

# Suryoday Small Finance Bank Limited

## **Policy on Cheque Collection**

*Version: FY: 21-22/1.0*

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## 1. Introduction

Suryoday Small Finance Bank (hereinafter referred to as “the Bank”) aims to promote financial inclusion and creating value for all its stakeholders. Customer Service is a key focus area of the Bank. The Bank focuses on consistent improvement in customer experience and quality of operations.

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

## 2. Objective

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

The key objectives of the policy are as under:

- Lay down norms for collection and credit of Local/ 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 payable locally at centres within India
- Devise a mechanism for cheque return or re-presentation of cheques

## 3. Applicability

The policy shall apply to all customers of the Bank, and it covers all the collection instruments deposited by customers of the Bank for collection. It also captures the roles and responsibilities of bank employees, scope of activities, scope of operations and the monitoring mechanism of cheque collection activities.

## 4. Governance Structure

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

### Customer Service Committee of the Board

The Committee shall be chaired by the designated independent director of the Board and report to the Board of the Bank and the Head of Departments/Business. This Committee shall, inter alia, perform the following functions:

- Review this policy and make recommendations to the Board
- Review the implementation of this policy and periodically align it to the leading market practices and regulatory requirements
- Review business initiatives and strategy and business performance.
- Review the key regulatory and risk concerns as well as the adequacy of the risk management process and upgradation thereof.
- Review the broad concerns in customer servicing and complaints.

The Committee shall approve any new processes associated with cheque clearing or dishonour in alignment with this policy and other regulatory requirements. The Committee shall approve such processes keeping in view the suitability and appropriateness of the customers for such product.

### **Head of Centralised Operations (CPU)**

The **Head of Centralised Operations (CPU)** shall prepare the Cheque Collection policy in consultation with Risk and Compliance, Operations, and IT Departments, which shall be put forth to the Customer Service Committee of the Board for approval. This policy shall seek to cover broad types of cheques, collection, and dishonour procedures. The **Head of Centralised Operations (CPU)** shall ensure review of the policy on an annual basis. Any supplementary processes to the procedures/ mechanism as laid down in the policy shall be approved by the New Product Approval Committee.

## **5. General Guidelines**

- The Bank shall provide acknowledgement to customers in respect of cheques deposited for collection at regular collection counters.
- **Cheque Drop Box facility:** While the Bank may provide drop-box facility for deposit of cheques, customers may deposit their cheques in the drop box. The Bank shall also display a notice in English, Hindi, and the regional language at the drop box that "Customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips". The drop-box shall indicate the cut-off time for presentation of cheques deposited for clearing on the same day. Cheques deposited after the cut-off time shall be presented in the next clearing cycle.
- The Bank shall not collect any account payee cheques for any person other than the payee constituent mentioned on the cheque.
- In the event of dishonour / return of instruments presented through clearing, the Bank shall return such instruments to the customer along with the Cheque Return Memo / Objection Slip duly signed / initialled, mentioning the particulars of the instrument, date of return, definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

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

### **6.1 Cheque clearing process under Cheque Truncation System (CTS) based clearing system**

6.1.1 Only cheques conforming to "CTS-2010 standard" shall be processed on the CTS platform.

6.1.2 Cheque Truncation System (CTS) is presently working at Northern grid in Delhi, Southern Grid in Chennai, and Western grid in Mumbai.

6.1.3 States / Circles covered in Grid based CTS-2010 centres:

**a) Northern grid in Delhi** covers Bihar, Chandigarh, Delhi, Haryana, Jammu & Kashmir, Jharkhand, Rajasthan, Uttar Pradesh & Uttarakhand states (Covering Chandigarh, Delhi, Lucknow, and Patna Circles). Centres covered are Agra, Amritsar, Allahabad, Bhilwara, Chandigarh, Dehradun, Delhi, Gorakhpur, Jaipur, Jalandhar, Jamshedpur, Jammu, Jodhpur, Kanpur, Kota, Lucknow, Ludhiana, Patna, Ranchi, Udaipur, and Varanasi.

**b) Southern grid in Chennai** covers Andhra Pradesh, North-eastern States, Orissa, Karnataka, Kerala, Tamil Nadu & West Bengal states (covering Bangalore, Bhubaneswar, Chennai, Guwahati, Hyderabad,

Kolkata, and Thiruvananthapuram circles). Centres covered are Bangalore, Belgaum, Bhubaneswar, Calicut, Chennai, Coimbatore, Cuttack, Ernakulum, Erode, Guwahati, Hubli, Hyderabad, Kolkata, Madurai, Mangalore, Mysore, Pondicherry, Salem, Tirunelveli, Tiruchirappalli, Tirupur, Trichur, Trivandrum, Vishakhapatnam, and Vijayawada.

**c) Western grid in Mumbai** covers Chhattisgarh, Goa, Gujarat, Madhya Pradesh, and Maharashtra states (covering Ahmedabad, Bhopal, and Mumbai Circles). Centres covered are Ahmedabad, Anand, Aurangabad, Bhavnagar, Bhopal, Gwalior, Indore, Jabalpur, Jamnagar, Kolhapur, Mumbai, Nagpur, Nasik, Pune, Panaji, Rajkot, Raipur, Solapur, Surat, and Vadodara.

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

**6.1.4** 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 used by customers. 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 cleared under other local clearing arrangements at non-CTS locations and over the counter collection (for cash payment) or direct collection of cheques outside the clearing house arrangements.

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

### **7.1 Local Cheques**

All cheques and other negotiable instruments payable locally would be presented through the clearing system prevailing at the centre. The Bank shall accept cheques during the working hours of the Bank. The Bank shall install cheque drop boxes where the cheques can be deposited round the clock. For the cheques drawn on other Banks, the cut-off time for collection shall be worked out based on the time afforded by the clearing houses of that location. The timings shall be displayed at the Bank branches.

For the cheques drawn on own branches of the Bank, the collection timings shall be as follows:

- Cheques deposited across counter: Working hours of the branch
- Cheques deposited in drop boxes: Cut off timings for the respective drop box.

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 as the grid clearing allows banks to present/ receive cheques to/ from multiple cities to a single clearing house through their service branches in the grid location.

The Bank shall give credit to the customer account on the same day on which the final clearing settlement takes place. Withdrawal of amounts so credited shall be permitted as per the cheque return schedule of the clearing house. Notwithstanding the same, in respect of local clearing, the Bank shall permit usage of the shadow credit afforded to the customer accounts immediately after closure of relative return clearing and in any case, withdrawal shall be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards. Branches situated at centres where no clearing house exists, shall present local cheques on drawee Banks across the counter and it shall be the Bank's responsibility to credit the proceeds at the earliest.

## **7.2 Transfer Cheques (Drawn on own branches of the Bank)**

Collection timings for local cheques drawn on own branches of the bank (transfer cheques):

- Cheques deposited across the counter: Same working day.
- Cheques deposited in Branch/ATM drop box: As per the cut off timings of the respective drop box.
- Cheques collected by doorstep banking agency (if any) from customer's location: Next working day.
- Cheques drawn on the Bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Branches, which are connected through a centralized processing arrangement and are offering anywhere banking services to its customer, will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the Core Banking Solution network, if received in the branch up to the specified time and as per the cut off timings of the respective drop box if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

## **7.3 Outstation Cheques**

The maximum timeframe for collection of cheques drawn on State Capitals / major cities / other locations shall be 7/10/14 days, respectively. The Bank shall pay interest at the fixed deposit interest rate for the corresponding maturity if there is any delay in collection beyond this period.

## **7.4 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 paying bank's branch, the Bank shall immediately bring the same to the notice of the accountholder so that accountholder can inform the drawer to record stop payment and can also take care that other cheques issued by the customer are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank shall compensate the customer with respect to the cheque lost in transit or delayed clearing of cheques.

The Bank shall reimburse the accountholder, related expenses for obtaining duplicate instruments and interest for reasonable delays occurred in obtaining the same. If the cheque/ instrument has been lost at the paying Bank's branch, the Bank shall have a right to recover the amount paid to the customer for the loss of the cheque/ instrument.

## **7.5 Compensation for delayed credit**

All aspects relating to compensation payable to customers for delay in collection of cheques and on account of cheques / instruments lost in transit, shall be in accordance with the provisions of the Board approved Customer Compensation Policy of the Bank.

## **8. Dishonour of Cheques**

In case a cheque accepted for collection is returned unpaid, the bank will immediately debit the value of the cheque to customer account. As per various arrangements with the customer, bank shall recover interest for the period wherein bank was out of funds and/or per instrument rate which is applicable to customer as return charges.

### **8.1 Procedure for return/despatch of dishonoured cheques**

The Bank shall ensure that dishonoured instruments, on receipt, are immediately returned/ despatched to the account holders promptly without delay, in any case within 24 hours. If the Bank is the collecting Bank, on receipt of such dishonoured cheques, it shall immediately despatch it to the account holders after affixing the stamp "all our stamp cancelled" on the reverse of the instrument with signature / seal of the dealing official.

In case of dishonour / return of cheques presented by the Bank through outward clearing, an advice will be prepared by the Bank wherein the reason for return of the cheque will be mentioned as indicated by drawee bank / cheque returning bank. The advice along with the dishonoured cheque will be sent to the customer by registered post/ local delivery/ across counter. The Bank shall return/ dispatch the dishonoured cheques to the customer at his / her last recorded address available with the branch. In case the cheque is drawn on any other branch of the Bank and is dishonoured, then the Bank shall send the dishonoured cheque with the memo within one working day from the date of dishonour.

In case of dishonour/ return of cheques, the Bank shall clearly indicate the return reason code on the return memo / objection slip as advised by the drawee / returning bank which shall also bear the signature/ initial of the Bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

### **8.2 Delays in Re-presentation of Technical Return Cheques and Levy Charges for such Returns:**

The Bank shall levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. In cases where the cheques need to be re-presented without any recourse to the payee, such re-presentation shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such representation through SMS alert, email etc.

### **9. Purchase of local cheques**

The Bank, at its discretion, may purchase local cheque tendered for collection as per the customer's request or as per any prior arrangement. The Bank shall in addition to the satisfactory conduct of account 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. 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 lasts. "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.

### **11. Record Keeping**

The Bank will preserve the physical instruments in their custody and the images of cheques received under CTS securely for a period of ten years as required under Procedural Guidelines for CTS. Further, the Bank shall retain such documents as may be required in terms of the Bank's Board approved



Policy on Preservation of Records. The Bank shall affix the “CLEARED” stamp on the physical paid instruments.

## **12. Policy Review & Updates**

This policy will be reviewed on an annual basis or earlier, if required for incorporating changes in handling Cheques and regulatory updates, if any.

## **13. Regulatory References**

- Master Circular on Customer Service in Banks dated July 1, 2015
- RBI Notification on Discontinuation of the requirement for Paper to Follow (P2F) for Central Government cheques under Cheque Truncation System dated December 31, 2015
- RBI notification on Procedure for Dishonour of cheques dated June 26, 2003
- IBA Model Cheque Collection Policy
- BCSBI Code of Commitment to Bank’s Customers