

The Cosmos Co-op Bank Ltd.

Cheque Collection Policy

Introduction:

The Cheque Collection Policy of the Bank is a reflection of our on- going efforts to provide better services to our customers. The policy is based on principles of transparency and fairness in treatment of the customers. The Bank is committed to increase use of technology to provide quick collection services to its customers.

The CCP is formulated as per guidelines issued by the Reserve Bank of India vide Master Circular RBI/2015-16/61 DCBR.CO.BPD.(PCB).MC.No.15/12.05.001/2015-16 dated July1,2015

Objectives:

- The Bank's Cheque Collection Policy document has been formulated as a comprehensive document taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods.
- It is periodically reviewed as per the guidelines issued by Reserve Bank of India (RBI) from time to time. The Policy duly approved by Bank' Board shall read as Bank's Cheque Collection Policy.
- The Cheque Collection Policy takes adequate care to ensure that the interests of all customers are fully protected and this has been integrated with the Deposit Policy formulated by the Bank in line with the IBA's model Cheque Deposit policy.
- As per the Reserve Bank of India guidelines, adequate care has been taken in the policy to ensure that the interests of the small depositors are fully protected.

Applicability of the Policy:

- This Policy is applicable to all branches & Departments of the Bank and to all staff involved in the process of cheque collection on behalf of the customers.

Scope:

- The detail processes for collection of local/outstation instruments and instruments drawn on foreign countries, interest payment for delayed collection etc. is incorporated in the Policy.

Validity:

- The Policy is for the period 2022-2025. It will be valid till the next policy and as and when the RBI guidelines changes and will be approved by the Board.

The Cosmos Co-op Bank Ltd.

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This Policy document covers the following aspects: -

1. Issue of Cheque books:
2. Cheque Drop Facility and the Facility for Acknowledgement of cheques:
3. Immediate Credit of Outstation Cheques:
4. Time frame for Collection of Local/ Outstation Instruments:
5. Implementation and Accountability:
6. Additional Measures for Quicker Collection of Outstation Instruments:
7. Collection of Account Payee Cheque- Prohibition on Crediting Proceeds to Third Party Account:
8. Procedure for dishonoured cheques:
9. Interest payment for delayed collection:
10. Preventive measures to avoid fraud:
11. Rounding off Cheques to nearest rupee:
12. Cheques/ Instruments lost in transit:

1. Issue of Cheque books:

Bank will ensure that the cheque books are CTS 2010 compliant, standard cheques and the cheque books are printed with due care and the perforation in the cheque leaves and also the binding of cheque books are up to the mark so as to avoid any sort of inconvenience to the customers.

2. Arrangements for collection of cheques /Cheque Drop Facility and the Facility for Acknowledgement of cheques:

- a. All CTS compliant cheques and other negotiable instruments payable under a grid system will be presented through the clearing system prevailing at the center.
- b. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day.
- c. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATM will be presented in the next clearing cycle.
- d. The Bank will give credit to the customer's account on the same day, on which the clearing settlement takes place.
- e. In case of Banks, who have obtained extension for their Inward cheque process, then the clearance of the cheques of such Banks, will be granted on next working day, after the cheque-return process is completed for that day.
- f. NPCI circular, indicating the name of the banks taking concession for returning their unpaid cheques, be forwarded to all the branches. This will enable the branches to reply to the customers query for late clearance of their cheques.
- g. Withdrawal of amounts so credited, will be permitted only after the cheque-return process is completed.

The Cosmos Co-op Bank Ltd. Cheque Collection Policy

- h.** Reserve Bank of India has discontinued Non-CTS clearing with effect from 01-01-2019
- i.** Cheque will be accepted during business hours of the Bank's branch. Alternatively, cheques can be deposited at ATM centers in the drop-box. The cut-off time for sending cheques for collection will be worked out for each location/branch based on the cut-off time afforded by the clearing house at each location. The cut-off timings will be displayed at branches /ATM for the benefit of each customer.

3. Collection and Immediate Credit of Outstation Cheques:

- a.** The Bank will not decline to accept outstation cheques deposited by its customers for collection.
- b.** Cheques drawn on other banks at outstation centers will normally be collected through our Bank's branches at those centers.
- c.** Where the Bank does not have a branch of its own, the instrument will be directly sent for collection to the branch of a drawee bank or collected through a correspondent bank / a bank where a collection arrangement exists, if any.
- d.** Cheques drawn on the Bank's own branches covered under CBS network at outstation centers will provide same day credit to its customers.
- e.** As a policy –
 - i.** The OBC cheques will be sent for collection to the postal address of the drawee bank within a day of receiving of the cheques by the branches through registered post/courier
 - ii.** In cases wherein the cheques contain incomplete address of the drawee bank's branch, branch will obtain the full postal address and then after receipt of the same will send it by registered post to the drawee bank.
 - iii.** The Bank will debit the customer's account with applicable service charges, as per the tariff schedule notified by the Bank from time to time. The charges notified will be all inclusive and no additional charges such as courier charges, out of pocket expenses, etc., will be recovered from the customer.

4. Time frame for collection of cheques:

- a.** After implementation of CTS for all local cheques, credit and debit shall be given on the same day or at the most, on the next day. The account holder will be allowed to withdraw funds as per return clearing norms of respective clearing house.
- b.** For cheques and other instruments sent for collection to centers within the country the following time norms will apply (Working days exclude 2nd & 4th Saturdays, Sundays, and bank holidays at the respective center)
Timeframe for collection of outstation cheques drawn on state capitals / major cities / other locations shall be 7 / 10 / 14 days respectively.
Hence, in view of this regulation, timeframe for collection of Cheques in state capitals will be 7 days. In major cities it will be 10 days and for other locations it will be 14 days.
- c.** The collecting banks should, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner

The Cosmos Co-op Bank Ltd. Cheque Collection Policy

affected by these instructions and banks will have to establish that they acted in good faith and without negligence while collecting the cheque in question.

5. Implementation and Accountability:

In order to ensure that the below time schedule is scrupulously followed by the branches, there is clear-cut staff accountability for delay. Senior officials do check the same time on time basis.

6. Additional Measures for Quicker Collection of Outstation Instruments:

- a. With the availability of CBS and CTS clearing facility, immediate credit of local or outstation cheques is not encouraged.
- b. Branches of the Bank will consider providing immediate credit for outstation cheques/instruments up to the aggregate value of Rs.5000/- presented for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months and taking into consideration the average balance maintained in the account.
- c. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement after assessing the risk profile of the customer.
- d. The facility of immediate credit will be offered on savings / current / overdraft accounts of the customers after assessing the risk and the profile of the customer.
- e. Under this Policy, prepaid instruments such as demand drafts, interest / dividend warrants will be treated at par with cheques.
- f. Bank shall levy normal collection charges and actual out of pocket expenses will be charged while providing immediate credit against outstation instruments presented for collection.
- g. In case of dishonor of Cheque against which immediate credit was provided, Bank will recover original credit along with interest from customer for the period for which Bank remained out of fund. The interest rate will be charged at rate applicable to overdraft prevailing on date of recovery.
- h. For the purpose of this policy the customer should have opened the account 6 months earlier, complying with all KYC norms, having satisfactory operations, and with no Cheque returned history.
- i. No cheques for which immediate credit was afforded returned unpaid for financial reasons and the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
- j. In case of Purchase of local/ outstation Cheque Bank may, at its discretion, and as permitted by the regulatory authorities purchase local / outstation Cheque tendered for collection at the specific request of the customer or as per prior arrangement with the confirmation of satisfactory conduct of account.

The Cosmos Co-op Bank Ltd. Cheque Collection Policy

7. Collection of Account Payee Cheque- Prohibition on Crediting Proceeds to Third Party Account:

In consonance with the legal requirements and in particular the intent of the Negotiable Instrument Act, 1881 and the Reserve Bank of India directives, bank shall not collect account payee cheques for any person other than the payee constituent and the bank shall not credit 'account payee' cheque to the account of any person other than the payee named therein.

However in case of co-operative credit societies to mitigate their difficulties, Bank at their option, shall collect account payee cheques drawn for an amount not exceeding Rs.50000/- to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, Bank shall obtain a clear undertaking in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque, This shall however be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof. The Bank shall subject the society to the usual KYC norms and enter into an agreement with the society that the KYC documents in respect of the society's customers are preserved in the society's records and are available to the Bank for scrutiny.

The collecting banks should, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner affected by these instructions and banks will have to establish that they acted in good faith and without negligence while collecting the cheque in question.

8. Procedure for dishonoured cheques :

The Bank will ensure that the dishonored instrument is delivered to the customer promptly without any delays. The presenting branch is expected to contact the customer and hand over the same/forward the cheque to the home branch. The customer will be handed over the physical cheque by the presenting branch / home branch only after production of the counter foil of the pay-in-slip & identity proof.

- a.** Customers will be informed of the dishonor of instruments by telephone or directly on their visit to the presenting branch. In case of OBC, after recovering of cheque return charges the returned cheque instruments will be handed over to the presenting branch by the Service branch.
- b.** In case of local cheques, the cheque return charges will be recovered by branches.
- c.** Cheque return charges will be levied only in case where the customer is at fault and is responsible for these returns. For cheques that have been returned for no fault of the customer, no cheque return charges will be levied.

The Cosmos Co-op Bank Ltd. Cheque Collection Policy

- d. For all collection services the Bank will recover appropriate service charges as decided by the Bank from time to time and communicated to customer as indicated in the code of banks commitment to customers adopted by the Bank and published on website

9. Interest payment for delayed collection:

It is responsibility of the Bank to collect the Cheque within the timeframe prescribed for the purpose and compensate the customer for delay due to non-adherence to time schedule. If there is delay in collection of outstation cheques and other instruments beyond the above-mentioned stipulated time norms, the Bank will pay interest to its customer at 2% for delay of local Cheque presented in clearing.

- a. If there is delay beyond 7/10/14 days respectively as applicable in collection of outstation cheques, interest at the rate of 2% will be paid to payee for delayed period. The said penal interest will be paid by Bank without any claim from the customer, for the period of delay.
- b. If the proceeds are not realized /credited to the customers' accounts, or the unpaid instruments are not returned to customers within the period specified from the date of their lodgment, and if the delay is abnormal (i.e., above 30 days) Bank will pay interest at the rate as applicable for saving for outstation instruments.
- c. The Bank will not be liable to compensate customers for delayed credit if some unforeseen events (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.

10. Preventive measures to avoid fraud:

In order to avoid fraud, and as a precautionary measure Bank will review and strengthen the controls in the cheque presenting / passing and account monitoring processes and to ensure that all procedural guidelines including preventive measures are followed meticulously by the dealing staff / officials.

Some of the preventive measures will be followed in this regard.

- a. Ensuring the use of 100% CTS - 2010 compliant cheques.
- b. Strengthening the infrastructure at the cheque handling Service Branches and giving special attention on the quality of equipment and personnel posted for CTS based clearing, so that it is not merely a mechanical process.
- c. Ensuring that the beneficiary is KYC compliant.
- d. Examination under UV lamp for all cheques as per RBI guidelines.

The Cosmos Co-op Bank Ltd. Cheque Collection Policy

- e. Checking at multiple levels, of cheques above a threshold of say, Rs.0.50 lakh.
- f. Close monitoring of credits and debits in newly opened transaction accounts based on risk categorization.
- g. Sending an SMS alert to payer / drawer when cheques are received for debit in account. The threshold limits mentioned above can be reduced or increased at a later stage with the approval of the Board depending on the volume of cheques handled by the UCBs or its risk appetite.
- h. Alerting the customer by a phone call and getting the confirmation from the payer / drawer. Also contacting base branch in case of non-home cheques.
- i. As per RBI guidelines, Bank has introduced Positive pay system from 18/01/2021. Here customer can inform the bank in prescribed format about the cheque issued details for amount Rs.50000.00 & above at Home Branch.
- j. Introduced What's app channel to avail this Positive Pay facility for High value Cheques.

11. Rounding off Cheques to nearest rupee:

Our Bank's staff is advised to ensure that cheques/drafts issued by clients containing fractions of a rupee are not rejected or dishonored by them.

12. Cheques/ Instruments lost in transit.

- a. 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 will immediately, on coming to know of the 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 dishonored due to non-credit of the amount of the lost cheques / instruments.
- b. If the bank loses the cheque, the Bank will bear the stop payment charges on and after customer produces relevant documents.
- c. The Bank will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- d. When a cheque/instrument is claimed to have been deposited by the customer in the Drop-Box, but the Bank's records do not show receipt of such a cheque with the Bank, the Bank cannot decide on the compensation amount for the 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 the Drop-Box, the Bank will consider payment of compensation in terms of the Compensation Policy.
