



Fincare Small Finance Bank

**Cheque Collection and
Dishonour Policy -Version4**

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1. Applicability:

1.1. Departments: All Departments

1.2. Product Lines: All products

1.3. Function: All Functions

1.4. Staff: All Staff members

1.5. Geography: All

2. Context:

2.1. Compliance Context: This policy has been drafted on the basis of compliance obligations as detailed in regulatory reference Para 17.

2.2. Governance Context:

2.2.1. Board: Applicable

2.2.2. Sub Committee of Board: Customer Service Committee of the Board

2.2.3. Management Committee: Standing Committee on Customer Service

3. Policy Content:

The Cheque Collection Policy of the Bank is a comprehensive document with transparency, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and internal arrangements for collection through different methods

All personnel carrying out their duties with regard to the Cheque Collection function should ensure that they comply with the requirements of this policy.

Please refer Appendix I for regulatory references and Appendix II for frequently asked questions.

4. Objective:

This Policy sets out the broad parameters that relates to Cheque clearing and dis-honour of cheque. It lays down general guidelines with regulatory reference, to be followed and to serve as a one-point reference besides creating awareness in the Bank.

5. Collection of Instruments:

Branches of the Bank shall receive the Cheques for collection/ clearing during the business hours.

5.1. Clearing Cheques (CTS):

1. All cheques and other negotiable instruments payable locally at Grid Clearing System of Cheques Truncation System- CTS would be presented through the clearing system prevailing at the centre.
2. 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.
3. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including On-site/off-site ATMs will be presented in the next clearing cycle.
4. Cheques collected through Door-step banking arrangement will be processed the same working day if received before 1PM. If the instrument is received after 1PM the same shall be taken for processing the next working day as defined in the Door- step banking policy.
5. Bank branches situated at centres where no clearinghouse exists, will present local cheques on drawee banks across the counter and proceeds would be credited, at the earliest on realization.
6. The cheques shall be accepted for clearing at all Branch counters during business hours. Customers can also deposit the cheques at ATM drop box.
7. All the collection boxes shall indicate clearly the time up to which cheques dropped in the collection boxes would be sent for clearing on same day.

Ways of depositing clearing cheque	Branch Drop Box /Branch Counters	ATM	Door step Banking
Clearing Cut off time	2.30PM	2.30PM	1.00PM
If received after clearing Cut off time	presented to clearing cycle on next working day		

8. Bank branches shall have both the cheque drop box facility and the acknowledgment facility at its collection counters. Branches shall not refuse to give an acknowledgment to the customers if the latter asks for the same while tendering cheque for collection at the branch counter.
9. Bank will give credit to the customer's account on the same day the clearing settlement takes place. Withdrawal of amount so credited would be permitted as per the cheque return schedule of the clearing house at the centre.
10. The Validity of the cheque, demand draft, bankers cheque and pay orders as per RBI guidelines with effect from April 1, 2012 is 3 months from the date of issue.

5.2. Transfer cheques drawn on own branches of the Bank:

1. Cheques deposited at branch counters and in collection boxes, within the branch premises, before the specified cut-off time will be processed on the same day.
2. Cheques received through Door-step banking channel will be processed on the same day, if received within the Banking hours.
3. Cheques drawn on the Bank's own branches at out station centres will be collected using the interbranch arrangements in vogue. The branches will process the cheque the same day using the core banking solution network if received in the branch within the banking hours.

*Working Days - Working Days means excluding Sundays and bank holidays at the respective centres.

5.3. Payable at par cheque books:

Payable at par / multi-city CTS 2010 standard cheques will be issued to all customers. There will be no value cap for PAP cheque issuance and no charges will be levied for payment of PAP cheques.

5.4. Immediate credit of clearing cheques:

5.4.1. Eligibility Criteria:

- Value of cheque shall not exceed Rs.5000/-.
- The beneficiary account shall be at least one-year old
- NIL cheque returns in the account issued by customer in the last 6 months.
- Average Quarterly Balance as per product offering maintained for the last 2 quarters.
- Immediate credit facility will not be given to overdraft/loan account.
- No cheque purchased under immediate credit earlier should be outstanding/pending for collection or returned unpaid.
- The cheque should be tendered at the base branch of the customer.

- Immediate credit will be provided against such collection of instruments at the specific 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 centres where no formal clearinghouse exists.
- The facility of immediate credit will be offered on Savings Bank / Current / Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance requirement in the account.
- Bank shall levy nominal charges while providing immediate credit facility. The charges are mentioned below.

Value of cheque	Cheques drawn on metro/non-metro cities(FSFB locations)	Cheques(MICR)drawn on Non-Branch locations where we have tie up with other Banks	Cheques drawn on Non-Branch locations where we donot have tie up with Correspondent Bank/Non-MICR Cheques
Upto Rs.1000	Rs.10	Rs.20	Rs.50
Upto Rs.1001-Rs.3000	Rs.25	Rs.50	Rs.100
Upto Rs.3001-Rs.5000	Rs.50	Rs.100	Rs.200

5.4.2. Charges & Penalty in case of cheque return:

Normal cheque collection charges will be applicable. Cheque returns and charging of interest on cheques returned unpaid where immediate credit was given:

- a If the cheque is returned unpaid, the value of the cheque will be immediately debited to the account along with MCLR rate plus 2% for the period i.e. from the date of immediate credit to the date of debit to the account.
- b The customer will not be charged any interest from the date when immediate credit was given to the date of return of the instrument unless the bank had remained out of funds. Cheque return charges applicable for outstation cheques will be levied.
- c A Minor's account where individually, jointly or represented by natural guardian, self- cheques, endorsed cheques, exchange company cheques are not eligible for immediate credit of local/out station cheques under the present policy.
- d NRO/NRE savings account also are not eligible for immediate credit facility.

5.4.3. Cheques payable in foreign countries:

The services of correspondent banks will be utilized in country/centres where the correspondent has presence. Cheques drawn on foreign banks at centres where the

bank or its correspondents do not have direct presence will be sent directly to the drawee bank in certain cases to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks. Cooling period might vary based on the receipt of provisional credit in the nostro account for possible returns by the drawee bank as applicable under the US laws.

In case of a foreign cheque return, the customer will be liable to reimburse the charges the bank incurs towards this.

5.5. Payment of interest for delayed collection of cheques:

As part of the compensation policy, interest will be paid to the customer on the amount of the collection instrument in case there is delay in giving credit beyond the time period mentioned above. The interest shall be paid without any demand from customers.

- a) Savings Bank rate for the period of delay beyond the normal stipulated time of 7/10/14 days
- b) Where such delay is beyond 14 days interest will be paid at a rate applicable for term deposits for the respective period.
- c) In case of extraordinary delay, i.e. delay exceeding 90 days interest will be paid at the rate of 2% plus the corresponding Term Deposit rate.
- d) In case cheque was to be lodged in the OD or loan account, the OD, loan interest rate will be applied for compensation and in case of extra ordinary delays, 2% additional interest will be paid.

On account of any unjustified delays on part of the drawee bank in sending the proceeds to the collecting bank i.e. Fincare Small Finance Bank, would not be liable to pay any compensation to the customer, beyond 14 working days.

Bank would share/notify customers on demand, of the cheques that are delayed by the drawee banks.

5.6. Purchase of cheques:

Whenever clearing house operations are suspended for a prolonged period for reasons beyond the control of authorities, bank customers are put to a great hardship as this affects prompt realization of their cheques that are deposited at banks belonging to the affected areas.

- To minimize the inconvenience faced by customers and also to maintain good customer service, the Bank will consider to temporarily accommodating customers to the extent possible by purchasing the local cheques / drafts deposited in their accounts for collection.

- Special consideration will be shown for cheques drawn by Government departments and companies of good repute as also to demand drafts drawn on local banks. While extending this facility, the bank will take into consideration factors such as credit worthiness, integrity, past dealings, etc. to safeguard itself against any possibility of such instruments being dishonoured subsequently.

- Bank may, at its discretion, purchase cheques 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. All branches will follow the internal guidelines as per the extant delegation of authority given on purchase of cheques. This policy has been framed with reference to Point 2 in Appendix I.

5.7. In the event of loss:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the drawing Bank's branch, the policy and procedure followed is as detailed below.

- The bank shall immediately on coming to know of the loss, bring the same to the notice of account holder.
- The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque like giving a certificate that it was lost etc.
- The bank will compensate the customer in respect of instrument lost in transit in the following way:
 - In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection as the case may be, interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
 - In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at 3.5% p.a. to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.

- The bank would also compensate the customer for any reasonable charges (up to Rs Five Hundred) 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.

5.8. Other regulatory guidelines with reference to Appendix 1:

Reserve Bank of India has prohibited banks from crediting “account payee” cheque to the account of any person other than the payee named therein. Fincare Small Finance Bank does not collect account payee cheques for any person other than the payee constituent except in case of members of co-operative credit societies where the co-operative credit society has given appropriate confirmation in writing to the bank. The limit of such cheques are restricted to a value of Rs.50000. This policy has been framed with reference to Point 8 in Appendix I.

6. Policy on Dishonour of cheques:

6.1. Introduction:

The Cheque Collection and dis-honour policy provides guidelines for the process to be followed for return/ dispatch of dishonoured cheques and the process for dealing with incidents of outward clearing cheque return. This policy also records guidelines to be followed on frequent return of inward clearing cheque in a customer’s account for an amount equal to Rs.1 crore and above and for cases where cheques are for an amount below Rs.1 crore.

The policy is based on the guidelines advised by RBI vide their circular numbers -

- DBOD. BC. Leg.13/09/09.12.001/2002-03 dated 26th June 2003 and DBR No. Leg.BC.3/00.07.005/2016-17 dated 04th August 2016 for dealing with the procedure for dishonoured cheques for 1 crore & above.
- DBOD.NO.Leg.BC.59/09.07.005/2009-10 dated 9th November 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than 1 crore and frequent dishonour of ECS Mandates, and Master Circular on Customer Service dated 01st July 2015.

6.2. Outward cheque returns on all types of accounts:

On information received on dis-honour of cheque, the standard cheque dis-honour charges will be applied to the customer’s account depending on the type of account the customer holds. Cheque return charges shall be levied only in case where the reason for such return is attributable to the customer.

Cheques requiring representation without any re-course to the payee, shall be represented in the next clearing cycle not later than 24 hours (excluding holidays).

The returned cheques along with the cheque return memo can be handed over to the account holder directly or through an authorised person of the account holder under an acknowledgement in the cheque return register. If collected through a third party authorised by the account holder, an authorisation letter duly signed by the account holder is required in the prescribed format. The cheques can also be sent through courier within 24 hours of return along with the cheque return memo and a covering letter.

6.3. Miscellaneous:

- Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours however in cases with incomplete address, incomplete phone number, no phone number mentioned on the Pay-in slip, the bank will keep these instruments for a maximum period of 3 months.
- Cheques received back unpaid will be returned by post/ courier etc. to the customer within 24 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 re-dispatch the cheque to the registered address by post or courier.

6.4. Inward cheque returns on all types of accounts:

In case of an inward cheque return or ECS return, and the reason is attributable to the customer, the charges will be applicable as per the type of account opened. In case of current accounts held in the name of trust/society/public/private Ltd etc and savings accounts, if the cheque return exceeds the threshold limit, warning letters shall be sent in accordance with the guidelines mentioned below.

6.4.1. Schedule of charges on cheque return:

The Schedule of charges on savings and current accounts with respect to different variants are available on the website www.fincarebank.com under Support-> Charges and fees.

6.4.2. Guidelines for dealing with incidents of frequent dishonour of cheques of value 1 crore and above:

1. With a view to enforcing financial discipline among the customers, should there be instances of dishonour of a cheque for an amount equal to Rupees one crore and above on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The Bank may consider closing the account after serving due notice to the customer and after complying with all regulatory requirements. For CCOD accounts, for purpose of continuity, the cheque book issuance can be allowed subject to review by one level up of the sanctioning authority (need to word this properly)
2. Dishonour of Cheques notice is placed on the Notice Board of all the branches informing the customers of restrictions imposed by the Bank in case of return of inward clearing cheques of Rs.1crore and above on 3 or more occasions in a financial year due to want of funds.
3. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank would issue a cautionary advice to the customer drawing his/her attention to number of cheques returned during the financial year and consequential stoppage of cheque facility in

the event of cheque being dishonoured on fourth occasion on the same account during the financial year.

4. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice of 30 days to the customer (RBI Circular DBOD. BC. Leg. No.113 / 09.12.001/ 2002-03, dated 26th June 2003).
5. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to those accounts –where cheques valuing above Rs.1 crore and drawn on a particular account of a drawer are returned on 4 occasions during the financial year for want of sufficient funds in the account shall be reviewed by Respective Business.

6.4.3. Guidelines for dealing with frequent dishonour of cheques of value of less than Rs. 1 Crore:

1. RBI has not devised any definition of frequent dishonour of cheques of value of less than Rs.1 crore. For the purpose of this policy, in any account, if there are incidents of dishonour of cheques of value less than Rs.1 crore on 5 occasions in a financial year for want of sufficient funds, then this would be considered as frequent dishonour of cheques.
2. Hence with a view to enforcing financial discipline among the customers, in the event of dishonour of a cheque for an amount less than Rs.1Crore, on five occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, the bank may consider closing the account based on irregular conduct of account. The CCOD and current accounts needs to be assessed depending on the type of the customers.
3. If a cheque is dishonoured for fifth time on a particular account of the drawer during the financial year, bank would issue a cautionary advice to the customer drawing his /her attention to number of cheques returned and consequential stoppage of cheque facility. If in the event of cheque being dishonoured for the 6th time on the same account during the financial year, then the cheque book facility will be stopped.
4. In the event of the bank considering closure of the account, the Bank will close the account after serving a notice of 30 days to the customer.
5. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to those accounts –where cheques valuing below Rs.1 crore and drawn on a particular account of a drawer are returned on 5 occasions during the financial year for want of sufficient funds in the account shall be reviewed by respective business.

7. Collection of cheques in the name of deceased person:

For collection of cheque in the name of deceased person, bank will obtain authorization from the Survivor(s)/nominee of a deceased account holder to open an account styled as “Estate of Shri _____ Deceased”, Where all pipeline flows in the name of deceased account holder could be allowed to be credited, provided no withdrawals are made. Or The Bank may be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark “Account holder deceased” and will intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary. Please refer Deceased claim policy for more details on opening an Estate Account in the name of the deceased for pipeline flows into the account.

8. Positive Pay System:

To further augment customer safety in cheque payments and reduce instances of fraud occurring on account of tampering of cheque leaves, a mechanism of Positive Pay for all cheques of value of ₹ 50,000 and above was announced in September 2020. Under this mechanism, cheques will be processed for payment by the drawee bank based on information passed on by its customer at the time of issuing the cheque. In the Centralised Positive Pay System (CPPS), customers, after issuance of cheques will provide details of issued instrument/s to their banks. The data received will be uploaded in NPCI's CPPS system by the member bank. During the presentment, cheques presented will be validated by clearing house against CPPS data base. If any difference is observed while matching results, the clearing house will put a specified flag with the cheque data. Since CPPS will be the central repository for all participating banks, validation and provision of the flag at the time of clearing process will enable banks to save time in clearing process. It will be an add-on facility to contain any occurrence of fraud. The facility was implemented from January 01, 2021.

9. 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 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. Document Control:

Compliance Department will be the custodian of this policy. The contents of this Policy are confidential and are intended for internal use by Fincare Small Finance Bank only.

This Policy should always be kept in a safe place and must not be copied or revealed to third parties (i.e., persons not employed by Fincare Small Finance Bank) without the express written permission from Compliance Department. Distribution of this Policy, in whole or in part, should come through an official request to the Head of Compliance Department.

11. Review of the Policy:

Revision of this Manual is the principal way of formalizing changes and adjustments in the Cheque Collection function at Fincare Small Finance Bank. Such revisions provide flexibility to the Cheque Collection function at Fincare Small Finance Bank and ensure that the Policy remains relevant at all times.

This policy should be reviewed every year unless some changes occur in the Cheque Collection function which requires immediate changes to be made in the Policy.

The Cheque Collection Department will review change requests and recommend / reject any proposed revisions. The Cheque Collection Department Head / Committee / Board will review the recommendation and accepts / rejects the proposed revision. If accepted, the Compliance & Secretarial Department will ensure that appropriate revisions are incorporated, and a new version is circulated to relevant users.

12. Regulatory Reference:

Refer Appendix I for all the circulars issued by RBI.

13. Appendix II:

Frequently Asked Questions:

1. What are the time taken for realization of local and outstation cheques and compensation payable?

Cheques are payable within the jurisdiction of the clearing house and will be presented through the clearing system prevailing at the centre. Credit arising out of local cheques shall be given to the customer's account as indicated in the Cheque Collection Policy (CCP). Outstation cheques?

2. What if the bank charges a large sum of money for cheque collection? Is there any remedy?

Local Cheque collection charges are decided by the concerned bank from time to time and communicated to customer through their Cheque Collection Policy as part of the Code of Bank's Commitment to Customers.

Banks will not charge more than the following for outstation cheques:

Up to and including Rs.5000 – Rs.25 per instrument + GST;

Above Rs.5000 and Up to and including Rs.10, 000 – not exceeding Rs.50 per instrument+ GST;

Above Rs. 10,000 and up to and including Rs.1, 00,000 – not exceeding Rs.100 per instrument + GST; Rs.1, 00,001 and above – left to the banks to decide.

No additional charges such as courier charges, out of pocket expenses, etc., will be levied.

It may be noted, no outstation cheque collection charges to be levied if the collecting bank and the paying bank are located within the jurisdiction of the same CTS grid even though they are located in different cities.

3. Can I know a bank's Cheque Collection Policy?

The bank has developed their own individual policy / procedures relating to collection of cheques. The customer is entitled to receive due disclosures from the bank on the bank's obligations and the customers' rights.

Broadly, the policies formulated by banks should cover the following areas:

Immediate credit for local/outstation cheques, Time frame for collection of local/outstation instruments and compensation payable for delayed collection.

4. What are the other means of transfer of funds?

They are RTGS (Real Time Gross Settlement) & NEFT (National Electronic Fund Transfer).

For more details visit the FAQs on RTGS under the link <http://rbi.org.in/scripts/FAQView.aspx?Id=65> and NEFT under the link <http://rbi.org.in/scripts/FAQView.aspx?Id=60>.

In addition to the above, Immediate Payment Service (IMPS) is offered by National Payments Corporation of India (NPCI). For more details the website of NPCI under the link http://www.npci.org.in/imps_product.aspx may be visited.

5. Am I entitled to receive an acknowledgement for cheque deposited in a bank for collection?

Bank will provide both the cheque drop box facility and the acknowledgement facility at their collection counters.

6. What do I do if I still have a grievance?

If any customer has a complaint against a bank due to non-payment or inordinate delay in the payment or collection of cheques, complaint can be lodged with the bank concerned. If the bank fails to respond within 30 days, a complaint with the Banking Ombudsman may be lodged. No fee is levied by the office of the Banking Ombudsman for resolving the customer's complaint. A unique complaint identification number will be given for tracking purpose.

Complaints have to be addressed to the Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located. Complaints can be lodged simply by writing on a plain paper or online at www.bankingombudsman.rbi.org.in or by sending an email to the concerned Banking Ombudsman. Complaint forms are available at all bank branches also.

Complaint can also be lodged by authorised representative (other than a lawyer) or by a consumer association/forum acting on customer's behalf. If the complainant is not satisfied with the decision of the Banking Ombudsman, an appeal can be made to the appellate authority in the Reserve Bank of India (Deputy Governor of Reserve Bank of India in charge of Consumer Education and Protection Department).

