



Cheque Collection Policy

**First Abu Dhabi Bank (FAB)
India**

Review and Update: The Cheque Collection Policy will be reviewed at least annually and revised, if necessary.

Last reviewed- 30th September 2022

Table of Contents

1.	Introduction	4
2.	Arrangement of Collection.....	4
3.	Time Frame for Collection of Local / Outstation Cheques / Instruments	6
4.	Payment of Interest for delayed collection of outstation cheques	6
5.	Cheques / Instruments lost in transit / in clearing process or at paying bank's branch.....	6
6.	Charging of Interest on cheques returned unpaid where Instant Credit was given.....	7
7.	Cheque Return Policy	7
8.	Return of Cheques for technical reasons and levy of charges.....	8
9.	Non CTS 2010 Standard cheques.....	8
10.	Foreign currency denominated instrument payable outside India	9
11.	Force Majeure	9
12.	Related Regulations.....	10
13.	Abbreviations	10
	Annexure:.....	11

1. Introduction

As per the revised guidelines of Reserve Bank of India, First Abu Dhabi Bank, Mumbai (India) branch ('The Bank') has formulated its Cheque Collection Policy, which covers Local, Outstation and Foreign Currency cheques. The policy is based on principles of transparency and fairness in the treatment of customers. With an increased use of technology, the Bank is committed to provide quick collection services and to set a higher standard of performance.

Bank currently does not offer cheque book facilities to customers and hence the present policy is applicable to the extent relevant.

This Policy covers various aspects, including collection of cheques and other instruments payable at centres within India and abroad, payment of interest in cases where the Bank fails to meet time norms for realization of proceeds of outstation instruments, time norms for collection of instruments, a policy on dealing with collection instruments lost in transit, Speed Clearing, Collection of foreign currency denominated instruments payable outside India and a Cheque return policy.

2. Arrangement of Collection

2.1 Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system using the services of our clearing agent Bank. 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. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle. As a policy, the Bank would give credit to the customer account on the same day that the credit has been received by us from our agent Bank.

2.2 Outstation Cheques

Cheques drawn on other banks at outstation centres will normally be collected through the 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 agent Bank for collection purposes.

2.3 Cheques payable in foreign countries

Cheques payable at foreign centres where the Bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office. 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 direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

2.4 Immediate Credit of Local / Outstation Cheques / Instruments

The Bank's branch will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of INR.15,000 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 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 clearing house exists.

The facility of immediate credit will be offered on Savings 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, Interest / Dividend warrants 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 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.

The Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

2.5 Purchase of local/outstation cheques

The 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.

2.6 Collection of Account Payee Cheques

The Bank is prohibited from crediting 'account payee' cheques to the account of any person other than the payee named therein. The Bank may, however, consider collecting account payee cheques drawn for an amount not exceeding INR.50,000/- to the account of its customer who is

a co-operative credit society if the payee of such a cheque is the constituent of such a co-operative credit society.

3. Time Frame for Collection of Local / Outstation Cheques / Instruments

For local cheques presented in clearing credit will be afforded on (T+2) the second business day following the date of deposit and the account holder will be allowed to withdraw funds once the credit has been passed to their accounts with us.

For cheques and other instruments sent for collection to centres within the country, the credit will be given to the Account only on realization of the instrument. The indicative time is maximum of 21 days from date of sending the instrument on collection and the same could differ from location to location.

4. Payment of Interest for delayed collection of outstation cheques

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 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:

- 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 for 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.

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, the Bank shall 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 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.

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, the Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings 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 duplicate instrument.

6. Charging of Interest on cheques returned unpaid where Instant Credit was given

If a cheque sent for collection for which immediate credit was provided by the Bank 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 where 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.

7. Cheque Return Policy

8.1 Dealing with incidences of frequent dishonour of cheques of value Rs 1 crore and above

- i) In the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four 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 current account at its discretion.

- ii) For the purposes of introduction of the condition mentioned at (i) above in relation to operation of the existing accounts, the Bank may, at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.
- iii) If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, the Bank would issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if a bank intends to close the account.

8.2 Advances accounts such as cash credit account & overdraft account

The need for continuance of these credit facilities and the cheque facility relating to these accounts should be reviewed by an appropriate authority - Risk Management Committee.

8.3 Dealing with frequent dishonour of cheques of value of less than 1 crore

The Bank will have a Board approved policy for dealing with frequent dishonour of cheques of value of less than INR 1 crore. The policy will also deal with matters relating to frequent dishonour of ECS mandates.

8. Return of Cheques for technical reasons and levy of charges

- i) Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive list of returns, where the customers are not at fault are indicated in the annexure.
- ii) Cheques that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours(excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email etc .

9. Non CTS 2010 Standard cheques

Reserve Bank of India has introduced separate clearing sessions in the three CTS centers (Mumbai, Chennai and New Delhi) for clearing of non – CTS 2010 instruments with effect from January 1, 2014. This separate clearing session will operate once a week (every Monday) from November 1, 2014 onwards. If the identified day for clearing non-CTS – 2010 instruments falls on a holiday under the Negotiable Instrument Act, 1881, presentation session on such occasions will be conducted on the previous working day .

10. Foreign currency denominated instrument payable outside India

8.2 Timeframe for collection of USD cheques

- i) Timeframe for collection of USD cheques will vary depending on the collection mode. The date of credit to the account of the customer will be reckoned based on the date of credit (value date) to the Nostro Account of collecting banks and the cooling period. The time taken by banks for collection of USD cheques normally ranges from 15 to 30 days and may go up to 45 days depending upon the collection arrangement and place at which the instrument is payable.
- ii) The transit time may be reduced by 2 to 3 days by sending the cheques the same day from branches to centralised pooling branch and centralised pooling branch to Correspondent Banks.
- iii) The Bank may pay interest on the amount of cheque on a value-date concept from the date of sighting of credit in their Nostro accounts till such time the credit is actually afforded to customers' accounts. Interest shall be paid minimum at the Savings bank rate calculated on the amount of proceeds credited to the customers' accounts.

8.3 Instant credit of small value cheques

- i) The Bank may permit selective withdrawal of funds before the cooling period lapses depending on the customer's credit worthiness, relationship with the bank, KYC compliance, value of the cheque, etc. It is a commercial decision of the bank. The Bank will formulate its policy on instant credit for small value cheques.

8.4 Interest payment for delay in collection

- i) Compensation by way of additional interest at savings bank rate will be paid to the customer for delay in collection beyond the declared collection period of 30 days.
- ii) Such interest shall be on "step-up basis" for the period of delay. The compensation shall be paid automatically without the customer requesting for the same.

11. 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, riots, terrorism, war, 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.

12. Related Regulations

- Model Policy of Indian Banks Association on Collection of Cheques/Instruments
- Master Circular on Customer Services in Banks, dated July 1, 2015
- Circular issued by the Reserve Bank of India on June 26, 2003, titled 'Dishonour of cheques – Procedure thereof'.
- Circular issued by the Reserve Bank of India on July 16, 2013, titled 'Standardization and Enhancement of security features in Cheque forms/Migrating to CTS 2010 standards'
- Instructions issued by the Reserve Bank of India on US Dollar cheque collection, dated June 16, 2014
- Circular issued by the Reserve Bank of India on May 7, 2013, titled "Delay in re-presentation of technical return cheques and levy of charges for such returns".

13. Abbreviations

- i) ATM: Automated Teller Machine
- ii) CBS: Core Banking Solutions
- iii) KYC: Know Your Customer
- iv) ECS: Electronic Clearing Services
- v) IBA: Indian Banks Association
- vi) CTS: Cheque Truncation System

Annexure:

Illustrative but not exhaustive list of objections where customers are not at fault:

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 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