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On benchmarking cheque collections in India

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Abstract

Cheques are one of the most accepted forms of payment for settling transactions. Money transactions through cheque collections are pertinent to banking and are an integral activity of any bank. It is not an optional service and hence such services by no means are a gratis. Moreover, the cost involved in collections of such cheques (local or outstation) is borne by the customers in some form or other. It was recognized as early as in the 1970s that cheque collection policy for the banks in India is a matter of concern. Though a micro issue with respect to the whole gamut of banking, this has its macro implications keeping in mind the mass of bank account holders in India. In this paper, we study the cheque collection policy of the country for both pre and post deregulation scenario. Also, based on a multidimensional scaling technique, categorisation of 31 banks with respect to various parameters of their present cheque collection policies has been made. Although not an exhaustive study, the minimal statistics gathered and analysed leads one to believe that the existing institutional mechanism for setting up cheque collection policies is not adequate. The spirit with which RBI deregulated the cheque collection process has not got translated into the policies made by banks. It is seen that forces of competition, as a deterrent, is inadequate to improve quality service in the field of cheque collections and that the banks and the regulator have a responsibility to act proactively in the interest of the depositors.

1. Introduction

Banks are community-based business organizations. They accept deposits for purposes of lending and investment with a view to making profit and also provide ancillary services, like remittances, collections, etc. to their customers. Banks have been operating in a seller's market. This leads to an atmosphere of indifference and casualness in dealing with customers causing deficiency in quality of service and dissatisfaction of customer. It is well known that while on one hand not all customers are dissatisfied, on the other hand not all dissatisfied customers care to lodge a complaint. In fact, "the biggest asset on the balance sheets of banks today is the ignorance of customers of their own rights, and their reluctance to fight for them" (Shri M.R. Pai, 2001).

* The views expressed in the paper are those of the authors and not necessarily of the institution to which they belong.

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The scheduled commercial banks hold a staggering 467 million deposit accounts (320 million savings bank accounts), and majority of such depositors are by and large small holders. For these depositors, payments through the mode of cheques form the lion's share of payments, considering even various electronic channels to choose from. Such cheque based transactions account for nearly 1.3 billion payments a year. Taking cheque clearing and retail electronic payments as the total retail payments, it is seen that cheque volumes form 82% and 98.7% in number and in amount respectively, of the total retail payments. Though cheque collection is a micro issue with respect to the whole gamut of banking, it has its macro implications keeping in mind the mass of bank account holders in India. Even though there can be advancements in payments system, through introduction of schemes like cheque truncation, etc., the importance of policies that govern cheque collections is going to be crucial from customers' perspective. The banks' liabilities towards customers on issues such as time schedules, value dates, interest payments, etc. need to be explicitly documented. The collection policy needs to remain even when the cheque truncation system takes off and reaches every corner of India.

Ensuring improvements in the customer service rendered by the banks has been the constant endeavor of RBI. In keeping with the spirit of economic liberalization and with a view to promote competitive zeal among banks, the Reserve Bank of India in its direction dated November 1, 2004, withdrew the rules it had set towards local/outstation cheque collections. Apparently it is the best option to let individual banks set their own benchmarks and offer better services to win a competitive edge over their competitors, thereby enfranchising the customers. We had a quest to see whether the individual banks were exercising the freedom granted by RBI judiciously. It was an excruciating task to collect the Cheque collection policies of various banks. With great endurance, policies of 31 banks that covered 81% of total offices of all scheduled commercial banks could be collected. The objective was to study if the policies carried the spirit of deregulation and to see if they were customer-centric. Although not an exhaustive study, the minimal information gathered and analysed exposes the dismal state of affairs and leads one to believe that the existing institutional mechanism for setting up of cheque collection policies is not adequate. Though this is not an issue of fault finding of banks, it is felt that generally banks lack the will to be proactive and seriously work towards empowerment of the customers by framing policies judiciously.

The paper is organized in 7 sections. In Section 2, we provide genesis of cheque collection standards. The difficulties in assessing cheque collection policies are addressed in Section 3. In Section 4, we present a critical analysis of the rationale behind deregulation while in Section 5, through observations on cheque collection policy of select banks, the scenario of cheque collections after 20 months of deregulations is assessed and results of an empirical experiment carried out are presented. Section 6 presents a relative categorisation of the banks, with respect to various parameters of cheque collections, based on a multidimensional scaling technique. Finally, the inferences and conclusions are given in the last section.

2. Genesis of the cheque collection standards

The Reserve Bank of India (RBI) through a significant direction dated November 1, 2004, withdrew the rules that it had set towards local/outstation cheque collections in

the country relating to all scheduled commercial banks in India. RBI thus freed the banks to formulate their own rules (cheque collection policy) as per their convenience and judgment. In effect for cheque collections, banks can formulate any policy having their board's approval.

The set rules of the period prior to November 2004 were arrived at through: (i) sufficient and sustained reasoning laid down by RBI, (ii) step-by-step improvements in standards carried out over a span of three decades, (iii) recommendations made by various committees setup by the government and RBI, and (iv) recommendations received from other institutions like the Indian Banks' Association (IBA) and the All India Bank Depositors Association (AIBDA).

In order to understand the step-by-step improvements brought out by RBI, since mid 80s, one may refer to various circulars elucidating the developments of cheque collection processes in India. For completeness and ready reference, we provide in Appendix F the fourteen DBOD circulars (in chronological order) highlighting improvements in benchmarks set for cheque collections in the country. Additionally, in the Appendix, we give the November 2004 circular (BC.55) on deregulation of minimum cheque collection standards. One of the circulars (BC.59 of May 1995) highlights the then Governor of RBI, Dr. C. Rangarajan's letter addressed to the chairmen and managing directors of banks, asking them to carry out a comprehensive study to improve cheque collection standards. The outcome of his letter led to setting up of improved benchmarks.

At the time when RBI withdrew the minimum requirements, the following standards were in force through various directives issued from time to time by RBI:

- (a) Banks to take a maximum collection time of 10 days from the date of lodgement of the cheque drawn on State Headquarters, except state capitals in north-eastern region and Sikkim.
- (b) For all other outstation instruments (not covered in (a) above), banks to take a maximum collection time of 14 days from the date of lodgement of the cheque.
- (c) Banks to pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10/14 days in collection (as in (a), (b) above) of outstation cheques.
- (d) Banks to pay penal interest at the rate of 2% above fixed deposit rate applicable for *abnormal* delay beyond 10/14 days in collection of outstation instruments.
- (e) Banks to pay interest (in case of delay) at minimum lending rates (BPLR) where cheque amounts are to be credited to cash-credit/overdraft/loan accounts.
- (f) Banks to afford immediate credit of cheques up to the value of Rs. 15,000/- in respect of outstation and local cheque tendered for collection by customers. A notice regarding the availability of this facility should be prominently displayed at each branch.
- (g) To afford immediate credit (as in (f) above), the banks should be satisfied about the proper conduct of the account to which such a facility is rendered. Also, normal collection charges may be recovered in case of outstation cheques and a charge of Rs. 5/- may be recovered for local cheques.
- (h) Banks to give credit within 7 days for an outstation cheque drawn and presented on a bank located at any of the four metropolitan centers having MICR cheque clearing system. For state capital centers and other centers with more than 100 bank offices, credit to the customer's account should be given

within 10 days. In terms of the bank's liability, the credit amount is limited to a maximum of Rs. 10,000/- or value of cheque so that the collecting bank will have an exposure for amount not exceeding Rs. 10,000/- against any individual customer. The restriction of the account being satisfactorily operated applies.

- (i) Banks to credit local cheques (and allow withdrawal of funds) latest on the third working day from the date of acceptance of the cheques at the counters.

The genesis of time schedules and credits that RBI had prescribed for collection of cheques could be traced back to 1975. Various Government/RBI constituted committees, which had considered the country's policy towards collection of local/outstation cheques, are the Talwar committee (1975), the Goiporia committee (1990) and the Tarapore committee (2003). Side by side, the international scenario on cheque collections and its developments over years are also noteworthy. While considering these one at a time, we have highlighted the salient recommendations made towards quality improvements in cheque collections keeping satisfactory customer service and interest of bank customers as a focal point. For completeness we have tried to reproduce the relevant recommendations as it is. Most of the quoted texts have been put in italics.

Talwar committee: In 1975, the Government appointed a Working Group on Customer Service in banks under the chairmanship of Shri R. K. Talwar (the then Chairman of State Bank of India). Among the recommendations of the Working Group, we find the following on cheque collections:

Each outstation cheque up to Rs. 2,500/- may normally be negotiated and immediate credit afforded to lodger, unless lodger's account is known to be unsatisfactory or where lodger insists on receiving credit only after realization. Collection systems of banks leave much to be desired owing to internal and external factors. While several recommendations to improve this service are made hereafter, this recommendation will enable immediate credits for outstation cheques leading to greater customer satisfaction and reduction in clerical work. This would also take care of the difficulties faced by smaller customers. Procedures and practices pertaining to collection business should be standardized. These should also cover inter-bank collections. Customer should be reimbursed for loss of interest, and commission/charge, if any, should be waived in case credit on account of cheque sent for collection is unreasonably delayed due to banker's fault.

As would be observed later, the authors have found not a single bank, which in its cheque collection policy considered waving the commission/charge in case of unreasonable delay due to banker's fault (being in addition to interest payments for delayed days of credit).

Goiporia committee: A decade and a half later, RBI set up a Committee headed by Shri M. N. Goiporia (the then Chairman of State Bank of India) in 1990. The Committee had made various recommendations to ensure improvement of customer service in the banks. To compensate customers for delay in collection of instrument and to tone up the efficiency of the banking system, their recommendations included matters related to instant credit for outstation cheques and interest on delayed collections of instruments. Among the recommendations, we find the following:

The facility of affording immediate credit of outstation cheques up to Rs.2500/- may be extended to cheques of amounts up to Rs.5000/-. Immediate credit may be afforded to individual account holders only subject to recovery of usual collection charges, provided the bank is satisfied about the proper conduct of the account, and provided the customer desires the facility. To facilitate such transactions, banks may consider use of a different pay-in-slip. In the event of dishonour of cheques, interest will be recoverable by the bank from the customer for the period the bank

remained out of funds. ... Customer complaints regarding delay in the area of collection of cheques and drafts persist, despite various measures adopted for improvement in this service. Despite use of faster modes of communication, such as courier service, speed-post, national clearing etc., there is a persistent drag, which needs to be checked. The present deterrent of covering the delay, with interest to the depositors seems inadequate. Therefore, if the delay in collection of cheques/drafts etc., is beyond 10 days in the case of state capitals other than North Eastern States and Sikkim, and 14 days in other cases, banks should pay interest @ 2 per cent p.a. over savings bank rate. Interest should be paid to the customer in the case of delay, without the customer having to ask for the same. Such interest may be paid only when the amount is Rs. 5/- or more. Time norms for specified business transactions should be displayed prominently in the banking hall so that it attracts the customers' attention as well as that of the employees for adherence.

Tarapore committee: In 2003, the Committee on Procedures and Performance Audit on Public Services was constituted by RBI under the chairmanship of former RBI deputy governor Shri. S. S. Tarapore. The Committee had made a thorough in-depth study on the state of affairs of several important areas directly relating to banking and quality service. A critical examination of the situation led to various recommendations to ensure improvement in the customer service in the banks. Among the recommendations, we find the following issues pertaining to collection of cheques:

1. Immediate Credit of Local/Outstation cheques (Circular BC.21 dt. 23 August 2002)

RBI Instructions: The banks may afford immediate credit in respect of outstation/local cheques up to Rs.15,000/-, tendered for collection by their customers., subject to certain conditions. Major conditions being: (i) the bank being satisfied about the proper conduct of the customers' accounts and (ii) recovery of Rs.5/- for local cheques and normal collection charges for outstation cheques.

DBOD Remarks: Nil

Committee's Comments/Recommendations: This facility is observed in the breach. In many cases the passbook /statement shows a credit but since it is uncleared the amount is blocked at the time of drawal. In effect, the facility as provided for in the RBI instructions is not available. This tantamount to undue enrichment of the bank. The ad-hoc Committees should ascertain compliance. (ii) The Rs.5/- charge per local cheque is not implemented and it is not clear as to why RBI has given this instruction. The Committee recommends that the RBI should rescind the instructions.

2. Collection of outstation instruments (Circular BC.59 dt. 17 May , 1995)

RBI Instructions: Time stipulated for collection of outstation cheques is as follows: (i) within one week from the date of presentation in respect of cheques drawn on other metropolitan centers (ii) within 10 days in respect of state capitals and centres with more than 100 bank offices. Withdrawal should be allowed upto a maximum Rs. 10,000/- or value of cheque so that the collecting bank will have an exposure for amount not exceeding Rs. 10,000/- against any individual customer.

DBOD Remarks: Often complaints are received that banks are not extending this facility as a matter of course.

Committee's Comments/Recommendations: The Committee observes that while Item 1 relates to crediting of outstation cheques upto Rs.15,000, Item 2 (which is an earlier instruction) relates to an amount of only Rs.10,000. It is obvious that Item 2 is based on an earlier circular, which is not updated; the Committee recommends immediate rectification by the RBI. (ii) The reference to centres with 100 branches does not appear practicable, as branch network is dynamic. Furthermore, each bank branch cannot be expected to have an updated list of such centres. The Committee recommends that the DBOD should review this.

3. Payment of interest for delays in collection of outstation cheques and other instruments (Circular BC.147 dt. 09 March 2000)

RBI Instructions: The collecting bank should pay interest on the amount of cheques/instruments drawn on outstation branches and sent for collection, if the proceeds are not realized /credited to the customers' accounts within a period of 14 days from the date of their lodgements till the proceeds are realized/credited to the customers' accounts or the instruments are returned. In the case of instruments drawn on State Headquarters, banks will be required to pay interest beyond 10 days if they are not collected within 10 days. However, we have also advised banks that there is a

scope for banks to further reduce this period of outer limit by introducing 'quick collection service' or by ascertaining the fate of collection by fax etc.

DBOD Remarks: *Banks should implement these instructions.*

Committee's Comments/Recommendations: *The Committee's information based on a random check is that this instruction is observed in the breach and if at all such interest is paid it is only to select parties who have sufficient clout to take on the concerned bank. The Ad-hoc Committees should examine the matter. The Committee recommends that this instruction should be strictly followed by banks and that RBI should view any breach as a serious lapse on the part of the bank.*

International Practice: Most developed and developing countries are concerned on the issue of cheque collections and have devised means to keep the collection process within reasonable time limits. The collection process has been kept rational through prescription of regulations in many countries. Additionally, banks of most countries are obliged to develop *reasonable* policy/procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights.

◆ The United States of America has Expedited Funds availability Act 1987, which is further implemented through the Federal Reserve Board's Regulation CC. The regulation establishes rules regarding the duty of banks to make funds deposited into accounts, available for withdrawal, and regarding time schedules for such availability. It also contains rules on disclosure of funds availability policies, payment of interest, liability of banks for failure to comply with items in the regulation, exceptions to the schedules, and other matters. The rights and obligations of banks as governed by the Expedited Funds Availability Act and the Federal Reserve System's Regulation CC on Availability of Funds and Collection of Cheques is a sound example of prudent international practice. The Act and the regulation ensure that banks expedite, and eliminate sluggishness in the collection process and make the collected funds available to their customers promptly, within the framework of prescribed time schedules. The regulation requires that where a cheque is received for collection and paid, the collecting bank should make the funds available for withdrawal by its customer not later than the second business day in the case of a local cheque and the fifth business day in the case of a non-local cheque, following the banking day on which the cheque is deposited. Banks are required to give credit up to \$100 on the next business day. For cheques larger than \$5,000, the collecting bank (as exceptions) may extend the time schedule by a *reasonable period* not exceeding five (for local) or six (for non-local) business days. Banks are required by the Act to disclose their funds availability policy to their customers. In the case of a deposit of multiple cheques, the depository bank has the discretion to place an exception hold on any combination of cheques in excess of \$5,000. The bank's funds availability policy should enable a customer to determine the availability of the deposit in the case of a deposit of multiple cheques and the bank's priorities in placing exception holds on second-day local and fifth-day non-local cheques. The Federal Reserve Board is also, based on intensive data support, contemplating modifications that intend to shorten the availability schedule for non-local cheques from five to four days (see reference [9]). Regarding payment of interests, Regulation CC stipulates that a bank shall begin to accrue interest on funds deposited in an interest bearing account not later than the business day on which the depository bank received credit for the funds. This prevents banks to enjoy any kind of float at the expense of their customers.

◆ Even among the Asian countries the Bank of Thailand has set forth regulations to enhance the efficiency of inter-provincial cheque collections. They have a stipulation that cheque collection results be notified to the customer within *six* working days from the date of cheque deposit (see reference [10]).

◆ In the case of the United Kingdom, a survey finding of the Banking Code Standards Board (BCSB) has revealed that while many banks pay interest on days 3 or 4, many banks actually pay on day 1- the day a cheque is deposited (see reference [11]). This is despite the fact that the bank doesn't actually get its hands on the money until day 3 or later. The Chief Executive of BSCB remarked that this is probably a response to consumer pressure and suggests that the Board makes the situation more transparent for customers upfront. This is vital since the customers are not expected to look through all the small print to see when they will be paid interest. The BCSB press release addressing these concerns has been attached for a ready reference in Appendix D.

3. Difficulty in assessing cheque collection policies

It had been a very learning experience in carrying out the present research. During December 2005 one of the authors came across a cheque collection policy in the website of a foreign bank. Though the policy was well written, it lacked the spirit that RBI wished the banks to keep while formulating such a policy. However, the bank did not feel the same. This led to our quest to see the cheque collection policies of other banks. This was easier thought than done. There was hardly any bank which had their policy in place on their website. Needless to say, bank branches had no clue of the existence of such declared policy by their bank that was meant primarily for the knowledge of their customers.

To see the preparedness of banks on the issue of cheque collections, through telephone enquiries and branch visits, it was specifically enquired how quickly money deposited through cheque started to earn interest and when it could be withdrawn according to the bank's policy. Preliminary findings for most of the banks in the sample are not good, with evidence of widespread confusion and inconsistency in the understanding of bank staff about time taken by their bank to clear a cheque. Consequently the bank staff is confused and inconsistent while conveying this to their customers. This is expected since till date very few banks have clear and strict guidelines issued to their branches to display the policy prominently in the branches. This has led to (i) customers not knowing the policy and (ii) the bank staff not being well conversant with the policy. It may be appropriate here to recall Goiporia committee's statement, that, *'time norms for specified business transactions should be displayed prominently in the banking hall so that it attracts the customers' attention as well as that of the employees for adherence'*.

The above does not indicate that the branches are not having their internal documents on the collection policy/procedure. However, these are likely to be in a format not ideal for general display. To overcome the difficulty of easily viewing a bank's cheque collection policy, a painstaking process of procuring the cheque collection policy of banks was initiated. We started from a bank branch and moved a step up at every stage till it came to the notice of either the bank's senior management or an officer no less than the compliance/nodal officer of the bank. Subsequently, one by one *most* of the banks placed their policy on the website after they were asked *"By when (date) does the bank plan to place its policy on its bank's website? In case the bank has no plans or has plans not to place the policy on the web, the same may kindly be indicated"*. The authors by no means wish to receive credit for this, as this was possibly just an unintended outcome in our pursuit for getting hold of the cheque collection policies of the banks. The banks did so only because there was an RBI guideline to that effect. One would appreciate that, as common person the approach adopted by us was the fastest way to get hold of the official text of banks' policies meant primarily for the knowledge of the customers/prospective customers. However, some banks preferred not to react to the general question and instead shared only the collections procedures as laid down in their internal documents.

By mid-June 2006 from among the banks located in Delhi and which had a prominent all India presence, we could collect the cheque collection policies of some 31 banks. The list of these 31 banks and remaining 57 banks (there being 88 commercial banks in India) along with the number of their offices is provided in Appendix B. These 31

banks constitute 81% of the total commercial bank offices in India. Important summary details (in form of tables) of the cheque collection policy of these banks are provided in Section 5 wherein Table 5.1 summarizes banks' policies on immediate credit while Table 5.2 summarizes time frame and interest liabilities prescribed in their policies.

The complete policy statements of the 31 banks are placed in Appendix A. While presenting the policies we have indicated the web page link, wherever possible. However, one could check that to reach the cheque collection policy page from a bank's home page may not be an easy task. In other words, such a policy may not have a prominent link or sub-link in the home page itself. While very few banks have prominently placed their policy on the web, some of the banks have placed the policy within their long Citizens' Charter, thereby reducing its prominence; very few have integrated it with their deposit policy (though RBI had asked the banks to integrate their cheque collection policy within the deposit policy); and some have placed the policy at locations where one may not look for. A basic thing that lacks in most of these policies is their effective date. It appears quite a few banks formulated their policy almost a year after deregulation. In the intermediate period there was neither any policy by banks nor any guideline from the regulator. Resultantly, neither the obligations of the banks to the customers nor the rights of the customers stood clearly established.

4. Critical analysis of the rationale behind deregulation

A detailed discussion on the policy statements of the select banks is presented in the next section. On reading through all these policies, a salient feature that emerges is that the policies are *generally* drafted (and subsequently approved by the bank boards) in a manner that (i) lacks reasonableness, (ii) is not comprehensive, (iii) lacks clarity, and (iv) is not fully transparent, in contravention to what was envisaged in RBI's directive. This had led to the very defeat, by banks, of the spirit that RBI proposed while deregulation.

Thus it becomes important to address the fundamental question that why did RBI deregulate and what was the spirit behind it? We quote an extract from RBI's deregulation statements:

“On a comprehensive review of the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, it is observed that prescription of a single set of rules may not be appropriate. Pertinently in most countries banks are obliged to develop their own individual policy/procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights. Hence, efficiencies in collection of proceeds and providing funds to customers in time is best achieved through a spirit of competition among the banks rather than through issue of guidelines by RBI.”

On the above reasons provided by RBI, the following thoughts arise:

1. Assuming that the technological progress and qualitative changes are towards better (and not worse), it is understandable that it may not be desirable to prescribe a single set of rules. For example with technological progress and qualitative changes, some banks can be more confident and afford to pay higher rate of

interest than the minimum rates set by RBI. Similarly, the amount of immediate credit of local/outstation cheques should desirably be left to the banks since with technological progress and qualitative changes, banks can be more confident in paying higher values of cheques under immediate credit than standards set by RBI. As an example we have the State Bank of India that allows immediate credit of local/outstation cheques up to Rs. 20,000/-. This is an improvement over the standard of Rs. 15,000/- that was set by RBI before deregulation. In short, stringent rules should be withdrawn so that banks can set their own standards over and above the minimum standards laid by RBI.

2. It is true that, in most countries banks are obliged to develop their own individual policy/procedures relating to collection of cheques, however this may be prudent only on a case-to-case basis. For example, in USA banks are required to develop and disclose their cheque collection policies over and above the set rules advocated by the Federal Reserve. In Thailand, the regulators have set definite rules within which the banks are required to carry out cheque collections for the customers. In United Kingdom, the present scenario (see reference [11]) is very efficient as nearly all banks pay interests on day 3 or 4 and many even pay on day one. In some countries it may be completely left to the banks to develop their own individual policy/procedures relating to collection of cheques. However, this may be so under the assumption that the banks are giving due importance to this issue. In most developed countries, the existing systems have already led to good standards and so there is no need to set any minimum standards by the regulators.

3. In case of India, our study has revealed that post deregulation most of the policies are poorly framed by the banks. Banks should not be given the freedom to set inferior minimum standards only on the pretext that they would lose customers on account of competition. It is important to note that banks do not as a matter of gratis provide the facility of collection of cheques. Moreover, apart from cheque collections being an integral part of banking, the customers pay the banks for this work, in some form or other.

4. Forces of competition, as a deterrent, are not yet adequate to achieve efficiencies in collection of proceeds and providing funds to customers in time. (It is precisely for this reason that the recent RBI credit policy questions the rationality and reasonableness of the service charges of the banks and does not leave it to be taken care of by competition alone). Furthermore, no customer would have access to such information (cheque collection policy) for all other banks thereby prohibiting him from assessing the relative quality of the cheque collection service. Even when such policies are easily accessible, it would be difficult even for an educated/corporate customer to set comparisons and tell a good bank from a bad one with respect to their policy. Complete deregulation will not lead to meaningful comparisons unless a suitable impact factor measure of a bank can be worked out based on cheque collection policy and collection charges (like net yield is a measure to compare returns).

What did RBI ask the banks to do? We quote an extract from RBI's deregulation statements:

"Banks should consequently formulate a comprehensive and transparent policy covering all the above three aspects, taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through

correspondents. Further, they may also review their existing arrangements and capabilities and work out a scheme for reduction in collection period. Adequate care also may be taken to ensure that the interests of the small depositors are fully protected. The policy framed in this regard should be integrated with the deposit policy formulated by the bank in line with the IBA's model deposit policy. The policy should clearly lay down the liability of the banks by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer. The policy may be placed before the Board of the Bank along with our current instructions and the Board's specific approval should be obtained on the reasonableness of the policy and the compliance with the spirit of our guidelines. Banks may thereafter ensure that wide publicity is given to the policy formulated by them in this regard by placing it on the web site and also displaying the same on the notice board in their branches. The customers should be clearly apprised of the assurances of the bank on the services on these aspects at the time of establishment of the initial relationship be it as a depositor, borrower or otherwise. Further, they may also take necessary steps to keep the customers duly informed of the changes in the policy formulated by them from time to time. The above guidelines have been issued to ensure that the obligations of the bank to the customers and the rights of the customers stand clearly established and observed in practice without demur. However, it may please be noted that the Reserve Bank of India and the Banking Ombudsman would continue to exercise the prerogative to examine any dispute which may arise between the bank and any of its customer, vis-à-vis their published policies and procedures.”

Some observations on RBI's objective through deregulation and our observations based on banks' cheque collection policies are presented below:

1. It is probably the central bank's intention that banks should review their existing arrangements and capabilities and work out a scheme for reduction in collection period from the standards developed by it over a span of three decades. A review of the policies shows that most of the banks have made no commitment to better the standards existent at the time of deregulation. Instead several bank policies indicate deterioration in the standards, which raises questions on their adopted processes and internal arrangements in cheque collections and their having made any reviews of existing arrangements.
2. The RBI wants to ensure that the interests of the small depositors are fully protected. None of the policies commented on interest of small depositors and no effort has been made to protect their interests. Most of the banks in their policies have made provisions for giving immediate credit on cheques up to Rs. 15000/- for satisfactorily operated accounts. However, one of the authors initiated discussions with select banks that led to an impressionistic assessment that only in very few cases (may be 2 to 5%), such instant credits are actually provided and even rarely if the customer does not ask for it. Thus even if the spirit of deregulation is incorporated in the policy statements, the practice is to the contrary and the interest of mass of depositors, who are by and large small, is not protected.
3. Except for three, none of the other banks in our sample have integrated the cheque collection policy in their deposit policy, which is in contravention to the RBI's notification.
4. RBI had intended that compensation by way of interest payment for delayed collection of a cheque should be made without any claim from the customer. However, very few banks have considered it important to incorporate this in their policy statements in order to be upfront on bank's obligations and to make their policy comprehensive, as desired by RBI.

5. The reasonableness of the policies in the spirit of RBI's guidelines was to be ensured and complied with by the bank boards. Also, RBI has clearly indicated that the obligations of the bank to the customers and the rights of the customers should stand clearly established and be observed in practice without demur. However, reading through the policies we find very few bank boards have approved their cheque collection policies keeping in mind the true spirit of RBI guidelines. Even the customers who were aware of the cheque collection standards before deregulation are now left to the mercy of the casual policies made by various banks.

6. Contrary to RBI's desire, it was observed that even as late as February-March 2006, very few banks had put the policy on the bank's web site and even till date, as per our assessment, more than 95% of the banks have not displayed the policy prominently in their branches.

7. In its deregulation notification, RBI has explicitly stated that it may not be supervising these aspects any further and would exercise the prerogative to examine only in case of individual customer disputes that too vis-à-vis the bank's published policies and procedures (and not questioning the bank's policy). Consequently, in case a customer does not agree to his bank's existing ill-framed policy, his only options are to (a) question the bank but most likely get dominated by it, (b) exit from the bank relationship or (c) go to civil courts. However, for a small customer, a long-winding and expensive litigation against a bank cannot be a preferred option as the bank may be well prepared even to take its case to the highest court. Our assessment suggests that this is an area of concern- more so since it is known that on one hand not all customers of banks have complaints while on the other hand not every dissatisfied customer may care to lodge a complaint.

8. The discussions with banks were also held to understand the reasons for difference in the value date of a transaction and the date when the funds actually reach the bank. Though no firm answers could be obtained, it was assessed that banks do enjoy float at the cost of customers and by non-payment of interest they are unduly enriched. This once more is against the spirit of deregulation advocated by RBI.

9. More as a routine than exception, banks do not clearly apprise their customers of the assurances on these services at the time of initial relationship. In general banks are **not** proactive in keeping their customers well informed. This is contrary to the RBI's guidelines that the rights of the customers should be clearly established and observed in practice without demur.

The above shows that most of the banks have framed weak and feeble policies and are trying to take their customers for granted. Also, whatever policy they have framed, it is now evident that majority of bank branches in India are neither prominently displaying their cheque collection policy, nor are they giving due importance to such disclosures through display. To compel the banks to follow due disclosures to customers about their rights, RBI may think towards introduction of stringent Show Your Bank (SYB) norms analogous to the existing Know Your Customer (KYC) norms. This will help to make competition more effective.

Critical analysis of the policies of 31 banks shows lack of bare-minimum standards. For the protection of customers, RBI should set minimum standards and then let the banks frame their policy beyond these minimum standards. Deregulation should not let go the standards arrived at over several decades. If at all there is a need for diluting such standards, strong enough reasons substantiated with data should be provided. Also, deregulation should be done only if it is a call for betterment in the customer service and not because it is difficult for the regulator to monitor and penalise the banks, which do not comply with the prescribed regulations. Surely, it is against customers' interest if an existing customer friendly regulation is withdrawn just because it is administratively convenient for a regulator to do so.

Having said this much, it is now a question of what is or what should be the bare-minimum and prudent practice? This question can only be answered by carrying out a detailed study of the existing status. However, it is felt that the regulator should impress upon the banks to keep standards at least at the level of what they were at the time of deregulation. This is desirable as it would be in the interest of the large customer base of the banks and would take banks towards the goal of better customer service. We would further deliberate on these later in the concluding section.

5. Cheque collection policy of select banks- Twenty months after deregulation

In this section we present important summary details of the cheque collection policy of select banks. A total of 31 banks are considered. These banks constitute 81% of the total commercial bank offices in India (see Appendix B). A sector wise break-up indicates that our sample comprises of 4 (out of 31) foreign banks constituting 73% representation among foreign bank offices, 7 (out of 29) private sector banks constituting 30% representation among private sector bank offices, and 20 (out of 28) public sector banks constituting 87% representation among public sector bank offices. These details are presented below:

Coverage of sample

Bank group	Total # of banks	# of banks in sample	Total # of offices	# of offices in sample
Public Sector	28	20 71%	48971	42837 87%
Private Sector	29	7 24%	6321	1924 30%
Foreign	31	4 13%	245	178 73%
Total	88	31 35%	55537	44939 81%

Source: Statistical Table Relating to banks in India 2004-05

Note: Percentages are based on sample coverage

As one would observe, our sample representation for the private sector bank offices is less, being only 30% of the total private sector bank branches. A reason for this is our inability to get such policies. It is relatively much more difficult to get such policy

documents from this sector. However, our sample study later in Section 6 shows that this sector's policies and those of foreign banks are relatively poorer than that of public sector banks. This indicates that if we had taken more banks of this sector in our sample, it would likely have highlighted a much sorry state of affairs for the banks in general and private sector banks in particular.

In what follows, Table 5.1 summarizes banks' policies on immediate credit while Table 5.2 summarizes time frame and interest liabilities prescribed in their policies. A * against a bank's name in the tables indicates that the policy is not available on the bank's website (at least not till mid-June 2006).

It is observed on reading the full policies that not all banks explicitly mention the requirement of satisfactorily operated accounts to make available Immediate Credit but, in practice, still keep such credits to their discretion and do not give this facility to all customers. Generally, a time frame of 7/8 days applies when drawee and payee's bank branches are among the four Metro Centres; a time frame of 10 days applies for drawee banks at all State Head Quarters except the State Capitals of North Eastern Region and Sikkim; for cheques drawn at all other places the time frame is of 10/14 days. The complete policy statements of the 31 banks are placed in Appendix A. For a better understanding, the summary statistics provided in Tables 5.1 and 5.2 should be read in conjunction with the full policies given in Appendix A. While presenting the policies we have indicated the web page link, wherever possible. It can be seen that while very few banks have prominently placed their policy on the web, some have placed it within their Citizens' Charter (which reduces its prominence); very few have integrated it with their deposit policy (as per RBI's advice); and some have kept it at locations where one may not look for.

Going through the cheque collection policies formulated by the banks, it is observed in general that:

- i. A good number of the cheque collection policies of the banks are capriciously drafted and in some situations they reflect slipshod policy statements. There are instances where bank's liabilities are unclear leading to more than one meaning.
- ii. In case of some banks it appears that their boards may not have kept RBI's withdrawn policy in foreground while approving their cheque collection policy.
- iii. Majority of the bank branches do not display the collection policy. Even after repeated request, at least one prominent foreign bank has categorically indicated its inability to display the policy in the branches.

A. Immediate Credit: Specific to immediate credit of local/outstation cheques our observations are:

- iv. Several bank policies have kept things at the bank's discretion and have prominently indicated so. Since such discretions cannot be defined, it makes the policy vague and the customer cannot know his rights, which is not in line with the spirit that RBI had envisaged.

- v. Several banks have not mentioned about immediate credit of local cheques.
- vi. Of the 31 banks, 2 do not provide (no mention) the facility of immediate credit at all.
- vii. Of the 31 banks, 20 do not reveal the type of accounts to which this facility applies.
- viii. Of the 31 banks, 15 impose additional charges for providing the facility of immediate credit.

We now present the summary table on banks' cheque collection policies on immediate credit of local/outstation cheques. The last column of the table gives our remarks for each policy.

Table 5.1: Immediate Credit of Local/Outstation Cheques

Sr.#	Name of Bank	Immediate Credit (Rs. Thousand)	Charges	Reveal Type of Account	Our Remarks
0.	Pre-deregulation Scenario	15	None	Yes	On request only; special pay-in-slip; Rs. 5 may be recovered for local cheques
1.	ABN Amro Bank*	15	Yes (purchase)	Yes	Proper policy statements not made
2.	Allahabad Bank	15	None	No	No mention of the request required or not
3.	Andhra Bank	15	Not clear	No	No mention of local cheques; Does not mention the explicit requirements that need to be fulfilled for availing the facility
4.	Bank of Baroda	15	Yes (Bill purchase)	Yes	On request only; Special pay-in-slip; considered cheque purchase; Rs. 15 for local cheques
5.	Bank of India	15	Rs. 25 (for withdrawal)	Yes	Without any formal request; Rs. 5 for withdrawal of local cheques
6.	Bank of Maharashtra	20	None	Yes	No mention of the request required or not
7.	Bharat Overseas Bank	15	None	No	Rs. 5 for local cheques
8.	Canara Bank	15	None	Yes	With (without) specific request for local (outstation) cheques; Special pay-in-slip; Facility not provided to their own bank employees
9.	Central Bank of India	15	None	Yes	Rs. 5 for local cheques exceeding Rs. 5000; No mention of the request required or not
10.	Citibank	15	None	No	On special request only
11.	Corporation Bank	15/25	None	No	No mention of the request required or not
12.	HDFC Bank	No mention	-	-	-
13.	HSBC	Unspecified	Yes (undisclosed)	No	Subject to undisclosed and non-transparent discretion of the bank; No mention of facility for local cheques

Sr.#	Name of Bank	Immediate Credit (Rs. Thousand)	Charges	Reveal Type of Account	Our Remarks
14.	ICICI Bank*	15	Unspecified	No	Proper policy statements not made
15.	IDBI Bank	15	Yes (loan interest)	No	Facility provided only at its sole discretion; Interest charged on the credited funds
16.	Indian Bank*	No mention	-	-	-
17.	Indian Overseas Bank	15	None	Yes	Special rubber stamped pay-in-slip; Rs. 5 for local cheques
18.	IndusInd Bank	15	None	No	Only for cheques drawn on their centers
19.	Kotak Mahindra Bank	Unspecified	Yes (unspecified)	No	Facility provided only at the bank's discretion; Addition service charge for this facility; Formal request required
20.	Oriental Bank of Commerce	15/25	Not disclosed	No	Only on request; Terms and conditions apply but undisclosed
21.	Punjab and Sind Bank	5	None	No	Refers to RBI guidelines for arriving at the figure of Rs. 5000; No mention of the request required or not
22.	Punjab National Bank	15	None	No	No mention of local cheques; Facility provided without any formal request
23.	South Indian Bank	15	None	Yes	Literally quoted circular BC 21 dated Aug. 23, 2002 on immediate credit
24.	Standard Chartered Bank	Unspecified	Yes (unspecified)	No	Considered as a cheque purchase; Explicit written request required; Facility provided at the bank's sole discretion
25.	State Bank of India*	20	None	Yes	Rs. 100 for local cheques
26.	State Bank of Mysore	20	None	Yes	Rs. 100 for local cheques
27.	Syndicate Bank	15	Unspecified	No	Proper policy statements not made
28.	UCO Bank	15/25	None	No	Facility provided as a matter of normal course for outstation cheques only; Undisclosed charges for local cheques
29.	Union Bank of India	15/25/50	None	Yes	Facility offered in the normal course of business; Rs. 5 for local cheques
30.	United Bank of India	15	Yes (unspecified)	Yes	Need to pay addition charges; Special pay-in-slip
31.	UTI Bank	15	Rs.250	No	Facility not available for local cheques; Facility only for cheques drawn on UTI Bank centers; Required to show genuineness of need; Written request required; Additional fee of Rs. 250

B. Time Frame and Interest: Our observations on the other two aspects, i.e., time frame and interest on delayed cheques, are:

- ix. In terms of time schedule as many as 11 out of the 31 banks are worse off than the position prior to deregulation. These banks have either not considered the scenario at the time of deregulation or have not made any efforts in improving the efficiency of their collection systems.

- x. Out of the 31 banks, 7 have not provided any upper limit on the time frame for collection of cheques leading to clear disenfranchisement of their customers' rights.
- xi. Of the 31 banks, 25 have completely ignored the payment of interest (on delayed collection) at minimum lending rates (BPLR) where cheque amounts are to be credited into cash-credit/overdraft/loan accounts.
- xii. Of the 31 banks, only 16 banks have set their interest liability with respect to FD rates. The others 15 banks have either set it with respect to SB rate or are silent.
- xiii. Only 1 (Bank of Maharashtra) of the 31 banks mentions the date on which their policy came into effect.
- xiv. In case of some banks it is made explicit that onus lies on customers for lost cheques. Also, in such a situation no interest/compensation is paid.
- xv. Some banks have not defined the term *abnormal* while mentioning this in their policy with reference to the abnormal delay in collection of cheques. This does not give clear indication of either bank's liability or customers' right.
- xvi. There are some banks (5 out of 31) that mentions about centers with more than 100 bank branches but do not give a comprehensive list of such centers. Moreover, branch network being dynamic customers would not know their true rights.
- xvii. Bank's liability on interest payment for delayed credit is usually given in terms of FD rates. However, FD rates for a period between 1 to 6 days (and also for 7 to 14 days barring large deposits) do not exist. This has led to an ambiguous situation unless the banks would consider the rate for such periods as 0% (the banks quote the interest rate for delayed period in relation to the tenor of the FD).
- xviii. That banks would pay interest for delayed credit without customer's asking has not been incorporated in most of the banks' policies.
- xix. It is observed that not a single bank has considered waving the commission/charge, in case of unreasonable delay due to banker's fault (being in addition to interest payments for delayed days of credit).
- xx. Most of the banks are not explicit on their liabilities for delay in local cheques.
- xxi. For local cheques, some banks do reflect a credit (as unclear funds) at the end of the day or the next day, which remains the value date too. However, most of the banks do not give such value dates.
- xxii. In case of a delay, the period for which interest would be paid is not clear for several banks. This gives a chance for customers to be optimistic (and thus get misled) in interpreting the period of interest payment as the number of days from date of deposit to date of credit. The banks may think otherwise and

consider it obvious that interest is paid only for the period of delay beyond the stipulated period for collection. However, things obvious to banks may not be obvious to common man - more so since there exists at least one bank (e.g. HDFC Bank) which, in case of a delay, pays interest for the full period from date of deposit to date of credit.

- xxiii. Some banks have indicated that interest is paid only if the amount is more than Rs. 5 or Rs. 10. However, interestingly, State Bank of India and State Bank of Mysore pay a minimum interest of Rs. 10 even if the interest works out to be less than Rs. 10.
- xxiv. Banks with relatively reasonable policy on cheque collections include Corporation Bank, State Bank of Mysore, Central Bank of India, Union Bank of India, Allahabad Bank and State Bank of India.

We present below the summary table on time frame and interest on delayed cheques. The last column of the table gives our specific remarks and observations.

Table 5.2: Time Frame and Interest on delayed Cheques

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
0.	Pre-deregulation Scenario	7/10/14	FD rate for the period of delay beyond 10/14 days 2% above FD rate for abnormal delay beyond 10/14 days	Interest paid at BPLR when proceeds of the instruments are to be credited to the Cash Credit, Overdraft or Loan Account For state capital centers and other centers with more than 100 bank offices credit will be afforded within 10 days Abnormal delay not defined Provision of account credit with withdrawal facility (for satisfactory accounts) up to Rs. 10,000 on day 7/10 Interest paid only if the amount is more than Rs. 5
1.	ABN Amro Bank*	Unclear	None	Proper policy statements not made Even when funds have been received from correspondent banks, the bank keeps explicit cooling period of 3 to 4 days Onus lies on customers for lost cheques

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
2.	Allahabad Bank	7/10/14	<p>SB rate for less than 15 days delay beyond stipulated days</p> <p>FD rate for more than 15 days delay beyond stipulated days</p> <p>2% above FD rate for more than 45 days delay beyond stipulated days</p>	<p>No rate specified for 15 days delay beyond stipulated days. Otherwise, there shows thoughtfulness with clear understanding of interest liability</p> <p>Credit given on 7th day in case of cheques drawn on banks located in metropolitan centers. However, it is not clear as to withdrawal is allowed or not.</p> <p>In respect of state capitals (except North Eastern States and Sikkim) and centers with more than 100 bank offices and District Head Quarters credit will be afforded within 10 days</p> <p>At rate applied to the loan account when proceeds of outstation instrument is to be credited in the borrowal account of a customer</p> <p>Onus lies on the bank for lost cheques</p> <p>Policy placed within Citizens' Charter</p>
3.	Andhra Bank	7/10	<p>FD rate when there is delay beyond 7/10 days</p> <p>2% above FD rate when there is abnormal delay</p>	<p>Number of days for which interest would be paid is unclear</p> <p>Abnormal delay not defined</p> <p>In respect of state capitals and other centers having more than 100 bank branches credit will be afforded within 7 days</p> <p>Policy placed within Citizens' Charter</p>
4.	Bank of Baroda	7/10/14	<p>2% above SB rate</p> <p>2% above FD rate for abnormal delay (100/104 days or more)</p>	<p>Number of days for which interest would be paid is unclear</p> <p>For State Capital Centers and at other centers with more than 100 Bank Offices - Credit to the customer's account will be given within 10 days. However for interest liability instruments lodged at and drawn on state headquarters, except the state capitals of North Eastern Region and Sikkim is considered</p> <p>For credit to the borrowal accounts, interest will be paid at BPLR</p> <p>Interest paid only if the amount is more than Rs. 5</p>
5.	Bank of India	7/10/Unlimited	<p>FD rate for the period of delay beyond 10 days</p> <p>1% above FD rate for abnormal delay (beyond 21 days)</p>	<p>In respect of State capital centers where Jet Clearing System is not operationalised and at other centers with more than 100 bank offices credit to customer's account are given within 10 days</p> <p>Time frame given only for cheques exceeding Rs. 15,000</p> <p>Provision of account credit with withdrawal facility (satisfactory accounts) up to Rs. 15,000 on day 7/10</p> <p>Abnormal delay not defined explicitly</p> <p>Onus lies on customers for lost cheques</p> <p>Interest paid only if the amount is more than Rs. 10</p>

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
6.	Bank of Maharashtra	8(days)/10/14 (working days)	Highest FD rate for the period of delay beyond stipulated period 2% penal interest for abnormal delays	Effective date mentioned (April 1, 2005) Abnormal delay not defined "2% penal interest" is an unclear statement Interest on delayed credit paid without awaiting for request
7.	Bharat Overseas Bank	8/10/14	SB rate for the period of delay beyond 10/14 days	Statement made for local/outstation cheques up to Rs. 10,000 is fuzzy Provision of account credit with withdrawal facility (satisfactory accounts) up to Rs. 10,000 on working day 8/10 Onus lies on the bank for lost cheques
8.	Canara Bank	10/14	FD rate for the period of delay beyond 10/14 days 2% above FD rate for abnormal delay (beyond 90 days), but for which period not very clear	Interest shall be paid at the rate applicable for minimum tenor of Fixed Deposit (at present 15 days) for delay of less than 15 days Interest paid only if the amount is more than Rs. 5
9.	Central Bank of India	8/10/14	FD rate for the period of delay beyond 8/10/14 days 2% above FD rate for abnormal delay (beyond 83/85/89 days)	For QCC Centers collection time is 10 days, but QCC centers have not been made explicit Period for which interest is paid for abnormal delays is not uniquely interpretable
10.	Citibank	30	FD rate for the period of delay beyond 30 days	Display of the policy in branches is incorporated within the policy
11.	Corporation Bank	6/8	FD rate for the period of delay beyond 6/8 days 2% above FD rate for abnormal delay (> 21 days)	For delay in collection of local cheques beyond 3 working days interest at SB rate will be paid Period for which interest is paid for abnormal delays is not uniquely interpretable
12.	HDFC Bank	3/5/21/45 (working days)	In case of delay, FD rate applies for the full period between cheque deposit date and fund realization date	FD rate may be undeclared and hence 0% for a period less than 15 days Policy placed within Citizens' Charter
13.	HSBC	5/10/ unlimited (working days) Excluding transit times (maximum of 48 hours)	2% above FD rate for the period of delay beyond specified time frame	Has an addition clause on transit time (in fine print). Mention of such a transit time makes the net time frame non-transparent Mentions time frame for value date Collection charges incorporated within the policy
14.	ICICI Bank*	7/ unlimited (working days)	Unspecified (not disclosed)	Policy framed not in the correct spirit

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
15.	IDBI Bank	8-10/10-14/ unlimited (working days)	SB rate for the period of delay	Policy statements very sketchy In cases, where the delay is on the instant of the other banks, no interest will be paid Minimum time for collection also mentioned Policy placed within Deposit Policy
16.	Indian Bank*	10/14	2% above SB rate for the period of delay beyond 10/14 days 2% above FD rate for abnormal delay	Abnormal delay not defined No special consideration made (apart from interest at 2% above SB interest) where the proceeds of collection of instruments are credited to CC, OD or loan accounts or to other deposit accounts, etc. Interest on delayed credit paid without awaiting for request Interest paid only if the amount is more than Rs. 5
17.	Indian Overseas Bank	7	SB rate for the period of delay beyond 7 days	Time frame adopted as a measure of self-discipline for enhancing the deliverance of quality services. Onus lies on customers for lost cheques Display of the policy in branches is incorporated within the policy Interest on delayed credit paid without awaiting for request Interest paid only if the amount is more than Rs. 5 Policy placed within Deposit Policy
18.	IndusInd Bank	7/12	FD rate for the period of delay beyond 7/12 days 2% above FD rate for abnormal delay	Abnormal delay not defined Time frame arrived on the basis of (i) centers having their branch and (ii) not having their branch Policy placed within Citizens' Charter
19.	Kotak Mahindra Bank	30 (working days)	SB rate for the period of delay beyond 30 working days	Lack of clarity towards liability on 6 working days as outer limit When delay in collection is due to the delay of collecting bank through whom outstation cheque is collected the matter will be taken up with the relative bank For credit to cash credit or overdraft accounts , the interest for the delayed period shall be paid at the rate of interest charged on the relative cash credit or overdraft account Onus lies on the bank for lost cheques

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
20.	Oriental Bank of Commerce	7/8/14	SB rate for the period of delay beyond 7/8/14 days (restricting to a max. delay of 45 days) 2% above SB rate for delay periods over the 45 days period as above	Onus lies on the bank for lost cheques but only upto Rs. 100 Interest on delayed credit paid without awaiting for request Interest paid only if the amount is more than Rs. 5
21.	Punjab and Sind Bank	8/10/14	SB rate for the period of delay beyond 14 days	Confusion lies with the bank on the stipulated timeframe being whether in "days" or "working days" Policy placed within Citizens' Charter
22.	Punjab National Bank	7/10/14	FD rate for the period of delay beyond 7/10/14 days	Credit within one day for cheques drawn on its own bank CBS branch provided presented in a CBS branch Collection charges incorporated within the policy Interest paid at BPLR when proceeds of the instruments are to be credited to the Cash Credit, Overdraft or Loan Account Interest paid only if the amount is more than Rs. 10
23.	South Indian Bank	7/10/14 (other than holidays)	FD rate for delay beyond 10/14 working days 2% above FD rate for abnormal delay (beyond 100/104 working days)	Number of days for which interest would be paid is unclear Onus lies on the bank for lost cheques Interest on delayed credit paid without awaiting for request Interest paid only if the amount is more than Rs. 5 Policy placed within Deposit Policy
24.	Standard Chartered Bank	5/15 (working days) 23/38/ unlimited days	2% above SB rate for the period of delay beyond stipulated time frame	The column under description in the policy lacks clarity Details provided has led to incompleteness Interest on delayed credit paid without awaiting for request (given within three working days from the liquidation date)
25.	State Bank of India*	6/7/8/10/14	SB rate when there is a delay beyond 6/8/10/14 days (restricting to a max. of 45 days) 2% above SB rate for delay over the 45 days period from the date of deposit	Time frame arrived on the basis of (i) own branches and (ii) other banks' branches Number of days for which interest would be paid is unclear Higher interest rate (SBAR or 2% above SBAR) for deposit into overdraft/loan accounts No mention of interest liability for delay beyond the stipulated 7 days Interest on delayed credit paid without awaiting for request A minimum interest of Rs. 10 paid even if the interest works out to be less than Rs. 10

Sr.#	Name of Bank	Time Frame (days) @	Bank's Liability	Our Remarks
26.	State Bank of Mysore	6/7/8/10/14	SB rate when there is a delay beyond 6/8/10/14 days (restricting to a max. of 45 days) 2% above SB rate for delay beyond 45 days	Time frame arrived on the basis of (i) own branches and (ii) other banks' branches Number of days for which interest would be paid is unclear Higher interest rate (SBMPLR or 2% above SBMPLR) for deposit into overdraft/loan accounts No mention of interest liability for delay beyond the stipulated 7 days A minimum interest of Rs. 10 paid even if the interest works out to be less than Rs. 10
27.	Syndicate Bank	5/7/10/14 (Excluding holidays)	FD rate in case the delay in collection of the instrument is more than 30 days beyond the normal collection period	Number of days for which interest would be paid is unclear The policy has been formulated having desired modification of relevant RBI's instructions (BC.59 dt. 17 May, 1995). Collection of instruments of value up to & inclusive of Rs. 15000/- has been dealt separately and may allow withdrawal provided account is satisfactorily operated Though initial part of the policy has been kept eye-catching but the last and final statement (bank's liability) is wretched Interest paid only if the amount is more than Rs. 10
28.	UCO Bank	7/10/14	FD rate for the period of delay beyond 7/10/14 days 2% above FD rate for abnormal delay (beyond 97/100/104 days)	For delay in collection of local cheques beyond 3 working days interest paid at SB rate
29.	Union Bank of India	7/10/14	FD rate for the period of delay beyond 7/10/14 days 2% above FD rate for abnormal delay (beyond 37/40/44 days)	Instruments sent for collection from one CBS center to another CBS center where Service Branches are located will be collected within seven days In respect of state capitals (except North Eastern regions and Sikkim) and centers with 100 bank offices in non-CBS centers credit will be afforded within 10 days
30.	United Bank of India	10/14	Interest (undisclosed)	Time frame not specified for local cheques Interest liability kept non-transparent
31.	UTI Bank	7/10/ unlimited (working days)	SB rate for delay beyond 7/10 days No interest for delays in case of cheques drawn on non-UTI Bank centers	Number of days for which interest would be paid is unclear Time frame not specified for local cheques Time frame specified only for cheques drawn on UTI Bank centers Cheques drawn on non-UTI Bank centers will be credited only upon receipt of funds on realization No interest will be paid for delays in collection of cheques drawn on non-UTI Bank centers

@ For metro/state capitals (other than NE states & Sikkim)/other centers, respectively. In case of fewer or more slabs, the corresponding policy could be referred.

C. An Empirical Study: In order to understand ground realities, an empirical study was carried out during July-August 2006. A small experiment was designed wherein 11 banks in Delhi were taken having representation from the public, private and foreign banks. Ten cheques of amounts ranging from Rs. 101 to Rs. 110 for each of Allahabad Bank, Kolkata and United Bank of India, Ranchi were procured and deposited in these 11 banks. In addition, local cheques of Indian Bank, UTI Bank, etc. were deposited in these banks. Statistics were then obtained on the credit and debit dates for each cheque deposited, where debit date corresponds to debit in the drawee's account. Incidentally, none of the banks on their own gave immediate credit for such low value cheques nor did they give interest on delayed payment on their own. Also, the 11 banks have their presence in Kolkata and Ranchi (except ABN Amro and HSBC). After carefully reconnoitring the data obtained from our experiment, we present below salient observations pertaining to out-station cheques.

Sr.	Bank Name	Kolkata Cheques		Ranchi Cheques	
		Float (D/WD)	Collection time (D/WD)	Float (D/WD)	Collection time (D/WD)
1	HDFC Bank	6/5	11/9	7/6	14/12
2	Bank of India	5/4	10/9	6/5	12/10
3	Syndicate Bank	6/5	15/13	7/6	18/15
4	State Bank of India	?	11/10*	?	12/10*
5	Canara Bank	6/5	11/10	11/9**	24/20**
6	ICICI Bank	3/2	8/7	6/5	11/9
7	ABN Amro	0/0	4/4	9/8	13/11
8	HSBC	2/2	9/8	3/3	15/13
9	UTI Bank	2/2	13/11	1/1	13/11
10	United Bank of India	8/7	17/14	-	-
11	Indian Bank	-	-	?	24/20**

Note: D-Days, WD-Working days

** indicates the duration between deposit date and debit date (of the drawee's account) even though credit entries were made on the 4th & 7th day respectively.*

*** indicates at least these many days as on 14.8.06*

'-' means that the cheques were not deposited here

'?' means that the float could not be calculated

We have defined float, conservatively, as the time taken to credit the depositor's account after the drawee's account has been debited. The collection time, on the other hand, corresponds to the duration between deposit and credit dates.

From the table above, it is quite evident that banks do enjoy float. Though we have worked out the enrichment of banks in Section 7 with respect to one day's float, the above empirical data suggests that on an average the float actually enjoyed is 4 and 6 days for metro and state capital respectively. Furthermore, the average collection time is 11 and 16 days for metro and state capital respectively. For metros, it appears that the banks may not be availing the facility of inter-city cheque clearing through clearing houses, leading to such high collection time. Since the experiment carried out is very small compared to the large volumes of cheque clearance, one may not like to take the results as a representative of the actual scenario. However, there are no reasons to believe that the ground reality would be any better than the picture that has emerged through this small exercise.

In case of local cheques, it is observed that generally the credit date is within one or two working days from the date of deposit. However the funds are not available for withdrawal until the third or fourth working day. Only in case of one bank, it was observed that they enjoyed a float of one to two days. The information on the value date for interest computation is usually not transparent.

In what follows, a relative ranking of the banks, with respect to various parameters of cheque collections have been made based on the multidimensional scaling technique used by Thorat, Maria and Das (2003). The results of this analysis are presented in the following section.

6. Categorisation of banks through Multidimensional Scaling

Keeping into consideration the complex nature of cheque collection policies, they need to be examined from various aspects, namely, time frame, interest rates for delayed payments, etc. In the present section, we obtain a Bank Evaluation Model with respect to cheque collections using several critical parameters of cheque collection policies. The Bank Evaluation Model classifies the banks into five Categories, viz., A, B, C, D and E. The Category-A is the best case scenario consisting of such banks that have framed, on average, good cheque collection policies. The Category-B banks have framed their cheque collection policies that are inferior as compared to Category-A banks. The Category-C banks are worse as compared to the Category-B; and Category-D banks are poorer than even the Category-C banks. The last group of Category-E banks depicts the worst case scenario in terms of cheque collection policy.

Methodology

A. Selection of Banks: We have considered all the 31 banks that are in our sample study, representing 81% of total offices of scheduled commercial banks. Additionally, we have also taken Pre-deregulation Model as another entity representing the pre-November 2004 status on cheque collections.

B. Parameter Identification: To see the performance in terms of cheque collections on a composite scale, several variables were identified. These variables cover, *interalia*, the efficiency with respect to time frame; liability of the banks with respect to delayed payments; and other quantitative/qualitative aspects of their performance in deliverance of payment-settlement facilities. Tables 1, 2 and 3 in Appendix E gives details of the parameters related to cheque collections. The abbreviation of parameters and their description is presented in Table 1 of the Appendix. Tables 2 and 3 give the parameter characteristics in descriptive and quantitative terms respectively. The list of parameters with which we will be carrying out the categorization exercise, are also presented in Table 6.1 below.

Table 6.1: List of parameters selected

Sr.#	Parameter description
1	Amount of Immediate Credit (in Rs. Thousand)
2	Additional charges for Immediate credit (Yes/No)
3	Account Type revealed for Immediate credit (Yes/No)

Sr.#	Parameter description
4	Time frame for Metro, etc. (in days)
5	Time frame for State Capital, etc. (in days)
6	Time frame for other centres, etc. (in days)
7	Time frame for collection in terms of days or working days
8	Time taken for Local Cheque clearance (in days)
9	Rate of interest paid in case of delay in Local Cheques
10	Rate of interest paid in case of delay in Outstation Cheques
11	Rate of interest paid in case of abnormal delay in Outstation Cheques
12	Length of Abnormal delay (in days)
13	Abnormal delay defined (Yes/No)
14	BPLR interest paid in case of delay in Outstation Cheques of loan account (Yes/No)
15	Mention of 100 centres in the policy (Yes/No)
16	Withdrawal allowed or not (Yes/No)
17	Onus of lost cheque (Not on customer/Silent/On customer)
18	Proper policy statements made (Yes/No)
19	Policy available on bank's Website (Yes/No/Citizens' charter/Deposit Policy)
20	Policy mentions its display in branches (Yes/No)

In case of most of the parameters, the higher the value, the better it is while in case of some (e.g. time frame related parameters), the lower the value, the better it will be. These directions are given at the bottom of Table 3 in the Appendix.

C. Methodology of Categorisation: Gulliksen (1950), Guilford (1954) and Kemeny (1959) devised techniques for multidimensional ranking used in Psychology and social choice theory. However, finding a Kemeny optimal ranking is NP-hard, while the technique suggested by others are similar to the method adopted here. Recently, Thorat, Maria and Das (2004) used an iterative technique for scaling of primary agricultural cooperative societies. The present study has been done on their lines.

While all the banks can be categorised according to each of the parameters separately, which would give their relative position vis-à-vis other banks according to that parameter, the categorisation exercise attempts to build a scale that is comprehensive and has multidimensionality as it takes into account all the identified parameters. The directions of the parameters have been adjusted for, while preparing the categories. As the parameters identified are in different units, they are brought to common and unit free scale by standardizing them. These standardized values are next converted to scores from 1 to 10 using the decile points of the Standard Normal Distribution. This is done for each parameter. For each bank, its score over all the parameters are added to arrive at the total score. These score values and total scores are given in Table 4 of Appendix E.

The correlations of these aggregate scores are calculated with the individual score of each of the parameter. These are then tested for a null hypothesis of the correlation being zero against an alternative that it is greater than zero. The parameters for which the null hypothesis is rejected, i.e., the parameters that are positively and significantly correlated with the total score are retained and a new total score with the residual set of parameters is worked out. The correlation between the new total score and the residual set of parameters (which were used to calculate this total score), is again calculated and subjected to testing as above. The process is repeated till each of the parameters in the residual set has significant and positive correlation with the total

score. These final total scores are then standardized and the standardized values are converted to scores from 1 to 5 using the twenty-percentile points of the Standard Normal Distribution. This classifies the banks into one of the 5 categories. The banks with the highest score of 5 are Category-A banks, the ones with score 4 are Category-B banks, and so on, the last group being Category-E banks corresponding to score 1.

Results of Categorisation of banks

In the first iteration 4 of the parameters were uncorrelated with the total score (i.e., their correlation was not significantly greater than zero). The remaining 16 parameters had positive and significant correlation with the total score based on the single tailed Karl Pearson test and these were retained (Table 5 in Appendix E). A new total score is arrived at, by adding the scores of these 16 parameters. The correlations of each of these 16 variables were calculated with this new total score. In this second iteration, none of the variables are dropped, as their correlations with the new total score were significant. Thus the following 16 parameters remain.

- 1 Amount of Immediate Credit (in Rs. Thousand)
- 2 Additional charges for Immediate credit (Yes/No)
- 3 Account Type revealed for Immediate credit (Yes/No)
- 4 Time frame for Metro, etc. (in days)
- 5 Time frame for State Capital, etc. (in days)
- 6 Time frame for other centres, etc. (in days)
- 7 Time frame for collection in terms of days or working days
- 8 Time taken for Local Cheque clearance (in days)
- 9 Rate of interest paid in case of delay in Local Cheques
- 10 Rate of interest paid in case of delay in Outstation Cheques
- 11 Rate of interest paid in case of abnormal delay in Outstation Cheques
- 12 Length of Abnormal delay (in days)
- 13 Abnormal delay defined (Yes/No)
- 14 BPLR interest paid in case of delay in Outstation Cheques of loan account (Yes/No)
- 15 Proper policy statements made (Yes/No)
- 16 Policy available on bank's Website (Yes/No/Citizens' charter/Deposit Policy)

With these 16 parameters, the following classification emerges. The categories also mention the ownership type of each bank, i.e. whether it is a public, private or foreign bank.

Category-A banks

1	CORPORATION BANK	Public
2	STATE BANK OF MYSORE	Public
3	CENTRAL BANK OF INDIA	Public
4	UNION BANK OF INDIA	Public
5	PRE-DEREGULATION MODEL	-
6	ALLAHABAD BANK	Public
7	STATE BANK OF INDIA	Public
8	UCO BANK	Public
9	BANK OF BARODA	Public
10	CANARA BANK	Public

Category-B banks

11	SOUTH INDIAN BANK LIMITED	Private
12	PUNJAB NATIONAL BANK	Public
13	ORIENTAL BANK OF COMMERCE	Public
14	BANK OF MAHARASHTRA	Public
15	BANK OF INDIA	Public

Category-C banks

16	INDUSIND BANK LIMITED	Private
17	ANDHRA BANK	Public
18	INDIAN OVERSEAS BANK	Public

Category-D banks

19	BHARAT OVERSEAS BANK LIMITED	Private
20	PUNJAB AND SIND BANK	Public
21	HSBC LIMITED	Foreign
22	CITIBANK N.A	Foreign
23	UNITED BANK OF INDIA	Public
24	INDIAN BANK	Public

Category-E banks

25	STANDARD CHARTERED BANK	Foreign
26	HDFC BANK LIMITED	Private
27	SYNDICATE BANK	Public
28	UTI BANK LIMITED	Private
29	KOTAK MAHINDRA BANK LIMITED	Private
30	IDBI BANK LIMITED	Public
31	ABN AMRO BANK N.V.	Foreign
32	ICICI BANK LIMITED	Private

It is interesting to observe that all the four foreign banks fall in the last two Categories D and E. Of the seven private sector banks in our sample, four falls in the worst Category E, while one such bank falls in each of the Categories B, C and D. The entire Category A banks, with respect to their cheque collection policies, are from the public sector. In fact 13 of the 20 public sector banks in the sample belong to Categories A and B. The pre-November 2004 status that is represented by Pre-deregulation Model also falls in Category A.

7. Inferences and Conclusions

A collecting bank, as the customer's agent, owes a duty of care. It needs to ensure (other than in some exceptional cases) that cheques deposited by the customers are speedily processed and presented, and that once the cheques are duly paid on presentment to the drawee bank, its proceeds are credited to the customer's account within a reasonable time with a value date (for interest payoffs) as the date on which

treasury of payee's bank is credited with the funds. The bank should be liable to compensate the customer for any breach of this duty. What is reasonable time depends on the facts in each case, such as the place on which the cheque is drawn, the institutional arrangements the bank has in place for presentment of the cheque to the drawee bank, etc. Keeping these facts in mind reasonable time schedule/standards had been evolved over years and prescribed by RBI from time to time until its withdrawal in November 2004.

RBI has presently asked the banks to formulate their own rules (cheque collection policy) as per their convenience and judgment. As a consequence, banks can formulate any policy relating to cheque collections having their board's approval. To ensure that the bank customers have due rights to demand meaningful and reasonable minimum standard of service, the RBI while deregulating had spelt out the spirit that should lie in the policies to be formulated by each bank.

However, by studying the select banks that represent 81% of India's total bank offices, it has been seen that in general the policy contents of banks, as on June 2006, do not reflect the intent RBI had at the time of deregulation and the bank customers are left at the mercy of the standards (which in many cases are found to be inferior) set therein. In case of some banks it appears that their boards may not have been careful while approving cheque collection policies keeping RBI's withdrawal policy (i.e., the November 1, 2004 notification) in foreground. A good number of the cheque collection policies of the banks are poorly drafted and in some situations reflect slipshod policy statements. There are instances where bank's liabilities are unclear leading to more than one meaning. Majority of the banks (more than 96%) do not mention the effective date of their policy.

Categorization of banks through multidimensional scaling has indicated that the banks having relatively better policies are mostly public sector banks whereas the worst policies have been framed by private and foreign banks. This is counter intuitive since the services rendered by private and foreign banks are generally perceived to be better than their public sector counterparts.

To summarize our findings, we present the following inferences:

A. Need for due disclosures through Show Your Bank (SYB) norms:

It has been seen that generally bank branches in India are neither prominently displaying their cheque collection policy (as desired by RBI), nor are giving due importance to disclosure through display or even disclosures through proper customer appraisals. It was our experience that even after repeated requests, at least one prominent foreign bank has categorically indicated its inability to display the policy in the branches.

In this connection, we would like to mention that two public sector banks were requested under the Right to Information Act to provide the list of all items that have been made mandatory for display, by statutory bodies, in their branches all over India. The list was to contain items, which are to be displayed in branches as a requirement of either the regulator or other statutory bodies. The banks did not have a ready and updated list of such items and the lists supplied to us contained a mix-up of the

mandatory items with items the bank on its own requires to display (because of self-discipline or for marketing needs). Thus, it is difficult for a customer to get the list of items, which are important and accordingly made mandatory for display. Instead, the customers find themselves lost in all sorts of displays.

To compel the banks to give due disclosures to customers about their rights, RBI may think towards introduction of stringent Show Your Bank (SYB) norms analogous to the existing Know Your Customer (KYC) norms. This would address not only the issue under study but also all other issues that are important from a customer's point of view. Through such norms, the central bank would be able to lay the burden on the banks to justify or provide reasons to their customers on the reasonableness of their formulated policies. This would make it ethically binding on the banks for setting meaningful and reasonable standards in the long run. This will also help to make competition more effective. Furthermore, incase SYB norms are put in place, RBI may also consider publicising widely the SYB requirements for the knowledge of the customers. This way the general public would be more aware as to what they are entitled to see in a bank branch, which the bank branch should show without one's asking for or enquiring.

B. Need for introduction of binding benchmark standards:

In India, the need for regulations on cheque collections was realized way back in the 80s and accordingly based on various committee recommendations and also based on its own study and observations, RBI had judiciously prescribed regulations for cheque collections. The Tarapore committee in addition to strongly recommending improvements and implementation of various regulations related to cheque collections had also said and we quote *"The RBI and banks have taken depositor loyalty for granted and the depositors have reposed this loyalty to banks to the point of flagellation. The depositor can legitimately claim a **bill of rights** but everywhere he is in chains. How that came about is a matter of historical tragedy and years of neglect and the government, RBI and the banks all stand indicted. Lip service to the depositor customer has gone on for too long and if Governor Dr. Y. V. Reddy's directive to banks on the **Common Person** is to be given true meaning there must be a time bound roadmap to reverse the **disenfranchisement** of the depositor and the start of a process of **empowering** of the depositor."*

Consequent to Tarapore Committee's recommendation, RBI on a review felt that the system of cheque collections could be improved by deregulations as the banks could take advantage of not only the technological progress in payment and settlement systems but also of the qualitative changes in operational systems and processes undertaken by several of them.

However, post-deregulation, the banks took an easier path and most of them framed policies that have led to disenfranchisement of the bank customers rather than their much-required empowerment. Level playing field exits for all banks, so even if one bank among all scheduled commercial banks can formulate a policy in the true spirit, how are other banks lagging behind- is competition not a deterrent enough? Many banks have maintained standards near what RBI had envisaged, while some banks have made attempts to improve on it. But overall, the present analysis has revealed that RBI's complete withdrawal of regulated minimum standards has not led to any signs of improvement in efficiencies and competition alone has not been able to dictate quality and reasonableness.

The analysis of cheque collection policies framed by 31 banks has led to an indication that the Reserve Bank of India and the Banking Codes and Standards Board of India (BCSBI) should consider introducing minimum binding rules and regulations, in addition to prescribing guidelines to ensure that banks speed up the collection process and make the collected funds available to customers expeditiously and without undue delay. Analogous to the regulator's recent efforts to bring bank service charges within reasonable limits (as reasonableness of these charges could not be brought out by competition alone), it is felt that reasonableness of deregulation of cheque collections should be reassessed and minimum standards should be prescribed. The setting up of minimum standards would help the banks not only to (a) work towards achieving the stipulated standards, but also to (b) improve on these standards and thus add-in a spirit of competition.

C. Need for introduction of polices to curtail bank's enjoyment of float:

The need for passing due interest benefits to payees on their cheque proceeds once the payees' bank (and not payees' account) receives credit from the drawee bank is of significant consequence. Not passing of such interest benefits to the customers allows the banks to enjoy float and leads to undue enrichment of banks at the cost of their customers. Presently, as per data available (see Appendix C), in one year nearly 13,000 lakh cheques are cleared attributing to a total amount of more than Rs. 1,13,37,000 crores. Giving benefit of doubt to banks and considering that for at most 50% of the cheques banks are not enjoying any kind of float, it would mean that on an average the banking sector enriches itself (at the cost of its customers) to the tune of at least one days interest on at least Rs. 56,68,500 crores. And this one-day's interest, even at a conservative rate of interest of 4% per annum, amounts to more than Rs. 621 crores. In fact the empirical study presented in Section 5 indicates that, on an average, the float enjoyed by banks is 4 and 6 days (while they take 11 and 16 days for collecting cheques) for metro and state capital respectively. For other centres it would be anybody's guess what the float period could be!

The totality of huge float being enjoyed by banks is actually an unaccounted credit taken from the depositors without their explicit consent. The vital question here is why are the banks being allowed to enjoy even one-day's float? The two scenarios that presently exist are that (a) banks do not credit customer's account and do not pay interest from the day they receive the funds, and (b) banks do not credit customer's account but pay interest from the day (back date as value date) they receive the funds. It was found that usually most officers in bank branches were not well conversant on the value dates for interest payoffs on cheques cleared and credited to customer account. Our enquires led to the following observations:

- a. For local cheques, even if the unclear funds are reflected in a customer's account on the first working day after the date of acceptance of the cheques at the counters, the funds are considered for interest payoffs only when these funds are available for withdrawal, i.e., the second or third working day.
- b. For outstation cheques the scenario is completely non-transparent. However, there are indications that the banks do not pass on the due interest benefits to the customers on the pretext that the date on which the bank branch receives a realization advice is the only possible date from when the funds would earn interest and not the date when the bank actually got the funds from the paying

bank. This amounts to bank's taking a camouflaged interest free loan from the customers without their knowledge.

Thus we can conclude that there is a need for introduction of guidelines so that the

1. banks clearly disclose their policy on enjoyment of float, and
2. regulators, in order to eliminate float, advocate due credit of interest to customer accounts once funds are received by payee's bank (with appropriate value date).

This would bring things in line with a prudent international practice like Regulation CC of the Federal Regulations (Title 12: Banks and Banking, Part 229, Section 229.14).

D. Need for cheque collection policy for cheques drawn in another country:

The banks usually collect out-of-country cheques through first acquiring such funds in their Nostro accounts. For a Cheque drawn on an overseas bank branch, the collecting bank may have to forward it to its agent bank (holding its Nostro account) in that country or to a branch of its own that handles the collection process. After agent bank presents the cheque and receives payment, it credits the collecting bank's Nostro account (maintained with the agent bank or with some other designated bank in that country). The collecting bank then takes some more time (called the cooling period) before giving credit to the customer's account. The cooling period typically ranges from 15 to 21 working days. Effectively, the banks enjoy float from the date of credit into Nostro account to the date they credit the payee's account in India. Apparently, if required, a credit into the US based Nostro account can always be reversed, whatever may be the time that may have elapsed since credit. Thus, a risk of reversal always remains. However, this risk is austere minimal.

We could not gather data on volume and amount of cheques under such foreign transactions. However, since banks do not pay interest for the cooling period of 15 to 21 working days, the banks certainly gain undue enrichment at the cost of customer.

The question of which date's exchange rate is to be taken to convert the foreign currency cheque amount is another fluid area. The Foreign Exchange Dealers' Association of India (FEDAI) may have set a rule that the proceeds should be credited to the customer's account at the exchange rate prevailing on the date of credit. However, such a rule may not be binding on the banks and different banks may follow different practices.

The authors came across an excellent article germane to the issue in hand. This article written in 2005 by Shri M. S. Parthasarathy on bank's delay in collecting foreign currency cheques highlights brilliantly the situation from a customer's angle. We quote an extract from the article:

“With the widespread use of modern information technology in banking transactions, the proceeds can be remitted expeditiously, on a real-time basis or immediately after receipt of the funds by the agent bank. ... With real-time modern communication methods available to banks, such responding and crediting should not take more than a day or two, and certainly not weeks. Any extra time taken by banks would only reflect on the inadequacy or inefficiency of their systems and processes, lack of care for their customers' interests, and the banks' avidity to make use of the free float of funds for

longer than they can if they passed them on to the customers promptly. ... The banks seem to claim that, in accordance with US banking practice, the payment received by it from its agent bank in the US was merely a provisional payment, which became irrevocable and final only after a certain "cooling-off period" within which the agent bank could reclaim the payment in certain circumstances. Hence, in turn, credit could only be given to the customer after the payment became final. The (US) Uniform Commercial Code (1991) (Section 4-215) allows a drawee bank to make a provisional settlement of a cheque presented to it, which becomes final on fulfillment of certain conditions. In general, a provisional settlement may be revoked by returning the cheque before the "midnight deadline", which expires at midnight on the next banking day following the banking day on which the bank has received the cheque. Section 4-214 permits a collecting bank to make a provisional settlement with its customer and await final settlement by the drawee bank. If there be no final settlement, the collecting bank may charge back any credit given to the customer or obtain refund from him. ... In these days of inexpensive instant communication which has made global real-time banking transactions a reality, it is anachronistic that one has to wait for weeks to get the proceeds of foreign currency cheques deposited with banks in India for collection."

Continuing our discussions, there are thus four issues that call for immediate clarity and disclosures while laying down proper policy on foreign cheques.

1. The date that is to be used for identifying the exchange rate.
2. The value date of the funds for interest payoffs.
3. A minimum limit to be prescribed on the quantum of funds that the bank would be required to credit customer's account with, (and also make it available for withdrawal) once the funds hit the Nostro account.
4. The time frame to be set within which the full funds are required to be credited to the customer's account (finality of transactions) after the funds hit the Nostro account.

E. Other specific concerns:

Apart from the above specific issues, there are a series of general observations that can be made after going through the cheque collection policies formulated by banks. Some such observations are:

- *Time schedule:* In terms of time schedule only, the set of select banks show that more than 35% of the banks are worse off than the position prior to deregulation. To collect a cheque there are several banks that may consider 21 days or more as reasonable time frame (while more than 22% of the banks have not provided any upper limit on the time frame) since they feel that their procedures or processes have been optimally arranged and arrived at. It is felt that such banks can drastically cut down their collection time by getting into meaningful agreements with other banks that have 7-14 days as their maximum time frame. This would immensely benefit the customers.
- *Date of receipt:* Though it is important to have on record the date on which a cheque has been received by the bank, it has been observed that majority of the banks while receiving a cheque do not stamp the date of receipt on the counter-foil of the deposit slip. Furthermore, such dates cannot be arrived at in case the cheque is dropped in a drop-box. This poses problem in clearly establishing the time taken in collecting a cheque.

- *Immediate credit:* More than 6% of the banks do not provide (no mention) the facility of immediate credit and about 65% of the banks do not reveal the type of accounts to which this facility applies. More than 48% of the banks provide this facility for an additional charge (as if considering it as an interest bearing loan). Several banks have not considered immediate credit of local cheques. Several bank policies have kept immediate credit at the bank's discretion and have prominently indicated so. Since such discretions cannot be defined, it makes the policy vague and the customer cannot know his rights. None of such divergent policies are in line with the spirit that RBI had envisaged.
- *Waiver of commission/charge in case of abnormal delay:* It was recommended by the Talwar Committee that as a measure of discipline, banks should consider waiving the commission/charge in case of unreasonable delay. However, it is observed that not a single bank has considered this waiver (being in addition to interest payments for delayed days of credit) in case of unreasonable delay due to their fault.
- *Delay in credit to CC/OD/loan account:* Majority of the banks (more than 80%) have completely ignored the payment of interest (on delayed collection) at minimum lending rates (BPLR) where cheque amounts are credited into cash-credit/overdraft/loan accounts. In fact, even if the banks pay interest at BPLR, it may not compensate for the interest they charge from customers for such account. In such cases the banks should actually pay interest at the rate at which it is charged from the customers. Thus presently the loss to customers is much higher than the compensation banks are offering for delays.
- *Facility for centers with more than 100 branches:* There are some banks (more than 16%) that mention about centers with more than 100 bank branches but do not give a comprehensive list of such centers. Since branch network is dynamic, customers would not know their true rights.
- *Abnormal delay:* Some banks have not defined the term *abnormal* while mentioning this in their policy with reference to the abnormal delay in collection of cheques. This lack of explicitness makes the customers uncertain of their entitlements. Even where abnormal delay is defined, the question of bank's liability in terms of the period for additional penal rate of interest is mostly blurred. For example, if 90 days or more beyond stipulated days is defined as abnormal delay and interest is paid at the rate of FD plus 2% for such delays, the clarity lacks on whether (a) this interest (of FD plus 2%) is paid for the period beyond 89th day (after completion of stipulated period) while FD rate is paid for the period beyond stipulated days and up to 89th day or (b) this interest (of FD plus 2%) is paid for the period beyond stipulated days in case of abnormal delays.
- *Interest for delayed payment:* In case of a delay, the period for which interest would be paid is not clear at places- while there exists at least one bank (e.g. HDFC Bank), which pays interest for the full period from date of deposit to date of credit, in several of the other banks' policies, this period is not made explicit. Then there are banks that usually quote the interest rate for delayed period in relation to the tenor of FD. The FD rates for a period between 1 to 6 days (or up to 14 days barring large deposits) do not exist. This leads to an

ambiguous situation unless the banks would consider the rate of interest for such periods as 0%. More than 48% of the banks have set their interest liability with respect to SB rate or are silent. Moreover, that banks should give interest (for delayed payments) without customer asking for it has also not been incorporated in most of the banks' policy. In case of some banks no interest/compensation is paid for lost cheques and it is made explicit that onus lies on customers in such a situation. Finally, most of the banks are not explicit on their liabilities for delay in local cheques. Such ambiguities in policies do not clearly establish the obligations of the bank to the customers and rights of the customers.

Unlike banks' service charges which has scope for variation due to quality of service rendered by banks, setting minimum benchmark standards for the quality of cheque collection services is of paramount importance and cannot be sacrificed. Through November 2004 notification, RBI has suggested that the regime of administered benchmark standards should be done away with and efficiencies should be achieved through spirit of competition. However, as a tradeoff to quality and reasonableness, just saying that 'it is no more relevant in a deregulated market economy (where the accent is on competition)' cannot substantiate such blanket withdrawal. It is important to understand that for such issues, competition alone will not improve efficiencies and raise standards since even educated/corporate customer will find it difficult to compare such policies. Moreover, as has been elaborately argued in previous sections, competition alone cannot correct unreasonableness.

The present study thus highlights the existence of unreasonable, non-transparent and non-comprehensive cheque collection policies of the banks indicating that the existing institutional mechanism in this regard for framing such policies is not adequate. The spirit with which RBI had deregulated cheque collection process has not got translated into the policies made by majority of banks.

In its deregulation notification, RBI has explicitly stated that it may not be supervising these aspects any further and would exercise the prerogative to examine only in case of individual customer disputes that too vis-à-vis the bank's published policies and procedures (and not questioning the bank's policies). Consequently, in case a customer does not agree to his bank's existing ill-framed policy, his only options are to (a) question the bank but most likely get dominated by it, (b) exit from the bank relationship or (c) go to civil courts. As mentioned earlier, (c) is not a propitious option for a customer. Regarding (b), there is a tendency for the banks to argue in a way that IBA may as well approve. The authors carry this impression from a related communication from IBA. The IBA's argument may be as follows- '...the depositors should insist for the correct and reasonable policy statements from the banks. If a particular bank does not provide for the same, which is not in the interest of the customers, in the present context of liberalization, bank may lose its client. The RBI also cannot insist for a uniform pattern to be followed by all banks in the present competitive/liberalized environment...'. This type of an argument shows a sense of arrogance on the part of the banking sector (as they operate in a seller's market), completely in defiance to the interest of the customers. The RBI, as the protector of the interests of depositors, may like to eliminate such monopolistic tendencies of the banks in their dealings with customers.

To this effect we could not agree more to what the Tarapore Committee had emphasized in its 2004 report and we quote: *“Another aspect of banking services which reinforces the process of disenfranchisement, is the fact that the customer is in near-total, if not total, darkness about his entitlements. Apart from non-disclosure, the services are so packaged that even an educated/corporate customer would not be able to know if he can avail of them. ... The Committee appreciates the role of market forces in rewarding an efficient player and penalising an inefficient one. But it does not accept that the market forces can be the only protector of customer interest. The banks and the regulator have responsibility to act proactively. ... the proper and equitable growth of the banking industry cannot be left entirely to market forces. In this process, socio-economic aspects also get intertwined and it is not correct, nor desirable to take an extreme view and treat the market as the sole defender of the common person. If indeed, an exclusive market solution was accepted as the stance of policy, the bulk of depositors would get pushed back to the unorganised segments.”*

On July 1, 2006 the Code of Bank’s Commitment to customers prepared by the BCSBI was released. Reading through the fine prints of the Code, it appeared that the Code did not deal, in adequate depth, with the issues on cheque collections. It was expected that the BCSBI would provide a framework of reasonable, rational and meaningful minimum standards keeping in focus the interest of the customers. However, in Section 8.2 of the Code dealing with Collection services there is no mention of any such minimum standards and this service is left to be based solely on the policies set by individual banks. Our study has revealed that the policies set by most of the banks are worse than the established best practice at the time of deregulation. Furthermore, the section does not talk with certainty about the facility of immediate credit of outstation cheque which in spirit, as per RBI, should be offered to small depositor. A careful reading of the speech addressed by Dr. Y. V. Reddy at the release of the Code of Bank’s Commitment (see reference [3]) indicates how setting up of proper benchmarks can be effective in improving standards. Thus RBI and BCSBI need to set proper benchmark standards towards cheque collections and come out with a statutory model cheque collection policy to be followed by all banks.

The Reserve Bank has been taking several measures to improve safety and efficiency in the payment modes. Its thrust has been to move towards safer and more efficient electronic modes of payments. Though there are various electronic channels to choose from, cheques still form the lion’s share of payments in India, accounting for nearly 1.3 billion payments a year. Even after including card transactions, cheque volumes form 82% in number and 98.7% in amount of the total retail payments (See Appendix C). With the advancements in payment systems that RBI is working towards and introduction of schemes like Electronic Funds Transfer, Real Time Gross Settlement, cheque truncation, etc., the banks are likely to levy high service charges for offering these services. This would be a retrograde step. The need for a reasonable and rational policy would be all the more felt with changing times. The banks would be required to explicitly spell out the customers’ rights while framing their policies. And to facilitate banks in framing their policies in proper spirit that would ensure empowerment of the customer, the regulator will have to clearly spell out the basic benchmarks.

To conclude, in RBI’s capacity as the guardian of public interest and regulator of financial systems, it is felt necessary that the central bank comes out with definite binding rules, regulations and guidelines to ensure that banks speed up the collection process and make the collected funds available to customers expeditiously, without making undue use of the free float of such funds. This would directly impact the cheque collection process – a process that contributes the bulk numbers and amounts of financial transactions. There need to be a greater degree of transparency to control the possibility of floats that the banks may get a chance to enjoy. It may also be

worthwhile to study the international scenario, for example, the Federal Reserve's Expedited Funds availability Act, Bank of Thailand's regulations on cheque collections and similar documents in other countries in greater detail for incorporation of more customer protection policies in the Indian financial system.

The present paper is based on very few practical data that we have come across. It might be worthwhile to take-up a more comprehensive study- but that would require an active involvement of the Reserve Bank of India and other institutions concerned.

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APPENDIX

- A. Cheque collection policies of 31 select banks in alphabetical order**
- B. Number of offices of the 31 banks and those of the other remaining banks**
- C. Payment systems data**
- D. Cheque clearing time survey of Banking Code Standards Board of UK**
- E. Tables related to Categorisation of banks through Multidimensional Scaling**
- F. DBOD circulars reflecting step-by-step improvements on cheque collection benchmarks**

APPENDIX A

CHEQUE COLLECTION POLICIES OF 31 SELECT BANKS IN ALPHABETICAL ORDER:

Sr.#	Scheduled Commercial Banks
1	ABN AMRO BANK N.V.
2	ALLAHABAD BANK
3	ANDHRA BANK
4	BANK OF BARODA
5	BANK OF INDIA
6	BANK OF MAHARASHTRA
7	BHARAT OVERSEAS BANK LIMITED
8	CANARA BANK
9	CENTRAL BANK OF INDIA
10	CITIBANK N.A
11	CORPORATION BANK
12	HDFC BANK LIMITED
13	HSBC LIMITED
14	ICICI BANK LIMITED
15	IDBI BANK LIMITED
16	INDIAN BANK
17	INDIAN OVERSEAS BANK
18	INDUSIND BANK LIMITED
19	KOTAK MAHINDRA BANK LIMITED
20	ORIENTAL BANK OF COMMERCE
21	PUNJAB AND SIND BANK
22	PUNJAB NATIONAL BANK
23	SOUTH INDIAN BANK LIMITED
24	STANDARD CHARTERED BANK
25	STATE BANK OF INDIA
26	STATE BANK OF MYSORE
27	SYNDICATE BANK
28	UCO BANK
29	UNION BANK OF INDIA
30	UNITED BANK OF INDIA
31	UTI BANK LIMITED

1. ABN Amro Bank

Not on bank's website (the policy as below has been claimed by the bank as its cheque collection policy)

Outward Cheque Collections

- 1. OUTSTATION CHEQUE COLLECTION**
- 1.1. CORRESPONDENT BANK TIE-UP
- 2. CHEQUE COLLECTION PROCESS.....**
- 2.1. AAB LOCATIONS
- 2.2. CORRESPONDENT BANK LOCATIONS
- 2.3. DIRECT COLLECTIONS.....
- 3. CUSTOMER CREDIT.....**
- 3.1. IMMEDIATE CREDIT
- 3.2. CREDIT – AAB LOCATIONS
- 3.3. CREDIT – CORRESPONDENT LOCATIONS
- 3.4. CREDIT – DIRECT COLLECTION

1. Outstation cheque collection

Bank does cheque collection for its customers at the following locations:

- Cheques payable at AAB locations
- Cheques payable at Correspondent Bank locations
- Direct collections.

1.1 Correspondent Bank tie-up

AAB has tied up with 2 correspondent Banks namely ICICI Bank and HDFC Bank for providing faster realisation of outstation cheques payable at their branch locations. AAB has entered into a formal agreement with these banks to afford credit to AAB as per the below schedule:

ICICI Bank locations : Credit received by Day 7 with cooling period till Day 10. Returns may still be presented post day 10.

HDFC Bank locations : Credit realised by Day 6 with cooling period till Day 10.

2. Cheque collection process

- Customer to deposit the cheque with the Bank branch.
- All spoke branches to send the cheques collected for the day to the Hub Branch.
- Hub branch to segregate locally payable cheques, HV cheques and outstation cheques.
- Outstation cheques to be further segregated into AAB locations, Correspondent Bank locations and Direct collections.
- Branch to check the authenticity of the instrument to check the name and account number on the deposit slip to match with that on the system.

2.1 AAB locations

- Branch to prepare a schedule for the cheques being sent to AAB location for realisation
- Sending branch to lodge the number of instruments in CARTS for the receiving branch to confirm on receipt.
- Schedules carry reference no. of the CARTS record
- Sending branch to do sequential filing all schedules which are being sent to the receiving branch for handling any customer query at a later date.
- Receiving branch to confirm the number of instruments received and lodge the same in clearing directly in the customer's account.

2.2 Correspondent Bank locations

- All cheques sent to the correspondent Bank to be lodged in the collection package system to ensure easier tracking of the instruments.

- Endorsement Stamps are placed on the back of the cheques.
- Branches to prepare a schedule to be handed over to the correspondent Bank.
- Acknowledgement from the Correspondent Bank to be taken on the schedules.
- Branches to track timely receipt of payments from the Correspondent Banks.
- Amount paid to Correspondent Bank, as charges are reconciled against Bill generated from the Collections Package.
- The monthly bills raised by the correspondent banks are reconciled against the checks sent for collections before the payment is made.
- The collection charges are being taken as per the latest schedule of benefits

2.3 Direct collections

- All cheques sent for direct collections to be lodged in the collection package system to ensure easier tracking of the instruments.
- Endorsement Stamps placed on the checks
- Records of checks sent for collections through registered mail to be kept with the branch.
- Timely dispatch of tracers to the banks and letters to the customers post three tracers have been sent. (3 tracers to be sent between Day 21 and Day 45)
- Collection charges to be levied to the customer as applicable.
- Aged items to be actively followed up basis tracer letters and even phone call to the drawer Bank. In case funds are not received till Day 45, then letter to be sent to the customer informing him/her of the status of the cheque and advising the customer to request the drawer to place a stop payment on the cheque and take a fresh cheque in lieu of the current instrument.

3. Customer credit

3.1 Immediate credit

- As per RBI Circular (DBOD # BC 181 / 09.07 .007 / 99-2000) dated May 29, 2000), wherever the check amount is upto Rs 15000 and the customer requests for immediate credit, appropriate checks are done on the account and with BM approval, check purchased (By booking Account Receivable (AR), credit customer account).
- BM approval to be given as per satisfactory relationship of the account including no adverse precedence of outward cheque returns in the past. No distinction to be made about account type of the customer i.e. Savings or current or Overdraft account.
- Account receivable to be liquidated on realisation of the check.
- No interest to be charged from the customer for this facility unless the cheque is returned unpaid.
- In case the instrument is returned, interest is to be charged from the date of return till the reimbursement of money to the Bank (and not from the date of credit to its return, this again has been stipulated by RBI).
- Any amount un-recovered due to the check being returned and insufficient balance in the customer's account is to be written off as Sundry Losses - Business Decisions on the same being approved as per the delegated authority matrix.

3.2 Credit – AAB locations

- Receiving branch to lodge the instrument in the customer's account directly so that the credit can be effected to the customer's account as and when the HV/ local cheque is realised.

3.3 Credit – Correspondent locations

- On Day 6 (for HDFC Bank) and Day 7 (for ICICI Bank location), Bank to book a payable of the funds received from the correspondent Bank through Interbank credit.
- For preferred banking customers,
 - The credit to be awarded to the customer on Day 7 by reversing the respective payable line.
- For regular customers,
 - The credit to be awarded to the customer on Day 10 by reversing the respective payable line.
- Branches to carry out periodic reconciliation of funds in hand against amount payable to customers.
- In case an instrument has been returned unpaid (in case of ICICI Bank) post credit to the customer's account then Branch to debit the customer's account for the returned instrument.

3.4 Credit – Direct collection

- Once the funds are received from the drawer bank (by means of a DD payable at the Bank location), Branch to lodge the instrument in clearing.
- Once the funds are realised funds to be credited to the customers account basis the realisation of the instrument.

2. Allahabad Bank

(Within Citizens' Charter)

http://www.allahabadbank.com/cc_collection.htm

COLLECTION SERVICE

Immediate credit of local as well as outstation cheques upto Rs.15000/- is provided to the customers who are maintaining satisfactory accounts. However, the customers will have to bear usual service charges as well as postal charges. In the event of cheques being returned unpaid, the customer will have to pay interest for the period for which funds are utilized.

Cheques (local or outstation) deposited by the customers are cleared by the Bank as follows:

LOCAL HIGH VALUE CLEARING

The facility is available for the clients of selected branches at designated centres. Cheques of high value (of not less than Rs.1.00 lac per instrument) are cleared on the same day except Saturday subject to depositing of the cheques/ instruments in time.

LOCAL NORMAL CLEARING

Cheques are cleared normally on the third working day, depending on the centre and subject to depositing of the cheques/ instruments in time.

COLLECTION OF OUTSTATION CHEQUES

- Cheques drawn on banks located in Metropolitan centres and presented for collection on any day in a week will be credited latest on the same day in the following week, even if the collection advices are not received from the drawee centres.
- In case the drawee as well as collecting branches are situated at State capitals other than North Eastern States and Sikkim, other centres with more than 100 bank offices and District Head Quarters- 10 days.
- For all other centres including North Eastern States and Sikkim- 14 days.

INTEREST PAYMENT FOR DELAYED COLLECTION

In case the Bank fails to credit the proceed within the above time frame interest will be paid for delay in collection at the following rates:

- If the delayed period beyond the stipulated days, as mentioned above, is less than 15 days, interest will be paid at savings bank rate for the delayed period.
- If the delayed period beyond the stipulated days, as mentioned above, is more than 15 days, interest will be paid at the rate of fixed deposit for the delayed period.
- If the delayed period beyond the stipulated days, as mentioned above, is more than 45 days, interest at the rate of 2% above the fixed deposit rate will be paid for the delayed period.
- Where the proceed of outstation instrument is to be credited in the borrowal account, interest for the delayed period beyond the stipulated days for collection,

as mentioned above, will be paid at the rate applied to the respective loan account.

DISHONOUR OF CHEQUE

In case of dishonour of a cheque deposited by a customer for clearing/collection Bank within 24 hours should return/ despatch to the customer the instrument returned unpaid by the drawee bank.

LOSS OF CHEQUE

- In respect of cheques lost in transit or in the clearing process or at the paying bank's branch, the bank should immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record stop payment and can also take care that other cheques issued by him/her are not dishonoured due to non-credit of the amount of the lost cheques/ instruments.
- The onus of such loss of cheques lies with the collecting banker and not the account holder.
- The bank should reimburse the account holder related expenses for obtaining duplicate instruments and also interest for reasonable delay occurred in obtaining the same.

3. Andhra Bank

(Within Citizens' Charter)

<http://www.andhrabank-india.com/scripts/CitizenCharter.aspx>

Collection of Cheques

The Bank also collects local and outstation cheques and other instruments on behalf of account holder for credit to his/her current/services bank/overdraft/cash credit accounts provided the cheques/instruments are crossed and are drawn or endorsed in favour of the account holder. Third party instruments are not collected in services Bank Account.

Standard Time norms for collection of cheques

- Instrument drawn on local banks coming under Clearing House - within 3 days.
- Outstation instrument drawn on and collected at 4 Metros (between 2 of 4 metros) namely Mumbai, Chennai, New Delhi and Calcutta - within 7 days.
- Outstation instruments drawn on State Capital and other Centres having more than 100 bank branches, within 7 days.
- Outstation instruments drawn on other centres/places - within 10 days.

Delay in collection

In case there is delay in collection of outstation instruments beyond 7/10 days, Bank shall pay penal interest at the rate applicable for appropriate tenor of fixed deposit. For abnormal delay caused, bank shall pay penal interest at the rate of 2% above fixed deposit rate applicable for the period. All dishonored instruments are returned/dispatched to the customers within 24 hours of their receipt at the branches of the bank where they are tendered for collection.

Instant Credit Facility:

Instant credit will be provided on outstation cheques upto Rs.15,000/- on fulfilling prescribed requirements on single exposure basis. National Clearing Facility is available for speedy collection of outstation instruments drawn on and presented at Delhi, Mumbai, Calcutta and Chennai. Electronic Fund Transfer facility is available for transferring funds electronically at specified branches of the Bank.

4. Bank of Baroda

http://www.bankofbaroda.com/pfs/collection_policy.asp

Cheque Collection Policy

Baroda Cheque Collection Policy for Inland Instruments

A new Baroda Cheque Collection Policy has been formulated by our Bank for the benefits of our customers, The details of the Policy are as under:

A. Immediate Credit of local / out-station Cheques:

The Branches will give immediate credit of local / outstation cheques, dividend warrants, interest warrants, refund order etc., which are tendered for collection up to Rs.15,000/- irrespective of the category or the status of the drawer of the cheque, provided customer desires the facility subject to fulfillment of the following:

The Branches will give immediate credit of local / outstation cheques, dividend warrants, interest warrants, refund order etc., which are tendered for collection up to Rs.15,000/- irrespective of the category or the status of the drawer of the cheque, provided customer desires the facility subject to fulfillment of the following:

- The facility will be extended only to customers having a satisfactorily conducted account / record.
- The facility will be extended to all account holders without making a distinction about their status, i.e., Savings Bank, Current, Cash Credit or Over Draft Account.
- Customers should be having account relationship with the branch at least for a period of 6 months and the account should have fulfilled KYC norms.
The account should have been conducted satisfactorily and no cheques drawn or deposited by such account holders should have been returned unpaid for financial reasons and the loan/advance a/c should not be NPA.
The maximum outstanding per account should not exceed Rs. 15,000/- at any one time due to purchase of such cheque/s i.e. only cheques upto Rs. 15,000/- can be purchased at any given moment and the outstanding due to such purchase should not exceed Rs. 15,000/-.
- The Bank will recover a charge of Rs.15/- (up front) for immediate credit of local cheques upto Rs. 15000/- received for collection through clearing.
- As immediate credit of cheque will tantamount to grant of advance, hence when any outstation instrument / cheque of face value upto Rs.15000/- is received for collection and the proceeds of the instrument are immediately credited into the account, in whatever manner, in advance of the date of actual realization of the amount, all charges applicable for Bills Purchase will be recovered from the beneficiary.
- The customer should fill in special paying-in-slip (F. No 291) and sign it, while tendering the cheque.
- In the event of the cheque being returned unpaid, the bank will recover interest in conformity with the extant guidelines applicable for cheques / bills returned unpaid in case of Bills Purchased.
- Where the cheque is credited to a savings bank account, no interest will be payable by bank on the amount so credited if the cheque is returned unpaid.

B. Time frame for Collection of local / out-station Instruments :

The following time frame for collection of local / out-station instruments will be observed :

- **For -4- Metro Centres with MICR clearing Systems** - Where a customer presents on any day in a week at one Metro centre a cheque for collection drawn on any of the other -3- Metro centres, the proceeds will be credited to his account latest on the same day in the following week e.g. Monday to next Monday.
- **For State Capital Centres and at other centres with more than 100 Bank Offices** - Credit to the customer's account will be given within 10 days.
- **In all other cases** - Credit to the customer's account will be given within 14 days

C. Interest Payment for Delayed Collection :

It is our endeavor to credit the proceeds into the customer's account within the stipulated time frame of the Policy. However, if delay occurs due to some unforeseen circumstances customers will be paid interest on account of delay in collection of cheques / instruments as under:

- i. Interest @ 2% per annum over prevalent savings bank rate will be paid to the customer, if such interest payable is Rs. 5/- or more for delayed collection of outstation instruments lodged at and drawn on state headquarters, except the state capitals of North Eastern Region and Sikkim, if these are not collected within -10- days from the date of lodgment of the instrument for collection and within -14- days in all other cases.

If the proceeds are to be credited to the borrowal accounts, like Cash Credit/Overdraft/ Loan etc. interest will be paid at BPLR irrespective of the interest rate applicable to the borrowal account.
- ii. Further, Branches will also pay penal interest at the rate of 2 % above fixed deposit rate applicable for abnormal delay caused by the branch in collection of outstation instruments. The abnormal delay means 90 days plus 10/14 days as the case may be i.e. normal period allowed for collection.

It may also be noted that these instructions are applicable only for Inland Instruments i.e. instruments drawn and payable in India.

5. BANK OF INDIA

<http://www.bankofindia.com/home/corporateprofile/policy.asp>

POLICY GUIDELINES FOR

- i) Immediate credit of local / outstation cheques
- ii) Time Frame for collection of local / outstation cheques
- iii) Interest payment for delayed collection and
- iv) Penal charges for delayed credit for ECS/EFT/SEFT

1. Immediate Credit of Local / Outstation Cheques : Cheques upto & inclusive Rs. 15000/- (Local as well as outstation) :

Immediate Credit and withdrawals against cheques upto and inclusive of Rs.15000/- for local as well as outstation cheques deposited in the accounts of an individual customer for collection is to be given subject to maintaining satisfactorily operated account, without waiting for customer's specific request but as a matter of normal course.

The rules in this connection are as under :

- a. This facility is offered in all satisfactorily conducted accounts of individuals without making distinction about their status, i.e. Savings Bank, Current, or Overdraft Account
- b. It is available in the normal course of business.
- c. Withdrawals against such cheques are permitted on REQUEST. However, withdrawal is not allowed in case of MINOR, STAFF & NRI accounts.
- d. This facility is available for local (as per clearing house practice) as well as outstation cheques.
- e. At a time, maximum credit per account NOT TO EXCEED Rs. 15,000/-
- f. No stipulation of minimum balance for extending this facility.
- g. Charges for withdrawal are Rs. 25/- in case of outstation cheques and Rs. 5/- for local cheques per cheque. Collection charges for outstation cheques are recovered in addition to the above. (Charges inclusive of Service Tax.)
- h. The facility is also allowed to the customers at the Bank's Extension Counters subject to the usual precautions taken by branches in this regard.
- i. While immediate credit of cheque amounts to grant of advance, non-charging of interest on such cheque of the face value upto Rs. 15,000/- is not viewed as violation of Reserve Bank of India's directive on interest rates on advances.
- j. In cases where cheques upto Rs. 15,000/- credited and returned unpaid, interest for the period the bank has remained out of funds are to be recovered at the rate applicable for clean loan alongwith the principal. Further this facility to be reviewed in accounts where cheques are returned unpaid frequently.
- i. No interest is to be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
- ii. Interest is to be charged from the date of return of the cheque till the reimbursement of money to the bank

iii. Where the cheque is credited to a savings bank account, no interest is payable on the amount so credited if the cheque is returned unpaid.

2. Time Frame for Collection of Local/Outstation Instruments : Cheques exceeding Rs.15,000/- :

(i) Drawn locally: To be credited to the customer's accounts and they should be allowed to use the funds latest on the third working day from the date of acceptance of the cheques. The branches should ensure that the clearing instruments are sent on time for clearing.

(ii) Drawn Outstation:

a. The Jet Clearing System is in operation in our Bank at many cities, for prompt collection and realization of outstation cheques / instruments drawn on any Bank / Branch (including our Branches) which are covered by Service Branches and Main Branches at 32 Centres. It is expected that the cheque presented for collection on any day in a week should be credited atleast on the 5th day and allowed to be withdrawn latest on the same day in the following week (for e.g. Monday to next Monday). Such a facility is extended to the customers even if the collection advices are not received from the drawee centers.

b. In respect of State capital centers where Jet Clearing System is not operationalised and at other centers with more than 100 bank offices credit to customer's account are given within 10 days with full freedom to the customer to withdraw the amount, even if the collection advices are not received from the drawee centers.

In order to limit the risks involved, the facility of giving credit to the accounts as per item 2 (ii) a & b above may be extended to the satisfactorily conducted accounts, upto a maximum amount of Rs.15,000/- Where more than one cheque and/or cheques of the value of more than Rs.15,000/- are deposited for collection in a day or on subsequent days, withdrawal as per above instructions are allowed upto a maximum of Rs.15,000/- so that at any point of time the collecting bank will have an exposure for an amount not exceeding Rs.15,000/- against any individual customer.

3. Interest to be paid for delayed period of collection:

The customer is to be paid interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10 days in collection of outstation instruments. However, where abnormal delay occurs (i.e. if the delay is beyond 21 days and also in cases where the delay is due to slackness or negligence on the part of staff concerned may be treated as abnormal delay), the penal interest at the rate of 1% above fixed deposit rate applicable for abnormal delay caused by the branch in collection of outstation instruments. However the interest is not payable on instrument lost in transit. The interest may be paid only when such amount is Rs.10 or more.

4. Penal charges for delayed credit for/Electronic Clearing System/ Electronic Funds Transfer/ Special Electronic Fund Transfer :

ECS/EFT/SEFT service is available for transfer of funds across about 8500 branches of banks situated in 15 Centres where Reserve Bank of India manages the Clearing House. Those centers are Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna and Thiruvananthapuram. Under the EFT system, the credit to the beneficiary's account should be afforded by the bank on the same day of the settlement i.e. on the date of credit of our account with the settlement bank (RBI or SBI as the case may be). Any delay beyond T+1 day (i.e. transaction day + 1), the beneficiary bank must compensate the customer at 1% above fixed deposit rate applicable for the period of abnormal delay caused by the branch for crediting the amount. However the penal interest is not payable if remittance is not received by the beneficiary bank and when the interest amount is less than Rs. 10/-.

5. Bank Charges, Charging of interest etc. :

Service charges as prescribed from time to time and actual postages (Regd. / speed post) or Courier Charges / out of pocket expenses to be recovered fully.

For cheques returned unpaid in respect of which credit has already been given, interest at commercial rate on the overdrawn amounts from the date of allowing the withdrawal till the amounts are reimbursed, other than 1(j) above is to be charged

6. BANK OF MAHARASHTRA

<http://www.bankofmaharashtra.in/policy.asp>

POLICY ON COLLECTION OF INSTRUMENTS-2005

- Title This Policy will be called as " Mahabank Policy on Collection of Instruments "
- Date of Effect It will be deemed to be effective from 1st of April 2005
- Scope of The Policy
1. Immediate Credit of local / outstation cheques
 2. Time frame for Collection of Local
 3. Interest Payment for delayed collection
 4. Other Provisions / Outstation Instruments
- Terminology " The Bank " means Bank of Maharashtra.
" PLR " means Prevailing Prime Lending Rate of Bank of Maharashtra
- A] Immediate Credit of local / outstation cheques- Bank will extend this facility in respect of outstation / local cheques up to Rs.20000/- at any point of time subject to following terms and conditions-
1. The Bank should be satisfied about the proper conduct of the account of customer.
 2. The Bank may extend this facility to all individual depositors holding Savings Bank, Current or Cash Credit Account.
 3. This facility will be available at Extension Counters of branches also.
 4. Credit will be allowed only up to specific period only . The collecting branches as well as paying branch / center should ensure that the cheques is realized within the stipulated time. In the event of cheques being returned unpaid, the bank will recover interest @ Normal PLR+ 4 % for the period the Bank is out of funds.. No interest will be charged for the period between the date of credit and its return. Interest will be charged for the period from date of return of cheques till the reimbursement of money to the Bank. Bank will not pay interest on such credit where cheques is credited to savings account if the cheques is returned unpaid.
- B] Time frame for affording credit for local / outstation Instruments.- At present there will not be any change in existing Time frame which is as below. However, bank may undertake a review once it goes for Core Banking Solutions.
- Existing Time Frame for affording credit for local / outstation cheques
- a. Local Clearing- Cheques are cleared normally on the third working day, depending on the center and time of deposit.
 - b. National Clearing-Cheques drawn on Metropolitan centers listed in national clearing are cleared in 8 days.
 - c. Cheques drawn on State capitals other than north Eastern States and Sikkim will be cleared within 10 working days.
 - d. And Cheques drawn on Other Canter will be cleared within 14 working days.

- C] Interest Payment for delayed collection-
 - a. If the time taken for collection of out station instruments is beyond stipulated time frame, interest at following rates will be paid for the period of delay-
 - 1. Interest for delayed collection will be paid at the prevailing highest rate of interest as applicable for fixed deposit .
 - 2. 2% penal interest will be paid in case delay is abnormal.
 - b. Interest will be paid without any claim from the customer.
- D] Other provisions-
 - 1. The Bank reserves its right to make changes in the policy from time to time.

7. Bharat Overseas Bank

http://www.bharatoverseasbank.com/collection_policy.asp

Cheque Collection Policy

Immediate credit of local / outstation cheques:

If any customer is desirous of availing immediate credit for local / outstation cheques, the same shall be allowed by the Bank subject to the following conditions:

- a. The amount of credit shall not exceed Rs. 15,000 or the value of cheque whichever is lower.
- b. The customer should have satisfactory and proper conduct of the account.
- c. Normal collection charges as applicable from time to time shall be recovered in case of outstation cheques and a charge of Rs.5/ in respect of local cheque shall be recovered.
- d. In the event of the cheque being returned unpaid, normal rate of interest as applicable shall be recovered for the period the bank was out of funds.

Time frame for collection of local / outstation cheques Up to Rs.10000/-:

The Bank shall endeavor to collect the outstation cheques and credit within eight working days wherever we have core banking facilities and within 10 days in respect of other cases with full freedom to withdraw the amount subject to the condition that the customer maintains satisfactory operations in the account.

Interest on Delayed Payment:

In the event of delay in collection of outstation cheques in excess of 10 days for cheques drawn on State Capital other than NE states and 14 days in respect of other places, the Bank shall pay interest at the rate applicable for savings Bank account for the delayed periods.

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

1. In respect of cheques lost in transit or in the clearing process or at the Paying Bank's branch, the bank should immediately bring the same to the notice of the accountholder so that the accountholder can inform the drawer or record stop payment and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheque / instruments.
2. The onus of such loss lies with the collecting banker and not the accountholder.
3. The banks should reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.
4. If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

8. CANARA BANK

<http://www.canbankindia.com/support/others/IMMEDIATE-CREDIT-ind.html>

IMMEDIATE CREDIT OF LOCAL / OUTSTATION CHEQUE & PAYMENT OF INTEREST ON DELAYED COLLECTION:

The details of the facility is as under;

Eligible Persons: Individuals / joint SB / CA holders and retired employees of our Bank provided the conduct of the account is satisfactory for at least 6 months.

Ineligible Persons:

- a. Minors' account whether individually, jointly or represented by natural guardian.
- b. Non Residents
- c. Employees (Both Officers and Workmen) of our Bank
- d. Self cheques, endorsed cheques and Exchange Company cheques.

Eligible Amount:

1. Not exceeding Rs.15000/- in respect of outstation cheques to all the eligible account holders without any specific request from the account holder.
2. In respect of local cheques immediate credit of Rs.15000/- will be extended only to those eligible account holder on specific request.

It will be extended in case of dividend warrants / Interest Warrants to all the eligible account holders provided they are drawn on banks and payable on demand without any pre-condition.

TERMS & CONDITIONS:

- i. Affording immediate credit is restricted to an amount not exceeding Rs.15000/- per eligible account holder. If the eligible account holder has already been provided with the facility for an amount less than Rs.15000/- ((i.e. maximum admissible amount) branch will consider affording further credit within the overall ceiling of Rs.15000/- provided the eligible account holder tenders the cheque. At any point of time the amount of immediate credit shall not exceed Rs.15000/- per eligible account holder.
- ii. Individual cheques / Dividend warrants / Interest warrants (both Local and Outstation) for amounts exceeding Rs.15000/- are not eligible under the scheme for affording immediate Credit.
- iii. Request for the facility should be made by submitting the cheque along with the prescribed challan (NF 812 for SB a/c and NF 813 for CA/C) in the case of local cheques and cheque along with prescribed challans (as above) in respect of outstation cheques.
- iv. Facilities extended in all the branches excepting in certain specialised branches.
- v. In case the cheque is returned unpaid, interest is chargeable from the date of return of such a cheque till the recovery of the amount thereof. In such cases, extending further continuation of the facility is sole discretion of the bank.
- vi. Appropriate commission and postage shall be collected.

INTEREST ON DELAYED COLLECTION OF OUTSTATION CHEQUES:

- Interest shall be payable at the rate as applicable to appropriate tenor of Fixed Deposit for the period of delay beyond 10-14 days in collection of outstation instruments. (10 days from the date of lodgement for cheques / drafts/instruments lodged and drawn on State Head Quarters other than State Capitals of North Eastern Regions and 14 days for captials of North Eastern Region and all other centres other than the above.)
- Bank will pay interest at 2% above Fixed Deposit rate applicable for abnormal Delay (beyond 90 days) caused by the branch in collection of outstation instruments.
- Interest shall be paid at the rate applicable for minimum tenor of Fixed Deposit (at present 15 days) for delay of less than 15 days also.
- Payment of interest for the delay in collection of outstation instruments are applicable to inland instruments only (i.e. instruments drawn on and payable in India).
- Payment of interest for the delay in collection of outstation instruments are not applicable to non-negotiable instruments viz. Prize Winning Lottery Tickets and proceeds of matured deposits of other banks etc.
- Interest on delayed collection of outstation instruments is paid only if the amount payable is Rs.5/- or more. The amount shall be rounded off to the nearest rupee.

For Any Clarification, you may approach the Branch in-charge.

9. Central Bank of India

<http://www.centralbankofindia.co.in/home/circular/POLICY%20ON%20COLLECTION%20OF%20CHEQUES.doc>

POLICY/PROCEDURES RELATING TO COLLECTION OF CHEQUES

1. PREAMBLE

The technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, prompted Reserve Bank of India to withdraw the instructions issued on the following and to advise the banks to formulate policies in this regard.

- 1.1. Immediate credit of local / outstation cheques
- 1.2. Time Frame for collection of local / outstation cheques
- 1.3. Interest payment for delayed collection

2. IMMEDIATE CREDIT OF LOCAL/OUTSTATION CHEQUES

2.1. AMOUNT

Bank will extend the facility of immediate credit of local / outstation cheques upto a maximum of Rs.15,000/-

2.2. TO WHOM THE FACILITY IS TO BE EXTENDED

- 2.2.1. This facility will be extended to all individual depositors without making a distinction about their status, i.e; Savings Bank, Current or Cash Credit account.
- 2.2.2. This facility will also be extended to the customers at the Extension Counters.

2.3. ELIGIBILITY CRITERIA

This facility will be extended only :-

- 2.3.1. If the account is properly introduced.
- 2.3.2. If the account is maintained for a period of 6 months or more prior to the date of credit.
- 2.3.3. If there is no occasions of cheques/withdrawal being returned/refused, being in excess of the balance.
- 2.3.4. If there is no adverse experience in the past in that particular account, and
- 2.3.5. Before extending this facility to the account holder, it should be ensured that all the KYC norms have been complied with, in the account.

2.4. **CHARGES/INTEREST**

- 2.4.1. Normal charges applicable to collection of cheques will be recovered in case of outstation cheques and a charge of Rs. 5/- will be recovered for local cheques exceeding Rs. 5,000/-.
- 2.4.2. No charges will be recovered for local cheques upto Rs. 5,000/-
- 2.4.3. In case where the instrument of face value exceeding Rs.15,000/- is received for clearing and the proceeds of the instruments are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the rate as applicable for clean advances in addition to the usual service charges shall also be charged for the period for which outlay of funds is involved.

2.5. **CHEQUES RETURNED UNPAID**

In the event of cheque being returned unpaid, interest at the rate of BPLR will be recovered as detailed below for the period the bank is out of funds.

- 2.5.1. Interest should be levied @ BPLR in the event the cheque is dishonoured/ returned unpaid in Savings & Current account for the period the bank remained out of funds, wherever the facility of immediate credit of local/outstation cheques has been extended to the account holder.
- 2.5.2. In case of Cash Credit accounts, where the immediate credit of local/ outstation cheques has been resulted in reducing the debit balance, interest will be charged from the date of credit of the cheques till the amount is reimbursed.
- 2.5.3. Where the cheque is credited to the Savings Bank account, no interest will be payable on the amount so credited, if the cheque is returned unpaid.
- 2.5.4. In addition to interest, wherever applicable, charges for cheque returned unpaid will be recovered.

2.6. **OTHER STIPULATIONS/GUIDELINES**

- 2.6.1. Where more than one cheque and / or cheques for the value of more than Rs.15,000/- are deposited for collection in a day or on subsequent days, withdrawal as per above instructions will be allowed upto a maximum of Rs.15,000/- so that at any point of time, the collecting Bank will have an exposure for an amount not exceeding Rs.15,000/- against any individual customer.
- 2.6.2. For extending the facility there will not be any separate stipulation of minimum balance.

3. **TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION INSTRUMENTS**

3.1. **LOCAL CHEQUES**

- 3.1.1. The customer's account should be credited and they should be allowed use of funds latest on the third working day from the date of acceptance of the cheques at the counters.

3.2. **OUTSTATION CHEQUES**

Bank will collect the proceeds of outstation cheques within the period stipulated as under:

- | | |
|---|---------|
| 3.2.1. Four Metro Centres | 8 days |
| 3.2.2. All State Head Quarters and QCC Centres except the State Capitals of North Eastern Region and Sikkim | 10 days |
| 3.2.3. All other places | 14 days |

3.3. **ABNORMAL DELAY**

- 3.3.1. If the time taken to collect the instruments is more than 75 days beyond the above normal collection period, it will be treated as abnormal delay.

4. INTEREST PAYMENT FOR DELAYED COLLECTION

4.1. NORMAL DELAY

4.1.1. Bank will pay interest at rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 8/10/14 days as the case may be in collection of outstation cheques.

4.2. ABNORMAL DELAY

4.2.1. Bank will also pay penal interest at the rate of 2% above the applicable Fixed Deposit rate for abnormal delay.

(DR. RAM S. SANGAPURE)
ASST. GENERAL MANAGER (E.I.D./OPERATIONS)

10. Citibank

<http://www.online.citibank.co.in/portal/newgen/banking/outstation%20chq%20coll%20policy.pdf>

POLICY ON IMMEDIATE CREDIT FOR LOCAL AND OUTSTATION CHEQUES

The Reserve Bank of India vide its circular reference DBOD.No. Leg. BC.55/09.07.005/2004-05 dated 1st November 2004 dated 1st November 2004 (annexure –1) had withdrawn instructions in their earlier circulars pertaining to, (i) Immediate Credit of local/Outstation Cheques, (ii) Time frame for collection of local/outstation cheques and (iii) Interest payment for delayed collections, Instead all the scheduled commercial banks have been instructed to formulate comprehensive and transparent policy covering all the above aspects. Further the policy is expected to “clearly lay down the liability of the bank by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer”

Towards this the bank has framed the following policy on the abovementioned subject:

a. Immediate credit for local/outstation cheques –

The bank would provide a facility of immediate credit for local/outstation cheques upto Rs. 15,000/- to customers (other than those who avail cash management facilities with the bank). Customers are required to make a specific request for such a facility. This facility would be provided to customers who have an account with the branch for a period of more than 1 year. Further the bank should be satisfied about the proper conduct of the account and the customer should meet the bank’s credit considerations (wherever applicable).

Approval Process – Customers would make specific requests for immediate credit as mentioned above either to the branch manager or Relationship Manager or Product Manager, as the case maybe. Requests would be approved internally by the Branch Manager or Product Manager after considerations of the parameters as mentioned above.

b. Timeframe for collection of outstation cheques and Interest payment for delayed collections-

Local Instruments – In case of local instruments, credit would be given based on receipt of clear funds from the clearing house.

Outstation Instruments - The bank has defined a timeframe of 30 days for giving credit for outstation cheques. For any delay in credit beyond this period, the bank would compensate the customer at the fixed deposit rate for the period between the 30th day (as stated above) and the date of realization of the cheque.

Interest Payment for delayed credit

On a monthly basis, the cheque realisation date would be compared with the date of cheque deposit and for such cheques where the period exceeds the aforementioned threshold, interest for the excess period would be computed and credited to the account with advice to the customer.

Return Cheques

In the event of the cheque being returned unpaid, the bank can recover interest from the customer in conformity with the applicable interest rate directive of Reserve Bank of India, for the period the bank is out of funds. Such interest would be charged for the period from the date of return of the cheque till the reimbursement of the cheque amount to the bank.

Information about the policy

Every branch is required to give wide publicity to the policy. A copy of the policy should be placed on the bank's website and also displayed on the notice board in the branches.

11. Corporation bank

http://www.corpbank.com/uploadedfiles/custom/4_15_460_4020349.pdf

POLICY ON COLLECTION OF CHEQUES

S. No.

1 Immediate Credit of local/outstation cheques:

We afford immediate credit in respect of local/outstation cheques up to Rs.15,000/- and in respect of Drafts/P.Os issued by Commercial Banks and cheques from Govt. Departments/Public Sector Undertakings upto Rs.25,000/- subject to satisfactory conduct of customer's account.

2 Time Frame for collection of local/outstation instruments:

1. In respect of all centers where we have core-connected branches – within 6 days.
2. All other centers – within 8 days.
3. Local cheques – within 3 working days.

3 Interest for delayed collection:

1. Interest will be paid as applicable for appropriate tenor of fixed deposit for the period of delay beyond 6/8 days in collection of outstation cheques.
2. In case of abnormal delay (> 21 days) 2% above the fixed deposit rate applicable for abnormal delay caused in collection of outstation instruments.
3. For delay in collection of local cheques beyond 3 working days interest at 3.5% (Savings Bank Interest) will be paid.

12. HDFC Bank

(Within [Citizens' Charter](#))

http://www.hdfcbank.com/aboutus/citizens_charter/cheque_collection_policy.htm

Cheque Collection Policy

Cheque issuance

It is the Bank's policy to issue only one chequebook of 25 leaves per calendar quarter for all Savings accounts. Should there be a compelling reason for additional chequebook/s, customers are required to contact their Branch Manager.

Cheque clearance

The policy for cheques deposited by customers is outlined below.

High Value Clearing

Facility is available for Bank customers only at designated centers, as RBI offers this Facility. Cheques of high value (not less than Rs. 1 Lakh per instrument) are cleared on the same day if deposited within the defined time specific to the location & Branch.

Local Clearing

Funds for Cheques presented in normal clearing are available to the customer at the beginning of the second to fourth working day, subject to local clearing house arrangements. There however is a dependency on the clearing location and is subject to depositing of the cheques/instruments within the defined time.

Outstation Cheque Clearing

Proceeds of outstation cheques will be credited to customer accounts as per the norms outlined below.

- Cheques drawn on Metro / Non-metro cities where HDFC Bank has a Branch - Credit on the next working day of receipt of clear funds
- Cheques drawn on non-branch locations where we have a tie-up with Correspondent bank - Credit on the next working day of receipt of clear funds
- Charges will be applicable on the above as defined from time to time in the Tariff of charges for each of the Products.

Delay in Collection

In case of delay or abnormal delay in collection of outstation instruments beyond the timelines laid below, the Bank shall pay penal interest at the corresponding FD rate for the period between cheque deposit and funds realized. The expected timelines are

- Outstation cheques drawn on Metro / Non-metro cities where HDFC Bank has a Branch - 3 working days for main metro locations and 5 working days for others.

- Cheques drawn on non-branch locations where we have a tie-up with Correspondent bank - 21 working days
- Cheques drawn on non-branch locations where we do not have a tie-up with Correspondent bank - 45 working days. In case the delay is greater than 45 days, reasons for the same will be analyzed and penal interest will be paid in cases where there has been a delay on the part of the Bank.

Dishonored instruments

The processing branch will dispatch the returned instrument within 24 hrs from the receipt of the same from

- The clearing house for local deposits &
- The collecting bank / branch for outstation collections.

13. HSBC

<http://www.hsbc.co.in/in/common/chequepolicy.htm>

Cheque Collections Policy

'Collections' is essentially the process of efficient management of 'receivables' for a customer.

An efficient collection process for the customer ensures incoming payments in a prompt manner, with minimal loss in 'float' and least time taken to realize the incoming payments.

Cheque type	Pricing *	Value **	Transaction mode	Comment
Local Cheque - High Value	Free	Same day value	Via Clearing House of RBI	Both the presenting bank and the drawee bank should be participants of High Value Clearing Session and the minimum value of the cheque should be Rs 1 lac.
Local Cheque - Non High Value	Free	Next working day value	Via Clearing House of RBI/SBI.	Both the presenting bank as well as the drawee bank should be located within the Local Clearing Network decided by RBI/SBI.
Outstation Cheque - payable at locations where HSBC has a branch	0.3% (Minimum Rs 50/-)	Within 5 working days.	Collection basis	Currently HSBC has branches at 19 locations including all metropolitan cities.
Outstation Cheque - payable at large commercial centres	0.4% (Minimum Rs 100/-)	Within 10 working days	Collection basis	Currently available for cheques drawn on more than 150 locations in India. Please contact your nearest branch to obtain a list of locations covered
Outstation Cheque - payable at all other locations	0.4% (Minimum Rs 100/-)	Within 1 working day of receipt of funds from the drawee bank	Collection basis	Covers cheques drawn on all banks that are not covered under the above categories.

- Pricing mentioned above is market driven and subject to change at the sole discretion of the bank. However, any increase in pricing will be effected with one month's notice and necessary communication will be sent to all customers in this regard.
- ** Excluding transit times (maximum of 48 hours) for outstation cheques.

Local Currency Cheque Collections

Product Overview	<ul style="list-style-type: none"> • Local Cheques deposited by customers will be cleared within two working days. • All local cheques deposited within the cut-off timings advised at the Branch / Off Branch ATM / Cheque Deposit Box will be lodged in clearing by the next clearing cycle. • Outstation Cheques (Areas where HSBC does not have Clearing facility) are sent on collection basis.
Customer Benefits	<ul style="list-style-type: none"> • Efficient / Quick Collection channel. • Same day ledger credit/ next day value for all local cheques deposited (subject to conditions mentioned in the summary table). • Immediate credits in respect of outstation cheques, subject to the discretion of the Bank.

Clearing availability	Clearing facilities are available at all our branch locations
Outstation clearing - Collection basis	Cheques issued by remote branches where there are no clearing facilities are sent on Collection basis
Delays in collection #	For delays in collection of outstation cheques, compensation at the rate of 2 per cent per annum above the fixed deposit rate applicable to the period of delay beyond the stipulated time frame, will be payable to the customers for the number of days of delay.
Contact	The bank has a dedicated processing unit in Mumbai, which is responsible to ensure quick realization of outstation cheques. For any queries please call our customer helpline number at your city, details of which are available on our website.

The bank is not 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 HSBC's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation etc) beyond the control of the bank prevents it from performing its obligations within service delivery parameters specified above.



14. ICICI Bank

Not on bank's website (the policy as below has been claimed by the bank as its cheque collection policy)

Bank has a customer centric cheque collection policy. Local and outstation cheques on own branches or other bank branches are accepted for collection from customers.

Customers in need of cheque collection arrangement on competitive pricing can enter into Cash Management System (CMS) agreement for efficient and speedy collection of out station cheques.

The time frame for collection of out station cheques:

For local cheque/DD: 4 working days or as per local clearing timings

For outstation centres - only where ICICI Bank has branch (es): 7 working days

For outstation centres where ICICI bank does not have a presence, the bank shall ensure collections on a "Best effort" basis

Further, Bank also has in place facility of 'Immediate credit of outstation cheques' for its customers up to 15000/-.

15. IDBI Bank

(Under Model Policy on Bank Deposits)

<http://www.idbi.com/products/modelDepositPolicy.asp>

Collection of local /outstation cheques

To meet the urgent requirement of the customer maintaining satisfactory account for a period, which is not less than six month, the bank may consider giving advances upto Rs. 15000/- against the cheque sent for collection, at its sole discretion, and on interest applicable to unsecured facilities, as applicable from time to time.

Time Frame for collection of local /outstation cheques & interest Payment for delayed collection.

The bank collects cheques through its own branch network wherever possible & the collection time is in the range of 8-10 working days from the date of deposit of cheque depending on distance & transit time. On all other cases, the collection time is 10-14 working days, except for remote areas where the transit time is long. The bank makes every effort for the faster collection of cheques. However, in case of any delay in collection of cheques, on account of the banks instant, the interest at savings bank rate may be paid to the depositor for the period of the delay. In cases, where the delay is on the instant of the other banks, no interest will be paid. The bank will provide necessary information to the customer in such cases.

16. Indian Bank

Not on bank's website (the policy as below has been claimed by the bank as its cheque collection policy)

Cheques / Instruments lodged with State Capitals or other places	Cheques / Instruments given for collection to be credited to the customer's accounts or the unpaid instruments to be returned to the customers within the period specified below
Cheques / Instruments lodged with branches in State Capitals and payable in other State Capitals (except North Eastern States)	10 days
Cheques / Instruments lodged with branches in other places and drawn on Banks / branches in other places.	14 days

Interest should be paid at 2% over savings bank interest rate for the period of delay beyond 10 / 14 days in collection of outstation instruments. This interest should be paid at uniform rate where the proceeds of collection of instruments are credited to various types of accounts, viz, CC, OD or loan accounts or to other deposit accounts, etc.

Penal interest at the rate of 2% above fixed deposit rate applicable should be paid for abnormal delay in collection of outstation instruments.

If the interest is more than Rs.5/-, then the interest would be paid without the customer having to claim it.

17. Indian Overseas Bank

(Under Model Policy on Bank Deposits)

<http://iob.in/bankdeppolicy.asp>

29. Policy on Collection of (Local / Outstation) Cheques:

- Outstation cheques (drawn on branches of IOB / drawn on branches of other banks) tendered by constituents for collection shall be credited within 7 days. The time frame for collection of cheques has been adopted voluntarily by our Bank as a measure of self-discipline for enhancing the deliverance of quality services to our esteemed customers.
- The time frame referred in (1) above is applicable only in case of outstation cheques, drafts, etc., and NOT for instruments payable abroad or instruments drawn in Foreign Currency or instruments such as Treasury Bills, Pension bills, etc. When the instrument is lost or returned unpaid, no interest / compensation is payable by us.
- It is reiterated that the collection period of seven days is the maximum period under self-imposed time frame and no effort will be spared by our branches in effecting expeditious collection of instruments tendered by constituents.
- In case of delay, interest on delayed collection will be paid by the collecting branch of our Bank for the period beyond seven days, from the date of lodgement of instrument for collection at Savings Bank interest rate prevailing on the date of lodgement. Such interest is payable only if it works out to Rupees five or more.
- This interest will be credited to the respective customer's account along with the proceeds of the collection instruments, without awaiting a request from the customer.
- Notice as per the following text will be displayed at all branches of the Bank for the benefit of customers.

Indian Overseas Bank Branch
For the kind attention of our esteemed customers
"Time frame for collection of outstation cheques"
Outstation cheques for collection will be credited within seven days of ledgement of instruments
We will pay interest on the amount of cheques at the Savings Bank rate for the period of delay beyond seven days unless the cheque in question are lost in transit. Such interest is payable only if it works out to Rs. 5 or more.

- When the cheques are dealt under clearing mechanism, credits to the beneficiaries' accounts will be effected within the time schedule of clearing cycle prevalent at the respective centres.

30. Policy on immediate credit of Local / outstation cheques:

Immediate Credit of Cheques: All our branches will extend immediate credit of local and outstation cheques up to face value of Rs.fifteen thousand per instrument to the individual customers having Savings Bank/Current Account and Cash Credit account subject to the following conditions:

- The customer's account should be in his / her personal name and should not contain transactions relating to business. Such accounts may be in individual or joint names.
- The account must have been properly introduced and six months old.
- The customer must not be enjoying any other cheque purchase facility with our Bank.
- There must be satisfactory transactions in the account.
- There must be no adverse experience in the account in the past such as: return of cheques issued by the customer due to non-availability of funds (this includes cheque received through clearing and also cheques favouring third parties tendered over the counter for encashment), difficulty experienced in recovery of advance amount in case of return of the purchased instrument on an earlier occasion, misuse of this facility or any other banking facility on any previous occasion and record or report of insolvency, lunacy, pending court prohibitory / attachment order etc.
- This facility is not available to: Minors, non-residents, individuals who are ineligible for any credit facility in general viz. insolvent, lunatics etc.
- Self cheques and cheques favouring individual issued under single signature of the same individual in the case of proprietary, partnership and HUF concerns are not eligible for the immediate credit facility.
- Customers who wish to avail this facility are required to authenticate the text of rubber stamp affixed on the pay-in-slip.

Immediate credit of cheques

"Please credit the amount of cheque(s) to my / our account immediately. I/we understand that in the event of dishonour of cheque(s), interest at normal rate will be recovered from me / us for the period from the date of return to the date of reimbursement of money to the branch including Bank charges.

Depositor's Signature

- Branches will charge Rs. 5/- per cheque for local cheques credited under this facility. Normal collection charges will be recovered in the case of outstation cheques of face value up to Rs.15,000/- only.
- Within the overall limit of Rs.15,000/- per customers, branches may afford credit to customers in respect of more than one cheque at a time.
- In the event of cheque dealt with under immediate credit facility being returned unpaid, the interest recovery will be: no interest will be charged to the customer for the period between the date of credit of the cheque lodged and its return, branches will charge interest from the date of return of the cheque till the reimbursement of money to the Bank by the customer, where the proceeds of cheque is credited to a Savings Bank, savings bank interest will not be payable on the amount so credited if the cheque is returned unpaid.

- Notice as per the following text will be prominently displayed at all branches of our Bank for the benefit of customers.

Indian Overseas Bank.....Branch

For the kind attention of our esteemed customers

"Immediate credit of cheques"

We offer to individual customers the facility of immediate credit of cheques not exceeding Rs.15,000/, subject to satisfaction norms.

18. IndusInd Bank

(Within [Citizens' Charter](#))

<http://www.indusind.com/downloads/CitizensCharter06.pdf>

COLLECTION SERVICE

Immediate Credit of local / outstation cheques:

Branches must afford immediate credit to customers' accounts for **outstation cheques** upto a sum of Rs. 15,000/-, for instruments drawn on **our centers**, subject to Branch Manager getting satisfied about the proper conduct of the account.

Time Frame for Collection of Local/Outstation Instruments:

i) At centers where we have our Branches:

Credit to the customer's account must be given within 7 days time.

ii) At all, other centers:

Credit to the customer's account must be given within 12 days time.

Interest payment for delayed collection:

Interest to be paid at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 7/12 days in collection of outstation instruments and penal interest at the rate of 2 per cent above fixed deposit rate applicable for abnormal delay caused by branch in collection of outstation instruments.

All local cheques deposited by the customers are cleared by the Bank as follows:

HIGH VALUE CLEARING: This facility is available for the clients of selected branches at designated centres, where cheques of high value (of not less than Rs. 1 lac per instrument) are cleared on the same day, if deposited within the stipulated time.

LOCAL CLEARING: Cheques are cleared normally on the third working day, depending on the centre subject to deposit of the cheques/instruments in time. Customers are requested to deposit their cheques within the stipulated time frame at the Branches to get the funds timely as stipulated above.

19. Kotak Mahindra Bank

http://www.kotak.com/Kotak_BankSite/fpc.htm#4

Policy for Cheque Collection

[top](#)

1 Time Frame for Collection of Local Cheques

- a) Subject to any exigencies, the Bank shall endeavour to collect the local cheques strictly in accordance with the regulatory and clearinghouse norms applicable to each centre.

2 Time Frame for Collection of Outstation Cheques

- a) All efforts including multi city access will be used to the best extent possible for giving faster credit to the customer account for outstation cheques.
- b) Subject to any exigencies and keeping in view limited availability of own branches, the Bank shall endeavour to collect the outstation cheques within a maximum period not exceeding 30 working days from the date of lodgement.
- c) Within the overall limit of 30 working days, it would be endeavoured to collect the cheques drawn on metro centres as well as centres where the Bank has its own branches within 6 working days at the outer limits.

3 Immediate Credit of Local and outstation Cheques

- a) On a discretionary basis, for accounts that are maintained satisfactorily we will give immediate credit (and allow the customer to draw funds) for outstation cheques / instruments lodged by customers. Immediate credit will be subject to Service Charges announced by us from time to time.
- b) This facility is discretionary and should not be taken as an on-going facility.
- c) In the event of the cheque being returned unpaid, the bank shall recover interest in conformity with the applicable interest rate directive of Reserve Bank of India for the period the bank is out of funds.
- d) Individual depositors desirous of availing facility may approach their base branch and carry out the necessary formalities for availing of the same.

4 Interest Payment for Delayed Collection

- a) Except under circumstances beyond the control of the bank, for delay in collection of cheques for which immediate credit is not afforded, bank shall pay simple interest for the delayed period beyond 30 working days, at the Savings Account rate for the period of delay.
- b) In case of delay in collection of cheques on cash credit or overdraft accounts, the interest for the delayed period shall be paid at the rate of interest charged on the relative cash credit or overdraft account.
- c) Subject to the above, where the delay in collection is found to be on account of delay on the part of collecting bank through whom outstation cheque is collected, especially when the bank has no branch at that centre, the matter will be taken up with the relative bank, under advice to the customer, for payment of interest for the delayed period.

5 Collection Services – Cheques / Instruments Lost in Transit / Clearing Process or At Paying Bank's Branch

- a) While we will take all precautions to ensure timely collection of cheques / instruments deposited with us, in the eventuality of a cheque / instrument being lost in transit or in the clearing process or at the paying bank, we will immediately inform the same to the account holder. The account holder will be advised to inform the drawer to stop payment of the instrument; the account holder will be asked to take adequate precautions so that other cheques issued by him / her are not dishonoured due to non-credit of the amount of the lost instrument.
- b) The onus of lost instruments lies with us as the collecting Bank and not the account holder.
- c) We will reimburse the account holder reasonable expenses incurred for obtaining the duplicate instrument and interest at the Savings Account rate where the reason for obtaining duplicate instrument is reasonable and beyond the control of the account holder.
- d) If the cheque / instrument have been lost at the paying bank, the amount reimbursed to the customer for the loss of the cheque / instrument will be recovered from the paying bank.

20. Oriental Bank of Commerce

http://www.obcindia.com/deposit_collection_policy.pdf

Cheque Collection Policy

19. Immediate Credit of Local / Outstation Cheques

- I. Limit:** **Rs. 15000/- for Rural and Semi-Urban Branches**
Rs. 25000/- for Urban and Metropolitan Branches
- II. Facility:** on Request only (not Instant Facility) to eligible Customers (Terms and Conditions apply)

20. Time Norms for Collection of Local/Outstation Cheques

I. Local Collection: Upto 3 Days, depending on the Rules framed by the respective Clearing Houses and the time of Deposit of Cheque by the Customer with the Branch.

II. Outstation Collection:

a. National Clearing: 07 Days

b. Metros / State Capitals: 08 Days

(Other than North Eastern States & Sikkim)

c. All Other Centers: 14 Days

(National Clearing facility is presently available for Locations viz. Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Ahmedabad, Jaipur and Bangalore)

21. Payment of Interest for Delay in Collection of Outstation Cheque :

For Period Upto 45 Days: from the respective "Time Norm (7 / 8 / 14 Days, as the case may be)": By Payment of Interest for the Period of Delay at Rate as applicable for Savings Bank Deposits.

For Period beyond 45 Days: By Payment of Interest for the Period of Delay beyond 45 Days at Rate as applicable for Savings Bank Deposits + 2 %

Payment of Interest shall be made in case the same works out to Rs. Five or More and credited to the Account of the Customer alongwith the Proceeds / Collection Amount of the Delayed Outstation Cheque, without any Claim from the Customer.

22. Cheques / Instruments Lost in Transit / in Clearing Process or at the Paying Bank's Branch:

As a good Customer Service Gesture, in the eventuality of such an event viz. Cheques / Instruments lost in Transit / Clearing Process or at the Paying Bank's Branch, a flat amount of Rs. 100/- shall be credited to the Account holder towards Interest / Expenses for getting Duplicate Cheque / Instrument and consequent Delay in crediting amount of the Lost Cheque / Instrument to the Account, irrespective of whether the Cheque was meant for Local or Outstation Collection.

21. Punjab and Sind Bank

(Within Citizens' Charter)

<http://www.psbindia.com/ccharter.pdf>

14.COLLECTION SERVICE

Immediate credit of local as well as outstation cheques upto Rs.5000/-(as per RBI guidelines from time to time) is provided to the individuals (personal customers) who are maintaining satisfactory accounts. However, the customers will have to bear usual service charges, as well as the postal charges. In the event of cheques being returned unpaid, the customer will have to pay interest for the period for which funds utilised.

All cheques (local and outstation) deposited by the customers are cleared by the Bank as follows:

LOCAL CLEARING : Cheques are cleared normally on the third working day, depending on the centre subject to depositing of the cheques/instruments in time.

NATIONAL CLEARING : Cheques drawn on metropolitan centres listed in National Clearing are cleared in 8 days.

All cheques drawn on other centres are cleared in 14 days.

We will credit the proceeds of an outstation cheque within the following time norms:

State Capital other than North Eastern States & Sikkim :10 working days

Other Centres :14 working days

If we fail to do so:-No interest shall be payable in case credit against outstanding cheques is credited within the period of 14 days, from the date of collection. For any delay beyond this period the beneficiary shall be entitled to interest as per applicable on Saving Bank Deposit.

Customers are requested to deposit their cheques within the stipulated timeframe at the Branches.

22. Punjab National Bank

http://www.pnbindia.com/policy_cheque_collection.pdf

CHEQUE COLLECTION POLICY

1 Time frame for collection of local / outstation cheques (applicable for inland instruments, i.e. instruments payable in India)

Nature of the instruments	Maximum collection period
Local	Within 3 days
Outstation (Cheques drawn on a CBS branch of our Bank and presented for collection in other CBS branch of our Bank)	One day
Outstation (Cheques drawn on CBS / non-CBS branches of our Bank at metro / state capitals and presented for collection in non-CBS branches of our Bank and cheques drawn on other banks at metro / state capitals and presented for collection)	Within 7 days of lodgment of instrument
Other areas (Outstation cheques drawn on CBS / non-CBS branches of our Bank at other areas, i.e. other than metro / state capitals and presented for collection in non-CBS branches)	Within 10 days of lodgment of instrument
Other areas (Outstation cheques drawn on other banks at other areas, i.e. other than metro / state capitals and presented for collection)	Within 14 days of lodgment of instrument

2 Payment of interest on delayed collection of outstation cheques / drafts (applicable to all type of accounts)

Customers are entitled for payment of interest, as mentioned below, for the period of delay if the proceeds are not collected within the time frame as mentioned above :

Nature of account	Applicable rate of interest
Where proceeds of the instruments are to be credited to the Cash Credit, Overdraft or Loan Account of the customer.	Benchmark Prime Landing Rate, as fixed by the Bank from time to time
Other cases, i.e. where proceeds are to be credited in deposit accounts (SF, CA, etc.)	At the rate applicable for appropriate tenor of Fixed Deposit, as fixed by the Bank from time to time.

Interest will be paid only when the amount calculated is Rs 10/- and above (interest amount be rounded off to the nearest rupee).

2 Collection charges for outstation cheques (inclusive of service tax and education cess)

Sl. No.	Category	Charges
(i)	Outstation instruments upto value of Rs 500/-	Rs 10/- plus actual out of pocket expenses
(ii)	Above Rs 500 and upto Rs 10,000/-	Rs 45/- plus actual out of pocket expenses
(iii)	Above Rs 10,000/-	Rs 4/- per Rs 1,000/- subject to minimum of Rs 50/- plus actual out of pocket expenses

3 Cheque returning charges – Dishonour of cheques for want of funds or for any other reasons not attributable to our Bank

Sl. No.	Amount of cheque	Returning charges
(i)	Upto Rs 10,000/-	Rs 40/-
(ii)	Above Rs 10,000/- and upto Rs 50,000/-	Rs 80/-
(iii)	Above Rs 50,000/- and upto Rs 1 lakh	Rs 150/-
(iv)	Above Rs 1 lakh	Minimum Rs 175/- or actual interest to be charged @3.5% over BPLR, whichever is higher

4 Affording immediate credit

Immediate credit is afforded in the customer's account upto Rs 15,000/- against outstation cheque without any formal request subject to satisfactory conduct of the account.

23. South Indian Bank

(Under Model Policy on Bank Deposits)

<http://www.southindianbank.com/asp/0100fram.asp?page=0100text.asp?mainId=1%26pageId=1>

CHEQUE COLLECTION POLICY

I. Immediate Credit for Outstation and Local cheques:

As per RBI Circular DBOD.No.Leg.BC.21/09.07.007/2002-03 dated 23.08.2002, branches were advised to give immediate credit up to the value of Rs.15000/- in respect of outstation and local cheques tendered for collection by customers, subject to the following instructions/guidelines.

Normal collection charges may be recovered in case of outstation cheques and a Charge of Rs.5/- may be recovered for local cheques.

1. The branch should be satisfied about the proper conduct of the account of customer.
2. The branch may extend the facility to all individual depositors without making a distinction about their status, i.e. Savings Bank, Current or Cash Credit Account.
3. The branch should not lay any separate stipulation for minimum balance for extending the facility.
4. The facility is also to be allowed to the customers at the bank's Extension Counters subject to the usual precautions taken by banks in this regard.
5. In case where the instrument of face value exceeding Rs.15, 000/- is received for clearing and the proceeds of the instrument are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the stipulated rate (in addition to the usual service charges prescribed by the bank), shall also be charged for the period for which outlay of funds is involved.
6. In the event of the cheque being returned unpaid, the bank can recover interest in conformity with the applicable interest rate directive of Reserve Bank of India for the period the bank is out of funds. i.e.
 - a. No interest is to be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
 - b. Bank may charge interest from the date of return of the cheque till the reimbursement of money to the bank.
 - c. Where the cheque is credited to a savings bank account, no interest will be payable on the amount so credited if the cheque is returned unpaid.
7. Third party cheques will not be accepted for immediate credit
8. The ceiling limit for immediate credit to any one particular account at one point of time will be restricted as Rs.15,000/-.

II. Time Frame for Collection of Local/Outstation Instruments:

1. Considering the technological progress made in the operational systems, hereafter proceeds of a cheque drawn at outstation centres where the Bank has got branches should be credited latest on the same day in the following week. (For eg. Monday to next Monday). Branches shall meticulously follow up the instruments sent for collection and ensure that the credit is given to the accounts of the parties within the time frame mentioned herein.
2. In the case of instruments drawn at centres within the state where we do not have branches, the proceeds should be credited to the party's account with in a period of 10 days from the date of receipt of the instrument for collection.
3. In the case of instruments drawn at centres outside the state where we do not have

branches, the proceeds should be credited to the party's account within a period of 14 days from the date of receipt of the instrument for collection.

4. Local cheques should be credited to the customers' account and they should be allowed to use the funds latest on the 3rd working day from the date of acceptance of the cheque at the branch counter, provided the customer has a satisfactorily operated account. The limit for immediate withdrawal stands enhanced to Rs.15000/-.

Income Tax Refund Orders, Treasury Bills/Bills drawn by Government Departments etc. are excluded under the above collection norms and payment of interest for delay in collection as Government/Govt. Departments may delay in giving advices to Treasury/Banks and during certain periods impose ban on immediate payment on presentation of the instruments.

III. Interest Payment for delayed Collection

Branches should pay interest at rate as applicable for appropriate tenor of fixed deposit for delayed collection of outstation instruments lodged at and drawn on centres where the bank has got branches, if they are not collected within 10 days from the date of lodgment of the instrument for collection and within 14 days in all other cases. Such interest may be paid only when the amount is Rs.5 or more and in the case of inland instruments only. In cases of abnormal delay, (i.e. delay beyond 90 days), branches should also pay penal interest at the rate of 2 per cent above fixed deposit rate applicable for the abnormal delay. Further the interest is to be paid/credited to the customers' account without the customers having to claim it.

In the case of days fixed for time frame for collection of cheques and interest payment for delayed collection, holidays are excluded.

IV. Cheque instruments lost in transit/in clearing process or at paying bank's branch

1. In respect of cheques lost in transit or in the clearing process or at the paying Bank's branch, the branches should immediately bring the same to the notice of the accountholder so that accountholder can inform the drawer to record stop payment and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques/instruments.

2. The onus of such loss lies with the collecting banker and not the accountholder.

3. The branches should reimburse the accountholders related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

4. If the cheque/instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque/instrument from the paying banker.

24. Standard Chartered Bank

http://www.standardchartered.com/in/cb/downloads/che_collection.pdf

Cheque Collection Policy for Consumer Banking Customers

We receive various local cheques and outstation instruments deposited by you, at our branches and cheque deposit centres / boxes in the Bank premises/ATM locations, for credit to an account with us.

Our Policy regarding the above will be as follows :

- Cheque purchase requests will be processed only on your explicit written requests, subject to the conduct of the account being considered satisfactory, in the Bank's opinion and sole discretion.
- The time frame for credit of cheques that are processed on collection and not through a cheque purchase would depend upon where the instrument is deposited and where it is payable. The timelines would be as below:

Cheque payable at	Description	Number of Locations	Time lines
A city in India where SCB is present	If deposited with SCB at the same city where the instrument is payable e.g. Cheques deposited in Chennai, payable at Chennai	Under this arrangement we have 29 locations, which are covered	Credit within 3 working days timelines for cleared funds to be available for withdrawal by the customer would depend on the clearing house timelines for return of cheques by the drawee bank in that city.
	If deposited with SCB in a different city from where it is payable. e.g. Cheques deposited in Chennai, payable at Mumbai		Credit within 5 working days timelines for cleared funds to be available for withdrawal by the customer would depend on the clearing house timelines for return of cheques by the drawee bank in that city.
A city in India where SCB has a correspondent Banking arrangement	Local Centres If the instrument is payable at a Correspondent Bank location where SCB has the facility for Local Clearing. e. g. Cheques deposited in Mumbai, payable at Agra.	Under this arrangement we have 193 locations, which are covered	Realisation Time 15 working days.
	Outstation Centres If the instrument is payable at a Correspondent Bank location where SCB does not have the facility for Local clearing and needs to clear the instrument through a Correspondent Bank.	Under this arrangement we have 1682 locations, which are covered	Realisation Time 23 days
	Remote Centres If the instrument is payable at an Interior Correspondent Bank location where SCB does not have the facility for Local clearing and needs to clear the instrument through a Correspondent Bank. Since the drawee location is located in the interiors, this has higher transit days.	Under this arrangement we have 1495 locations, which are covered	Realisation Time 38 days

Cheque payable at	Description	Number of Locations	Time lines
Pure Collections Centres	Anywhere Centres If the instrument is payable at a location which is not covered by SCB's. Correspondent Bank arrangements and SCB has to send the instrument to the Bank it is drawn on and receive funds from that Bank.	All clearing locations which are not covered in the above three category will fall in this Category.	On a best effort basis with no fixed timelines for credit.

In all cases other than where the instrument is payable at a Pure Collection Centre, delayed interest will be paid by the Bank @ 2% over the prevailing SCB resident savings bank interest rate for the number of days delayed over the timelines as detailed above. The delayed interest will be given to you within three working days from the liquidation date irrespective of a claim being made by you.

25. State Bank of India

Not on bank's website (the policy as below has been claimed by the bank as its cheque collection policy)

Policy Guidelines

(A) Immediate Credit of outstation/local cheques :

I) Outstation cheques

Branches will afford immediate credit of outstation cheques up to and inclusive of Rs.20,000/- tendered for collection by the customers for satisfactorily conducted accounts* and on the following conditions :

a) The facility will be available to individual deposit account holders without making a distinction about their accounts i.e. Savings Bank/Current Account etc. It will be available at all branches/extension counters.

b) Normal collection and out of pocket charges are to be recovered for outstation cheques. However, no "exchange" will be charged.

c) In case of outstation cheques, the facility will be restricted to one or more cheques for aggregate amount not exceeding Rs. 20,000/- at a time ensuring inter-alia that the liability on account of outstanding of cheques purchased does not exceed Rs. 20,000/- at any time.

* Satisfactorily conducted accounts should, in normal course, meet the following conditions.

- I. The account has been opened for a period not less than six months
- II. Minimum Balance requirements are met.
- III. Cheques issued by the account holder have not been dishonoured for want of adequate balance.
- IV. Cheques deposited for collection/credit to the account have not been returned unpaid.
- V. The account is not inoperative/dormant.

II) Local Cheques

a) All local cheques are collected through Bankers Clearing House and proceeds are credited to customers' accounts latest by 3rd/4th working day, subject to the instruments/cheques being deposited in time.

b) Negotiation of local cheques/instruments will not be encouraged. However, Branch Managers may use their discretion in exceptional circumstances to permit immediate credit of local instruments upto Rs. 20,000/- for deposit accounts on recovery of collection charges of Rs. 100/- per instrument.

c) No charges will be levied for local collection of cheques/instruments which are collected through clearing except for item (II) (b) above.

d) High Value Clearing facility is available for clients of selected Branches at designated centres where proceeds of cheques for Rs. 1 lac and above are credited on the same day.

III. If 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 recover prescribed cheque returned charges subject to the following :

a) No interest will be charged to the customer for the period between the

date of credit of the outstation cheque lodged and its return.

b) Bank will charge interest from the date of return of the cheque till the reimbursement of money to the bank.

c) Where the cheque is credited to a Savings Bank account, no interest will be payable on the amount so credited if the cheque is returned.

d) If proceeds are credited in an overdraft/loan account, interest would be recovered at applicable rate on the amount of returned cheque/instrument.

(B) Time frame for collection of local/outstation instruments:

D) Time frame for collection of cheques/ instruments is as under:

	Our Branches	Other Banks' Branches
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, Vishakapatnam, Vadodara, Kochi, Indore, Ludhiana, Coimbatore, Agra, Madurai and Varanasi	8 days	10 days
c) Collections between all other Centers	10 days	14 days

II) In no circumstances it shall be construed that Bank can take 6/8/10/14 days for collection/return of outstation instruments merely because a period of 6/8/10/14 days has been allowed. Once the proceeds are realised they should be credited to the customer's account immediately.

(C) Interest payment for delayed collection :

I) a) Interest shall be payable without any claim from the customers, if the proceeds are not realised/credited to the customer's accounts within the period as mentioned in paragraph (B) above.

b) The rate of interest payable will be equivalent to the savings bank rate, if the collection of outstation instruments is delayed beyond the stipulated period of 6/8/10/14 days and upto 45 days where the proceeds of the instruments are to be credited to the deposit accounts. Where proceeds are to be credited to overdraft or loan accounts of the customers, the interest payable would be at the State Bank Advance Rate (SBAR).

II) A delay would be regarded as abnormal if the period of delay exceeds 45 days from the date of deposit of the cheque/instrument from the customer for credit to his account.

III) For abnormal delays, the rate of interest payable would be 2% above the Savings Bank interest rate in deposit accounts and 2% above SBAR in case of overdraft/ loan accounts.

IV) Such interest shall be payable with a minimum of Rs. 10/- even if the interest calculated works out to less than Rs. 10/-.

26. State Bank of Mysore

State Bank of Mysore
Personal & Services Banking Department
H.O. : K.G. Road, Bangalore-560009, INDIA

<http://www.mysorebank.com/downloads/cheque%20collection.pdf>

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CHEQUE COLLECTION POLICY

POLICY ON

- A. IMMEDIATE CREDIT OF LOCAL/OUT STATION CHEQUES TO DEPOSIT ACCOUNTS OF INDIVIDUALS.**
- B. TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION CHEQUES.**
- C. INTEREST PAYMENT FOR DELAYED COLLECTION.**

Considering the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have taken place in banks, RBI have advised that prescription of a single set of rules may not be appropriate. Moreover, efficiencies in collection of proceeds and providing funds to customers in time are best achieved through a spirit of competition among banks. RBI have therefore advised all the banks to formulate their own comprehensive and transparent policies on these issues as they have withdrawn their guidelines in this regard taking into account their technological capability and systems and processes for clearing and collection.

RBI desires that adequate care should be taken to ensure that the interest of the small depositors are fully protected. The policy should lay down the liability of banks by way of interest payments due to delays for non-compliance with standards. Compensation by way of interest payment, when necessary should be made without any claim from the customers.

Keeping in view the above, the following policy has been adopted in the Bank for :

- a. Immediate credit of local/out station cheques to deposit accounts of individuals.
- b. Time frame for collection of local/outstation cheques.
- c. Interest payment for delayed collection.

POLICY GUIDELINES

(A) IMMEDIATE CREDIT OF OUTSTATION CHEQUES/LOCAL CHEQUES

A. Outstation Cheques :

Branches will afford immediate credit of outstation cheques upto and inclusive of Rs. 20,000/- tendered for collection by the customers for satisfactorily conducted accounts subject to the following conditions :-

- a) The facility will be available to individual deposit account holders both savings Bank and current accounts.
- b) The facility will be available at all branches/extension counters.
- c) Normal collection and out of pocket expenses will be recovered. However, no exchange will be charged.
- d) It will be restricted to one or more cheques for aggregate amount not exceeding Rs. 20000/- at a time, ensuring inter-alia that the liability on account of outstanding of cheques purchased does not exceed Rs. 20,000/- at any time.

B. Local Cheques :

- a) Negotiation of local cheques/instruments meant for clearing would not be encouraged. However, Branch Managers may use their discretion in exceptional circumstances to permit immediate credit of local instruments upto Rs. 20,000/- for deposit accounts on recovery of collection charges of Rs. 100/- per instrument.
- b) No charges will be levied for local collection of cheques/instruments which are collected through clearing.

RETURN OF INSTRUMENTS

If cheques/instruments for which immediate credit has been afforded are returned unpaid, Bank shall recover interest at clean overdraft rate for the period the Bank is out of funds and recover prescribed cheque returned charges subject to the following stipulations.

- a) No interest will be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
- b) Interest will be charged from the date of return of the cheque till the reimbursement of money to the Bank.
- c) Where the cheque is credited to a savings bank account, no interest will be payable on the amount so credited if the cheque is returned.

If proceeds are credited in an overdraft/loan account, interest would be recovered at applicable rate on the amount of returned cheques/instruments.

(B) Time frame for collection of cheques

Delay in collection of outstation cheques has always been an area of grievance for which a time frame is prescribed as under :

The customers account should be credited in respect of local cheques latest on third working day from the date of acceptance of the cheques at the counters/deposited in drop boxes within the time indicated for local clearing on the same day and on fourth working day if deposited beyond the timings indicated on drop boxes.

	Our <u>Branches</u>	Other Banks <u>Branches</u>
a) Collection between Metropolitan Centres/Major 'A' Class Cities (Mumbai, Chennai, Kolkata New Delhi, Ahmedabad, Bangalore and Hyderabad)	6 days	7 days

b) Collections between places at (a) above and State Capitals (other than North Eastern States and Sikkim) and Area I Cities i.e. Pune, Nagpur, Kanpur, Surat, Vishakpatnam, Vadodara, Kochi Indore, Ludhiana, Coimbatore, Agra, Madurai and Varanasi.	8 days	10 days

c) Collections between all other Cities	10 days	14 days

Under no circumstances it shall be construed that Bank can take 6/8/12/14 days for collection/return of outstation instruments merely because the period has been allowed. Once the proceeds are realized, they should be credited to the customer's account immediately.

(c) **INTEREST PAYMENT ON DELAYED COLLECTION**

The rate of interest payable will be equivalent to savings bank rate, if the delayed collection of outstation instruments is beyond the stipulated period of 6/8/10/14 days and upto 45 days where the proceeds of the instruments are to be credited to the deposit accounts. Where proceeds are to be credited to overdraft or loan accounts of the customers, the interest payable would be State Bank Advance Rate (SBMPLR).

Considering technology up gradation and faster communications, delay beyond 45 days in collection of cheques/instruments would be treated as abnormal delay for calculating interest at prescribed rate for delayed collection.

For abnormal delay i.e. delay beyond 45 days in collection of instruments, rate of interest payable would be 2% above the savings bank rate in deposit accounts.

In case of overdraft/loan accounts it would be 2% above SBMPLR.

Such interest would be payable with a minimum of Rs. 10/- even if the interest calculated works out to less than Rs. 10/-.

27. Syndicate Bank

<http://syndicatebank.in/downloads/Bank-Policy-Cheque-collection.doc>

BANK'S POLICY FOR:

- I. IMMEDIATE CREDIT OF LOCAL / OUTSTATION CHEQUES
- II. TIME FRAME FOR COLLECTION OF LOCAL / OUTSTATION CHEQUES
- III. INTEREST PAYMENT FOR DELAYED COLLECTION.

I. Immediate Credit of local / outstation cheques: Immediate credit of local / outstation cheques upto a limit of Rs.15000/-.

II. Time Frame for Collection of Local / Outstation Instruments:

For collection of instruments of value upto & inclusive of Rs. 15000/-.

- a. Outstation instruments upto and inclusive of Rs.15000/- presented at our CBS branches drawn on the centres where clearing activities is being taken by any of our CBS entity [CAO / Branch] should be credited within 5 days of the presentation of such instruments.
- b. Outstation cheques upto and inclusive of Rs.15000/- deposited at and drawn on Metro Centres: In the 4 metro Centres of Delhi, Mumbai, Kolkata and Chennai having MICR clearing system, proceeds of cheques drawn on any of the other 3 centres should be credited latest on the same day in the following week (e.g. Monday to Monday) even if realization of proceeds not received.
- c. Outstation cheques upto and inclusive of Rs.15000/- drawn on state capitals and Urban Centres and deposited in any of these centres shall be credited to the customer's account within 10 days whether or not the proceeds are realized.

The above facility is provided to satisfactorily operated accounts, which are at least 6 months old.

For collection of instruments of value above Rs. 15000/-.

- (i) Outstation instruments presented at our CBS branches drawn on the centres where clearing activities is being taken by any of our CBS entity [CAO / Branch] should be collected within 7 days of the presentation of such instruments.
- (ii) Non-CBS branches shall collect the instruments with least delay. Outstation instruments drawn on state Headquarters other than the ones in North Eastern Region and Sikkim are required to be collected within 10 days from the date of lodgment and those drawn on others within 14 days.

However holidays are to be excluded for the purpose of reckoning the collection period prescribed above.

III. Interest payment for delayed collection:

In case the delay in collection of the instrument is more than 30 days beyond the normal collection period, the interest at term deposit rate applicable for delayed period shall be paid to the customer provided, amount so payable is Rs.10/- or more.

28. UCO Bank

<http://www.ucobank.com/policies.htm>

COLLECTIONS OF CHEQUES/ INSTRUMENTS

1 IMMEDIATE CREDIT OF LOCAL/ OUTSTATION CHEQUES/ INSTRUMENTS

All branches of the bank shall afford immediate credit for all local/ outstation cheque/instruments upto the value of Rs.15,000/= and in respect of Demand Drafts/ Pay Orders issued by scheduled commercial banks and cheque/instruments from Government Departments/ Public Sector Undertakings upto Rs. 25,000/= tendered by individual account holders subject to certain conditions. Major condition being satisfactory conduct of customers account. Such facility for collection of outstation cheque/ instruments shall be provided as a matter of normal course. However, in respect of local cheque/instruments the facility of immediate credit shall be extended to customers who wish to avail of the same and are agreeable to bear applicable charges

2 TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION INSTRUMENTS

Local Cheque/instruments : 1 to 3 days

Outstation
Cheque/instruments : 7 days for National Clearing centers

10 days in case of State capitals other than
North Eastern states and Sikkim.

14 days for rest of the country

3 INTEREST PAYMENT FOR DELAYED COLLECTION

Interest will be paid as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10 days (in respect of State Capital centers except for North Eastern Regions and Sikkim) or 7 days in respect of centers covered under National Clearing Centers Region (NCR) and 14 days (for all other centers) as the case may be in collection of outstation cheque/instruments. In case of abnormal delay (delay for the period of more than 90 days beyond the normal collection period) in collection of outstation cheque/instruments the bank shall also pay penal interest at the rate of 2% above fixed deposit rate applicable. For delay in collection of local cheque/instruments / instruments beyond 3 working days interest at Savings Bank Interest rate will be paid.

29. Union Bank of India

<http://www.unionbankofindia.co.in/asp/index.asp>

Cheque Collection policy

IMMEDIATE CREDIT OF LOCAL/OUTSTATION CHEQUES

- Upto Rs.50000/- in all the satisfactorily operated MGCA accounts i.e. account maintaining quarterly average balance of Rs.1.00 lac.
- Upto Rs.25000/- in all the satisfactorily operated MGSA accounts i.e. account maintaining minimum balance of RS.25000/-.
- Upto Rs.15000/- in all the other accounts, subject to eligibility criteria of satisfactory conduct of accounts for a minimum period of six months.
- The above will be applicable to local cheques also.

This facility will be offered in the normal course of business to all individual depositors without making any distinction in their status i.e. Savings Bank, Current Deposit or Cash credit account subject to satisfying the following eligibility criteria:

- The account is properly introduced and satisfactorily conducted for a minimum period of six months prior to the date of credit and there have been no instances of returning the cheques drawn by the customer for want of adequate balance in the account.
- The total amount of all such cheques credited to the account, but not yet realized and the amount of cheque now to be credited, does not exceed a sum of Rs. 50000/- in MGCA, Rs. 25000/- in MGSA and Rs. 15000/- in other accounts. In other words, total exposure in respect of such unrealized cheques credited to the account, does not exceed Rs. 50000/- in MGCA, Rs. 25000/- in MGSA and Rs. 15000/- in other accounts at any point of time.
- In case of outstation cheques, normal collection charges alongwith out of pocket expenses will be recovered. A charge of Rs. 5/- will be recovered for local cheques.
- No separate stipulation of maintaining minimum balance in the account will be prescribed for extending this facility.
- The facility will also to be allowed to customers at extension counters subject to usual precautions in this regard.
- No interest will be charged on the immediate credit against the cheque upto the face value of Rs. 15000/Rs. 25000/Rs. 50000 as the case may be.
- In the event of cheque being returned unpaid, interest will be recovered as per prevailing rates for the period the Bank is out of funds subject to provisions hereunder:
- No interest will be charged to the customer for the period between the date of credit of

outstation cheque lodged and its return.

- Bank will charge interest at the rate applicable to clean overdraft from the date of return of the cheque till the reimbursement of money to the bank
- Where the cheque is credited to a Savings Bank Account, no interest will be payable on the amount so credited if the cheque is returned unpaid.
On debiting the account for return of cheque, if balance in the account goes down below the minimum prescribed, penalty for non-maintenance of minimum balance will be levied.

TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION INSTRUMENTS

- Instruments sent for collection from one CBS center to another CBS center where Service Branches are located will be collected within seven days.
- In respect of state capitals (except North Eastern regions and Sikkim) and centers with 100 bank offices in non-CBS centers credit will be afforded within 10 days.
- In case of state capitals of N.E.Regions, Sikkim and other centers credit will be afforded within 14 days.
- For local cheques, it will be processed through local clearing process.

INTEREST PAYMENT FOR DELAYED COLLECTION

- Interest will be payable for delayed collection for period beyond 7 days in case of CBS centers where instruments are collected through Service Branches at the rate applicable for relevant period of fixed deposit prevailing at the time of payment of interest and for abnormal delay beyond 30 days (excluding normal period of collection) at 2 % over and above the interest rate applicable for the delay.
- Interest is payable for delayed collection for period beyond 10 days in case of state capitals /state head quarters (except N.E. Region and Sikkim) and Centers with 100 bank offices at the rate applicable for relevant period of fixed deposit prevailing at the time of payment of interest and for abnormal delay beyond 30 days (excluding normal period of collection) at 2 % over and above the interest rate applicable for the delay.
- Interest is payable for delayed collection for period beyond 14 days in case of state capitals in north Eastern Region, Sikkim and other Centres, at the rate applicable for relevant period of fixed deposit prevailing at the time of payment of interest and for abnormal delay beyond 30 days (excluding normal period of collection) at 2 % over and above the interest rate applicable for the delay.

30. United Bank of India

http://www.unitedbankofindia.com/cheques_policy.htm

1. Policy on Immediate Credit of Outstation and Local cheques.

- Individual Savings Bank, Current or Cashcredit account holders are eligible for instant credit of outstation / local cheques / drafts upto Rs.15,000=00 (Rupees Fifteen Thousand only) provided the account is conducted properly.
- For availing such facility the depositor should express his / her intention by using a specially designed Pay-in-Slip for depositing cheques / drafts.
- Minors are not eligible for instant credit facility
- For availing the instant credit facility the intending customers are to pay prescribed charges as per Bank's Rule.

2. Time frame for collection of Local / Outstation Instruments

- Local Instruments : Time will depend on the rules framed by the respective clearing House.
- Outstation Instruments:
 - i. 10 days in case of State Capitals other than North Eastern States and Sikim.
 - ii. 14 days in all other cases.

3. Interest Payment for delayed collection :

For delay in collection of instruments beyond 10 days and 14 days as the case may be the bank will pay interest at the appropriate rate as per policy in vogue.

For details nearest branch manager may be contacted

31. UTI Bank

<http://www.utibank.com/Banking/policy.asp>

Policy on Collection of Local and Outstation Cheques

A. Immediate credit of local/outstation cheque

1. No immediate credit of local cheques will be given.
2. Immediate credit up to Rs. 15,000/- (maximum limit outstanding per account at any one point of time) will be given for only those outstation cheques that are drawn on UTI Bank centres, at the sole discretion of the Branch Head after carefully verifying the satisfactory conduct of the account, creditworthiness of the customer and the genuineness of the need of the customer.
3. The facility will be not be provided by default but will be extended upon a written request made by the customer.
4. Rs. 250 will be charged in each such case as a flat fee over and above the normal collection charges.
5. In the event the cheque is returned unpaid, interest at commercial rate will be charged from the date of credit of the cheque till the date on which the amount is made good by the customer.

B. Time frame for collection of local and outstation cheques

1. For local cheques the time lines for local clearing will apply.
2. For outstation cheques there will be the following two categories of time lines:-
 - a) Cheques drawn on UTI Bank centers other than in the North Eastern states to be credited within 7 working days.
 - b) Cheques drawn on UTI Bank centres in the North Eastern states to be credited within 10 working days.However, cheques drawn on non-UTI Bank centres will be credited only upon receipt of funds on realisation, as the time for receipt of funds on realisation is outside the control of the Bank.

C. Interest payment on delayed collection

1. Compensation at the Savings Bank rate of interest will be paid for any delay beyond the stipulated period for collection.
2. No interest will be paid for delays in collection of cheques drawn on non-UTI Bank centres.

D. Cheques lost in transit

The following guidelines are applicable in case of cheques lost in transit:-

- In respect of cheques lost in transit or in the clearing process or at the paying bank's branch, the branch would immediately bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record 'stop payment' and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques/instruments.
- The onus of such loss lies with the collecting banker and not the accountholder.
- The branch will reimburse the accountholder with related expenses for obtaining duplicate instruments and also pay interest for reasonable delays occurred in obtaining the same
- If the cheque/instrument has been lost at the paying bank's branch, the collecting branch will have a right to recover the amount reimbursed to the customer for the loss of the cheque/instrument from the paying banker.

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APPENDIX B

The first 31 banks constitute the banks we have considered in this draft report. The banks are arranged in order of the number of offices they have.

Sr.#	Scheduled Commercial Banks (BANK NAME)	Bank Type	Offices
1	STATE BANK OF INDIA	Public	9161
2	PUNJAB NATIONAL BANK	Public	4117
3	CENTRAL BANK OF INDIA	Public	3239
4	BANK OF BARODA	Public	2772
5	BANK OF INDIA	Public	2668
6	CANARA BANK	Public	2627
7	UNION BANK OF INDIA	Public	2140
8	ALLAHABAD BANK	Public	2027
9	SYNDICATE BANK	Public	1905
10	UCO BANK	Public	1801
11	INDIAN OVERSEAS BANK	Public	1583
12	INDIAN BANK	Public	1417
13	UNITED BANK OF INDIA	Public	1343
14	BANK OF MAHARASHTRA	Public	1330
15	ORIENTAL BANK OF COMMERCE	Public	1166
16	ANDHRA BANK	Public	1159
17	CORPORATION BANK	Public	799
18	PUNJAB AND SIND BANK	Public	787
19	STATE BANK OF MYSORE	Public	639
20	ICICI BANK LIMITED	Private	519
21	HDFC BANK LIMITED	Private	446
22	SOUTH INDIAN BANK LIMITED	Private	438
23	UTI BANK LIMITED	Private	249
24	IDBI BANK LIMITED	Public	157
25	INDUSIND BANK LIMITED	Private	127
26	BHARAT OVERSEAS BANK LIMITED	Private	91
27	STANDARD CHARTERED BANK	Foreign	85
28	KOTAK MAHINDRA BANK LIMITED	Private	54
29	HSBC LIMITED	Foreign	39
30	CITIBANK N.A	Foreign	35
31	ABN AMRO BANK N.V.	Foreign	19
	Total number of offices attributed to 31 banks as above		44939
32	DENA BANK	Public	1072
33	VIJAYA BANK	Public	966
34	STATE BANK OF HYDERABAD	Public	943
35	STATE BANK OF BIKANER AND JAIPUR	Public	833
36	STATE BANK OF PATIALA	Public	754
37	STATE BANK OF TRAVANCORE	Public	681
38	FEDERAL BANK LTD	Private	471
39	STATE BANK OF INDORE	Public	456
40	JAMMU & KASHMIR BANK LTD	Private	439
41	STATE BANK OF SAURASHTRA	Public	429
42	KARNATAKA BANK LTD	Private	398

Sr.#	Scheduled Commercial Banks (BANK NAME)	Bank Type	Offices
43	BANK OF RAJASTHAN LTD	Private	388
44	ING VYSYA BANK LTD	Private	381
45	CATHOLIC SYRIAN BANK LTD	Private	314
46	KARUR VYSYA BANK LTD	Private	254
47	LAKSHMI VILAS BANK LTD	Private	239
48	UNITED WESTERN BANK LTD	Private	237
49	SANGLI BANK LTD	Private	192
50	TAMILNAD MERCANTILE BANK LTD	Private	183
51	THE DHANALAKSHMI BANK LTD	Private	180
52	CITY UNION BANK LIMITED	Private	137
53	BANK OF PUNJAB LIMITED	Private	120
54	LORD KRISHNA BANK LTD	Private	118
55	DEVELOPMENT CREDIT BANK LTD.	Private	88
56	CENTURION BANK LTD.	Private	77
57	RATNAKAR BANK LTD	Private	75
58	NAINITAL BANK LTD	Private	69
59	GANESH BANK OF KURUNDWAD LTD	Private	31
60	BNP PARIBAS	Foreign	9
61	AMERICAN EXPRESS BANK LTD	Foreign	8
62	BANK OF AMERICA N.T. AND S.A.	Foreign	5
63	BANK OF NOVA SCOTIA	Foreign	5
64	DEUTSCHE BANK(ASIA)	Foreign	5
65	CALYON BANK	Foreign	4
66	BANK OF TOKYO MITSUBISHI LTD	Foreign	3
67	SBI COMMERCIAL & INTERNATIONAL BANK LTD	Private	3
68	STATE BANK OF MAURITIUS LTD	Foreign	3
69	YES BANK LTD.	Private	3
70	ABU DHABI COMMERCIAL BANK LTD	Foreign	2
71	BANK OF BAHRAIN & KUWAIT B.S.C.	Foreign	2
72	ING BANK N.V.	Foreign	2
73	MASHREQ BANK PSC	Foreign	2
74	OMAN INTERNATIONAL BANK S.A.O.G.	Foreign	2
75	SOCIETE GENERALE	Foreign	2
76	ANTWERP DIAMOND BANK NV	Foreign	1
77	ARAB BANGLADESH BANK LIMITED	Foreign	1
78	BANK INTERNASIONAL INDONESIA	Foreign	1
79	BANK OF CEYLON	Foreign	1
80	BARCLAYS BANK PLC	Foreign	1
81	CHINATRUST COMMERCIAL BANK	Foreign	1
82	CHO HUNG BANK	Foreign	1
83	DBS BANK LTD.	Foreign	1
84	JPMORGAN CHASE BANK NATIONAL ASSOCIATION	Foreign	1
85	KRUNG THAI BANK PUBLIC COMPANY LIMITED	Foreign	1
86	MIZUHO CORPORATE BANK LTD	Foreign	1
87	SONALI BANK	Foreign	1
88	UFJ BANK LTD	Foreign	1
	Total number of offices attributed to the remaining 57 banks		10598

Source: Statistical Tables Relating to Banks in India – 2004-2005

APPENDIX C

PAYMENT SYSTEMS DATA

Cheque Clearing Data

Number in lakh and Amount in Rs. Crore

Year	Total		Total MICR Centres		Total RBI Centres (16)	
	Number	Amount	Number	Amount	Number	Amount
2001-02	9015	12575254	5377	10947391	5377	10947391
2002-03	10139	13424313	5980	10978762	5980	10978762
2003-04	10228	11595960	6241	9178751	6241	9178751
2004-05	11671	10120716	9417	9018073	7387	8155142
2005-06 (P)	12874	11337062	10345	9482300	7942	8194977

	Total of Retail Electronic Payment System		Of large value clearing & settlement systems, RTGS	
	Number	Amount	Number	Amount
2003-04	2152	65496	0.001	1965
2004-05	4194	154969	4.60	4066184
2005-06 (P)	2850	146383	17.67	11540836

Source: RBI Bulletin June 2006

APPENDIX D

Banking Code Standards Board

PRESS RELEASE

33 St James's Square
London
SW1Y 4JS
Telephone: 020 7661 9689
Facsimile: 020 7661 9784

Cheque Clearing Time Survey

"If you shop around you can get interest from day 1!"

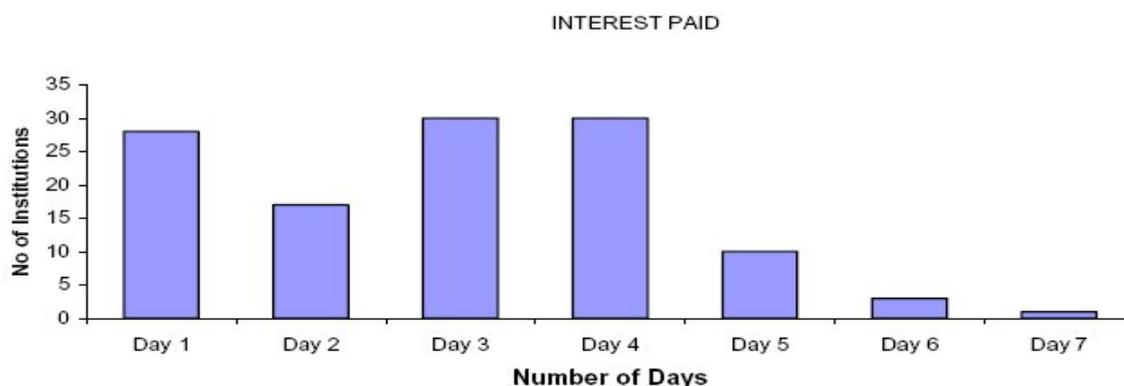
The Banking Code Standards Board (BCSB) today published extracts from the first comprehensive survey of cheque clearing times. The survey aims to clarify the question; "When will I get interest on a cheque that I pay into my account?"

The findings reveal that while many institutions pay interest on days 3 or 4, many banks and building societies actually pay on day 1 – the day that the cheque is paid in. This is despite the fact that the institution doesn't actually get its hands on the money until day 3 or later.

Speaking about the findings Seymour Fortescue, Chief Executive of the BCSB, said *"It is quite surprising to us that so many institutions seem to be changing their approach and paying interest on the first day that a cheque is presented. This could well be a response to consumer pressure. We will be suggesting that the next review of the Banking Code, due to start shortly, makes the situation more transparent for customers up front. We can't expect people to look through all the small print to see when they will be paid interest.*

"Despite what many people believe, the message to consumers seems to be, if you shop around you can get interest from day 1"

If a cheque is paid into an account, on which day is interest paid?



Roughly similar numbers of subscribers pay interest on Days 1, 3 and 4, with rather fewer on Day 2. Longer periods were required by a few institutions.

Media contact: Seymour Fortescue - 020 7661 9689 - 07785 992 453 - seymourfortescue@bcsb.org.uk

Website: www.bankingcode.org.uk (for full text of The Banking Code)

Banking Code Standards Board

PRESS RELEASE

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Notes to Editors

The Banking Code is a voluntary Code followed by banks and building societies in their relations with personal customers in the UK. It sets standards of good banking practice and aims to allow competition and market forces to operate and encourage higher standards of banking practice for the benefit of customers. Copies are freely available from all branches of subscribing institutions, as well as being on the BCSB website, which lists the names of all subscribers, as well as other institutions that the BCSB believes should adhere to the Code but currently do not.

The Banking Code, together with the Business Banking Code, which came into effect on 31 March 2002, has been subject to an independent review by Professor Elaine Kempson, of Bristol University's Personal Finance Research Centre. Revised editions of both Codes, reflecting Elaine Kempson's recommendations, became effective on 1 March 2003. A further review start in January 2004.

The Banking Code Standards Board (BCSB) was established in October 1999 and is responsible for monitoring and enforcing compliance with the Banking Code. It also offers advice on interpretation of the Code. The independent non-executive Directors of the BCSB are:

Richard Farrant, Chairman: former Managing Director of the Financial Services Authority and Chief Executive of the Securities and Futures Authority;

Gerard Lemos, CMG, Deputy Chairman: an Audit Commissioner and a Civil Service Commissioner, and Deputy Chairman of the British Council;

Sally Hawkins: a Member of the Police Complaints Authority, non-executive Director and Complaint Convenor of University Hospital, Lewisham NHS Trust, and former Internal Ombudsman for Cambridge City Council;

Noel Hunter, OBE: Director of Libraries, Heritage and Trading Standards at Warwickshire County Council, a member of the Council of the Trading Standards Institute, and a former member of the National Consumer Council and the Financial Services Authority Consumer Panel;

Amanda Jordan, OBE: Chairman of the SMART Company, a consultancy that specialises in corporate social responsibility, Chair of One London (the London Enterprise Agency), a trustee of the Money Advice Trust, and formerly an adviser to the Social Exclusion Unit in the Cabinet Office and Head of Public Affairs at NatWest; and

Jenny Watson: Deputy Chair of the Equal Opportunities Commission, until recently Director of Human Rights Act Research at King's College London, and a former Chair of the Fawcett Society.

The British Bankers' Association, the Building Societies Association and the Association for Payment Clearing Services (APACS) are the three industry sponsors of the Banking Code.

APPENDIX E

Tables related to Categorisation of banks through Multidimensional Scaling

Table 1: Abbreviation of parameters and their description

Sr.#	Parameter Abbreviation	Parameter description
1	Immediate Credit	Amount of Immediate Credit (in Rs. Thousand)
2	Charges	Additional charges for Immediate credit
3	Acc. Type revealed	Account Type revealed for Immediate credit
4	Metro, etc.	Time frame for Metro, etc. (in days)
5	Capital, etc.	Time frame for State Capital, etc. (in days)
6	Others	Time frame for other centres, etc. (in days)
7	Days	Time frame for collection in terms of days or working days
8	LocalChq Time	Time taken for Local Cheque clearance (in days)
9	LocalChq Int	Rate of interest paid in case of delay in Local Cheques
10	ROI	Rate of interest paid in case of delay in Outstation Cheques
11	Effective ADroi	Rate of interest paid in case of abnormal delay in Outstation Cheques
12	AbDelayLength	Length of Abnormal delay (in days)
13	Ab.Defined	Abnormal delay defined (Yes/No)
14	BPLR	BPLR interest paid in case of delay in Outstation Cheques of loan account (Yes/No)
15	100 centre	Mention of 100 centres in the policy (Yes/No)
16	Withdrawal	Withdrawal allowed or not (Yes/No)
17	Onus	Onus of lost cheque (Not on customer/Silent/On customer)
18	Proper policy	Proper policy statements made (Yes/No)
19	On Website	Policy available on bank's Website (Yes/No)
20	BrDisp in policy	Policy mentions its display in branches (Yes/No)

Table 2: Parameter characteristics in descriptive terms

Bank	Bank name	Immediate Credit	Charges	Acc. Type revealed	Metro, etc.	Capital, etc.	Others	Days	LocalChq Time	LocalChq Int	ROI	Effective ADROI	AbDelay Length	Ab. defined	BPLR	100 centre	Withdrawal	Onus	Proper policy	On Website	BrDisp in policy
0	Pre-deregulation Model	15	no	yes	7	10	14	Days	3	None	FD	FD+2	-	No	Yes	Yes	Yes	Silent	Yes	Yes	No
1	ABN Amro	15	yes	yes	Unlimited	Unlimited	Unlimited	Days	-	None	None	None	--	No	No	No	No	On Cust	No	No	No
2	Allahabad	15	no	no	7	10	14	Days	3WD	None	FD	FD+2	45	Yes	Yes	Yes	No	Not on Cust	Yes	Citizen charter	No
3	Andhra Bank	15	yes/no	no	7	7	10	Days	3	None	FD	FD+2	-	No	No	Yes	No	Silent	Yes	Citizen charter	No
4	Bank of Baroda	15	yes	yes	7	10	14	Days	-	None	SB+2	FD+2	90	Yes	Yes	Yes	No	Silent	Yes	Yes	No
5	Bank of India	15	yes/no	yes	7	10	Unlimited	Days	3WD	None	FD	FD+1	21	No	No	Yes	Yes	On Cust	Yes	Yes	No
6	Bk of Maharashtra	20	no	yes	8	10	14	WorkingDays	3WD	None	FD	FD+2	-	No	No	No	No	Silent	Yes	Yes	No
7	Bharat Overseas Bk	15	no	no	10	10	14	Days	-	None	SB	SB	-	No	No	No	Yes	Not on Cust	Yes	Yes	No
8	Canara	15	no	yes	10	10	14	Days	-	None	FD	FD+2	90	Yes	No	No	No	Silent	Yes	Yes	No
9	Central Bk of India	15	no	yes	8	10	14	Days	3WD	None	FD	FD+2	75	Yes	No	No	No	Silent	Yes	Yes	No
10	Citibank	15	no	no	30	30	30	Days	-	None	FD	FD	-	No	No	No	No	Silent	Yes	Yes	Yes
11	Corporation Bank	15-25	no	no	6	8	8	Days	3WD	SB	FD	FD+2	21	Yes	No	No	No	Silent	Yes	Yes	No
12	HDFC bank	-	-	-	3 or 5	21	45	WorkingDays	4WD	None	FD(full)	FD(full)	-	No	No	No	No	Silent	Yes	Citizen charter	No
13	HSBC	0	yes	no	5+2	10+2	Unlimited	WorkingDays	2WD	None	FD+2	FD+2	-	No	No	No	No	Silent	Yes	Yes	No
14	ICICI Bank	15	yes/no	no	7	Unlimited	Unlimited	WorkingDays	4WD	None	None	None	--	No	No	No	No	Silent	No	No	No
15	IDBI Bank	15	yes	no	10	14	Unlimited	WorkingDays	-	None	SB/None	SB/None	-	No	No	No	No	Silent	No	Deposit Policy	No
16	Indian Bank	-	-	-	10	10	14	Days	-	None	SB+2	FD+2	-	No	No	No	No	Silent	Yes	No	No
17	Indian Overseas Bk	15	no	yes	7	7	7	Days	-	None	SB	SB	-	No	No	No	No	On Cust	Yes	Deposit Policy	Yes
18	Indusind Bank	15	no	no	7	12	12	Days	3WD	None	FD	FD+2	-	No	No	No	No	Silent	Yes	Citizen charter	No
19	Kotak Mahindra	0	yes	no	30	30	30	WorkingDays	-	None	SB	SB	-	No	Yes	No	No	Not on Cust	Yes	Yes	No
20	Oriental Bk of Com.	15-25	yes/no	no	7	8	14	Days	3	None	SB	SB+2	45	Yes	No	No	No	Not on Cust	Yes	Yes	No
21	Punjab & Sind Bk	5	no	no	8	10	14	Days	3WD	None	SB	SB	-	No	No	No	No	Silent	Yes	Citizen charter	No
22	Punjab National Bk	15	no	no	7	10	14	Days	3	None	FD	FD	-	No	Yes	No	No	Silent	Yes	Yes	No
23	South Indian Bank	15	no	yes	7	10	14	WorkingDays	3WD	None	FD	FD+2	90	Yes	No	No	No	Not on Cust	Yes	Deposit Policy	No
24	Standard Chartered	0	yes	no	5	15-23-38	Unlimited	WorkingDays	3WD	None	SB+2	SB+2	-	No	No	No	No	Silent	Yes	Yes	No
25	State Bank of India	20	no	yes	7	10	14	Days	3-4WD	None	SB	SB+2	45	Yes	Yes	No	No	Silent	Yes	No	No
26	State Bk of Mysore	20	no	yes	7	10	14	Days	3-4WD	None	SB	SB+2	45	Yes	Yes	No	No	Silent	Yes	Yes	No
27	Syndicate Bank	15	yes/no	no	7+30	10+30	14+30	WorkingDays	-	None	FD	FD	-	No	No	No	Yes	Silent	Yes	Yes	No
28	UCO Bank	15-25	no	no	7	10	14	Days	-	SB	FD	FD+2	90	Yes	No	No	No	Silent	Yes	Yes	No
29	Union Bank	15-25-50	no	yes	7	10	14	Days	-	None	FD	FD+2	30	Yes	No	Yes	No	Silent	Yes	Yes	No
30	United Bank	15	yes	yes	10	10	14	Days	-	None	None	None	--	No	No	No	No	Silent	Yes	Yes	No
31	UTI Bank	15	yes	no	7	10	Unlimited	WorkingDays	-	None	SB/None	SB/None	-	No	No	No	No	Silent	Yes	Yes	No

Note: '-' represents an undisclosed parameter value; WD means Working days; '--' represents neither mention of abnormal delay nor any interest for delayed payments

Table 3: Parameter characteristics in quantitative terms

Bank	Bank name	Immediate Credit	Charges	Acc. Type revealed	Metro, etc.	Capital, etc.	Others	Days	LocalChq Time	LocalChq Int	ROI	Effective ADroi	AbDelay Length	Ab. Defined	BPLR	100 centre	Withdrawal	Onus	Proper policy	On website	BrDisp in policy
0	Pre-deregulation Model	15	10	1	7	10	14	0	3	0	6	8	150	0	1	0	1	1	1	3	0
1	ABN Amro	15	0	1	50	50	50	0	6	0	0	0	200	0	0	1	0	0	0	0	0
2	Allahabad	15	10	0	7	10	14	0	4	0	6	8	45	1	1	0	0	3	1	1	0
3	Andhra Bank	15	2	0	7	7	10	0	3	0	6	8	150	0	0	0	0	1	1	1	0
4	Bank of Baroda	15	0	1	7	10	14	0	6	0	5.5	8	90	1	1	0	0	1	1	3	0
5	Bank of India	15	2	1	7	10	50	0	4	0	6	7	21	0	0	0	1	0	1	3	0
6	Bk of Maharashtra	20	10	1	8	10	14	2	4	0	6	8	150	0	0	1	0	1	1	3	0
7	Bharat Overseas Bk	15	10	0	10	10	14	0	6	0	3.5	3.5	150	0	0	1	1	3	1	3	0
8	Canara	15	10	1	10	10	14	0	6	0	6	8	90	1	0	1	0	1	1	3	0
9	Central Bk of India	15	10	1	8	10	14	0	4	0	6	8	75	1	0	1	0	1	1	3	0
10	Citibank	15	10	0	30	30	30	0	6	0	6	6	150	0	0	1	0	1	1	3	1
11	Corporation Bank	19	10	0	6	8	8	0	4	3.5	6	8	21	1	0	1	0	1	1	3	0
12	HDFC bank	-5	-5	-1	4.5	21	45	2	5	0	10	10	150	0	0	1	0	1	1	1	0
13	HSBC	0	0	0	6.9	11.9	50	2	3	0	8	8	150	0	0	1	0	1	1	3	0
14	ICICI Bank	15	2	0	7	50	50	2	5	0	0	0	200	0	0	1	0	1	0	0	0
15	IDBI Bank	15	0	0	10	14	50	2	6	0	1	1	150	0	0	1	0	1	0	2	0
16	Indian Bank	-5	-5	-1	10	10	14	0	6	0	5.5	8	150	0	0	1	0	1	1	0	0
17	Indian Overseas Bk	15	10	1	7	7	7	0	6	0	3.5	3.5	150	0	0	1	0	0	1	2	1
18	Indusind Bank	15	10	0	7	12	12	0	4	0	6	8	150	0	0	1	0	1	1	1	0
19	Kotak Mahindra	0	0	0	30	30	30	2	6	0	3.5	3.5	150	0	1	1	0	3	1	3	0
20	Oriental Bk of Com.	19	2	0	7	8	14	0	3	0	3.5	5.5	45	1	0	1	0	3	1	3	0
21	Punjab & Sind Bk	5	10	0	8	10	14	0	4	0	3.5	3.5	150	0	0	1	0	1	1	1	0
22	Punjab National Bk	15	10	0	7	10	14	0	3	0	6	6	150	0	1	1	0	1	1	3	0
23	South Indian Bank	15	10	1	7	10	14	2	4	0	6	8	90	1	0	1	0	3	1	2	0
24	Standard Chartered	0	0	0	5	25.5	50	2	4	0	5.5	5.5	150	0	0	1	0	1	1	3	0
25	State Bank of India	20	10	1	7	10	14	0	4.5	0	3.5	5.5	45	1	1	1	0	1	1	0	0
26	State Bk of Mysore	20	10	1	7	10	14	0	4.5	0	3.5	5.5	45	1	1	1	0	1	1	3	0
27	Syndicate Bank	15	2	0	37.5	40.5	44.5	2	6	0	6	6	150	0	0	1	1	1	1	3	0
28	UCO Bank	19	10	0	7	10	14	0	6	3.5	6	8	90	1	0	1	0	1	1	3	0
29	Union Bank	26	10	1	7	10	14	0	6	0	6	8	30	1	0	0	0	1	1	3	0
30	United Bank	15	0	1	10	10	14	0	6	0	0	0	200	0	0	1	0	1	1	3	0
31	UTI Bank	15	0	0	7	10	50	2	6	0	1	1	150	0	0	1	0	1	1	3	0
	Direction of Parameter	Higher-Better	Higher-Better	Higher-Better	Lower-Better	Lower-Better	Lower-Better	Lower-Better	Lower-Better	Higher-Better	Higher-Better	Higher-Better	Lower-Better	Higher-Better							

Note: Other values than the above for each of the parameter under study can be used. However, the standardised values of a parameter would not change even if the base values are added and/or multiplied by a constant. Thus, there would not be any marked deviation in the formation of the groups that our base values have produced.

Table 4: Bank-wise Score values of all parameters and the total score

Bank	Bank name	Immediate Credit	Charges	Acc. Type revealed	Metro, etc.	Capital, etc.	Others	Days	LocalChq Time	LocalChq Int	ROI	Effective ADroi	AbDelay Length	Ab. Defined	BPLR	100 centre	Withdrawal	Onus	Proper policy	On Website	BrDisp in policy
0	Pre-deregulation Model	6	9	9	7	7	8	8	10	4	8	8	3	3	10	1	10	4	7	8	4
1	ABN Amro	6	2	9	1	1	1	8	2	4	1	1	1	3	3	7	4	1	1	1	4
2	Allahabad	6	9	3	7	7	8	8	8	4	8	8	10	10	10	1	4	10	7	2	4
3	Andhra Bank	6	3	3	7	8	9	8	10	4	8	8	3	3	3	1	4	4	7	2	4
4	Bank of Baroda	6	2	9	7	7	8	8	2	4	7	8	8	10	10	1	4	4	7	8	4
5	Bank of India	6	3	9	7	7	1	8	8	4	8	7	10	3	3	1	10	1	7	8	4
6	Bk of Maharashtra	9	9	9	7	7	8	1	8	4	8	8	3	3	3	7	4	4	7	8	4
7	Bharat Overseas Bk	6	9	3	6	7	8	8	2	4	3	3	3	3	3	7	10	10	7	8	4
8	Canara	6	9	9	6	7	8	8	2	4	8	8	8	10	3	7	4	4	7	8	4
9	Central Bk of India	6	9	9	7	7	8	8	8	4	8	8	9	10	3	7	4	4	7	8	4
10	Citibank	6	9	3	1	2	4	8	2	4	8	6	3	3	3	7	4	4	7	8	10
11	Corporation Bank	8	9	3	7	8	9	8	8	10	8	8	10	10	3	7	4	4	7	8	4
12	HDFC bank	1	1	1	8	4	1	1	5	4	10	10	3	3	3	7	4	4	7	2	4
13	HSBC	1	2	3	7	7	1	1	10	4	10	8	3	3	3	7	4	4	7	8	4
14	ICICI Bank	6	3	3	7	1	1	1	5	4	1	1	1	3	3	7	4	4	1	1	4
15	IDBI Bank	6	2	3	6	6	1	1	2	4	1	1	3	3	3	7	4	4	1	5	4
16	Indian Bank	1	1	1	6	7	8	8	2	4	7	8	3	3	3	7	4	4	7	1	4
17	Indian Overseas Bk	6	9	9	7	8	9	8	2	4	3	3	3	3	3	7	4	1	7	5	10
18	Indusind Bank	6	9	3	7	7	8	8	8	4	8	8	3	3	3	7	4	4	7	2	4
19	Kotak Mahindra	1	2	3	1	2	4	1	2	4	3	3	3	3	10	7	4	10	7	8	4
20	Oriental Bk of Com.	8	3	3	7	8	8	8	10	4	3	5	10	10	3	7	4	10	7	8	4
21	Punjab & Sind Bk	2	9	3	7	7	8	8	8	4	3	3	3	3	3	7	4	4	7	2	4
22	Punjab National Bk	6	9	3	7	7	8	8	10	4	8	6	3	3	10	7	4	4	7	8	4
23	South Indian Bank	6	9	9	7	7	8	1	8	4	8	8	8	10	3	7	4	10	7	5	4
24	Standard Chartered	1	2	3	8	2	1	1	8	4	7	5	3	3	3	7	4	4	7	8	4
25	State Bank of India	9	9	9	7	7	8	8	7	4	3	5	10	10	10	7	4	4	7	1	4
26	State Bk of Mysore	9	9	9	7	7	8	8	7	4	3	5	10	10	10	7	4	4	7	8	4
27	Syndicate Bank	6	3	3	1	1	2	1	2	4	8	6	3	3	3	7	10	4	7	8	4
28	UCO Bank	8	9	3	7	7	8	8	2	10	8	8	8	10	3	7	4	4	7	8	4
29	Union Bank	10	9	9	7	7	8	8	2	4	8	8	10	10	3	1	4	4	7	8	4
30	United Bank	6	2	9	6	7	8	8	2	4	1	1	1	3	3	7	4	4	7	8	4
31	UTI Bank	6	2	3	7	7	1	1	2	4	1	1	3	3	3	7	4	4	7	8	4

Table 5: Correlations of individual scores with total scores for all 20 parameters

Sr.#	Parameter	With Total Score	After First Iteration
1	Immediate Credit	0.543	0.553
2	Charges	0.736	0.698
3	Acc. Type revealed	0.407	0.443
4	Metro, etc.	0.409	0.456
5	Capital, etc.	0.676	0.695
6	Others	0.768	0.756
7	Days	0.552	0.575
8	LocalChq Time	0.404	0.419
9	LocalChq Int	0.307	0.309
10	ROI	0.441	0.461
11	Effective ADroi	0.596	0.622
12	AbDelay Length	0.767	0.778
13	Ab. Defined	0.728	0.736
14	BPLR	0.340	0.348
15	100 centre	<i>-0.291</i>	
16	Withdrawal	<i>0.048</i>	
17	Onus	<i>0.212</i>	
18	Proper policy	0.613	0.581
19	On Website	0.346	0.308
20	BrDisp in policy	<i>-0.028</i>	

Note: The numbers in italics show that the correlation coefficients are not greater than zero at 5% level of significance using the single tailed Karl Pearson test.

APPENDIX F

DBOD CIRCULARS REFLECTING STEP-BY-STEP IMPROVEMENTS ON CHEQUE COLLECTION BENCHMARKS

DBOD.No.Leg.BC-88/C.466(IV)-84

August 22, 1984

The Chairman and Managing Directors
of all public Sector Banks

Dear Sir,

Customer Service - Payment of Interest at Savings Bank Rate for the Delay in Collection of Outstation Cheques (Recommendation No. 78)

Please refer to paragraph 15 of the proceedings of the meeting convened by Shri A. Ghosh, Deputy Governor of the Bank on the 19th October, 1982 with the Senior Executives-in-Charge of Customer Service Cells of the Public Sector Banks and the representatives of the Indian Banks' Association on the above subject enclosed with our D.O. letter No. [DBOD.Leg.817/C.466\(IV\)-82](#) dated the 7th December, 1982.

2. The matter was examined in detail and discussed at the meeting of the Small Group on Customer Service held on 5th June 1984 in New Delhi. It has accordingly been decided that the collecting bank should pay interest at savings bank rate, on the amount of cheques/instruments drawn on its own outstation branches and sent for collection, if the proceeds are not realised/credited to the customer's accounts or the unpaid instruments are not returned to the customer within a period of 28 days from the date of their lodgement. Such interest should be paid for the period beyond 29 days till the proceeds are realised/credited to the customers' accounts or the instruments are returned. However, interest will not be payable on cheques/instruments lost in transit.

3. We, would however, like to emphasise that under no circumstances this should be construed that banks can take 28 days for collection/return of outstation instruments merely because a period of 28 days has been allowed for the purpose of calculating interest as mentioned above and the proceeds realised should be credited to the customers account immediately to ensure expeditious customer service in this regard.

4. We shall be glad if the above instructions are brought to the notice of all the branches of the bank immediately under advice to us.

Yours faithfully,

Sd/-

A.L. BHATIA
Joint Chief Officer

December 19, 1985

The Chairman of Managing Director
(All Public Sector Banks)

Dear Sir,

**Customer Service - Payment of Interest at Savings Bank Rate for the
Delay in Collection of Outstation Cheques (Recommendation No. 780)**

Please refer to our circular [DBOD.No.Leg.88/C.466\(IV\)-84](#) dated 22nd August, 1984 advising all public sector banks to pay interest at Savings bank rate, on the amounts of cheques/instruments drawn on its own outstation branches and sent for collection, if the proceeds are not realised/credited to the customers account or the unpaid instruments are not returned to the customer within a period of 28 days from the date of their lodgement. It is observed that the present arrangement of payment of interest has not given much relief to the bank customers and there has been persistent demand from various forums to extend the above scheme to cheques drawn on other banks also.

2. The matter has been examined by us in detail and it has been decided to extend the scheme of payment of interest in respect of cheques/instruments drawn on outstation branches of other (drawee) banks also where the proceeds are not realised/credited to the customers account or the unpaid instruments are not returned within a period of 28 days from the dates of their lodgement. It may be noted that such interest will be paid by the collecting bankers at the Savings Bank Rate for the period beyond 28 days. Other provisions of our circular dated 22nd August, 1984 will continue to be operative unchanged.

3. We shall be glad if the above instructions are brought to the notice of all the branches of your bank immediately. Please also ensure that the instructions are duly implemented by all your branches and kindly note that complaints regarding non-implementation of the above instructions would be viewed seriously by the Reserve Bank. Copy of the instructions issued to the branches may be furnished to us for information.

Yours faithfully,

Sd/-

A. BALAMITRAN
Joint Chief Officer

All Scheduled Commercial Banks

Dear Sir,

Purchase of Cheques and Purchase/Discount of Bills

Please refer to our circular [DBOD.No.Dir.BC.4/C.96-85](#) dated 10 January, 1985 on the above subject. We have received enquiries from some banks seeking clarification/advise on certain issues. Our clarifications are furnished below:

- i) **Query:** Whether banks can purchase any type of negotiable instrument of the face value upto Rs.2,500/- at par.

Clarification: Even though, as per recommendation No.68 of Working Group on Customer Service in Banks, each outstation cheque upto Rs.2,500/- may normally be negotiated and immediate credit afforded to lodgers, our circular referred to above has indicated that any negotiable instrument of face value upto Rs.2,500/- may be purchased at par. In this connection, we clarify that our intention is that banks should, generally, afford immediate credit for cheques upto Rs. 2,500/- subject to recovery of normal collection charges, as being levied by banks. The objective is to afford immediate credit in such cases, without waiting for realisation of the cheques. Further, as purchase of cheques would amount to grant of advances our intention was to clarify that non-charging of interest on purchase of cheques of the face value upto 2,500/- will not be viewed by us as violative of our directive on interest rates on advances.

- ii) **Query:** Should banks extend such facility to cheques drawn by non-individuals and negotiate such instruments also?

Clarification: We clarify that cheques should be purchased at par from individual lodgers and not from others to ensure that the benefit goes to smaller customers.

- iii) **Query:** Are the banks required to stop the facility of purchasing cheques at par, whether local or outstation beyond Rs.2,500/- now being allowed to some big clients?

Clarification: The banks should not extend such facility to big clients at par. It may be added that non-charging of interest in such cases would not only constitute violation of our directive on interest rates on advances but also not be in the interest of the banks, taking into account the costs of such services and profitability.

- iv) **Query:** Whether the facility of purchase of cheques at par is available only in the case of savings bank accounts or also in the case of current and cash credit accounts.

Clarification: This facility may be extended to all accounts, subject, however, to the banks taking adequate care as explained in the directive.

- v) **Query:** Whether purchasing every cheque upto Rs.2,500/- at par is obligatory on the part of banks.

Clarification: Banks are required to purchase cheques upto Rs.2,500/- in respect of all customers, provided there is no adverse experience in the past in the particular account.

vi) **Query:** Can banks charge commission/exchange?

Clarification: Banks can recover their usual collection charges.

2. The above instructions/clarifications have been issued in terms of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949.

Yours faithfully,

Sd/-

P.D. GUPTA
Addl. Chief Officer

March 5, 1986

The Chairmen of all Public Sector Banks

Dear Sir,

**Customer Service - Payment of Interest at Savings Bank
Rate for the Delay in Collection of Outstation Cheques**

Please refer to our circular DBOD.No.BC.Leg.148/C.466(IV)-85 dated 19th December, 1985 on the above subject.

In the context of the revised rates of service charges for outstation collections and with a view to improve upon the operational efficiency and public image of the Public Sector Banks, it has been decided that interest at the rate applicable to balances in savings bank accounts should be paid for delayed collection as under:

a. For cheques/drafts/instruments drawn on branches of the same bank	For any period beyond 14 days from the date of lodgement of the instrument for collection.
b. For cheques/drafts/instruments drawn on branches of other banks	For any period beyond 21 days from the date of lodgement of the instrument for collection.

All other conditions stipulated in our earlier circulars will remain unchanged.

The above instructions will come into force with immediate effect.

Yours faithfully,

Sd/-

A. BALAMITRAN
Joint Chief Officer

July 31, 1986

Chairmen of all Public Sector Banks

Dear Sir,

Customer Service - Speedy Collection of Instruments

As you are aware, both Government of India and Reserve Bank of India have been emphasizing the need for expeditious collection of instruments lodged with the banks, either for presentation through local clearing or dispatch to the outstations at which they are payable. Recently, Department of Administrative Reforms and Public Grievances (DARP) Government of India has carried out a study on procedures relating to clearance of cheques by banks and Post Offices in Delhi area and made certain recommendations. These recommendations have been examined and the same were also discussed by Additional Secretary (Banking Division), Ministry of Finance, Government of India, with representatives of some nationalised banks as well as ourselves and certain action points have emerged. In terms thereof, the need to reiterate certain instructions on the subject issued to the banks earlier, has arisen. In this connection, we would like to draw a reference to the undernoted circulars and shall be glad if you again impress upon the branch officials the need for meticulous compliance with the instructions contained therein:

- (i) [DBOD.No.Dir.BC.149/C.96-85](#) dated 19 December, 1985 clarifying the circumstances and conditions under which banks are required to afford immediate credit of outstation cheques upto Rs.2500/- at par.
- (ii) [DBOD.No.Leg.BC.27/C.466\(iv\)/86](#) dated 5 March, 1986 in terms of which the period prescribed for payment of interest on delayed collection of outstation cheques has been reduced to 14 days in respect of cheques drawn on the banks' own branches and 21 days in respect of cheques drawn on other banks.
- (iii) [DBOD.No.Leg.BC.55/C.466\(iv\)/86](#) dated 5 May, 1986 advising banks to pay interest on delayed collections of outstation cheques beyond the stipulated period and affording immediate credit of outstation cheques upto Rs.2500/- as a matter of course and without the customers having to claim it.
- (iv) Government circular No.2/70/BO/11/85 dated 10 December, 1985 advising all public sector banks to use Indian Banks' Associations' Courier Service, to have internal work norms regarding clearance of outstation cheques and to ensure regular posting of persons in the dispatch section.

The banks are also required to prepare and dispatch the advices relating to clearance of outstation cheques to sender branches within 24 hours after the agreed waiting period for return of instruments from the clearing house is over.

We presume that pursuant to Government's circular No.2/70/BO.11/85 dated 10 December, 1985 your bank has already taken steps to gear up working of the Dispatch Section, in such a way, that dispatch of instruments, etc., are not held up at any stage. There is a need for suitable monitoring mechanism to keep a watch on the performance of counter/dispatch staff in processing and clearing of outstation cheques. With this objective, your bank may fix the responsibility of supervising the work of counter/dispatch staff on one of the supervisory officials followed by weekly surprise checks by the Manager-in-Charge of the branch. The bank's internal inspectors/auditors may also be advised to look into these matters and record their findings specifically, in their reports.

Yours faithfully,

Sd/-

P.D. GUPTA
Additional Chief Officer

November 8, 1986

The Chairmen of Public Sector Banks

Dear Sir,

**Customer Service - Immediate Credit of
Outstation Cheques upto Rs. 2,500/-**

Please refer to item (iii) of para 1 of our circular [DBOD.No.Leg.BC.80/C.466\(iv\)86](#) dated 31 July, 1986 wherein we have reiterated our earlier instructions regarding immediate credit of outstation cheques upto Rs.2,500/- as a matter of course without a customer having to claim it. However, we understand, this facility is not being extended at grass-root level in all eligible cases. In this connection, we have to request that the decision has to be implemented earnestly by the branches. For this purpose, a notice regarding the facility may be prominently displayed at each branch. You may, therefore, suitably instruct the branches, under advice to us.

2. It is likely that the hesitation on the part of the branches to afford immediate credit might be due to apprehension about the recovery of the relative amounts in the event of cheques being returned unpaid. We have already clarified in our circular dated 19 December 1985 that this benefit should be extended to individual lodgers only provided there is no adverse experience in the past in the particular account. With a view to removing apprehension, if any, regarding unscrupulous persons taking advantage of this facility to defraud the banks, we have no objection if the facility is extended in accounts maintained for a period of say 6 months or more prior to the credit. Further, the facility can be also restricted to immediate credit of only one cheque at a time and till such time its proceeds are realised the banks need not extend the facility when fresh cheques are lodged by the customers.

3. It appears that some banks have stipulated a minimum balance other than minimum balance required to be maintained normally in such accounts to be maintained by the customers in their accounts wherein alone the subject facility can be afforded. In this connection, we reiterate that the purport of our recommendation is to help small customers and insistence on a higher minimum balance in their accounts would be against the spirit of the recommendations. Hence, if any bank has laid down any such stipulations, the same may please be withdrawn.

4. The facility has to be extended both to Savings Bank and Current Account holders. Although the facility is intended for only small depositors, considering the practical difficulties in determining on the basis of scant information that may be available in respect of large number of depositors whether a customer can be treated as small depositor or otherwise, and taking into account the smallness of the amount involved it has been decided that the banks may extend the facility to all individual depositors without making a distinction about their status.

5. For extending the above facilities, no formal letter of request from the customers need be insisted upon.

6. There would be no objection if the bank stipulates that the facility would be provided to customers whose accounts are properly introduced to it and the accounts are properly conducted and there are no occasions of cheques/withdrawals being returned/refused being in excess of the balance.

7. As you are aware, we have also issued instructions regarding credit of interest on delayed collections of outstation instruments as a matter of course without the customers having to claim it. It may please be ensured that these instructions are also complied with meticulously.

8. Further, during the course of internal inspection/audit of branches compliance with the above instructions should invariably be verified and the position brought out in the report.

Yours faithfully,

Sd/-

M.V. RAMAMURTHY
Deputy Chief Officer

DBOD.No.Leg.BC.13/C.466(IV)-87

July 22, 1987

The Chairmen of
All Public Sector Banks

Dear Sir,

**Customer Service - Payment of Interest for
Delay in Collection of Outstation Instruments**

Please refer to our circular [DBOD.No.Leg.BC.27/C.466 \(IV\)/86](#) dated 5 March, 1986 on the above subject. In modification of the instructions contained therein, banks are now advised that the distinction between the instruments drawn on the bank's own branches and branches of other banks for computing the period of delay has since been dispensed with and the banks should henceforth pay interest for delay in collection of instruments for any period of delay beyond 14 days from the date of lodgment of the instruments for collection, irrespective of whether instruments are drawn on the banks own branches or branches of other banks. Other instructions on the subject currently in force will remain unchanged.

Yours faithfully,

Sd/-

M.V. RAMAMURTHY
Deputy Chief Officer

February 4, 1988

The Chairmen & Managing Directors
of all Public Sector Banks

Dear Sir,

**Customer Service - Payment of Interest for
Delay in Collection of Outstation Instruments**

Please refer to our circular [DBOD.No.Leg.BC.13/C.466\(IV\)-87](#) dated 22nd July, 1987 in terms of which banks are required to pay interest for delayed collection of outstation instruments for any period of delay beyond 14 days from the lodgement of instruments for collection. With the measures initiated by banks for speedier collection of outstation instruments including availability of courier service, it is now possible for banks to collect instruments lodged at and drawn on State Headquarters within a period of 7 to 10 days. This view was also shared by Chairmen and Managing Directors of banks during the course of Action Plan discussions. In the context of the above, banks are now advised that if instruments drawn on State Headquarters are not collected within 10 days, banks would be required to pay interest beyond 10 days. However, in respect of such of the State Capitals in North Eastern Region and Sikkim, where two way postal transit time is still not less than 5 days, the earlier norm of 14 days will remain unchanged.

Yours faithfully,

Sd/-

M.V. Ramamurthy
Deputy Chief Officer

May 27, 1992

The Chairman & Managing Director/
Chief Executive Officer of all
Scheduled Commercial Banks

Dear Sir,

**Committee on Customer Service in Banks -
Implementation of Recommendations of the Goiporia Committee**

Please refer to paragraph 5 of our Circular [DBOD.No.BC.74/09.07.001/91-92](#) dated the 28th January, 1992 wherein we have indicated that recommendations falling under Groups 'B' and 'C' are being processed. After careful consideration of some of the recommendations, it has been decided that banks should speedily implement the following recommendations also so as to offer better service to the customers:

2. Recommendation No. 3.32 - **Immediate credit of outstation cheques upto Rs. 5,000/-**

As you are aware, the facility of immediate credit against outstation cheques upto the value of Rs. 2,500/- tendered by individual account holders for collection has been in vogue as recommended by the Working Group on Customer Service in Banks (Talwar Committee-Recommendation No. 68) (of our Circular [DBOD.No.Leg.BC.126/C.466\(IV86](#) dated 8th November, 1986). The Goiporia Committee has now recommended that the ceiling for immediate credit be enhanced to Rs. 5,000/- for outstation cheques tendered by individual account holders subject to the recovery of usual collection charges and the bank is satisfied about the proper conduct of the account and the customer desires the facility. It has also recommended that in the event of the cheque returned unpaid, the bank can recover normal rate of interest for the period it is out of funds. For this purpose, banks may consider introducing different pay-in-slips superimposing a notice to the effect that in the event of dishonour of the cheque, customer will be subject to payment of normal rate of interest for the period till the bank was out of funds.

3. Recommendation No. 3.33 - **Delay in collection of cheques/drafts**

As per the extant instructions, banks are required to pay interest at savings bank rate for delayed collection of outstation instruments lodged at and drawn on State Headquarters, except the State Capitals of North Eastern Region and Sikkim, if these are not collected within 10 days from the date of lodgement of the instrument for collection and within 14 days in all other cases. Further, the interest required to be paid/credited to the customers' accounts without the customers having to claim it.

In this connection, we have been receiving numerous complaints/representations from various quarters, particularly from Chambers of Commerce requesting us to enhance the interest to be at par with commercial rate as the banks take unduly long time in collecting their cheques and crediting the proceeds to their overdraft accounts on which they have to pay, interest at commercial rate.

The Goiporia Committee has now recommended that the banks should pay interest at the rate of 2 per cent per annum over savings bank rate and such interest may be paid only when the amount is Rs. 5/- or more. The raising of rate of interest by 2 per cent per annum above the savings bank rate is expected to create greater awareness among banks to improve the service. Further, we reiterate that the interest is required to be paid/credited to all types of accounts and without the customer having to claim it.

4. **Recommendation No. 3.34 - Delay in collection of bills**

We have been receiving persistent requests from the Trade Organisations that the banks are taking unduly long time in collecting the proceeds of bills and, as such, they may be advised by us (Reserve Bank of India) to pay interest at commercial rate for delay in collection of bills.

The Committee has observed that while the time taken for collection of bill proceeds largely depend upon the time taken by the drawee to retire the bill, the delay can also be attributed to despatch of bills in presenting the bill to the drawee or in crediting the proceeds after the payment is made by the drawee. In such circumstances the Committee has recommended that the lodger's bank should pay interest to the lodger for the delayed period at the rate of 2% per annum above the savings bank rate. The delayed period should be reckoned after making allowance for normal transit period and a time frame of 2 days each for -

- 1) Despatch of bills
- 2) Presentation of bills to drawees
- 3) Remittance of proceeds to the lodger's bank
- 4) Crediting the proceeds to drawer's a/c

To the extent the delay is attributable to the drawee's bank, the lodger's bank may recover interest for such delay from that bank.

For smooth functioning of the above recommendation, banks may suitably revise the format of their payment advices to incorporate the above information.

5. **Recommendations No. 3.39 and 3.40 - Value dating of Telegraphic Transfers and Mail Transfers**

As per the extant instructions on payment of telex/telegraphic transfers, based on the recommendation of the Working Group on Customer Service in Banks (Talwar Committee) (Recommendation No. 62), the telex/telegraphic transfer should be paid latest on the third working day from the receipt of customer's instructions at the remitting office assuming, all along, normal postal service. In the event of delayed payment, not owing to postal delay, the beneficiary should be reimbursed with loss of interest from the third day onwards.

The Goiporia Committee has recommended value dating of amounts from the third day in respect of Telegraphic Transfers issued from and payable at state capitals and Area I centres (centres with population of 12 lakhs and above). For other centres including the state capitals and Area I centres in N.E. States and Sikkim credit should be afforded immediately on receipt of telegram or confirmation copy of the telegram, whichever is earlier. In case of any delay, banks should pay interest at 2% per annum over the savings bank rate.

6. **Value dating of Mail Transfers**

As per the present instructions, banks have to afford immediate credit of Mail Transfers (MTs) to clients' accounts within a maximum period of 7 days and (10 days in the case of North Eastern States and Sikkim) from the date of deposit of funds for MTs. In case of delay, banks are required to pay interest at a uniform rate of 5 per cent per annum. The Goiporia Committee has now recommended payment of interest for the delayed period at the rate of interest at 2 per cent per annum above the rate applicable to savings bank accounts. The interest for delay should be automatically paid if it amounts to Rs. 5/- or more.

7. **Recommendation No. 3.48 - Delay in documentation and problems thereof**

While advising banks vide our Circular dated 28th January, 1992, the Recommendation No. 3.48, which is a part of the recommendation under the caption "Consortium Finance" has inadvertently been omitted to be included under the category 'A'. Accordingly, you are requested to include it under category 'A' and implement the said recommendation.

Please acknowledge receipt of this Circular and also apprise us of the action taken for implementation of the above recommendations.

Yours faithfully,

Sd/-

(V. RANGARAJAN)
Additional Chief Officer

DBOD.No.BC.140/09.07.007/93

July 12, 1993

The Chairman & Managing Director/
Chief Executive Officer of all Scheduled
Commercial Banks

Dear Sir,

**Delay in Crediting the Proceeds of
Outstation Instruments - Rate of Interest**

Please refer to our circular [DBOD.No.BC.135/09.07.007/91-92](#) dated 27 May, 1992 wherein we had advised the banks to pay interest at 2 per cent above the savings bank rate in case of delayed collection of instruments like cheques/drafts/bills etc., beyond the stipulated period. ... Where the proceeds of outstation instruments are for credit to borrowal accounts, loss of interest to them for the delayed remittances is at the rate stipulated by the banks for the overdraft, cash credit or loan account. It has, therefore, been decided that banks should pay interest at the minimum lending rate stipulated by the Reserve Bank of India from time to time for the period of delay in collection of outstation instruments beyond the normal period as conveyed in our circular dated 27 May 1992 where the proceeds of instruments are to be credited to the cash credit, overdraft or loan accounts with a view to compensating such customers equitably. In all other cases, our existing stipulation for payment of interest at 2% above the savings bank rate will continue to apply.

2. Action taken for implementation of these instructions may please be advised to us.

Yours faithfully,

Sd/-

(J.R. PRABHU)
Chief Officer

May 17, 1995

The Chief Executives of all Commercial Banks

Dear Sir,

Customer Service - Collection of Outstation Cheques

In response to Governor's D.O. letter dated November 29, 1994 to the Chairmen & Managing Directors of public sector banks (copy enclosed), we have since received information from the banks, based on the sample studies carried out by them, on the present system and procedures followed by them in regard to collection of outstation cheques as also their suggestions to reduce the time taken therefor.

2. It is observed from the feedback received from the banks that there has been no uniformity in approach by banks towards the above work, which is of paramount importance from the customer's point of view. The time taken to credit proceeds of outstation cheques varied anywhere between 13 days to a month. The reasons for the delay are attributable to both internal and external factors given below -

- a) There is no compulsive urgency on the part of branches receiving the inter-city instruments to despatch the same to destination centres immediately.
- b) At some service branches functioning as nodal points for collection of the cheques, delays occur due to manual processing of the instruments for despatch to the collecting centres. Similarly, the manual processing of instruments at the destination centres also adds upto the delays.
- c) The use of normal postal service for transmission of these items by the originating branches as also for the despatch of realisation advices by the responding branches has resulted in further delays.
- d) Low priority given to this task at most of the branches. The staff members attending to these items of work are often withdrawn for other pressing areas of work.
- e) At certain centres, the banks do not take optimum advantage of the national clearing facility provided by Reserve Bank of India.

3. The studies have further revealed that where the banks have streamlined their procedures, inter-city cheques presented to the National Clearing Cell of RBI are being cleared within 6 to 7, days. It is, therefore, necessary to have a closer look at the existing procedures/practices followed in your bank so as to remove the bottlenecks. In this connection, we would like you to constitute a committee under a General Manager urgently to identify the areas and factors responsible for the delays and to suggest and put in place new systems and procedures, infrastructural arrangements, etc. to ensure quick collection of outstation instruments. The Committee may have to focus its attention towards various relevant factors which would include, inter alia, the following -

- a) bringing awareness among the staff,
- b) automation/computerisation of work in the concerned branches/ service branches,
- c) transmission of data/realisation advice on inter-city communication network; and
- d) use of courier/speed post arrangements for despatch of inter-city mail, etc..

4. It needs hardly any mention that unless above arrangements are made, timely credit for inter-city instruments cannot be ensured. Considering that the banks would put in place the above arrangements on a priority basis, the following time-frame is prescribed for affording credit to customers

(a) **Cheques upto Rs. 5,000/-**

At present, the banks are required to afford immediate credit upto Rs. 5,000/- to a customer for local as well as outstation cheques subject to the customer maintaining a satisfactorily operated

account. These arrangements should be scrupulously followed. The banks should not wait for customers' requests for the facility but should, as a matter of normal course, provide this service.

(b) **Other outstation cheques upto Rs. 10,000/-**

(i) In the four metropolitan centres having MICR cheque clearing system, proceeds of a cheque drawn on a bank located at any of the other three metropolitan centres and presented for collection on any day in a week should be credited latest on the same day in the following week (e.g. Monday to next Monday). Such a facility should be extended to the customers even if the collection advices are not received from the drawee centres.

(ii) In respect of State capital centres and at other centres with more than 100 bank offices (list of centres enclosed), credit to the customer's account should be given within 10 days with full freedom to the customer to withdraw the amounts. As in (i) above, this facility should also be extended to the customers, even if the collection advices are not received, from the drawee centres.

Further, there should be no additional charge for such time-bound collection/payment schedules. In case the cheques are returned unpaid, the banks could charge interest at commercial rate on the overdrawn amounts from the date of allowing the withdrawal till the amounts are reimbursed.

(c) **Local Cheques**

The customers' accounts should be credited and they should be allowed use of funds latest on the third working day from the date of acceptance of the cheques at the counters.

5. In order to limit the risks involved, the facility of giving credit to the accounts for outstation cheques (as detailed in paragraphs 4(b) (i) and (ii) above), may be extended to satisfactorily operated accounts upto a maximum amount of Rs. 10,000/-. Where more than one cheque and/or cheques of the value of more than Rs. 10,000/- are deposited for collection in a day or on subsequent days, withdrawal as per above instructions may be allowed upto a maximum of Rs. 10,000/- so that at any point of time, the collecting bank will have an exposure for amount not exceeding Rs. 10,000/- against any individual customer.

It may, however, be mentioned that in respect of instruments of the value of more than Rs. 10,000/-, it should be ensured that these are collected with least delay and the branches take prompt action for their despatch and realisation.

6. In order to ensure that the above time schedule is scrupulously followed by the branches, there needs to be a clear-cut staff accountability for the delay. For this purpose, special register may be introduced to record the delayed collections for necessary action. Further, it should also be ensured that where delays occur, the account holders are paid penal interest without their making requests therefor.

7. The banks should introduce the above measures with immediate effect.

Yours faithfully,

Sd/-

J.R. Prabhu
Chief General Manager

As per list attached

Collection of Outstation Cheques

Serious dissatisfaction has been expressed from several quarters regarding collection of outstation cheques and crediting of funds. There are persistent complaints from the customers about abnormal delays in collection of outstation cheques. This is despite the Reserve Bank instructions for expeditious credit of outstation cheques, presented for collection at the banks and banks requiring to pay interest for delay in collection beyond specified number of days. The National Clearing Centres (NCC) at the metro cities have also made arrangements for clearing of cheques drawn on metro centres within 5 days. In a number of centres, the NCCs have established one-way clearing facility. I also understand that many of the larger banks have their own courier service between specified cities to enable quick clearing service. We are, therefore, unable to understand as to why such delays occur.

2. I, therefore, feel that it has become necessary to look into the system more critically and identify and rectify the causes of delay. I would like you to take a look at the procedures and practices in your bank in relation to collection of outstation cheques and to initiate a quick sample study. The areas selected should represent fully the spread of your branch network. I would like to have the findings of your study reach us before the middle of January 1995. While undertaking the sample study you should determine -

- (a) what is the procedure followed by various branches in handling the collection of outstation cheque;
- (b) what is the time taken in collection; and
- (c) steps necessary to reduce the time taken for collection.

3. I have chosen to write to you on this subject because of the large number of complaints that I receive on the delays. I feel that it is desirable that the system of collection of outstation cheques is widely publicised through national/regional newspapers and displayed prominently in the major branches for customer satisfaction.

4. I look forward to receiving the findings of the study.

With regards,

Yours sincerely,

Sd/-

C. Rangarajan

List of Major Commercial Centres in India with more than 100 Bank Offices

(As on 30.06.1994)

Centre	No. of Bank Offices	Centre	No. of Bank Offices
Bombay	1204	Surat	141
Delhi	1096	Ludhiana	140
Calcutta	919	Patna	137
Madras	629	Coimbatore	136
Bangalore	581	Thiruvananthapuram	132
Hyderabad	417	Amritsar	129
Ahmedabad	427	Indore	128
Kanpur	275	Mangalore	123
Pune	259	Bhopal	122
Kochi	179	Jullundur	119
Lucknow	179	Varanasi	116
Jaipur	166	Madurai	109
Vadodara	154	Agra	104
Nagpur	144	Chandigarh	102

March 9, 2000

The CMDs/Chief Executives of all
Scheduled Commercial Banks

Dear Sir,

Customer Service

In the light of the suggestions received by the Regulation Review Authority (RRA) constituted in the Reserve Bank of India our extant instructions to banks in respect of the undernoted areas of Customer Service have been reviewed and with a view to improving Customer Service further it has been decided that banks should follow the instructions as under :

1. Delay in crediting the proceeds of outstation instruments - Rate of interest

In terms of our circulars [DBOD.No.BC.135/09/07.007/91-92](#) dated 27 May 1992 and [DBOD.No.BC.140/09.07.007/93](#) dated 12 July 1993 banks are required to pay interest for delayed collection of outstation instruments beyond the stipulated period at 2 per cent per annum above the savings bank rate where the proceeds of the instruments are to be credited to the deposit accounts and at the minimum lending rate (PLR) where the proceeds are to be credited to the cash credit, overdraft or loan accounts of the customer. It has been decided that banks should pay interest at rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10/14 days in collection of outstation instruments. Further, banks should also pay penal interest at the rate of 2 percent above fixed deposit rate applicable for abnormal delay caused by the branch in Collection of outstation instruments. We reiterate that the interest is required to be, paid without the customer having to claim it.

2. Issue of Duplicate Demand Draft without receipt of Non-Payment Advice

It has been decided that the present monetary value prescribed by the Talwar Committee at Rs. 2,500/- may be enhanced to Rs. 5,000/- for issue of duplicate demand draft on the basis of adequate indemnity and without obtaining Non-Payment Advice (NPA) from the drawee branch. Our earlier instructions on the above aspect contained in circulars [DBOD.No.Leg.BC.69/C.466 \(IV\)-86](#) dated 16 June 1986 and [DBOD.No.Leg.BC.10/466\(IV\)-87](#) dated 23-3-1987 addressed to public private sector and foreign banks, respectively stand suitably modified.

3. Fixation of time-frame far issue of duplicate draft

In terms of our circular [DBOD.No.Leg.BC.104/C.466\(IV\)-90](#) dated 3 May 1990 banks were inter alia, advised to ensure that a duplicate draft is issued within a maximum period of five days after the completion of all formalities. As it has been represented to us that there is considerable delay in issue of non-payment advice by the drawee branch, it has now been decided that a duplicate demand draft should be issued to the customer within a fortnight from the receipt of such request. For delay in issuing duplicate draft beyond the above stipulated period, banks should pay interest at rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay.

Please acknowledge receipt.

Yours faithfully,

Sd/-

A.L. Narasimhan
Chief General Manager

Amendment Slip

(Ref. No. BC. dated 9-3-2000)

Manual of Instructions (upto 30th June 1998)
issued by DBOD, RBI
Vol. No. I - Part - II - Chapter 18
On Customer Service

1. **Delay in crediting the proceeds of outstation instruments - Rate of Interest**

Our instructions at Para 18.2 E(ii) of the above cited Manual may be modified to read as :

"Banks should pay interest at rate applicable for appropriate tenor of fixed deposit for the period of delay beyond 10/14 days in collection of outstation instruments".

"Banks should also pay penal interest @ 2% p.a. above fixed deposit rate applicable, for abnormal delay caused by the branch in collection of outstation instruments".

2. **Issue of Duplicate Demand Draft without receipt of Non-payment advice (NPA), and**

3. **Fixation of time frame for issue of duplicate draft**

Ref. 18.1.B (57) of the Manual

Our instructions contained at the above mentioned paragraph may be modified as under :

a) "The present monetary value prescribed by the Talwar Committee at Rs. 2,500/- may be enhanced to Rs. 5,000/- for issue of duplicate demand draft on the basis of adequate indemnity and without obtaining Non-payment advice from drawee branch".

b) "Duplicate demand draft should be issued to the customer within a fortnight from the receipt of such request. For delay in issuing duplicate draft beyond the above stipulated period, banks should pay interest at rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay".

May 29, 2000

The CMD/CEO of all scheduled
commercial banks (excluding RRBs)

**Customer Service - Immediate Credit of Outstation
and Local Cheques - Enhancement of Ceiling**

Please refer to our circulars [DBOD.No.BC.135/09.07.007/91-92](#) dated 27th May 1992 and [DBOD.No.BC.82/09.07.007/93](#) dated 25th February 1993 for affording immediate credit upto the value of Rs. 5000/- in respect of outstation and local cheques tendered for collection by customers. In this connection we advise that based on the recommendation of the Regulation Review Authority, it has been decided that the present ceiling of Rs. 5,000/- should be enhanced to Rs. 7,500/- for immediate credit of local as well as outstation cheques on the same terms and conditions as set out in our circulars referred to above. You may, therefore, issue suitable instructions to your branches for implementation of these instructions with immediate effect.

2. The consequential amendment may be carried out in the Manual of instructions Vol. I Part II - Chapter 18 - Para 18.1(D)(IV)(b) as under:

"The present limit of Rs. 5,000/- for immediate credit of outstation as well as local cheques has been enhanced to Rs. 7,500/-."

3. Please acknowledge receipt.

Yours faithfully,

Sd/-

R.C. Agrawal
General Manager

All scheduled commercial banks
(excluding RRBs and LABs)

Dear Sir,

Customer Service - Immediate credit for outstation and
local cheques - enhancement of ceiling

Please refer to our circular DBOD No.BC.181 / 09.07.007 / 99-2000 dated May 29, 2000 advising banks to afford immediate credit upto the value of Rs.7, 500/- in respect of outstation and local cheque tendered for collection by customers.

2. We advise that based on the recommendation of the Indian Banks' Association (IBA), it has been decided that the present ceiling of Rs.7, 500/- should be enhanced to Rs.15, 000/- for immediate credit of outstation / local cheques subject to the extant guidelines issued by the Reserve Bank of India from time to time.

3. In terms of the extant instructions, banks are required to observe the following guidelines for affording immediate credit in respect of outstation/ local cheques tendered for collection by their customers:

- i. Normal collection charges may be recovered in case of outstation cheques and a charge of Rs.5/- may be recovered for local cheques.
- ii. The bank should be satisfied about the proper conduct of the account of customer.
- iii. The bank may extend the facility to all individual depositors without making a distinction about their status, i.e. Savings Bank, Current or Cash Credit Account.
- iv. The banks should not lay any separate stipulation for minimum balance for extending the facility.
- v. The facility is also to be allowed to the customers at the bank's Extension Counters subject to the usual precautions taken by banks in this regard.
- vi. While immediate credit of cheque will amount to grant of advance, non-charging of interest on such cheque of the face value upto Rs.15, 000/- will not be viewed as violation of Reserve Bank of India's directive on interest rates on advances.
- vii. In case where the instrument of face value exceeding Rs.15, 000/- is received for clearing and the proceeds of the instrument are credited to the account, in whatever manner, in advance of the date of actual realization of the amount, interest at the stipulated rate (in addition to the usual service charges prescribed by the bank), shall also be charged for the period for which outlay of funds is involved.
- viii. In the event of the cheque being returned unpaid, the bank can recover interest in conformity with the applicable interest rate directive of Reserve Bank of India for the period the bank is out of funds.
 - a. No interest is to be charged to the customer for the period between the date of credit of the outstation cheque lodged and its return.
 - b. Banks may charge interest from the date of return of the cheque till the reimbursement of money to the bank.
 - c. Where the cheque is credited to a savings bank account, no interest will be payable on the amount so credited if the cheque is returned unpaid.
- ix. The banks may consider introducing different pay-in-slips superimposing a notice to the effect that in the event of dishonour of the cheque, the customer will have to pay interest for the period the bank is out of funds at the normal rate.
- x. A notice regarding the availability of facility should be prominently displayed at each branch.

4. You may, accordingly, issue suitable instructions to your branches for immediate action.

5. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)
Chief General Manager-in-Charge

To

All Scheduled Commercial Banks (Excluding RRBs)

Dear Sir,

**Committee on Procedures and Performance Audit on Public Services (CPPAPS)-
Formulating policy for (i) Immediate Credit of local / outstation cheques (ii) Time
Frame for Collection of local / outstation cheques and (iii) Interest Payment for delayed
collection**

As you are aware, Reserve Bank has been issuing instructions, from time to time, to banks on issues relating to (i) Immediate credit of local / outstation cheques (ii) Time frame for collection of local / outstation cheques and (iii) Interest payment for delayed collection. The instructions in this regard are briefly summarised below:

2.(i) **Immediate Credit of local / outstation cheques:** Banks were advised to afford immediate credit in respect of outstation cheques upto Rs.2,500/- subject to certain conditions such as bank being satisfied about the proper conduct of the customers' accounts etc., which was raised to Rs.15,000/- vide our Circular [DBOD.No.Leg.BC.21/09.07.007 dated August 23, 2002](#).

(ii) **Time Frame for Collection of Local / Outstation Instruments:** We had vide our Circular DBOD.No. BC.No.59/09.07.007 dated May 17, 1995 stipulated the time frame for collection of outstation cheques in the four metropolitan centers having MICR cheque clearing system, in respect of State capitals and centres with more than 100 bank offices as also in case of local cheques.

(iii) **Interest payment for delayed collection:** We had advised banks vide our Circulars DBOD.No.Leg. BC.88/C.466(IV)/88 dated February 4, 1988 and DBOD.No.BC.147/09.07007/99-2000 dated March 9, 2000 to pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10 / 14 days in collection of outstation instruments. Banks were also advised vide the circular dated March 9, 2000 to pay penal interest at the rate of 2 per cent above fixed deposit rate applicable for abnormal delay caused by branch in collection of outstation instruments.

3. On a comprehensive review of the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, it is observed that prescription of a single set of rules may not be appropriate. Pertinently in most countries banks are obliged to develop their own individual policy / procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights. Hence, efficiencies in collection of proceeds and providing funds to customers in time is best achieved through a spirit of competition among the banks rather than through issue of guidelines by RBI.

4. Keeping in view the above, it has been decided to withdraw the instructions issued regarding (i), (ii) and (iii) above, leaving it to the individual banks to formulate policies in

this regard. Banks should consequently formulate a comprehensive and transparent policy covering all the above three aspects, taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. Further, they may also review their existing arrangements and capabilities and work out a scheme for reduction in collection period. **Adequate care also may be taken to ensure that the interests of the small depositors are fully protected.** The policy framed in this regard should be integrated with the deposit policy formulated by the bank in line with the IBA's model deposit policy. **The policy should clearly lay down the liability of the banks by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer.**

5. The policy may be placed before the Board of the Bank alongwith our current instructions and the Board's specific approval should be obtained on the reasonableness of the policy and the compliance with the spirit of our guidelines.

6. Banks may thereafter ensure that wide publicity is given to the policy formulated by the them in this regard by placing it on the web-site and also displaying the same on the notice board in their branches. The customers should be clearly apprised of the assurances of the bank on the services on these aspects at the time of establishment of the initial relationship be it as a depositor, borrower or otherwise. Further, they may also take necessary steps to keep the customers duly informed of the changes in the policy formulated by them from time to time.

7. The above guidelines have been issued to ensure that the obligations of the bank to the customers and the rights of the customers stand clearly established and observed in practice without demur. However, it may please be noted that the Reserve Bank of India and the Banking Ombudsman would continue to exercise the prerogative to examine any dispute which may arise between the bank and any of its customer, vis-à-vis their published policies and procedures.

8. Please acknowledge receipt.

Yours faithfully

(C.R.Muralidharan)

Chief General Manager-in-Charge