



hpsc
(Scheduled Bank)

हिमाचल प्रदेश राज्य सहकारी बैंक सीमित
H.P. State Co-operative Bank Ltd.

HPStCB – Collection of Cheques and Instruments Policy 2023-24

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HPStCB – Policy for Collection of Cheques and Instruments

1. Introduction

Bank's Policy for Collection of Cheques and Instruments has been formulated as a comprehensive document with transparency, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The Policy takes adequate care to ensure that the interests of small depositors are fully protected and is in line with the IBA's model policy on Collection of cheques/instruments. The bank is committed to increased use of technology to provide quick collection services to its customers. This collection policy of the Bank is a reflection of our on-going 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 procedure for collection of domestic cheques/instruments has been included herein, which, inter alia, incorporates the following:

- a. Established procedure for collection of Bank's own cheques (local and outstation).
- b. Collection of cheques from our branches and branches of other banks.
- c. Reduced time frame for collection of outstation/local cheques drawn on branches of the Bank.
- d. Penalty for delayed collection for local/outstation cheques in a progressive manner
- e. Dealing with collection instruments lost in transit.

2. Provisions of the Policy

2.1. Policy Definition

The Policy for Collection of Cheques and Instruments has been designed to set out guidelines for dealing with the collection process of instruments in a fair and transparent manner.

The Policy lays the guiding principles to deal with collection of instruments payable locally, their time norms, payment of interest for delay in collection of outstation cheques and instruments that are lost in transit.

The policy is based on the guiding principle enlisted in the RBI Master Circular on Customer Service in State/District Central Co-operative Banks (StCBs/ DCCBs) circulated vide RPCD. CO. RCB. BC. No. 36 / 07.51.010 / 2014-15 dated 22nd October, 2014) and RBI Circular on Positive Pay System for Cheque Truncation System Circulated vide RBI/2020-21 /41 DPSS. CO. RPPD. No.309 / 04.07.005 / 2020-21 dated 25th September, 2020.

2.2. Policy Details

2.2.1. Arrangement for collection of Cheques

a. Local Cheques

- i) All CTS compliant cheques and other negotiable instruments payable locally would be presented through the clearing system prevailing in the Bank.
- ii) Cheques deposited at branch counters and in collection boxes within the branch premises before the cut-off time i.e. 4:30 pm will be presented for clearing on the same day, for which the clearance period will be T+1 working day. Cheques deposited after this cut-off time will be sent for clearing on next day, for which clearance period will be T+2 working days. As a policy, bank would give credit to the customer account on the same day clearing settlement takes place.
- iii) All drop-boxes shall clearly indicate the timeline as above upto which cheques dropped in the drop boxes would be sent for clearing on the same day.
- iv) Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.
- v) Cheques deposited after the cut-off time and in drop-boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle.
- vi) Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the branch's endeavour to credit the proceeds at the earliest but not later than 3rd working day from the date of receipt of the cheque.
- vii) **Collection of Third Party Cheques in clearing:** RBI has prohibited Banks from crediting 'account payee' cheques to the account of any person other than the payee named therein. However, with a view to mitigating the difficulties faced by members of co-operative credit societies in collection of account payee cheques, RBI has permitted banks to collect for such societies account payee cheques drawn for an amount not exceeding Rs.50,000/- on behalf of their constituents.

b. Outstation Cheques

- i) Cheques drawn on other banks at outstation centres 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 a correspondent bank. The bank would also use the National Clearing Services offered by the Reserve Bank of India at centres where such collection services exist.
- ii) The applicable service charges as defined for collection of outstation cheques under HOGC No. 175/2021-22 dated 31st March 2022 will be levied for cheques drawn on other banks.

- iii) The bank offers Anywhere Banking Facility to its customers, thus, will provide immediate same day credit to the customers in respect of outstation instruments drawn on any of its branches/extension counters in the CBS network. Same day credit will be provided for the instruments received in the branch upto 4:30 PM at the counter, if received in the cheque drop box in the branch or outside the branch premises, the credit will be given by the next working day. No service charges shall be levied for such collections.
- iv) Under this policy, prepaid instruments like Demand Drafts, shall be treated at par with cheques.

2.2.2. Time Frame for collection of cheques

For local cheques presented in clearing, credit will be afforded as on the date of settlement of funds in clearing and the account holders will be allowed to withdraw funds as per return clearing norms.

Maximum timeframe for collection of cheques drawn on state capitals / major cities / other locations are 7/10/14 days respectively.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the Bank's own branches or branches of other banks.

2.2.3. Payment of Interest for delayed Collection of Local/Outstation Cheques

As part of the Compensation Policy of the Bank, the bank will pay interest to its customers on account of collection of 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 discrimination 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 drawn on other banks, i.e. (the interest will be payable) from 8th / 11th / 15th day.
- b) Where the period of delay is beyond 14 days, interest will be paid at the rate applicable for term deposit for the corresponding period or Saving 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.

In the event of the proceeds of cheque under collection 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.

2.2.4. Compensation for loss of Cheques / Instruments in transit / in clearing process or at paying bank's branch

- a. In the event a cheque or an instrument accepted for collection is lost in transit or in clearing process, the Bank shall immediately, on coming to know of the loss of instrument, 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 dis-honoured due to non-credit of the amount of the lost cheque / instrument. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- b. Where a cheque/instrument is claimed to have been deposited by the customer in Drop-Box, but Bank's records do not show receipt of such cheque with the Bank, the Bank cannot decide on the compensation amount for lost cheque in the absence of details of cheque like date, amount, drawee bank/branch/drawee centre etc. In such cases, the customer will have to corroborate a claim for lost cheque with full facts, inter-alia, including confirmation/enquiries from the drawee person/banks about genuineness of the claim and, on this basis if it is established that the customer has, in fact, tendered the cheque in Drop-Box, the Bank will consider payment of compensation in terms of the HPStCB Compensation Policy.
- c. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection, as per the Cheque Collection Policy of the Bank, (3 / 7 / 10 / 14 days as the case may be) interest will be paid for the period beyond the stipulated collection period at the rates specified in para 2.2.3 above for cheques payable in India.
- d. Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for possible further delay in obtaining duplicate cheque /instrument and collection thereof.
- e. The Bank would also compensate the customer for any reasonable charges which 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, subject to a maximum of Rs. 250/-.

2.2.5. Cheque Return and Levy of charges on such returns

- a. The Bank will levy cheque return charges as prescribed from time to time only in cases where the customer is at fault and is responsible for such returns.
- b. Further, 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 clearing presentation not later than 24 hours (excluding holidays) with due notification to the customers of such representation through SMS alerts,

- email etc.
- c. No changes / corrections should be carried out on the cheques. For any changes in the payee’s name, courtesy amount (amount in figures) or legal amount (amount in words) etc. excepting change in the date of validation period, fresh cheque forms should be used by customers. This will help the bank to identify and control fraudulent alterations.
 - d. Dishonour/Return of cheques. Bank needs to mention the ‘Date of Return’ & sign/initial the Cheque Return Memo and the Objection Slip is to be signed/initialed giving therein a 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.
 - e. Reasons for return

(01-03)	Funds
1	Funds insufficient
2	Exceeds arrangement
3	Effects not cleared, present again.
(04-05)	Reference to Drawer
4	Refer to drawer
5	Kindly contact Drawer/Drawee Bank and please present again
(10-17)	Signature
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawer's authentication
(20-29)	Stop Payment
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
(30-42)	Instrument
30	Instrument post dated

31	Instrument out dated/stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
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
(50-55)	Account
50	Account closed
51	Account transferred to another branch
52	No such account
53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)
(60-68)	Crossing/Endorsement
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/illegible
66	Payee's endorsement required
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
(70-76)	RBI / Government
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/ cheque requires counter signature
76	Required information not legible/ correct

(80-92)	Miscellaneous
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
85	Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
86	Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87	'Payee's a/c credited'- Stamp required
88	Other reasons (Please specify)
92	Bank Excluded

- f. 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)

Code No.	Reason for Return
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/cheque 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

g. Miscellaneous

Cheques which are deposited with the wrong account number mentioned on the pay-in slip will be returned to the customers on the address mentioned within 48 working hours. However, in cases with incomplete address, phone no. or no phone number mentioned on the pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.

Cheque received back unpaid will be returned by post/courier etc. to the customer within 48 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 back at the recorded address by post or courier.

2.2.6. Service Charges

The Bank will recover appropriate service charges for all collection services as decided by the Bank from time to time and communicate to the customers by displaying the same on the Bank's website.

2.2.7. Positive Pay System

The facility of Positive Pay System for Cheque Truncation System is not yet implemented in our bank. However, under this system, issuer of the cheque submits certain minimum details such as Cheque Number, Cheque Amount, Cheque date, Payee/Beneficiary Name to the drawee bank. The submitted details are cross checked with the presented cheque by the CTS system. Any discrepancy found in the presented cheque is flagged by CTS system to the drawee bank and presenting bank, who would take redressal measures.

This facility once activated, will be available for all account holders issuing cheques of Rs. 50,000/- and above. The customers may avail this facility by submitting the desired details of the cheque issued by them through Branch or through Himpesa (mobile app of the Bank). Availing this facility will be mandatory for cheque amounts of Rs. 10.00 Lakhs and above and it will be at the discretion of the account holder for cheque amounts below Rs. 10.00 Lakhs.

However, only those cheques which are compliant with instructions of Positive Pay System shall be accepted under dispute resolution mechanism at the CTS grids.

2.2.8. Force Majeur

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other 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 or all types of transportation, etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

2.2.9. Amendment / Modification of the Policy

The Bank shall arrange to review the Policy as and when deemed necessary or when there are changes in the extant RBI Guidelines. Further, Managing Director Bank has been authorized to bring about any changes to the policy subject to ratification by the BOD.

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