessment (IQA) fails, then such cheques will be presented in original to the drawee bank at the same location.

### **b) Collection Cheques**

Any cheque that cannot be collected through CTS clearing because the drawee bank does not participate in clearing will be treated as a cheque for collection. Such cheques may be drawn on a bank that is present in the same location or in an upcountry location. Such cheques will be collected through one of the mechanisms explained below.

- i. The cheque is payable at a location where the Bank has a branch: The instrument will be collected through the Bank's branch at that location. The branch concerned will tender the



cheque over the counter to the drawee bank and seek payment through NEFT or RTGS or an instrument that is payable in CTS clearing.

- ii. The cheque is payable at a location where the Bank 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 the Bank has neither a branch nor a correspondent bank arrangement: The instrument will be sent directly to the drawee bank branch for collection. The Bank will seek payment through NEFT or RTGS or an instrument that is payable in CTS clearing.

## **6. Cheques/Instruments lost in transit/in clearing process or at paying bank**

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

The Bank would also compensate the customer for any reasonable expenses (up to Rs.500/- only) that 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 that would charge a fee for issue of duplicate instrument.

For delayed clearing of cheque, compensation will be paid the customer as per the Bank's Customer Compensation Policy.

For acts beyond the control of the Bank, the Bank shall not be liable to compensate customers for delayed credit in case of unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, war, damage to the Bank's facilities or of its correspondent bank(s), absence of usual means of communication or all types of transportation, etc., or any other even beyond the control of the bank that prevents it from performing its obligations within the specified service delivery parameters.

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

### **a. Local Cheques**

The cut-off time for presenting cheques in CTS clearing and the TAT for crediting proceeds of the cheques shall be aligned to the clearing timings of the CTS grid in which the cheques are presented.

Cheques that are tendered / received for collection within the cut-off time shall be presented in CTS clearing 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.

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:

- i. Cheques drawn on metros and state capitals (other than Sikkim and North Eastern states) where Bank has a branch: 7 business days.
- ii. Cheques drawn on major cities where the Bank has a branch: 10 business days.
- iii. Cheques drawn on locations where the Bank has a correspondent bank arrangement: 14 business days.
- iv. Cheques drawn on locations where the Bank has neither a branch nor a correspondent bank arrangement: 14 business days.

### **8. Dishonoured Cheques**

#### **a. Procedure for return/dispatch of dishonoured cheques**

The Bank shall ensure that the dishonoured 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 the Bank wherein the reason for return of the cheque will be indicated. The memo along with the dishonoured cheque will be sent to the customer by registered post or through a local courier, or will be handed over across the counter. The Bank shall return or dispatch the dishonoured cheques to the customer at his / her last recorded address available. In case a cheque had been received by another branch of the Bank 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 dishonour.

#### **b. Dealing with incidents of frequent dishonour of outward cheques**

In instances of frequent return of outward cheques, The Bank 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, the Bank may consider stopping issuance of fresh cheques to the accounts and / or closing the accounts after issuing due notice to the customers concerned.

#### **c. 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, the Bank 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, the Bank will return the cheque to the payee / depositor / accountholder as per the process explained in paragraph (a) above in this section.

The Bank 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. Illustrative lists of returns, where the customers are not at fault are indicated in **Annexure-I**.

### **9. Immediate Credit of Outstation Cheques**

The Bank will afford immediate credit of outstation cheques up to an amount of Rs.5,000/- (Rupees Five Thousand only) subject to satisfactory conduct of the account.

### **10. Charges for Collection of Cheques**

The Bank shall not levy any charge for collection of local cheques presented through CTS clearing.

In case of cheques presented over the counter to drawee banks (in instances where a cheque cannot be collected through CTS clearing), the Bank 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.

### **11. Positive Pay System (PPS)**

As notified by Reserve Bank of India vide circular no. PSS.CO.RPPD. No.309/04.07.005/2020-21 dated September 25, 2020, Effective January 1, 2021, facility of "Positive Pay" is made available to customers issuing cheques amounting to Rs.50,000/- & above. However, it is mandatory for issuing cheques for amount Rs.500, 000/- and above.

This will ensure customer safety in cheque payments and reduce instances of erroneous processing on account of tampering of cheque leaf.

The Positive Pay System will further augment safety of the customers in cheque payments and reduce instances of fraud occurring on account of tampering of cheques. Under this process, customers issuing cheques have to submit details of the cheque such as date, Payee name, instrument number, amount, etc. to his / her banker immediately after issuing. Banks will be cross-checking these details when such cheques are presented for clearing by the beneficiaries and any discrepancy is flagged to the drawee bank and presenting bank, who would take redressal measures.

#### **a. PPS General terms and conditions:**

- i. By using the Positive Pay Facility, the Customer shall be deemed to have authorised/allowed the Bank to collect the Information, for all cheques issued by the Customer, and to share the Information with other banks, regulators or any third party in order to facilitate the clearing of the cheques issued by the Customer.
- ii. While the Customers can access the facility through different channels as facilitated by the Bank from time to time, it is not mandatory to utilise the facility for cheques below the value of Rs 5,00,000 (Rupees Five lakhs only) and the Customer may choose to do so,



at their sole discretion, as an additional due diligence. However, the Bank shall have the right to reject the cheque, if the facility is not used by the Customer in regard to cheques which are issued for amounts equal to or above Rs 5, 00,000/- (Rupees five lakhs only). In the event the Customer chooses to utilise the facility, the Customer shall be deemed to have acknowledged that the cheques shall be cross-checked against the information provided by the Customer through the relevant channel and the Customer shall be solely responsible to enter accurate information. The Bank has no control over and takes no responsibility for any errors in the information provided. The Bank shall have the right to reject/return the cheque, if the information provided in Positive Pay does not match with the information on the cheque being presented.

- iii. For any cheque issued by them above Rs. 50,000/- (Rupees fifty thousand only) in value, customer grievance under the dispute resolution mechanism under the Cheque Truncation System grids shall be entertained only if the Positive Pay Facility has been utilised by the Customer while issuing the cheque.
- iv. The Customer must provide the requisite information before the cheque is deposited for acceptance of the information for Positive Pay Facility. If the information is not provided before the said time, the Bank shall not deploy the facility while clearing the particular cheque issued by the Customer.
- v. The Bank shall have the right to reject the cheque, if there is any mismatch in the information submitted by the Customer through the permitted channels and the corresponding details available on the cheque.
- vi. The Bank may rely on third parties to be able to provide the facility, however, the Bank is not responsible for the acts or omissions and commission on the part of the third parties. The Bank does not screen, endorse or recommend third parties and cannot confirm their professional qualifications, skills, licences or permits needed for their line of work.
- vii. The facility may be unavailable for certain periods, including but not limited to maintenance work, unavailability of third-party services, etc. and the Customers cannot bring any claims against the Bank for such unavailability of the facility.
- viii. Any communication of successful validation of the Information, whether through SMS, e-mail or any mode, shall not be treated in any way as a proof of clearance of the cheque.
- ix. The terms of usage shall be governed by the laws of India and any disputes in relation to the use of the facility shall be referred to the exclusive jurisdiction of the courts of Bangalore.
- x. The Customer should indemnify, defend and hold harmless, at their own expense, the Bank from and against any and all liability any other loss that may occur, arising from or relating to the Customer's use of the facility, breach, non-performance or inadequate performance by the Customer of the terms of usage, including but not limited to provision of incorrect Information by the Customer.
- xi. To the maximum extent permitted by applicable law, the Bank, its affiliates, and the personnel, shall not be liable to the Customer for any direct, indirect, special, punitive, exemplary, statutory, incidental or consequential damage, loss of profit, loss of data, loss of business opportunities, and any intangible or economic loss, whether based on tort, negligence, or any other theory of liability, where such loss, liability arises from or in connection with the Customer's use of the facility.
- xii. The Bank may amend/modify the terms, from time to time in its sole discretion, at any time, and such modifications shall be effective immediately upon posting of the modified terms on the Website/Channels. The Customer should periodically review the terms to be aware of such modifications. If the Customer continues to use the facility, it shall be



deemed conclusive proof of the Customer's acceptance of the amended/modified terms and conditions.

## **12. Miscellaneous:**

### **Cheques deposited with wrong account numbers**

- i. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, where the Bank is not able to identify the customer, will be returned to the customer or depositor on receipt of valid claim after verification.
- ii. In cases with incomplete address, incomplete phone number or no phone number mentioned on the pay-in slip, the branch concerned shall keep these instruments for a maximum period of 3 (Three) months. Thereafter, the instruments shall be destroyed in the presence of at least 2 (Two) functionaries of the branch, after recording the details in a register.

## **13. 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 the Bank from performing its obligations within the specified service delivery parameters.

## **14. Reporting Requirements**

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

National Manger-Branch Banking/ Business Head – Rural Banking / Business Head – Micro Banking 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 the Bank 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.

### **15. Record Keeping**

The Bank shall preserve the physical instruments and deposit slips in respect of CTS clearing securely for a period of 10 (Ten) 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 (Ten) years from the date of cessation of relationship with customer, so as to permit reconstruction of the customer transaction. The preservation of the records for the cheques collected shall adhere to the Bank's Record Retention Policy.

### **16. Customer Grievance Redressal**

Any customer grievance relating to a cheque deposited by them shall be redressed as per the Bank's Customer Grievance Redressal policy and processes.

### **Annexure- I**

Illustrative but not exhaustive list of objections where customers are not at fault (Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses) and for which the Bank shall not collect any charge from the customers.

<b>Cheque Return Reason Code</b>	<b>Reason for Return</b>
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received



60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	Payee's a/c Credited' - Stamp required
92	Bank excluded