ANNEXURE – II

POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS

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 bank is committed to increased use of technology to provide quick collection services to its customers. This policy covers the following aspects: Collection of cheques and other instruments payable locally, at centers within India and¬ abroad. Our commitment regarding time norms for collection of instruments.¬ Payment of interest in cases where the time norms for realization of proceeds of outstation¬ instruments could not be met. Dealing with collection instruments lost in transit.¬

1.ARRANGEMENTS FOR COLLECTION

Local Cheques: All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre, Cheques deposited at branch counters before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time will be presented in next clearing cycle. As a policy, bank would give credit to the customer account on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

Branches situated at centers where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the Bank‟s endeavour to credit the proceeds at the earliest.

Speed Clearing: Outstation cheques drawn on banks participating in speed clearing at specified locations will be collected and treated at par with local cheques. All terms and conditions applicable for local clearing instruments will also apply to speed clearing.

Outstation Cheques: Cheques drawn on other banks at outstation centers other than those covered under speed clearing above will normally be collected through Bank‟s branches at those centers. 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.

Cheques drawn on Bank‟s own branches at outstation centers will be collected using the interbranch arrangements in vogue. Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of our branches in the CBS network.

Cheques payable in Foreign Countries: Instruments payable at foreign centres will be collected through Overseas Branch of the Sponsor Bank situated at foreign centres or Correspondent banks either under Immediate credit basis under Cash letter services scheme offered by some Correspondent Banks or on Final Credit basis but not guaranteed under Collection service or Guaranteed Final Credit (without recourse) services offered by some select correspondent banks with cost. In case no services of Correspondent Bank or its Branch is available, the instruments will be sent directly to the drawee Bank on which the instruments are drawn for collection with a request to credit to Sponsor Bank‟s Nostro account abroad.

Immediate Credit of Local/ Outstation Cheques/Instruments: Branches/extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of ` 15000/- (rupees fifteen thousand only) tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centers where no formal clearing house exists.

The facility of immediate credit will be offered on Saving Bank / Current / Cash Credit Accounts of the customers. For extending this facility, there will not be any separate stipulation of minimum balance in the account. Under this policy, prepaid instruments like Demand Drafts (of other banks) and Interest / Dividend warrants payable at par shall be treated on par with cheques. In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers. For the purpose of this Policy, a satisfactorily conducted account shall be the one

(a) Opened at least six months earlier and complying with KYC norms.
(b) Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
(c) Where no cheques / instruments for which immediate credit was afforded, was returned unpaid for financial reasons.
(d) Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges and out-of-pocket expenses while providing immediate credit against outstation instruments tendered for collection. Discount charges applicable for cheque purchase will not, however be charged. The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.

Purchase of local/outstation cheques Bank may, at its discretion, purchase local/outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

2. TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION CHEQUES/ INSTRUMENTS

For local cheques presented in clearing, credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms in vogue at that centre. For cheques and other instruments sent for collection to centers within the country the following time norms shall be applied:

(a) Cheques presented at any of the major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centers: Maximum period of 7 days*.
(b) Other Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 days*.
(c) In all other Centres: Maximum period of 14 days*.
(d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the "best of efforts" basis. Bank may enter into specific collection arrangement with its Sponsor Bank for speedy collection of such instruments. Bank would give credit to the

party on credit of proceeds to the Sponsor bank‟s Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned. Maximum time period (inclusive of cooling period) for affording the credit shall be 45 days.

* Holidays are to be excluded for the purpose of reckoning the collection period prescribed above.

The above time norms are applicable irrespective of whether cheques / instruments are drawn on the Bank‟s own branches (except CBS branches for which time norms are as mentioned in Para (a) above) or branches of other banks.

3. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF LOCAL CHEQUES

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection of local instruments in case there is delay in giving credit beyond the time period mentioned here below. Such interest shall be paid without any demand from customers in all types of accounts. Interest for delayed collection of local cheques/ instruments shall be paid at the following rates: Domestic instruments: (a) Savings Bank rate for the period of delay beyond three working days in collection of local cheques (Holidays are to be excluded for the purpose of reckoning the stipulated collection period). (b) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period. . (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. (d) In case the proceeds of cheque under collection were to be credited to an overdraft / loan account of the customer, interest will be paid at the rate applicable to overdraft /loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to overdraft / loan account.

4. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned under (2) above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction 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:

Domestic instruments:

(a) Savings Bank rate for the period of delay beyond 7/10/14 days* as the case may be in collection of outstation cheques.
(b) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
(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.
(d) In the event the proceeds of cheque under collection were 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, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India. Where the delay in collecting the proceeds of an instrument is on

account of unjustified delay on the part of the clearing bank, the sending branch of our Bank shall duly inform the same to the lodger so that he/she can take appropriate action including referring the matter to the Banking Ombudsman for redressal. In such cases, for the delay by the clearing bank, our Bank would not be liable to pay interest after the expiry of the maximum period for collection i.e. 7/10/14 days as applicable. If the sending branch of our Bank receives clearing advice from the clearing bank prior to the expiry of the outer limit i.e. 7 / 10 / 14 days) as applicable, the credit shall be given to the customer on the same date or the following date.

* Holidays are to be excluded for the purpose of reckoning the collection period prescribed above.

Instruments denominated in US dollar and other foreign currencies. The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the Bank would not be able to ensure timely credit from overseas banks. Time for collection of instruments drawn on Banks in foreign countries differs from country-to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Sponsor Bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

a. i. Savings Bank rate for the period of delay beyond 7 days from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated (45 days) as the case may be in collection of outstation cheques. Where the delay is beyond 14 days, interest will be paid at the rate applicable to Term Deposit for the respective period.
   ii. In case of extraordinary delay,. i.e., delay exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
   iii. In the event the proceeds of cheque under collection were 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 delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.
b. Compensation for any possible loss on account of adverse movement in foreign exchange rate.

Payment of Interest for delayed credits (Foreign Inward Remittances): Compensation as per FEDAI rule will be paid. At present, FEDAI rule 4.5 provides for compensation at 2% above the Saving Bank rate for delay in paying or sending intimation, as the case may be, to the beneficiary in 2 working days from the date of receipt of credit advice / Nostro statement.

5. CHEQUES /INSTRUMENTS LOST IN TRANSIT / IN CLEARING PROCESS OR AT PAYING BANK'S BRANCH:

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 or in the collecting bank branch , the Bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that

cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

(a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
(b) In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Saving Bank rate to provide for likely further delay in obtaining duplicate cheque/ instrument and collection thereof.
(c) The Bank would also compensate the customer for any reasonable charges 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 the duplicate instrument.

In case a cheque is lost after it is discounted, no interest shall be levied from the date of reporting of loss.

6. FORCE MAJEURE

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, bundh, 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.

7. CHARGING OF INTEREST ON CHEQUES RETURNED UNPAID WHERE INSTANT CREDIT WAS GIVEN:

If a cheque sent for collection for which the bank provided immediate credit is returned unpaid, the value of the cheque will be immediately debited to the account. The customer will not be charged any interest from the date immediate credit was given to the date of return of the instrument unless the Bank had remained out of funds on account of withdrawal of funds. Interest wherever applicable would be charged on the notional overdrawn balances in the account had credit not been given initially. If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument was returned unpaid to the extent the bank was out of funds.

8. SERVICE CHARGE

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.