

MAHESH SAHAKARI BANK LTD., PUNE

Policy on Collection of Cheques/Instruments

1. Introduction:

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. This policy document 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.
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Our policy on dealing with collection instruments lost in transit.

2. Arrangements for Collection:

2.1. 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 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, bank would give credit to the customer account on the next working day, reflecting shadow balance on account however withdrawal of amounts so credited would be permitted on the next day of clearing settlement takes place and withdrawal of amounts so credited would be permitted immediately on the commencement of business. For Cash credit, overdrafts and loan accounts interest will be charged on clear balance.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centres will normally be collected by sending cheques directly to the drawee bank or collected through a correspondent bank.

2.3 Cheques payable in Foreign Countries

Cheques payable at foreign centres will be collected through correspondent Bank.

2.4 Immediate Credit of Outstation Cheques Instruments:

Branches of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs 5000/- tendered for collection by 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.

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.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection.

3. **Time Frame for Collection of Local / Outstation Cheques / Instruments and Payment of Interest for delayed Collection :**

For local cheques presented in clearing credit will be afforded as on the next day of settlement of funds in clearing and the account holder will be allowed to withdraw funds immediately on the commencement of business.

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied. 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 below. Such interest shall be paid without any demand from customers in all types of accounts

	Cheques presented at	Cheque collection Time Norms	Interest for delayed period shall be paid at following rate
a)	State capital Centers in India	Maximum 7 days	Saving Bank Rate
b)	Metro centors/Mejor cities in India	Maximum 10 days	At Term deposit rate applicable for the delayed period
c)	In all other centers in India	Maximum 14 days	At Term deposit rate applicable for the delayed period
d)	Foreign Countries	No time Limit	Nil

4. **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 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 not more than 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.

5. **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), failure of software system, 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.

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 shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable PLR + 2%.

If the proceeds of the cheque were credited to the Savings Bank Account and was 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. Expenses incurred for the recovery of amount will be debited to customer's account.

7. Cheque collection charges :

Charges for collection of Local / Outstation / Foreign country cheques, as prescribe by the bank, will be debited to customer account .

Policy draft recommended by Audit Committee held on 17.08.2012 and approved in BOD meeting held on 25.08.2012.