



Cheque Collection Policy

1. Preamble

1.1 Objective of the Policy

The objective of this Policy is to enable Equitas Small Finance Bank Limited (“ESFB” or “the Bank”) to establish a robust system in compliance with regulatory norms for collection of cheques/instruments deposited by the customer and pay interest in the unlikely event of delay, due to which the customer loses interest.

The commitments under this policy are without prejudice to any right the Bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

1.2 Scope of the Policy

- a. This policy will cover the roles and responsibilities of the branches of the Bank, back-end operations and customer support in delivering the:
 - i. Collection of cheques and other instruments payable and at other centers within India or abroad.
 - ii. Commitment regarding time norms for collection of instruments
 - iii. Procedure for handling dishonor of cheques
 - iv. Dealing with collection instruments lost in transit

2. ESFB Policy framework

2.1 Arrangements for collection

2.1.1 Cheques

All cheques and other Negotiable Instruments payable will be presented through the Clearing system. 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 day's clearing cycle.

The Bank will give credit to the Customer account on the same day on which clearing settlement takes place. Withdrawal of amounts so credited will be permitted as per the cheque return schedule of the clearing house or maximum within an hour of commencement of business on the next working day, subject to usual safeguards. Wherever applicable, customers will be eligible to earn interest from the day of clearing credit. .

With the introduction of imaging and truncation of cheques, there will be no physical movement of cheques, and the electronic movement of images and data of cheques will speed up the process of settlements and ultimately alter the clearing cycles. The realization time for proceeds of a cheque presented in clearing will be the next working day.

2.1.2 Collection of Account payee cheques - Prohibition on crediting proceeds to Third Party Account

The Bank will not collect account payee cheques (including drafts, pay orders and bankers' cheques) for any person other than the payee constituent.

2.1.3 Cheques payable in Foreign Countries

In respect of cheques payable in foreign countries, the Bank will also ensure compliance with the applicable RBI Guidelines.

2.1.4 Positive Pay System

Effective January 1, 2021, RBI has introduced an electronic authentication system called Positive Pay that allows the customer to share the cheque details with their bank before the bank processes it. This additional security layer is meant to address the rising instances of cheque fraud.

In line with the RBI Guidelines, the Bank will implement Positive Pay System for CTS cheques. Any cheques returned under Positive Pay System, will be considered as “Non-financial Technical Returns” where cheque return charges will not be applicable.

2.2 Timings for acceptance

2.2.1 Collection timings for cheques

The cut-off time for sending cheques for collection received across the counter or cheques dropped in cheque drop-box situated at branches/onsite ATM will be indicated in the branches. The cut-off time will be standard across all locations.

Cheques dropped in cheque drop-box at off-site ATM centers up to 3.00 PM will be sent for clearing / collection to the clearing house at the respective center on the next working day clearing cycle while cheques dropped after this time will be sent for clearing in the second working day clearing cycle.

2.3 Payment of Interest for delayed collection

2.3.1 Cheques/ Instruments payable at Centers within the Country

The Bank will pay interest on the amount of collection instruments in case there is a delay in affording credit beyond the stipulated timeframe as mentioned above without any demand from Customers in all types of accounts. There will 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 will be paid at the following rates:

- a. Minimum interest rate payable on Savings accounts for the period of delay beyond the stipulated time frame as applicable on the date of transaction.
- b. In the event the proceeds of cheque under collection are to be credited to an overdraft/loan account of the Customer, interest will be paid at the rate applicable to the loan account.
- c. The Bank will not be liable for any other costs, charges, damages/losses suffered or alleged to be suffered by the customer directly or indirectly etc. that the customer may claim due to any such delay in crediting the amount to the account.

2.3.2 Cheques drawn on Foreign Countries

In respect of cheques drawn on foreign countries, the Bank will also ensure compliance with the applicable RBI Guidelines.

2.4 Cheques / Instruments lost in transit / in clearing process or at paying bank's branch

2.4.1 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 accountholder so that the accountholder can inform the drawer to record stop payment and also take care that the cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The Bank will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In such cases, the Bank will compensate for any interest loss/ payment of charges by the Customer, due to the loss of the instrument on its part for any act of omission or commission, directly attributable to the Bank and the compensation in such cases will be as follows:

- a. In case intimation regarding loss of instrument is conveyed to the Customer beyond the time limit stipulated for collection, interest will be paid for the period of delay exceeding the stipulated collection period as per Savings Bank Interest rate.
- b. In addition, the Bank will pay interest on the amount of the cheque for a further period of 15 days at minimum interest rate payable on savings accounts as applicable on the date of transaction, to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c. The Bank will also compensate any reasonable charges in the event the instrument is to be obtained from a bank/ institution who will charge a fee for the issue of duplicate instrument.

2.5 Credit given for cheques drawn on Foreign Countries

In respect of credit given for cheques drawn on foreign countries, the Bank will also ensure compliance with the applicable RBI Guidelines.

2.6 Procedure for handling dishonored Cheques

Delay in re-presentation of technical returns and levy of charges for such returns:

Certain cheques returned are required to be re-presented by the Bank without reference to the customers such as effects not cleared – present again, encoding errors, Image not clear – present again with paper, listing error (excess/ short claim), advice not received, other reasons – connectivity failure, etc. All outward cheques that need to be re-presented without any recourse to the payee will be re-presented in the immediate next presentation clearing not later than 24 hours (excluding Bank Holidays).

An SMS alert for registered mobile customers will also be sent informing the customers about the re-presentation.

Returned cheques, which are not to be represented, will be sent by courier to customers during the next 24 hours, unless the same are collected from the branches by customers.

2.7 Charges on dishonored Cheques

Cheque return charges will not be levied for cases where the return is due to any fault on the part of the Bank or where there is no fault on part of the customer. The cheque return charges will be levied for financial returns only and not for any technical reasons as per the illustrative (but not exhaustive) list as indicated in **Annex**. Cheques that need to be re-presented without any recourse to the payee, will be made in the immediate next presentation clearing not later than 24 hours (excluding holidays)

Normal cheque return charges as per the service charge schedule will be recovered in all cases other than the above, with intimation to customers.

2.8 Procedure for return/dispatch of dishonored Cheques

Cheques dishonored and received back from the drawee bank will be returned along with the memo indicating therein the reason for dishonor to the customers at the earliest but not later than 5 days along with advice stating charges recovered, if any.

2.9 Information on dishonored Cheques/ ECS mandate

Data in respect of each dishonored cheque / ECS mandate will be part of the Bank's MIS on constituents.

MIS reports will be available centrally and to branches for them to take appropriate action on these accounts.

Data in respect of Cheques drawn in favour of stock exchanges and dishonored will be consolidated separately irrespective of the value by the Head office (CPC – Ops Clearing).

2.10 Dealing with incidents of frequent dishonor of cheques of Bank's customer

2.10.1 Dealing with frequent dishonor of cheques of Rs. 1 crore and above

In the event of dishonor of cheque valuing Rs. 1 crore and above drawn on a particular account on 4 occasions during the financial year for want of sufficient funds in the account, the Bank may, at its discretion, stop issue of fresh cheque books. The Bank may also consider closing the account at its discretion. 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 these accounts will be reviewed by appropriate authority higher than the sanctioning authority.

For the purposes of implementation of the conditions mentioned above, the Bank will send letters to the customers on a regular basis and indicate the condition at the time of issuance of cheque books.

The branch will issue cautionary advice to the constituent concerned on the third instance of dishonor of cheques for an amount exceeding Rs. 1 crore and above on a particular account during the financial year drawing his/her attention to the consequential stoppage of cheque facility in the event of cheque being dishonored on fourth occasion.

2.10.2 Dealing with frequent dishonor of cheques of value of less than Rs. 1 crore

In the event of dishonor of cheque value of less than Rs. 1 crore, drawn on a particular account of the drawer on 6 occasions during a financial year for want of sufficient funds in the account, the Bank may, at its discretion, stop further issue of cheque books. The Bank may also consider closing the account at its discretion. 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 related to these accounts will be reviewed by appropriate authority other than the sanctioning authority.

For the purposes of implementation of the conditions mentioned above, the Bank will send letters to the customers on a regular basis and indicate the condition at the time of cheque books issuance.

On reaching the number of incidents of dishonor of cheques during the year, cautionary advice will be issued stating that any more instances will disentitle the customer from availing the facility of cheque book.

Upon reaching the sixth instance of dishonour, the Bank will give adequate notice of 15 days and close the account, if considered necessary by recovering charges / dues, if any and remitting the remaining balance by pay order / draft to the address in the records of the Bank by Registered Post.

For the purpose of adducing evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee / holder of a dishonored cheque) in any proceeding relating to dishonored cheque before a court, consumer forum or any other competent authority, the Bank will extend full cooperation and will furnish him / her with documentary proof of fact of dishonor of cheques.

The below mentioned Notice will be displayed at branches:

“The Bank retains the right to amend / modify the policy and display the same on the notice board of branches / on the website and this will be deemed to be adequate notice to customers of the said change.”

2.11 Dealing with incidents of frequent dishonor of ECS/NACH of Bank's customer

2.11.1 Dealing with frequent dishonor of ECS/NACH of Rs.1 crore and above

In the event of dishonor of ECS/NACH valuing Rs.1 crore and above drawn on a particular account on 6 occasions during the financial year for want of sufficient funds in the account, the Bank may, at its discretion, stop registering the upcoming ECS/NACH mandates. The Bank may also consider marking low level memo in their core banking solution.

2.11.2 Dealing with frequent dishonor of ECS/NACH of value of less than Rs. 1 crore

In the event of dishonor of ECS/NACH value of less than Rs. 1 crore, drawn on a particular account of the drawer on 6 occasions during the month for want of sufficient funds in the account, the Bank may, at its discretion, stop registering the upcoming ECS/NACH mandates. The Bank may also consider marking low level memo in their core banking solution.

For the purposes of implementation of the conditions mentioned above, the Bank will update the same in Banks website.

2.12 Delay in Collection of bills

2.12.1 In case of delay in Collection of Bills, the Bank will pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts, provided the delay is due to any deficiency on part of the Bank. However, the Bank will not be responsible for any delay at the Drawee bank end and the actual time taken by the Drawee bank to confirm the status of collection of the bill will not be reckoned for this purpose. The delayed period will be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for

- a. Dispatch of bills;
- b. Presentation of bills of drawees.
- c. Remittance of proceeds to the lodger's bank. Crediting the proceeds to drawer's account.

To the extent the delay is attributed to the Drawee's bank, the lodger's bank may recover interest for such delay from the Drawee bank.

2.13 Outside the scope of this Policy

The delay in collection of cheques / instruments for the customers who have availed the 'Day Arrangement' or otherwise for credit of such cheques / instruments under the Cash Management Services (CMS) will be governed by the mutually agreed terms as per the CMS agreement and/or any understanding and/or any agreement and/or any contract and / or any writing so executed and evidencing the said mutually agreed terms.

2.14 Force Majeure

The Bank will 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 labor 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, that prevent it from performing its obligations within the specified service delivery parameters.

3 Provisions in policy over and above but in consonance with RBI guide lines

None.

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

(Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

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
41	Item listed twice
42	Paper not received
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
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
83	Digital Certificate validation failure
84	Other reasons-connectivity failure