

POLICY ON MULTI CITY CHEQUES (Issuance, Collection & Dishonour)

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(Issuance, Collection & Dishonour)

INDEX

SR. No.	DESCRIPTION	PAGE No.
1	Introduction	1
2	Background	2
3	Policy on Multi City Cheques (MCC)	3-7
4	Payment of Cheques	7-11
5	Cheque Collection Policy	11-18
6	Time frame for collection of outstation instruments	18-19
7	Interest payment for delayed collection	19-20
8	Cheques / instruments lost in transit / in clearing process or at paying bank's branch	20-22
9	Collection of International Cheques/Instruments	22-28
10	General points for collection of cheque	28
11	Policy for dealing with incidents of Frequent Dishonour of Cheques and Failed NACH	29-35
12	Amendment/Modification of the Policy	35-36
13	Force Majeure	36
14	Reasons / Information on Dishonour of Cheque	37-41
15	Format of Cheque (Annexure VI)	42

ABBREVIATIONS

A/C	Account
A/c Payee	Account Payee
ACB	Audit Committee of the Board
AWB	Air-Way Bill
BC	Bearer Cheque
BCSBI	Banking Codes and Standards Board of India
BID	Business Intelligence Division
CAD	Canadian Dollar
CA	Current Account
CAG	Corporate Accounts Group
CBS	Core Banking Solution
CC	Cash Credit
CCG	Corporate Client Group
CCP	Cheque Collection Policy
CCPAP	Corporate Client Cheque Payable At-Par
CCPC	Cheque Clearing Processing Cell
CMP	Cash Management Product
CTS	Cheque Truncation System
CIF	Customer Information File
ECCS	Electronic Cheque Clearing System
FCC	Foreign Cheque Collection
FRT	Financial Reporting & Taxation Department
GBP	British Pound Sterling
GLS	Global Link Services
GMU	Global Market
HNI	High Net-worth Individual
IBA	Indian Bank Association
IBG	International Banking Group
KYC	Know Your Customer
LCPC	Liability Centralised Processing Centre
MCC	Multi City Cheque
MMS	Mandate Management System
NACH	National Automated Clearing House
NPCI	National Payment Corporation of India
NRI	Non-Resident Indian
PBBU	Personal Banking Business Unit
PPS	Positive Pay System
RBO	Regional Business Office
R&DB	Retail & Digital Banking
SB	Saving Bank
SME	Small & Medium Enterprise
SMS	Small Message Service
SCS	Speed Clearing System
TBU	Transaction Business Unit
URRBCH	Uniform Rules and Regulations for Bankers' Clearing House

POLICY ON MULTI CITY CHEQUES

(Issuance, Collection & Dishonour)

1. Introduction

1.1. Reserve Bank of India has laid down CTS 2010 Standards for issuance of Cheques. With the advent of Core Banking Solution, the Cheques have been made payable at all the branches of the Bank. "Accordingly, MCC payable at Par, CTS-2010 Standard Compliant Cheques are being issued by the Bank". The payee can present the cheque for the amount which is within the ceiling printed on the face of the Cheque, directly at any of our branches or in clearing. Only MCC CTS 2010 standard cheques are issued now and no other variant can be used.

1.2. RBI vide Master Circular DBR No.Leg.BC.21/09.07.2006/2015-16 dated 01st July, 2015 (point no 14 page no 53) under Collection of Instruments, directed the Banks to formulate a comprehensive and transparent policy taking into account their technological capabilities, system and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. This covers three aspects: Immediate Credit for local / outstation cheques, Time frame for Collection of Local / Outstation Instruments, Interest payment for delayed collection. IBA has also issued model policy on Collection of cheques/instruments. Accordingly, Cheque Collection Policy was put in place. The Policy takes adequate care to ensure that the interest of small depositors is fully protected.

1.3. Frequent Dishonour of Cheque or failure of NACH (National Automated Clearing House)/ECS (Electronic Clearing System) is another important aspect of banking transaction.

a) RBI had, vide their Notification no.DBOD.NO.Leg.BC.59/ 09.07.005/ 2009-10

dated 9th November 2009, advised that frequent instances of dishonour of cheque of value less than ₹.1 crore is a matter of great concern and that banks need to take appropriate action in those accounts where such instances of dishonour of cheques occur.

b) RBI had also advised, vide their Master Circular DBR NO.Leg.BC.21/09.07.006/2015-16 dated 01st July, 2015, guidelines for dealing with incidents of frequent dishonour of cheques of ₹. 1 Crore and above. RBI has provided discretion to the banks to have their own approach to deal with recalcitrant customers as per their Board approved policy for dealing with incidents of frequent dishonour of cheques and failed NACH/ECS mandate.

c) RBI has, vide notification no. DBR.No.Leg.BC.3/09.07.005/ 2016-17 dated 04th August, 2016, left it to the discretion of the banks to determine their response to dishonour of cheques of the account holders, steps to prevent misuse of the cheque drawing facility and also to avoid penalizing customers for unintended dishonour of cheques.

2. Background

In the above backdrop, Policy on Multi City Cheques (Issuance, Collection & Dishonour) was last approved by Central Board in its meeting held on 25.10.2019 for a period of two years. The policy is reviewed based on the instructions issued by RBI and Bank from time to time in all matters relating to Cheques and their usage by customers.

3. Policy on Multi City Cheques (MCC):

MCC is a cheque drawn by a customer in favour of a person/entity named therein and is payable at par at all branches of SBI, subject to detailed terms and conditions as under:

- a) The payee can present the cheque directly at any of our branches or in clearing through his bank.
- b) In case of a Multi City Cheque, the term drawee would connote any branch of SBI in India.
- c) MCCs may be issued "bearer" or "order" as detailed under 3.5 below.

3.1 Eligibility criteria for issuance of MCCs:

All branches are authorized to issue MCC. All customers having Cheque operated accounts, with valid registered mobile number are eligible for getting MCC. Cheque book issue request should be accepted only in fully KYC compliant accounts.

3.2 Upper Limit of MCCs: There will be no limit on amount of MCC for payment at home branch. However, for payment at Non-Home branches, cap on amount is applicable, which is printed on the MCC as under:

"Valid upto ₹.....lakh at Non-Home branch for Non-Cash Transaction only".

At small branches manned by one officer and one clerk, cap of ₹5 Lakh will be applicable irrespective of the legend/ ceiling mentioned on the cheque.

3.3 For transfer transactions at Non-Home Branch, the maximum limits are as under:

a) Savings Bank Accounts (instrument type 31):

- i) Savings Bank other than HNI/NRI : ₹10 lakh.
- ii) HNI/ NRI Savings Bank* : ₹50 lakh.

*MCC may be issued without any legend/ ceiling, if so specifically requisitioned by the account holder, at the discretion of the Branch Manager.

b) Current Accounts (Instrument type 29):**

- i) Personal, Corporate & Institutional, Govt. Department: ₹50 Lakh.
- ii) In case of Govt. Department accounts: No cap.
(if a separate arrangement exists with the Department)
- iii) Corporate Client Cheques Payable at Par (CCPAP):
 - With facsimile signature : ₹ 100.00Lakh.
 - Otherwise : Unlimited.
- iv) Under Corporate Client Cheques Payable At Par (CCPAP) the instrument number, account number, instrument type, amount and date of expiry are validated at the time of payment to ensure against fraudulent payment of the CCPAP.

c) Cash Credit (Instrument type 30): Max. ₹50 lacs.**

** MCC may be issued without any legend/ ceiling, if so specifically requisitioned by the account holder, at the discretion of the Branch Manager.

3.4 Cash Payment at Non-Home Branch: Maximum limit

a) 'P' segment:

- i. Self-Payment: ₹50,000/-, No Cash payment to third parties.
- ii. Super Senior Citizens (more than 80 years of age): Cash payment to third party upto ₹10,000/-.

b) **SME segment:** ₹1,00, 000/- for self. No cash payment to third parties.

c) **AGR segment:** ₹1,00, 000/- for self (KCC Cheques only)

d) No cash payment of CAG/CCG/CMP Cheques at non-home branch.

e) No limit for cash withdrawal by self for Wealth Savings account holders opened under Wealth Management initiative (WMBU)

3.5 Issuance of MCC: ORDER/ BEARER (based on Account holder's Risk perception)

a) Issue of Order MCC:

- i. In Savings Bank accounts, (HNIs/NRIs, Trusts, Societies & other eligible organisations etc.) "Order" MCC will be issued by default.
- ii. In all Cash Credit & Current Accounts, only "Order" MCC will be issued.

b) Issue of Bearer MCC:

In other retail segment Savings Bank account, other than those mentioned in para 3.5 (a) above, "Bearer" MCC will be issued by default. There is also a specific provision for requisition of "Order" Cheques.

3.6 Charges for Issuance of MCC:

As per prevailing charges revised from time to time.

3.7 Number of cheque leaves:

a) Savings Bank Account

- i. Personal Segment Customers : 10/25 leaves
- ii. SME Segment Customers : 10/25/50 leaves

b) **Current Account** : 25/50/100 leaves

c) **Cash Credit** : 25/50/100 leaves

d) **Emergency Cheque Book** : 5/10 leaves

e) **Non-Personalised Welcome Kit** : 5 leaves

f) In case of specific requirement of the Corporate/ Firm/ Entity, MCC may be issued for 1000 leaves on continuous stationery.

g) Cash Management Product (CMP) will print MCC for corporate clients and institutions using CCPAP (instrument type 29), as mentioned in para 3.3 b) iii).

h) Branches will ensure that adequate stocks of such cheque books of 5 and 10 cheque leaves are available with them to meet the emergency requirement of the customers. (Service charges at applicable rate will be levied for issuance of cheque books)

3.8 Printing & Issuance of Multi City CTS-2010 Standard Cheques:

a) Printing of MCCs will be in full conformity with CTS- 2010 Standards.

b) MCCs are printed at various locations identified by the Bank for a group of branches/ Modules/ Networks/ Circles. This arrangement may be reviewed from time to time.

c) Our Multi City Cheques (CTS 2010) have '12' security features as under:

- Mandatory Standard Cheque Security Features as per CTS 2010 Guidelines (9 in number)
 - i) CTS India Watermark paper
 - ii) VOID Pantograph
 - iii) Bank's Logo in UV Ink
 - iv) Micro Lettering
 - v) Cheque Colours & Background Mandatory CTS Standards
 - vi) New Rupee symbol
 - vii) Standardized Field Placements
 - viii) Account Number Field
 - ix) Printer Name along with CTS 2010
- Additional Security features adopted by our Bank (3 in number)
 - x) Fugitive Background with Secondary Fluorescent Ink
 - xi) Account Number printed in Reverse in a Black Box
 - xii) UV Band in variable fields (Payee's Name, Amount in Words, Amount in figure and Account Number)

To minimize cheque related fraud, a new security feature of UV Band in variable field (Payee's Name, Amount in words, Amount in figure and Account number) is incorporated w.e.f 22.08.2020, so that any alteration made in these areas would be visible when cheque is verified under UV lamp. All new MCC cheque books printed by security printers will contain this feature along with existing security features. All existing cheque books without this feature will continue to be honoured as per existing instructions.

3.9 Dispatching cheque books:

MCC Cheque books will be dispatched to customers on their last recorded address or the address mentioned while making requisition. SMS is sent to the Customer three times on Mobile number registered in CBS, once at the time of recording indent and

the second at the time of dispatch with Air Way Bill (AWB) tracker number provided by Department of Posts (DoP) and the third at the time of receipt of delivery information from DoP. If SMS remains undelivered, then causes for failure of SMS in such cases will be analysed at GITC. Exception report will be generated at the Branch and it will be dealt with critically.

3.10 Cheque Books received back undelivered:

- a) Cheque Books returned undelivered are received back at Home Branch. These will be blocked, marked "STOPPED" in CBS.
- b) It will be the responsibility of the Home Branch to keep safe custody of undelivered Cheque Books and to mark "STOP" in the system. Home Branch will make entry in undelivered Cheque Book register immediately on receipt of such undelivered Cheque Book and will keep it in Joint Custody.
- c) The Branch will arrange to contact account holder over his/ her Mobile number registered in CBS and record the same in the Register. Branch should also initiate the process for up dation of address, backed by relevant documents.
- d) On delivery of Cheque Book to the customer after proper identification, STOP will be removed by the branch in CBS. Re-delivery / activation of such cheque book in such cases is subject to Maker-Checker.
- e) If Cheque Book is not delivered to customer within 2 months from the date of issuance, the Branch will arrange to destroy the undelivered Cheque Book in the presence of Joint Custodians duly recorded in the Register maintained for the purpose.
- f) Cheque books returned undelivered and destroyed by the branch will be permanently deactivated in CBS thereby ensuring against any inadvertent error or surreptitious removal of STOP, leading to fraudulent payment of such cheques.

4. Payment of Cheques

4.1 Preliminary scrutiny of the cheques before payment:

- a) Bank's logo and name be checked under UV lamp.
- b) Cheque is within validity period.
- c) Amount in words and figures is same.
- d) Cheque leaf is from the cheque series issued to the customer concerned.
- e) Drawer's signature is available on the face of the cheque and tallies with the specimen signature recorded with the Bank.
- f) The instrument is duly discharged by the customer.
- g) All cheques above ₹ 25000/- be subjected to fugitive ink / water droplet test to ascertain the genuineness of the instrument.
- h) All cheques above ₹ 50000/- be subjected to ultra violet lamp test to ascertain the genuineness of the instrument. A stamp confirming such verification "UV Lamp verified" should be affixed on back of the cheque.
- i) Customer to be contacted over phone/mobile number registered with the Bank before making payment of cheque for amount of ₹ 2.00 lakh and above. Circles may fix lower limit based on Fraud History for Tele calling.
- j) In case of payment of Non-Home cheques of ₹ 5.00 lakh and above or any suspicious transactions irrespective of the amount involved, the drawer is to be contacted over registered mobile number to ascertain genuineness of the instrument/transaction.
- k) In case, the customer could not be contacted while making payment of Cheque presented in clearing/ over the counter, email is sent to Home Branch and also to the customer concerned on email ID registered with the Bank. Home Branch should accordingly take up the matter with the customer. Record of such calls be maintained.
- l) All cheques with reasons to any doubt on genuineness should be subjected to fugitive ink/water droplet test and ultra violet lamp test, irrespective of amount.
- m) Physical verification of cheque is to be carried out in a meticulous manner, so as to avoid payment of cloned cheques.

- n) Discrete enquiries are to be made from the presenter of the cheque for payment over the counter.
- o) In case of Multi City Cheque presented at non-home branches, amount of the cheque should be within value cap mentioned on the cheque.
- p) All high value instruments must be referred to the Branch Head/ CCPC Head and in case of suspicion, the drawer branch/ customer drawing the cheque should be referred before releasing payment.
- q) Branches to ensure seeding of correct and updated Mobile number/Email in the accounts to receive SMS/Email alerts and calls from Bank, to ascertain genuineness of the instrument/transaction.

4.2 Payment of MCC with risk mitigation system:

- a) The payment of MCC at home branch / CCPC will have no restriction with regard to limit on amount printed on the Cheques.
- b) The payment of MCC at non-home branch (other than CCPC) will be restricted as per the limit of the Cheque (as per legend mentioned on the Cheque as narrated herein above).
- c) Payment of cheques at Non-Home Branches where both legs are Non-Home is to be allowed after usual scrutiny for amount up to ₹5.00 lakhs and ensuring compliance of instructions detailed under para 4 and sub-para 4.4 of e-Circular R&DB/BOD-GB/32/2018-19 dated 12.07.2018 and e-Circular R&DB/BOD-GB/67/2019-20 dated 29.08.2019.
- d) The functionality in CBS is available, to ensure that the payment of MCC at non-home branches is made as per the value cap mentioned on the cheque.
- e) Passing for payment of high value cheques of ₹50 lakh and above will be physically authorised by two officials.
- f) In the event of any instance of compromise of cheque(s) in an account is observed / reported, the remaining cheque(s) in the series issued to the customer will be deactivated by the Branch after receiving specific consent in writing from the customer.

4.2.1 Payment of non-CTS-2010 MCC (Payable at Par)

- a) Customers holding non-CTS cheques if any, are to be contacted for surrender of non-CTS cheque leaves and for issuance of MCCs as per CTS 2010 guidelines.
- b) Non-CTS Cheques should be replaced by requesting for CTS-2010 Standard Cheques through Home Branch.
- c) The payment of existing Order Multi-city (payable at par) non-CTS-2010 standard cheques already issued to the customers will be allowed for cash payment at Home branches only.
- d) Non-CTS Cheques (cheques not compliant with CTS-2010 standards) will not be accepted in the CTS clearing system w.e.f 01.01.2019.
- e) Drawee branches need to exercise extra caution while honouring/ making payment of Non-CTS cheques and in case of any doubt, may return them.

4.3 POSITIVE PAY SYSTEM (PPS) FOR CHEQUE PAYMENT

- a) Competent authority has approved implementation of RBI directives on Positive Pay System and provision of the facility to all our customers having cheque operated accounts effective from 01.01.2021. The facility is provided to customers through our branches as well as alternate channels like Internet Banking (both CINB & RINB), Mobile Banking, YONO, SMS etc. The facility is being implemented for clearing cheques as well as cheque payments over the counter (both cash & transfer).
- b) Concept of Positive Pay involves a process wherein the customer who is issuing cheque informs the drawee bank the details of cheque issued like Cheque number, date of issue, amount, name of payee/beneficiary etc., which are stored in the system. When the said cheque is presented for payment, the details in respect of the cheque stored in the system are cross-checked with the corresponding details on the presented physical cheque/image of cheque.
- c) RBI has advised that only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS Grids.
- d) As such, no cheque should be returned, if otherwise in order, till the Positive Pay System stabilizes and until further instructions, for the only reason of mismatch with/

want of PPS data.

(reference e-circular R&DB/AGNYBHG-CTS/ 8/2020-21 dated 23.12.2020)

4.4 Stop Payment of Cheques:

- a) Branches will accept stop payment instruction from the depositors in respect of Cheques issued by them, provided the cheque in question has not been paid by the Bank. Charges, as applicable, will be recovered.
- b) Account holders can request the Bank in writing to register Stop Payment instructions in respect of cheques issued or lost by them.
- c) Stop Cheque payment request can also be made online by customers having Internet Banking/YONO/YONO Lite facility with transactions rights.

4.5 Cheques destroyed and cancelled by the Customer:

There may be instances of Cheques written by the customer erroneously and destroyed / cancelled. Information on such cases may be given to the Bank. Such intimation by the customer may be recorded as stop payment and no charges will be levied. This will be made a part of instructions on the cheque book, for guidance of the customers.

5. Cheque Collection Policy:

Bank's Cheque Collection Policy has been formulated as a comprehensive document with transparency, covering various aspects, taking into account our technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The Policy takes adequate care to ensure that the interest of small depositors is fully protected and is in line with the IBA's model policy on Collection of cheques/instruments. The procedure for collection of - domestic cheques / instruments and international instruments have been included herein, which, inter alia, incorporates the following:

- a) Collection of Bank's own cheques (local and outstation).
- b) Collection of cheques drawn on local or outstation branch of other banks.

- c) Time frame for collection of outstation/local cheques drawn on our own branches and branches of other banks.
- d) Penalty for delayed collection for local/outstation cheques in a progressive manner.
- e) Amount of cheque up to which immediate credit is to be provided.

5.1 Cheque clearing process under CTS based clearing system

- a) The printing of IOI instruments is also now migrated on “CTS-2010 standard” platform. Cheque Truncation System (CTS) is presently working at:

Northern grid in Delhi (Geographical jurisdiction of 21 MICR centres in the states/UT of Bihar, Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh. This is covered by our 5 Circles, namely, Chandigarh, Delhi, Jaipur, Lucknow and Patna).

Southern Grid in Chennai (Geographical jurisdiction of 25 MICR centres in eight states namely Orissa, West Bengal, Guwahati (including seven North East States viz. Sikkim, Tripura, Mizoram, Arunachal Pradesh, Nagaland, Assam and Meghalaya), Andhra Pradesh, Telangana, Kerala, Karnataka, Tamilnadu and Union Territory of Puduchery. This is covered by our 8 Circles, namely, Amaravati, Bengaluru, Bhubaneswar, Chennai, Guwahati, Hyderabad, Kolkata and Thiruvananthapuram).

Western grid in Mumbai (Geographical jurisdiction of 20 MICR centres in five states namely Maharashtra, Madhya Pradesh, Gujarat, Goa and Chhattisgarh. This is covered by our 4 Circles, namely, Ahmedabad, Bhopal, Maharashtra and Mumbai Metro).

- b) All centres covered under the same grid will be treated as a single clearing zone and cheques drawn on these centres and presented at any of the grid centres are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.
- c) RBI has directed that no changes/corrections should be carried out on the cheques. For any changes in the payee’s name, currency amount (amount in figures) or legal amount (amount in words) etc, fresh cheque forms should be used by customers. This will help Banks to identify and control fraudulent alterations. Collecting banks have to ensure that such cheques are not accepted for presentation in CTS. This is not applicable to cheques cleared over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House Arrangement.

- d) Branches dealing with government business under CTS centres are required to update their CBS data. Account level ground work :- Get linked to respective CCPC by completing following activities for all State & Central Government Accounts maintained at the Branch:
- i) Capture signatures of Drawing & Disbursing Officers (DDOs) of respective Govt. departments and upload the same in CBS.
 - ii) Upload mandate / account operating instructions in CBS.
 - iii) Allocate cheque series (existing or CTS compliant category) to the respective State / Central Government Account.
 - iv) Limits / LOCs are to be updated as per the instructions / requirements of the Government Account holder.
 - v) Ensure that Major-head/sub-head/ supplementary-head for Central Government Accounts or State Govt. code / Focal Point Branch code / C or S flag is defined correctly against each Central / State Government Account at the Branch.

5.2 Speed Clearing System: - 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 system, except that such cheques will be collected by the collecting bank against realization of service charges specified for the purpose. Speed Clearing System is applicable for CTS-2010 grid based clearing system.

5.3 The list of objections for return of Instruments and Image based Cheque Clearing, as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing House, has been placed as Annexure-I of this document.

5.4 Cheque return charges shall be levied, at applicable rates, only in cases where the customer is at fault and is responsible for such returns. The list of reasons for return, where the customers are not at fault is as per Annexure-II. Charges will not be levied in such cases.

- 5.5** Cheques that need to be re-presented without any reference to the payee shall be presented in the immediate next clearing, not later than 24 hours (excluding holidays). Notification will be sent to the customers for such re-presentation by SMS or e-Mail.
- 5.6** Dishonour /Return of cheques: Branch needs to mention the 'Date of Return' & sign/initial the Cheque Return Memo, giving therein a definite and valid reason for refusing payment as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.
- 5.7** Collection of Third Party Cheques in clearing: RBI has prohibited Banks from crediting 'Account Payee' cheques to the account of any person other than the payee named therein. However, with a view to mitigating the difficulties faced by members of co-operative credit societies in collection of account payee cheques, RBI has permitted banks to collect account payee cheques for such societies drawn for an amount not exceeding ₹.50,000/- on behalf of their constituents.

5.8 Time limit for deposit of Cheques:

- a) Cheques deposited at branch counters and Cheques deposited in the drop box within the branch premises, before the specified cut-off time will be sent for clearance on same day, for which the clearance period will be T+1 working day.
- b) Cheques deposited after this cut off time will be sent for clearing on next day, for which clearance period will be T+2 working days.
- c) The broad time-limit for receipt of cheques (say up to 3 hours after opening of branch etc.) and cheques deposited in CDK (Cheque Deposit Kiosk) which may be fine-tuned for individual locations/branches, based on local practices. This will be fixed with the approval of the Controllers of the respective branches.
- d) All drop-boxes shall clearly indicate the timeline as above up to which cheques dropped in the drop boxes would be sent for clearing on the same day.

- e) Cheques deposited after the cut-off time in Branch Drop Box and cheques deposited in drop-boxes outside the branch premises including off-site ATMs, will be presented in the next clearing cycle.
- f) As a policy, Bank would give credit to the customer account on the same day after day's clearing settlement takes place and will appear in book balance but would not be available for payment. Withdrawal of amount so credited will be permitted as per the cheque return schedule of the clearing house.
- g) The timeline for clearing of local cheques will be extended by two additional days in case of branches having non-Sunday weekly off and also preceding working day in 2nd & 4th weekend also being holiday. It will be extended by one additional day only during 1st, 3rd & 5th week for branches working on Sunday.
- h) Bank branches, situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and proceeds thereof would be credited at the earliest on realization.
- i) Normal collection charges applicable at the material time will be levied for local cheques not collected through clearing, irrespective of the amount of cheques.
- j) SC/DDP automation has been implemented for collection of outstation cheques of other banks from centres where speed clearing system is not available.
- k) In the case of collection of outstation cheques at centers, where the Speed Clearing System is not applicable, our collecting branches will levy 50% of their applicable charges for collection of outstation cheques. The drawee/paying branch may also levy 50% of applicable charges.

5.9.I Negotiation of Cheques:

- a) Negotiation of local cheques/instruments drawn on other banks will not be permitted. Branch Managers may use their discretion in exceptional circumstances (business exigencies) to permit drawl's against uncleared effects up to ₹. 30,000/- (Rupees thirty thousand only), in deposit accounts. The facility can be provided only on well conducted, KYC compliant accounts as mentioned in paragraph 5.10 (d) below. This will be done within the discretionary powers vested with the Branch

Manager in the respective Grade/Scale for purchase of cheques/clean bills, in terms of the Scheme of Financial Powers – Advances and Allied Activities and is required to be reported to the next higher authority, for Control purpose.

- b) In case of outstation cheques, the facility will be restricted to one or more cheques for aggregate amount not exceeding ₹. 30,000/- at a time, ensuring that the liability on account of outstanding cheques purchased does not exceed ₹30,000/- at any time, except in cases where credit facility against cheques to be purchased has been duly sanctioned by the competent authority.
- c) If a cheque/instrument for which immediate credit has been afforded is returned unpaid, Bank shall recover interest at clean overdraft rate for the period Bank remained out of funds and also cheque return charges, subject to the following:
 - i) Bank will charge interest from the date of credit of proceeds of the cheque in the account till reimbursement/realization of the amount to/by the Bank.
 - ii) Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for interest purposes. For the purpose, the Branches will ensure recovery of interest credited/to be credited to the account on the amount of cheque returned unpaid for the period involved.
 - iii) If proceeds are credited in an overdraft/loan account, interest would be recovered at applicable rate/clean overdraft rate, whichever is higher, on the amount of returned cheque/instrument.

5.9.II Purchase of Local Cheques, Drafts, etc., during suspension of clearing:

Whenever clearing is suspended and it is apprehended that the suspension may be prolonged, branches may temporarily accommodate their constituents, both borrowers and depositors, to the extent possible by purchasing the local cheques, drafts, etc., deposited in their accounts for collection, special consideration being shown in respect of cheques drawn by government departments/companies of good standing and repute, as also demand drafts drawn on local banks. While extending this facility, branches would no doubt take into consideration such factors as creditworthiness, integrity, past dealings and occupation of the constituents, so as to

guard themselves against any possibility of such instruments being dishonoured subsequently.

5.10 INSTRUMENTS DRAWN ON OUR LOCAL AND OUTSTATION BRANCHES:

- a) Cheques drawn on Bank's own branches, at local or at outstation centres, except Govt. Cheques, Banker's Cheques, RBI cheques, received across the counter or through Drop-Box are not required to be presented in clearing or purchased as DD. These instruments shall be disposed off at their end only, subject to ceiling for non-home payment after due scrutiny. For cheques received at non-home branch and drawn for amount beyond the ceiling printed on the cheque to be sent out on collection as SC. The instruments will be paid by the receiving branches at their end after verifying the genuineness of the instruments and observing all necessary precautions for payment of instruments, who will afford credit directly to the payee's account.
- b) Cheques drawn on any branch of our Bank, locally or outstation, will normally be paid on the same day/next day, depending upon the local situations, barring a few exceptional circumstances, for example – insufficient balance, non-availability of drawing power/limit, uncleared balance, cheque number not matching with the cheque range in the system, same cheque number already paid, difference in signature, any lien/stop/hold restrictions (statutory, regulatory or otherwise) marked on the account.
- c) The facility of immediate credit will be provided by the branch to the satisfactorily conducted accounts of their customers in respect of instruments drawn on any of our branches.
- d) For the purpose, a satisfactorily conducted account shall be one which has been:
 - i) Opened at least six months earlier to the date of depositing cheque for realization and fully complies with KYC documentation requirements.
 - ii) Is not inoperative.
 - iii) Where branch has not noticed any irregular dealings/ suspicious transactions in the last 6 months.

- iv) Where the branch has not experienced any difficulty in recovery of any amount advanced in the past, including cheques returned unpaid after giving credit.
 - v) Where no adverse features attached to the account/account holders have been brought to the notice of the Bank.
 - vi) Where no cheques/ instruments for which immediate credit was afforded, had been returned unpaid for financial reason.
- e) The facility will be available to all individual deposit account holders, without making a distinction about the type of their accounts, i.e. Savings Bank/Current Account etc. It will also be available at all branches/extension counters of the Bank. This will not be available to non-individual account holders.
- f) Branches will, on their own, afford immediate credit of outstation cheques of other banks too up to and inclusive of ₹.30,000/- (Rupees thirty thousand only) tendered for collection by their customers.
- g) The facility of immediate credit would however not be applicable to cheques collected under speed clearing arrangements.

5.11 INSTRUMENTS DRAWN ON OUTSTATION BRANCHES OF OTHER BANKS:

- a) Cheques drawn on other banks at outstation centres in India will normally be collected through our own 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 drawee bank.
- b) All "CTS-2010 Standard" Cheques and other Negotiable Instruments (CTS compliant), payable outstation on any banks, would be presented by the branches linked to respective CTS-Grid through the grid based clearing system (Chennai, Mumbai and Delhi Grids).

6. TIME FRAME FOR COLLECTION OF OUTSTATION INSTRUMENTS:

- 6.1** With the leverage of CBS and upgradation of technology and introduction of Speed Clearing System/CTS-grid based Clearing at MICR centre, the time frame for collection of outstations cheques for SBI branches/ other banks will be as per

normal clearing cycle at the respective centre and for all other centres, the time frame for collection of cheques/ instruments payable in India is as under:

		<u>SBI Branches*</u>	<u>Branches of Other Banks</u>
a)	Collections between Metropolitan Centres/ Major 'A' Class Cities (Mumbai, Chennai, Kolkata, New Delhi, Ahmedabad, Bangalore & Hyderabad)	6 days	7 days
b)	Collections between places at (a) above and State Capitals (other than North Eastern States & Sikkim) and Area I Cities, i.e. Pune, Nagpur, Kanpur, Surat, Vishakhapatnam, Vadodara, Kochi, Indore, Ludhiana, Coimbatore, Agra, Madurai and Varanasi	8 days	10 days
c)	Collections between all other Centres	10 days	14 days

*For Cheques drawn for the amount beyond the ceiling printed on cheque and cheques drawn on the branches within the CTS Grid.

- 6.2** The time frame mentioned above is the outer limits and once the instruments are realised, proceeds should be credited to the Customer's account immediately.
- 6.3** Outstation cheques will be paid subject to recovery of applicable service charges, plus GST.
- 6.4** The time limit for collection of cheques/instruments payable in foreign countries has been mentioned separately in the Policy, under para 9.
- 6.5** There is no change in the accounting procedure for DDP in respect of cases where instruments will continue to be purchased by debit to General Ledger Account/Customer's Liability account and sent for realization to the Drawee bank.

7. INTEREST PAYMENT FOR DELAYED COLLECTION:

- 7.1** As part of the Compensation Policy, the Bank will pay interest to its customer on the amount of collection instruments under 6.1 a), b) and c) given above, 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.

7.2 Interest for delayed collection shall be paid at the following rates:

- a) For collection of cheques drawn on SBI, Saving Bank rate for the period of delay beyond 6/8 days for 6.1 a)/b) and 10 days for 6.1 c), interest will be payable from 7th/9th day for the centres under a) & b) and from 11th day for centres under c).
- b) Saving Bank rate for the period of delay beyond 7/10/14 days, as the case may be and for collection of outstation cheques drawn on other banks, i.e. the interest will be payable from 8th/11th/15th day.
- c) Where the period of delay is beyond 14 days, interest will be paid at the rate applicable for term deposit for the corresponding period or Saving Bank rate, whichever is higher.
- d) 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.
- e) In the event of the proceeds of cheque under collection 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, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.

7.3 Interest as above shall be payable with a minimum of ₹25/-.

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

8.1 In the event of a cheque/instrument accepted for collection being lost in transit or in the clearing process or at the paying bank's branch, the Bank shall immediately, on coming to know about the loss of instrument, bring the same to the notice of the account holder, so that the drawer can be informed to record stop payment. The branch will take care that cheques, if any, issued by the customer are returned with specific remarks and not just dishonoured as a routine due to non-credit of the amount of the lost cheques/instruments. The Bank would also advise the drawee bank all the particulars of lost cheque / instrument for exercising caution

and provide all assistance to the customer in obtaining a duplicate instrument from the drawer of the cheque.

8.2 Where a cheque/instrument is claimed to have been deposited by the customer in Drop-Box, but Bank's records do not show receipt of such cheque with the Bank, the Bank cannot decide on the compensation amount for lost cheque in the absence of details of cheque like date, amount, drawee bank/branch/drawee centre etc. In such cases, the customer will have to corroborate a claim for lost cheque with full facts, inter-alia, including confirmation/enquiries from the drawee person/drawee bank about genuineness of the claim and on this basis if it is established that the customer has, in fact, tendered the cheque in Drop-Box, the Bank will consider payment of compensation in terms of the SBI Compensation Policy.

8.3 In line with the Compensation Policy of the Bank, the Bank will compensate the account-holder in respect of instruments lost in transit in the following way:

- a) In the event a cheque or instrument accepted for collection is lost in transit or in clearing process or lost by the service provider (in case of CMP) the Bank shall immediately on coming to know of the loss of instrument, bring the same to the notice of the account holder as brought out under para 8.1 herein above. The bank would provide assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- b) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection as per the Cheque Collection Policy of the Bank (7/10/14 days, as the case may be), interest will be paid for the period beyond the stipulated collection period at the rates specified in para 7.2 & 7.3 above for cheques payable in India.
- i) Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for possible further delay in obtaining duplicate

duplicate cheque /instrument and collection thereof.

- ii) The Bank would also compensate the customer for reasonable charges which 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, subject to a maximum of ₹ 250/-.

9. COLLECTION OF INTERNATIONAL CHEQUES/ INSTRUMENTS:

9.1 The Bank handles, on behalf of its customers, at all its branches, collection of cheques drawn in various foreign currencies and payable at various foreign centers. The bulk of the collection instruments are: -

- a) Foreign currency cheques {including Travellers Cheques (TCs) & Money order (MO)} drawn on / payable in the country of the foreign currency (viz. \$ in USA, £ in UK, € in Euro Zone and so on) and also drawn on countries other than the country of particular currency viz. US\$ cheques payable outside USA.
- b) It is clarified that Travelers cheques issued by various Banks/Entities in various currencies will continue to be paid (by collection & purchase) at designated branches as per bilateral arrangements in place, as advised by Global Markets (Foreign Department), Kolkata, from time to time.

9.2 Accordingly, the Policy for International Cheque Collection shall cover the following aspects:

- i) Type of settlement process in foreign countries for collection of cheques.
- ii) Arrangement for collection of cheques/instruments.
- iii) Time-frame for collection of cheques.
- iv) Interest payment for delayed collection.
- v) Collection instruments lost in transit.

9.3 Settlement Process in Foreign Countries for collection of cheque:

Collection of cheques at various foreign centers differs vastly from the process prevalent in India, both in advanced markets, developing countries and also from

country to country within these two sub-groups. In some of the markets, clearing / settlement system can take more than 1 day, i.e. 2-4 days for return clearing and therefore, for final funds settlement. Further, in some countries like USA, the recall of funds from the collecting banker can occur even after the time for return clearing for an undefined period, in cases where National Clearing involves more than one Fed Zone. Further, as per Section-15 chapter 2g, paragraph – 3 of “Manual of Forex Operations”, updates as on 31.03.2018, in the event of any USD cheque returned for any reason, in terms of Check 21 Act of USA, we may receive an image of the returned legal cheque including a paper copy of cheque image or a return substitute cheque instead of a return original paper cheque. There are also countries like Germany where cheques are no more the preferred mode of payments (replaced by online payments) and clearing takes place on a weekly basis. Cooling period of foreign currency cheques (FCC) collection, as per arrangements made by Global Link Services (GLS) for FCC denominated in US\$, Euro €, GB £, CAN \$ is as under:

Instruments for collection	Cooling Period
US \$ Cheques payable in USA	10 Working days
Travellers Cheque, Money Order, Gift Cheques in US \$	10 Working days
Euro payable in 10 countries (Austria, Belgium, France, Germany, Italy, Luxembourg, Netherland, Portugal, Spain & United Kingdom).	11 Working days
GBP payable in UK	14 Working days.
CAD less than CAD10000/-	13 Working days.
CAD 10000/- and above	NIL, But holding period of 60 days.
Other Currencies	21 days.

9.4 Arrangement for collection of foreign cheques/instruments: -

- a) We have a network of branches, linked branches and Global Link Services (GLS)/ International Service Branch Ernakulam (ISBE), Departments of International Banking Group (IBG). GLS/ISBE use services of different correspondent banks with

large volumes, robust systems, suitable technology back up and country specific strengths to provide efficient service at competitive prices. Different Correspondent Banks are able to offer varied customized products to us for risk reduction, quicker collection, improved reconciliation etc. at various prices. When FCNR (B)/NRE TDR deposit receipt is to be issued against proceeds of FC cheques collected, Branches have to ensure that:

- i) FCNR (B)/ NRE TDR Receipt should be mailed / handed over to the depositor only after the cooling period is over.
 - ii) As no protection against frauds on the face of cheques is available in such cases (a recall is possible within 1 year or more), the facility of loans, etc. against such deposits should be extended only where branches are satisfied with the bonafides of the transaction and availability of recourse, if required.
 - iii) Value date of FCNR(B)/NRE TDR will be the date of credit in NOSTRO a/c.
- b) The USD, GBP, CAD & EURO cheques drawn on banks in USA, UK, CANADA and European countries respectively are accepted by Global Link Service, Mumbai/ International Service Branch, Ernakulam for collection. Cheques on these currencies drawn elsewhere as well as cheques of other currencies are required to be sent directly to the drawee bank with clear instructions for remittance of proceeds to the Banks' account maintained with foreign offices/correspondent banks.

9.5 Immediate credit of cheques to deposit accounts of individuals:-

- a) Authorised branches of the Bank will offer immediate credit of cheques drawn in foreign currency for satisfactorily conducted accounts complying with KYC norms where they are satisfied with the scope for recourse, if required, and the customers are willing to pay the cheque purchase charges. In value terms, cheque purchases for issue of Rupee TDRs may be authorized by Managers/Branch Managers in Scale III/IV incumbencies for a Rupee equivalent up to ₹ 50,000/- (Rupees fifty thousand only) and by AGM branch/ AGM Region for higher values in satisfactorily conducted accounts, subject to their

discretionary power. In all other cases, the discretionary power to purchase cheques, in aggregate for a customer, will be as per the laid down financial powers for clean instruments, subject to usual reporting to the next higher authority.

b) If a cheque/instrument, for which immediate credit has been afforded, is returned unpaid, the Bank shall recover interest at clean overdraft rate for the period the Bank remained out of funds and also cheque return charges and exchange loss, if any, subject to the following:

- i. The Bank will charge interest from the date of credit of proceeds of the cheques in the account till reimbursement of money to the Bank.
- ii. Where the cheque is credited to a Savings Bank account, such credits will not be reckoned for interest purposes if the cheque is returned.
- iii. If proceeds are credited in an overdraft/loan account, interest would be recovered at applicable rate/clean overdraft rate, whichever is higher, on the amount of returned cheques/instruments.

9.6 Time Frame for collection of instruments:-

The time frame is from the date of deposit of a cheque/instrument at a branch to the date of credit to the customer's account, will be 10 days after the completion of cooling period for the respective currencies. Cooling period starts from the date of credit to our NOSTRO account. However, the total time frame for the entire collection process will not be exceeding 45 days from the date of deposit of cheques / instruments except for the cheques / instruments in CAD for 10000/- & above, where it will be 10 days from credit to NOSTRO account.

9.7 Interest payment for delayed collection: -

- a) Delay in collection of cheques payable at foreign centres will be construed if the customer's account is not credited within the time frame as mentioned in paragraph 9.6.
- b) The Bank however, will not compensate the customer for delays in collection of cheques drawn on banks in foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that 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.

- c) For the sake of uniformity and clarity, the date of Clear Credit is defined as the date on which clear funds are available in our Nostro Account after an actual or notional cooling period – for actual credit to customers’ account as per Bank’s agreement with the concerned Correspondent Bank. Wherever there is no specific agreement on the cooling period or the funds are directly collected from a paying bank, the Clear Credit Date will be after observing a cooling period, as per the discretion of the Bank, for that specific currency/country/clearing system, from the date of actual credit to Bank’s Nostro Account.
- d) The compensation on account of delay in collection of instruments in foreign currency will be paid in Indian Rupee, as illustrated below:

- i) At Savings Bank rate from the date of credit to Nostro Account till the date of payment if the period of delay is beyond prescribed collection period:

Description	Date
Date of NOSTRO A/C credit	01.08.2021
Add 15 days cooling period	16.08.2021
To be paid within 10 days	26.08.2021 (No delay)
Delayed interest payment, if proceeds are not credited within 26.08.2021. The date of delay will be counted from the date NOSTRO a/c credited to the date of credit to the account (excluding credit date) i.e. payment after 26 th Aug., will entitle payment of interest from 1 st Aug, 2021 till the date of payment upto 45 days from 26 th Aug, 2021.	

- ii) In case of abnormal delay, i.e. delays exceeding 45 days, interest will be paid at Term deposit rate applicable for the period and for delays beyond 90 days, 2% above the applicable term deposit rate.

In the above example delay exceeding 45 days (beyond 26/08/21) will be, if not paid till 10 th Oct, 2021.	
Delay/ Abnormal delay	Delayed interest @
>45 days to 90 days	TDR rate.
>90 days	2% above TDR rate.

iii) In the event of the proceeds of cheque under collection being required to be credited to an overdraft / loan account of the customer, interest will be paid at the rate applicable to the loan account, if the delay is less than 45 days. For abnormal delays, i.e. beyond 45 days, interest will be paid at the rate of 2 % above the applicable interest rate to the loan account.

iv) Such interest shall be payable with a minimum of ₹ 25/-.

e) Compensation as detailed above shall be paid without any formal demand from customers.

e) No separate compensation is payable by the Bank on account of movement in the Exchange rate of the respective currencies.

g) Returning time for dishonoured cheques

The dishonoured instruments are required to be returned / dispatched to the branches i.e by registered post, speed-post on receipt of the legal copy (if any) from the Correspondent Banks.

h) International Cheques/instruments lost in transit/in clearing process :

In the event, an international cheque or an instrument accepted for collection is lost in transit or in the clearing process, the Bank shall, immediately on coming to know of the loss of an instrument, bring the same to the notice of the account holder so that the drawer can be informed to record stop payment. The Bank would also advise the correspondent/ drawee bank all particulars of lost cheques / instruments for exercising caution and provide all assistance to the customer in obtaining a duplicate instrument from the drawer of the cheques, if required. The Bank will endeavour to get payment of the instrument based on the photocopy/scanned image of the

instrument, wherever the practice is prevalent. The Bank will bear the actual charges of recording Stop Payment instructions levied by drawee bank. The Bank will also reimburse the customer with actual charges levied by the drawer / bank in issuing duplicate cheques/instrument, subject to a maximum of ₹250/-.

10. General points for collection of cheque:

- 10.1** Both the drop box facility and the facility for the acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.
- 10.2** Branch should ensure that customers are not compelled to drop the cheques in the drop-box.
- 10.3** Further, in the context of customer awareness in this regard, branch should invariably display on the cheque drop box itself that "customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips". The above message is required to be displayed in English, Hindi and the concerned regional language of the State.
- 10.4** Branches are also advised to make absolutely fool proof arrangement accounting for the number of instruments each time the box is opened so that there is no dispute and the customer's interest is not compromised.
- 10.5** Branches shall not decline to accept outstation cheques deposited by its customers for collection.
- 10.6** Branches shall give wide publicity to the CCP by prominently displaying salient features thereof in bold and visible letters on the notice board at their branches.
- 10.7** A copy of the complete CCP shall be made available by the Branch Manager, if the customer requires so.
- 10.8 DISCRETIONARY POWER FOR PURCHASE OF CHEQUES:**
Branches should refer Bank's Delegation of Financial Power for Unsecured advances in the respective grade/scale, for purchase of cheques, revised from time to time.

11. POLICY FOR DEALING WITH INCIDENTS OF FREQUENT DISHONOUR OF CHEQUES AND FAILED NACH:

11.1 Returning time for dishonoured cheques:

The dishonoured instruments are required to be returned / dispatched to the customer by registered post, speed-post, courier promptly without any delay in any case within T+1 working days of the dishonour.

11.2 Procedure for return/dispatch of dishonoured cheques:

- a) The collecting branch should return dishonoured cheques presented through clearing houses, strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Bankers' Clearing Houses. The collecting branch on receipt of such dishonoured cheques should dispatch it immediately to the payee/account holder within T+1 working days of receipt of the instruments. The Customer will be informed by automated SMS over registered mobile number about returning of cheque.
- b) In relation to cheques presented directly to the drawee branch across the counter for settlement of transaction by way of transfer between two accounts of the same branch / inter-branch, branch should return such dishonoured cheques to the payees/ holders same day/or next day, in case of dishonour due to insufficiency of fund.
- c) Cheques dishonoured for want of funds in respect of all accounts should be returned along with a memo indicating therein the reason for dishonour as "insufficient funds".
- d) Cheques returned should be entered in "Cheques Referred and Returned e-Register" available at SBI Times>Single Sign On>Branch e-Register>Registers>Cheque Referred and Returned Register.

11.3 Dealing with frequent dishonour of Cheques/ Failed NACH:

- a) With a view to enforce financial discipline among the customers, a condition for operation of Savings Bank/ Current Account (SB/CA) account with cheque facility will be incorporated that in the event of failed Standing Instruction for Loan

Repayment/dishonour of a cheque/NACH due to lack of funds/insufficient funds drawn on a particular account of the drawer on 4 occasions during the financial year, no fresh cheque book would be issued from any of the channels. In case of unintended dishonour of cheques, the branch concerned will analyse such cases so as to ensure that it does not result into penalising the customer for such unintended dishonour of cheques.

- b) The branch may consider closing Savings Bank account/Current account at its discretion, after proper notice to the customer recording the reason of closure of account with reporting to Controller at monthly intervals. However, in respect of advances accounts such as cash credit account, overdraft account, the accounts may be treated as stressed accounts and dealt with accordingly. The decision for issuance of cheque book and/ or continuation of credit facilities may be taken by the sanctioning authority.
- c) For the purposes of introduction of the condition mentioned at (a) and (b) above in relation to operation of the existing accounts, branch may, at the time of issuing new cheque book, obtain a letter from the constituents regarding acceptance of the new condition for operation of account. In case, request for issuance of cheque book is raised through INB/CINB, the system will be amended to make provision for accepting the conditions before final submission. The condition may also be incorporated in the Account Opening Forms as declaration from the constituent.
- d) If a cheque is dishonoured for a 3rd time during a financial year in respect of cheques mentioned in para (a) above on a particular account of the drawer, a system generated Cautionary Advice will be sent to the concerned constituent by SMS on his registered mobile number or email and also a system generated letter on his recorded address drawing his/her/their attention to aforesaid conditions, advising him/her/them about the consequential stoppage of cheque facility in the event of cheque being dishonoured on next occasion on the same account during the financial year.
- e) If an account is having cheque book facility and NACH mandate is also registered, then the incidents of dishonour will be taken into account for both dishonour of

cheque and failed NACH for computing the number of dishonour of cheques and failed NACH.

- f) Branch may consider closing the account after serving 30 days notice to the customer in the event of subsequent dishonour of cheque/ NACH mandate in the account.
- g) For follow up, the details of system generated e-mails/SMS/Letters to Customers will be placed in Branch Report Folder.
- h) Weekly and monthly MIS reports (as a part of CBS reports) containing extract of all incidents of cheque/NACH dishonored for 3rd time and 4th time, in a financial year will be generated by CBS and sent to the Controllers as per format given in Ann. III, IV&V. Controllers will follow up with the branches and submit compliance report at quarterly intervals to DGM (B&O), for onward submission to LHO.

11.4 Dishonour of NACH (Debit) Mandate:

(Section 25 of the Payment and Settlement System Act 2007)

- a) National Automated Clearing House (NACH) is a payment system operated by National Payments Corporation of India (NPCI) on the lines of ECS, where Corporations and Banks are members. The physical mandates are obtained by Corporates/ Sponsor Banks and sent to NPCI through Mandate Management System (MMS). The destination Banks receive the mandates through MMS and authorise the same in their CBS. On the strength of the mandates, the future debits are raised by Sponsor Banks. Acceptance of ECS mandates is now stopped by Banks and only NACH mandates are accepted. As ECS system is migrated to NACH by RBI.
- b) As per Section 25 of the Payment and Settlement Systems Act, 2007, where an electronic funds transfer initiated by a person from an account maintained by him cannot be executed on the ground that the amount of money standing to the credit of that account is insufficient to honour the transfer instruction or that it exceeds the amount arranged to be paid from that account by an agreement made with a bank, there is provision to prosecute such person as per the above Act.
- c) The above Act accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic fund transfer instructions under insufficiency of funds

as are available under Section 138 of Negotiable Instruments Act, 1881. considering the protection available, there is no need to obtain additional cheques, if any, from customers in addition to ACH Debit mandates.

d) NPCI has further advised that as migration of ECS to NACH has been completed at all locations across India, banks should not accept PDC or Security PDC from its customer and all existing PDCs/Security PDCs may be converted into NACH (Debit) Mandates.

e) RACPCs/RACCs/SMECCs/SECCs/Branches/ Other BPR outfits who have accepted PDCs/Security PDCs from customers are advised to convert all such PDCs to NACH (Debit) mandates and ensure that they accept only NACH (Debit) mandates and not PDCs from customers in future.

f) Procedure for handling failed NACH:

- i) If a Destination Branch (the bank branches where the Destination_Account holders maintain their bank account from which NACH utility payments are debited.) is not in a position to debit a particular transaction for insufficiency of funds, it should report the same with a Return Reason to the Service Branch/Main Branch on the same day with the details of failed NACH, in any case not later than T+1 working days of the returned /undebited processed in the Clearing House.
 - ii) NACH inward transactions are presently processed centrally at NACH Branch Mumbai. In case of return of NACH transaction, a return file is generated at NPCI and the Sponsor Bank will give the return memo to customer on the strength of return reason code in return file.
- g) It would be the responsibility of the Sponsor Bank (Branch)_ (refer to the bank/branch which had agreed to act as the agent of the User company i.e. utility-companies, insurance/corporations/Collection Service Provider/ Govt. departments, or

any institution receiving/collecting payments from a large number of branches/ credit banker etc) to advise the User regarding failed NACH.

- h) If a User makes use of NACH mechanism for receiving payment from the same set of beneficiaries every quarter/month or at more frequent intervals, and there is frequent return of debit NACH, in such cases, after return of the NACH, the Sponsor Bank has the responsibility to intimate the User in addition to the Destination Account Holders regarding termination of NACH mandate.
- i) In case of failed NACH due to insufficiency of funds, a communication from the Destination branch is to be sent to the customer (Destination Account Holder) intimating him that in case of failed NACH for 4 times in a financial year or otherwise, the branch at its sole discretion may advise the sponsor bank/branch for cancellation of all mandates given for the particular account in case of SB/CA, whereas for Cash Credit accounts, a review may be put up to appropriate authority higher than the sanctioning authority in the matter. The branch should also send the caution memo after 3rd NACH failure in a financial year to the concerned User of NACH for whom the NACH was registered.
- j) Branch may consider for closing of account after serving 30 days' notice to the customer after subsequent NACH failure, even though the account is not having any cheque book facility and only NACH has been registered.
- k) Branch has to ensure compliance of above procedure so that no laxity is allowed in delayed reporting of such failed NACH. In case of any findings of such circumstances and non-compliance / non-adherence of instructions/ guidelines stated hereinabove, suitable disciplinary action will be initiated against the erring staff as per the service conditions governing them.
- l) Information / documentary proof of failed NACH should be provided, if requisitioned by any court/consumer forum.

11.5 Information on Dishonoured Cheques/ Failed NACH:

- a) Data in respect of each dishonoured cheque for amount of ₹1 crore and above, and below ₹1 crore and all cheques drawn in favour of stock exchanges should be made part of bank's MIS on constituents and concerned branches should report such data cheque wise & account wise to their respective controller separately.
- b) Data in respect of all failed NACH should be made part of Bank's MIS on constituents and concerned branch should report to their respective controllers.
- c) **Reporting:** The information is to be reported to the Controller on respective format as per Annexure- III, IV & V. Branches/ AOs will send such consolidated report to LHO at quarterly intervals.

11.6 Framing Appropriate Procedure for Dealing with Dishonoured Cheques:

- a) The appropriate procedure for dealing with dishonoured cheques have been devised with inherent preventive measures and checks to prevent any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/ holder or the return of such dishonoured cheque to him.
- b) For the purpose of recording dishonour status of the cheque, every cheque received at the paying branch /clearing CPCs/Service Branch must be recorded in the system, whether balance is available in the account or not and in no case, it should be returned without referring cheques to the "Cheque referred & returned Register" where cheque is being returned for insufficient balance in the account.
- c) Branches/CPCs will clear the cheques on the basis of clear balance available at the time of presentation. In no case, return of cheques at paying branch/Clearing CPCs/Service Branch should be withheld till deposit of suitable balance by account holder /party concerned to meet the fund requirement of the cheque.
- d) Branches/ Controllers has to ensure compliance of above procedure so that no laxity is adopted / no internal collusion of staff in concealing the dishonour of the cheque or

delayed reporting/returning of the cheque. In the event of finding of any such circumstance, the internal guidelines for dealing with staff accountability for dereliction in duty by the staff will be dealt with. Accordingly, Officers and staff should be cautious enough to adhere to such guidelines and ensure strict compliance thereof to achieve aforesaid objective of effective communication and delivery of dishonoured cheque to the payee.

- e) Reports relating to cheques issued by VIP/Priority customers and presented in CTS clearing will be available to CPCs/Branches under CDC report folder by 10am every day. CCPC Head to verify the report containing list of VIP Customers on daily basis and decide on the action to be taken well before return cut off time. In case of report on the list of Priority Customers, a suitable official at CCPC should be assigned the task of verifying the list on daily basis and take a decision as to honour or return the cheque before return cut off time.

11.7 Recovery of Service Charges on dishonour of Cheque/NACH

Recovery of such charges will be ensured as per extant instructions on Service Charges in force. Returning of Cheque over the counter will also be recorded in the system as rejected transaction and applicable service charges will be levied.

11.8 For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e. payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, branch should extend full co-operation, and should furnish him/her documentary proof of the fact of dishonour of cheque(s).

12. Amendment/Modification of the Policy:

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. The Policy will be reviewed once in two years or

as and when required. Any changes in between two reviews will be approved by MD (R&DB). Such changes will be incorporated in next review of policy.

13. Force Majeure:

The Bank shall not be liable to pay to the customers under this Policy if some unforeseen event, including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fire, natural disasters or other "Acts of God", war, damage to the SBI's or its correspondent bank(s) systems, communication channels etc. beyond the control of the SBI, prevents it from performing its obligations within the specified service delivery parameters. Claims, if any in this regard will be dealt with as per Bank's Compensation Policy.

ANNEXURE -I

List of Reasons for dishonour of cheque:

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

Code	Reason for Return
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared, present again
04	Refer to drawer
05	Kindly contact Drawer/Drawee Bank and please present again
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawer's authentication
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
30	Instrument post dated
31	Instrument out dated/stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
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

Code	Reason for Return
50	Account closed
51	Account transferred to another branch
52	No such account
53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/illegible
66	Payee's endorsement required
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
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/ cheque requires counter signature
76	Required information not legible/ correct

ANNEXURE -II**Illustrative but not exhaustive list of objections where customers are not at default**

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 1 st proximo
75	Pay order/cheque 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

Annexure-III

**INFORMATION ON DISHONoured CHEQUES
RETURN FOR THE QUARTER ENDED**

**A. DISHONOUR OF CHEQUES OF ₹1 CRORE AND ABOVE WITH THE REASON
'INSUFFICIENT FUNDS'.**

Sl. No.	Date of Return	Cheque No.	Amount	Drawer Name/AC.No.	Payee	Collecting Bank/Branch	Paying Bank/Branch	Remarks

**B. DISHONOUR OF CHEQUES OF BELOW ₹.1 CRORE WITH THE REASON
'INSUFFICIENT FUNDS'**

Sl. No.	Date of Return	Cheque No.	Amount	Drawer Name/AC.No.	Payee	Collecting Bank/Branch	Paying Bank/Branch	Remarks

Annexure -IV

**INFORMATION ON DISHONOURED CHEQUES
RETURN FOR THE QUARTER ENDED
DISHONOUR OF CHEQUES IN FAVOUR OF STOCK EXCHANGES WITH THE
REASON 'INSUFFICIENT FUNDS'**

Sl. No.	Date of Return	Cheque No.	Amount	Drawer Name/AC. No.	Payee	Collecting Bank/Branch	Paying Bank/Branch	Remarks

Annexure-V

INFORMATION ON FAILED NACH / ECS TRANSACTIONS FOR THE QUARTER ENDED

Sl. No.	Date of Return	Customer Account No.	Amount	Drawer Name/AC. No.	Payee	Sponsor Bank/Branch	Destination Branch	Remarks

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Area highlighted are covered under UV ink and can be seen under UV lamp.