

PALA URBAN CO OPERATIVE BANK LTD NO.1850

CHEQUE COLLECTION POLICY

1. Introduction

This Cheque Collection Policy lays down the framework, procedures, and responsibilities for collection of cheques deposited by customers of the Bank. Since the Bank does not have direct membership in the clearing house, cheque clearing operations are conducted through a Sponsor Bank. The policy ensures transparency and protects the interests of small depositors. The policy is framed in line with RBI guidelines on cheque collection, CTS (Cheque Truncation System), and customer service standards.

2. Objective

- To ensure efficient, safe, and timely collection of cheques.
- To define roles and responsibilities of the Bank and the Sponsor Bank.
- To provide clarity to customers on timelines, credits, and returns.
- To minimize operational, settlement, and fraud risks in cheque clearing.

3. Scope

This policy applies to:

- All local, outstation, and clearing cheques accepted by the Bank.
- All branches of the Bank.
- Cheque clearing carried out through the Sponsor Bank under CTS.
- Presentment, return, and settlement of cheques.

4. Collection of Cheques / Instruments

4.1 Local Cheques

Local cheques are cheques payable at branches located within the same clearing house jurisdiction. All local cheques will be scanned and presented in the continuous CTS presentation session.

4.2 Outstation Cheques

Outstation cheques are cheques payable at locations outside the local clearing house jurisdiction and are collected through correspondent banking arrangements.

5. Arrangement for Collection (Sub-Member Bank)

Sponsor Bank Mechanism: Cheques deposited by customers are presented to the Sponsor Bank. The Sponsor Bank acts as the direct member of the Clearing House for presenting the instruments

Responsibility: While the Sponsor Bank manages the technical presentation, Our bank remains responsible for verifying the authenticity of the instrument at the point of receipt and providing prompt service to the customer.

Prohibition on Alterations in Cheques: As per RBI guidelines, no corrections or alterations are permitted on cheques. Fresh cheque leaves must be issued for changes in payee name, amount in figures, or amount in words. Such altered cheques must not be accepted for presentation in CTS.

Re-presentation of Cheques: Cheques that need to be re-presented without any recourse to the payee shall be presented in the immediate next presentation clearing, not later than 24 hours (excluding holidays), with due notification to the customers of such presentation.

Dishonour/Return of Cheques: Branches shall ensure that the “Date of Return” is mentioned, and the Return Memo is duly signed/ initialled with a clear and valid reason as per URRBCH Rules. This enables the holder to exercise legal recourse against the drawer. List of Reasons for dishonour of cheque is mentioned in annex 1.

Positive Pay System (Mandatory): For all cheques of ₹500000 and above, customers must submit instrument details (Cheque No, Amount, Date, Payee Name) via website to the Bank.

6. Introduction of Continuous Clearing and Settlement on Realisation in Cheque Truncation System (CTS)

The Reserve Bank of India vide its notification RBI/2025-26/73 CO.DPSS.RLPD.No.S536/04-07-001/2025-2026 dated 13.08.2025, has announced the transition of CTS to continuous clearing and settlement on realisation in two phases.

- **Phase 1** (October 4, 2025 onwards): CTS clearing cheques will be processed continuously and presented to clearing house from 10:00 AM to 4:00 PM on working days.
- Payments will be credited to the customer’s account on the same day, subject to the realisation of cheques.
- Drawee banks must confirm (pass/return) cheques by 7:00 PM the same day.
- Hourly Settlements: The clearing house processes data in hourly cycles starting from 11:00 AM.

- **Phase 2** : A shorter confirmation window of T+3 hours will be followed for cheques presented to clearing house from 10:00 AM to 4:00 PM on working days, where T refers to the time of presentation of the cheque to the clearing house. (For example, the cheques being presented between 10:00 AM and 11:00 AM will receive a positive or negative confirmation by 2:00 PM (3 hours from 11:00 AM). This will facilitate faster collection of clearing cheques, subject to the realisation of cheques.
- Drawee banks have a 3-hour window from the time of presentation to confirm or reject.

Deemed Approval: If the drawee bank does not respond within the stipulated time, the cheque is deemed approved.

7. Present Cheque Clearing Procedure (CTS through Sponsor Bank)

7.1 Outward clearing

- Cheques accepted at branches are verified for completeness, CTS compliance, and customer mandate.
- Cheques are presented to the Sponsor Bank for clearing.
- There shall be a single presentation session from 10:00 AM to 4:00 PM.
- The Sponsor Bank:
 - Presents cheque images and MICR data to the Clearing House under CTS
 - Acts as the clearing member on behalf of the Bank
 - Physical cheques are retained securely as per CTS guidelines.
- The clearing house will in turn release the cheque images to drawee banks on a continuous basis.
- The drawee bank examines the cheque image and confirms or rejects the instrument.
- Upon confirmation, settlement is carried out on an hourly basis.
- After settlement, the proceeds are credited to the Bank's settlement account maintained with the Sponsor Bank.
- Customer accounts are credited on the same working day, subject to realisation.
- If the Cheque is returned unpaid, the return information is intimated to the customer through branch.
- Return information is received electronically through the Sponsor Bank.
- Reasons for return will be clearly indicated on the return memo.
- Return charge can be levied by the drawee /correspondent bank.
- Cheque return charges would be levied only in cases where the customer is at fault and is responsible for such returns.
- Customer acceptance cut-off at branches: Normally up to 2:00 PM on working days.
- Cheques accepted and uploaded within the clearing window are eligible for same-day settlement.
- Cheques received after the cut-off time is processed on the next working day.

7.2 Inward Clearing

This procedure governs the handling of inward cheques received for clearing through the Sponsor Bank arrangement under the Continuous Clearing mechanism.

- Inward clearing shall be conducted through the online clearing portal provided by the Sponsor Bank.
- The Bank shall process all inward cheques under the Continuous Clearing System (Phase I), as enabled by the Clearing House.
- The Clearing House shall process inward clearing data in hourly cycles, commencing from 11:00 AM on all working days.
- The inward clearing session for the day shall close at 7:00 PM, or as may be advised by the Sponsor Bank / Clearing House from time to time.
- The Bank shall continuously monitor the Sponsor Bank's clearing portal for inward cheque presentations.

- For every cheque presented, the drawee bank shall generate either positive confirmation (for honoured cheques) or negative confirmation (for dishonoured cheques)
- Each cheque will contain the 'Item Expiry Time' which indicates the latest time by which confirmation for the presented instrument needs to be provided by the drawee bank.
- Processing by drawee banks is to be done continuously throughout the day and on a real time basis as soon as cheque images are received.
- Information of positive/negative confirmation shall be sent by the drawee banks to the clearing house immediately after processing.
- Final count of debit shall be subject to the settlement confirmation received from the Clearing House.
- Upon passing of an inward cheque, the corresponding amount shall be debited to the Bank's account maintained with the Sponsor Bank, subject to realisation through the clearing process.
- Inward cheques may be returned unpaid due to reasons such as:
 - Insufficient funds
 - Signature mismatch
 - Account closed
 - Stop payment instructions
 - Any other reason permitted under applicable clearing rules
- In case of return of an inward cheque, the concerned branch shall promptly inform the customer
- Cheque return charges shall be recovered from the customer's account.
- If the Bank fails to take any action within the stipulated response time, the inward cheque shall be deemed as accepted, and the Bank shall be liable for settlement.

7.3 Settlement on realisation

- No accounting entries (settlement) will be posted for presentation of cheques.
- Starting from 11:00 AM, settlement will be arrived every hour till the end of confirmation session, based on the positive confirmations received from drawee banks and cheques considered deemed approved.
- No accounting entries shall be passed for cheques with negative confirmation.

7.4 Releasing payment to customers

- On completion of settlement, clearing house shall release the information of positive and negative confirmations to the presenting bank.
- The presenting bank shall process the same and release the payment to the customers immediately, but not later than 1 hour from successful settlement, subject to usual safeguards.

8. Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account

8.1 In consonance with the legal requirements in particular in the intent of the Negotiable Instrument Act, 1881 and in accordance with the Reserve Bank of India directives, Bank

shall not collect cheques having account payee crossing, for any person other than the payee named therein.

8.2 Where the drawer/payee instruct the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the "account payee" cheque. Bank shall ask the drawer/payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction shall also apply with respect to the cheque drawn by a bank payable to another bank.

9. Interest Payment for Delayed Collection

The Bank shall adhere to the timelines prescribed by the Reserve Bank of India under the Continuous Clearing and Settlement on Realisation in CTS framework, as per circular RBI/2025-26/73 dated August 13, 2025. Accordingly, proceeds of cheques shall be credited to the customer's account within one hour from the settlement pertaining to positive or deemed-positive confirmation, subject to usual safeguards as detailed below. If the Bank fails to credit the proceeds within the above timeline, interest for delayed collection shall be paid at the following rates:

1. Savings Bank Interest Rate, shall be payable for the period of delay up to 45 days from the scheduled credit timeline.
2. For delays beyond 45 days, an additional 1% interest shall be paid for the remaining period of delay.
3. Interest shall be calculated from the date the cheque should have been credited (as per Continuous Clearing timelines) till the actual date of credit.
4. The Bank shall pay such interest suo motu, i.e., without any claim or request from the customer.

10. FORCE MAJEURE

The Bank shall not be liable to compensate customers for delayed credit of cheques or instruments if the delay is caused by circumstances beyond the control of the Bank. Such circumstances shall include, but not be limited to:

- Civil commotion, riots, sabotage
- Lockouts, strikes, labour disruptions
- Fire, flood, earthquakes, natural calamities or other "Acts of God"
- War, enemy action, or any national emergency
- Damage to the Bank's facilities or to those of its correspondent banks
- Any order, restriction, or directive issued by Government, Courts, Law Enforcement, or regulatory authorities.

10.1 Cyber / IT / System Disruption

Force Majeure shall also include technology-related or system-related disruptions, including but not limited to:

- Network failure or connectivity issues
- CTS grid downtime or technical malfunction
- NPCI system outage

- RBI system unavailability affecting clearing or settlement
- Core Banking System (CBS) downtime, scheduled maintenance, or unexpected outage
- Data centre issues, switch failures, server failures
- Any cyber incident, security breach, malware attack, or systemic threat that impacts the Bank's ability to process transactions.

10.2 Effect on Compensation

During such periods of Force Majeure — including cyber/IT disruptions — any delay in:

- Presentation
- Inward processing
- Confirmation
- Settlement
- Credit to customer's account shall not qualify for compensation under the delayed collection clause.

11. Cheques/ Instruments Lost in Transit/ in Clearing Process/ at Paying Bank's Branch

- 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 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 account holder.
- The banks should reimburse the account holder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.
- 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.

In case intimation regarding loss of instrument is conveyed to the customer after the time limit stipulated for collection, interest will be paid for the period exceeding the stipulated collection period at the applicable savings bank rate. The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate instrument.

12. Customer Grievance Redressal

The policy seeks to provide transparency in dealing with customer and to minimize their inconvenience. Any customer having grievances against the bank on any of the above grounds or having complaints due to non-payment or inordinate delay in the payment or collection of cheques may approach the Branch Head of Pala Urban Co-operative Bank Ltd No. 1850

13. Review and Amendments

This policy shall be reviewed **annually** or earlier if required due to:

- Regulatory changes
- Operational or system modifications
- Changes in sponsor bank arrangements

Annex 1

List of Reasons for dishonour of cheque
01 Funds insufficient
02 Exceeds arrangement
03 Effects not cleared, present again.
04 Refer to drawer
05 Kindly contact Drawer/Drawee Bank and please present again.
10 Drawer's signature incomplete
11 Drawer's signature illegible
12 Drawer's signature differs
13 Drawer's signature required
14 Drawer's signature not as per mandate
15 Drawer's signature to operate account not received
16 Drawer's authority to operate account not received
17 Alteration requires drawer's authentication
20 Payment stopped by drawer
21 Payment stopped by attachment order
22 Payment stopped by court order
23 Withdrawal stopped owing to death of account holder
24 Withdrawal stopped owing to lunacy of account holder
25 Withdrawal stopped owing to insolvency of account holder
30 Instrument post dated
31 Instrument out dated/stale
32 Instrument undated/ without proper date
33 Instrument mutilated; requires Bank's guarantee
34 Cheque irregularly drawn/ amount in words and figures differs
35 Clearing House stamp/ date required 36 Wrongly delivered/ Not drawn on us
37 Present in proper zone
38 Instrument contains extraneous matter
39 Image not clear, present again with paper
40 Present with document
41 Item listed twice
42 Paper not received
50 Account closed
51 Account transferred to another branch
52 No such account
53 Title of account required
54 Title of account wrong/ incomplete

55 Account blocked (situation covered in 21-25)
60 Crossed to two banks 61 Crossing stamp not cancelled
62 Clearing stamp not cancelled
63 Instrument specially crossed to another bank
64 Amount in protective crossing incorrect
65 Amount in protective crossing required/illegible
66 Payee's endorsement required
67 Payee's endorsement irregular / requires collecting bank's confirmation
68 Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
70 Advice not received
71 Amount / Name differs on advice
72 Drawee bank's fund with sponsor bank insufficient
73 Payee's separate discharge to bank required
74 Not payable till 1st proximo
75 Pay order/ cheque requires counter signature
76 Required information not legible/ correct
80 Bank's certificate ambiguous/ incomplete/ required
81 Draft lost by issuing office/ confirmation required from issuing office
82 Bank/Branch blocked
83 Digital Certificate Validation failure
84 Other reasons-connectivity failure
85 Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
86 Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87 'Payee's a/c credited'- Stamp required
88 Other reasons (Please specify)