POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS & DISHONOUR OF INSTRUMENTS 2021-22
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1. Introduction

Keeping in view 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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on:

(i) Immediate Credit of local/outstation cheques,
(ii) Time Frame for Collection of Local / Outstation Instruments and
(iii) Interest Payment for Delayed Collection.

As per the referred RBI circular RBI/2004/261 DBOD.No.Leg.BC.55/09.07.005/2004-05 dated 01.11.2004, the discretion to formulate the policy on the above points was given to Banks keeping in view the interest of the depositors/customers. Accordingly, the points are covered in this particular Policy under point no 5.2.11, point no 6 & point no 7 respectively.

The withdrawal of these mandatory guidelines was expected to enable market forces, of competition to come into play, to improve efficiencies in collection of cheques and other instruments. This collection policy of the Bank is a reflection of our on-going efforts to provide better service to our customers and set higher standards for performance. The policy is based on principles of transparency and fairness in the treatment of customers. The bank is committed to, increased use of technology to provide quick collection services to its customers. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India and abroad.
- Our commitment regarding time norms for collection of instruments.
- Policy on payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Our policy on dealing with collection instruments lost in transit.
- Our Policy on dishonor of cheques
- Availability of Option of Positive Pay to customers
1.1. Guidelines laid down by the Reserve Bank of India on Positive Pay System:

RBI vide letter no.RBI: 2020-21:41 DPSS.CO.RPPD.No.309:04.07.005:2020-21 dated 25.09.2020 has directed all the Banks to implement Positive Pay System from 01.01.2021. The concept of Positive Pay involves a process of validating key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, Mobile App, Internet Banking, ATM etc. certain minimum details of that cheque (like date, name of the beneficiary/payee, amount etc.) to the Drawee Bank, details of which are cross checked with the cheque presented under CTS. Any discrepancy is flagged by CTS to the Drawee Bank and presenting Bank, who would take remedial measures.

It is also envisaged that National Payments Corporation of India (NPCI - which manages the National CTS Clearing Grid ) shall develop the facility of Positive Pay in CTS and make it available to participant Banks. Banks in turn shall enable it for all account holders issuing cheques for amount of Rs.50, 000/- and above. While, availing of this facility is at the discretion of the account holder, Banks may consider making it mandatory in case of cheques for amounts of Rs.5,00,000/- & above. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids. Member Banks may implement similar arrangements for cheques cleared/collected outside CTS as well, Cheque Positive Pay System (CPPS) to be made effective from 1.1.2021. [Refer IC: 2374-2020 dated 06.01.2021]

2. Regulatory Concern and Steps Initiated By Bank:

RBI vide its letter no.RBI:2020-21:41 DPSS.CO.RPPD.No.309:04.07.005:2020-21 dated 25.09.2020 has introduced Positive Pay System in cheque clearing process. The directives issued by RBI are, under Section 10(2) read with Section 18 of Payment and Settlement Act of 2007 (Act 51 of 2007).RBI has laid down the broad parameters for Positive Pay System, to benchmark various scenarios and challenges that could emerge upon implementation of Central Positive Pay System and on lodgment of clearing cheques.Bank has accordingly conducted a study and issued a policy on Positive Pay System vide Instruction Circular No.02374-2021 dated 06.01.2021.

Earlier RBI has also shows its concern on Breach of limit on Return v/s Drawing (RD) and Return v/s Presentation (RP) in various clearing houses. Branches, therefore, needs to take cognizance of the concern shown by RBI on Return of Cheques present for clearing. Branches should ensure that Return of Cheque presented shall not exceed the prefix limit of RBI i.e. 10% of the total cheque presented.

3. Scope of Policy:

The policy is applicable to all Domestic Branches of Union Bank of India. It also covers collection of foreign cheques, through the Domestic Branches.

4. Objective of Policy:

4.1 To safeguard the customers’ interest and avoid possible dispute and time taken in settlement of such disputes.
4.2 To stop physical movement of cheques and replacement of physical instrument by image of instrument and the corresponding data contained in MICR line.

4.3 To make the process cost effective.

4.4 To reduce fraudulent cases related to clearing of cheques.

5. Arrangements for Collection:

5.1 Local Cheques: All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the center. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time and in collection boxes outside the branch premises including off-site ATMs will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account as per clearing settlement timelines. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

5.2 CTS Cheques (Cheque Clearing Process under CTS based Clearing System): Cheque truncation is the process of eliminating the flow of physical cheque issued by a drawer to the Drawee Branch. The physical cheques are truncated and electronic images of the cheques are captured for processing. The physical cheques are retained at the presenting bank itself. The captured image along with data is exchanged across the Banks.

5.2.1 Receiving payment based on an electronic image of truncated cheque:

a. Legal status of the cheque transaction is derived from amendments made to the Negotiable Instrument Act, 1881 by virtue of Negotiable Instruments (Amendments and Miscellaneous Provision) Act, 2002 whereby among others, the section 6, 64, 81, 89 & 131 of the NI Act, 1881 are also suitably amended to incorporate the validity of the truncated image of the cheque.

i. Cheque truncation system - Section 131 of Negotiable Instrument Act 1881 (Amendments).

ii. Onus of due diligence shifted to the presenting bank in CTS environment.

It shall be the duty of the bank who receives payment based on an electronic image of a truncated cheque held with him, to verify the prima facie genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care as per the guidelines of the NI Act 1881, as amended from time to time.

b. In view of the above amendment, the presenting bank takes responsibility for exercise of due diligence. The branches while sending cheques to CTS Scanning Center / Clearing Centre / Hub should ensure the following:

i. To exercise due diligence on all instruments

ii. To check the apparent tenor of the instruments
iii. To ensure verification under Ultra Violet Lamp (UVL)
iv. To scrutinize the cheques for material alteration
v. To ensure genuineness and validity of instruments
vi. To ensure that pay in slip is properly filled up with correct and complete account number and name of the account holder.
vii. To ensure that the complete account No. is written on the back of the cheque/instrument along with the mobile no. of the depositor.
c. The scanning center/clearing center/hub while scanning the instruments should inter-alia also ensures the following:

i. To check the apparent tenor and genuineness of the instruments
ii. To ensure verification of instruments under Ultra Violet Lamp (ULV)
iii. To ensure that instrument confirms to features of CTS 2010 standard
iv. To ensure that physical feel of the instrument meets the usual paper standard used for cheque
v. To ensure that no material alteration visible to naked eye

5.2.2 Our Branches issue only Payable at Par CTS Standard 2010 cheques to Customers.

5.2.3 Cheque Truncation System (CTS) is presently working at New Delhi Grid at Delhi, Chennai Grid in Chennai and Mumbai Grid in Mumbai.

5.2.4 States covered in GRID based CTS-2010 centers:

c. Mumbai Grid in Mumbai covers centers of Chhatisgarh, Goa, Gujarat, Madhya Pradesh and Maharashtra states.

5.2.5 All centers covered under the same grid will be treated as single clearing zone and cheques drawn on these centers and presented at any of the grid centers are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

Operation Department is authorized to issue Standard Operating Procedure for CTS clearing in line with RBI/ NPCI guidelines.

5.2.6 Non-CTS Cheques

As per RBI extant guidelines, all banks providing cheque facility to their customers have been advised to issue only “CTS-2010” standard cheques. Cheques not complying with CTS-2010 standards will not be cleared through CTS clearing.
5.2.7 Where no clearing house exists / Over the Counter

Bank branches situated at centers which are not members of any CTS Grid or where no Clearing House exists, would present local cheques on Drawee Banks across the counter and it would be the bank’s endeavor to credit the proceeds at the earliest but not later than 3rd working day from the date of deposit by customer.

5.2.8 Discontinuation of the requirement of Paper to Follow (P2F) for State Government Cheques:

a. As per RBI circular dated 20.06.2019, it has now been decided, to dispense with the current requirement of forwarding the paid State Government Cheques in Physical Form (Commonly known as P2F) to the State Government departments/ treasuries.

b. In Cheque Truncation System, the ‘Drawee Bank’ means the dealing branch of a bank accredited to a Ministry/Department/Treasury/Sub-Treasury on which the cheques are drawn. The ‘presenting bank’ means a branch of any bank where the cheques are presented for payment by the clients. Both the presenting banks and Drawee banks would continue to discharge their duties prescribed under various Acts/Regulations/Rules such as the Negotiable Instruments Act 1881, Bankers’ Books Evidence Act 1891, Uniform Regulations and Rules for Bankers’ Clearing Houses, Procedural Guidelines for Cheque Truncation System etc. with respect to payment of cheques. The government cheques would henceforth be paid in CTS clearing solely based on their electronic images. The paid cheques in physical form would be retained by the presenting bank.

c. In case any Drawee bank desires to verify the government cheque in physical form before passing it for payment, the image would be returned unpaid under the reason “present with document”. The presenting bank on such instances shall ensure that the instrument is presented again in the next applicable clearing session without any reference to the account holder (payee).

d. The presenting banks are required to preserve the physical instruments in their custody securely for a period of 10 years as required under Procedural Guidelines for CTS. In cases one specific cheques are required for the purpose of any investigation, enquiry, etc., under the law, they may be preserved beyond 10 years. Drawee banks shall make necessary arrangements to preserve the images of all government cheques for a period of 10 years with themselves or through the National Archival System put in place by National Payments Corporation of India (NPCI).

e. The government cheques paid by a drawee bank across its counter by way of cash withdrawal or transfer also need to be truncated and preserved for 10 years. Adequate safeguards shall be built to ensure that these images are captured separately by the drawee banks and not mixed up with the images of the instruments received for payment in clearing. A common electronic file containing the images of all the paid cheques shall be created on a daily basis for onward transmission to State Government Departments/ Treasuries/ Sub-Treasuries.
f. The branch handling the State Government transactions shall continue to send the Payment Scrolls on a daily basis in the prescribed form or as per the arrangement amongst the Sub-Treasury/Treasury to whom they are attached as hitherto. However, as the paid cheques would no longer be available with the accredited branch, the same will not be attached with the payment scroll, but the electronic images of paid cheques (by way of cash, clearing and transfer), preserved by the presenting bank, shall be provided to the Office of AG/State Government Departments/Treasuries/Sub-Treasuries by way of secured electronic communication/ e-mail, etc., as per their requirement.

g. At any time during the preservation period of cheques, for the purpose of reconciliation, enquiry, investigation, etc., the Office of AG/State Government Departments/Treasuries/Sub-Treasuries may require any paid cheque in physical form for which the concerned State Government Department/Treasury/Sub-Treasury would approach the dealing branch. Whenever so demanded, the dealing branch shall arrange to furnish the cheques paid by it by way of cash and transfer immediately. In case of cheques paid by way of clearing, the same shall be supplied to the Office of AG/State Government Departments/Treasuries/Sub-Treasuries within a reasonable period after obtaining it from the presenting bank. It is the responsibility of the presenting bank in such instances to comply with the request of the Office of AG/State Government Departments/Treasuries/Sub-Treasuries/Drawee bank for any physical cheque and provide the same to the respective Drawee bank within a reasonable period.

h. At present, the CTS are operated on grid basis. Hence, the government cheques drawn on RBI/agency banks shall be presented in the grid within whose jurisdiction the accredited/authorized branch of paying bank is located.

i. As hitherto, the Drawee bank shall ensure through the dealing branch that the mistakes/discrepancies pointed out in payment scrolls, monthly DMS etc are rectified as per procedure, missing images of paid cheques are submitted immediately, the copies of the scrolls duly verified by the Sub-Treasury/Treasury are kept on its record, etc.

j. The revised guidelines are effective in respect of cheques issued by the State Governments from July 01, 2019 and made applicable for those State Governments which give their consent for withdrawal of P2F arrangement. As and when State Governments give their consent, the same will be advised to the banks. In case any State Government desires to have a parallel run, the same may be done for a period not exceeding three months. During the parallel run period, P2F shall continue to remain operational and the Drawee banks should forward both the physical instruments and their images to concerned Treasury/Sub-treasury as desired by them. After completion of the parallel run, P2F shall be discontinued and only images shall be sent as outlined above.

5.2.9 Outstation Cheques

a. For cheques drawn on bank’s own branches at outstation centers, same day credit will be provided to the customers through our intersol transfer system.
b. Cheques drawn on other banks at outstation centers will normally be collected through bank's branches at those centers. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the Drawee bank or collected through a correspondent bank.

5.2.10 Cheques payable in Foreign Countries

a. Cheques payable at foreign centers where the bank has branch operations (or banking operations through a subsidiary etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers where the bank or its correspondents do not have direct presence will be sent directly to the Drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

b. Domestic Foreign Business & International Banking Division is authorized to issue operational guidelines in this regard. [Ref. IC No.7560-2020 dated 20.12.2006 and further as amended from time to time.]

5.2.11 Immediate Credit of Local / Outstation Cheques / Instruments

a. Branches / extension counters of the bank will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000/- tendered for collection by individual account holders subject to satisfactory conduct of such accounts for a period of 6-12 months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement. The facility of immediate credit would also be made available in respect of local cheques at centers where no formal clearing house exists.

b. The facility of immediate credit will be offered on Savings Bank / Current / Cash Credit Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.

c. Under this policy, prepaid instruments like Demand Drafts, Interest/Dividend warrants shall be treated on par with cheques.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

i. For the purpose of this Policy, a satisfactorily conducted account shall be the one;

ii. Opened at least six months earlier and complying with KYC norms in totally.

iii. Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
iv. Where no cheques / instruments drawn for which immediate credit was afforded returned unpaid for financial reasons.

v. Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however, be charged. The schedule of charges is updated in Bank's website from time to time.

5.2.12 Purchase of Local / Outstation Cheques

Bank may, at its sole discretion, purchase local / outstation cheque tendered for collection at the specific request of the customer or as per prior arrangement. Besides satisfactory conduct of account, the standing of the drawer of the cheque will also be a factor considered while purchasing the cheque.

6. Time Frame for Collection of Local / Outstation / Foreign Cheques / Instruments:

6.1 For Local Cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds on T+1 or T+2 day as per return clearing norms in vogue at that centre. For cheques and other instruments sent for collection to centers within the country the following time norms shall be applied:

a. Cheques/ instruments drawn on one of our branch deposited at another center - Same day

b. Cheques/instruments drawn on other bank and sent for collection to:

i. Centers where our Bank have a branch - Maximum T+6 days

ii. Centers where our Bank do not have a branch:

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6.2 Cheques drawn on Foreign Countries:

The bank is committed to ensure that instruments drawn in foreign currencies and payable outside India are also collected in the quickest and most efficient manner. Towards this the bank may enter into specific collection arrangements with its Correspondent Banks in those other countries for speedy collection of such instrument(s). Bank would give credit to the customer upon realization of proceeds in the bank’s Nostro Account with the Correspondent Bank after taking into account cooling periods as applicable to the other countries concerned.

Country / location specific norms wherever stipulated for such foreign currency instruments and the same shall be made known to the customers at the time of accepting instruments in collection.
The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank’s own branches or branches of other banks. Domestic Foreign Business & International Banking Division issues the operational guidelines in this regard. [Ref. IC No.7560-2020 dated 20.12.2006 and as amended from time to time.]

7. Payment of Interest for delayed Collection of Local / Outstation Cheques and Cheques payable outside India:

7.1 As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned below. There shall be no distinction between instruments drawn on the bank’s own branches or on other banks for the purpose of payment of interest on delayed collection.

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

a. Savings Bank Rate for the period of delay beyond T+2 days in collection of local cheques.

b. Savings Bank Rate for the period of delay beyond T+6 days in collection of outstation cheques sent to Bank’s own branches at other centers.

c. In case of cheques sent to other bank’s branches for collection where delay is beyond T+10 days interest will be paid at the rate applicable to term deposit for the respective period or Savings Bank rate, whichever is higher.

d. In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.

e. In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

f. In case of cheques drawn on foreign countries interest at the rate of savings bank interest rate will be paid on the amount of cheque collected for any delay from the value date of credit to the Nostro Account till the date of actual credit to customer’s account. [Ref. IC No.7560-2020 dated 20.12.2006 and as amended from time to time, issued by International Banking Division, Central Office].

8. Cheques / Instruments lost in transit / in clearing process or at paying bank’s branch:

8.1 In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank’s branch, the bank shall immediately being aware of the loss, will inform the account holder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
8.2 In line with the compensation policy of the bank issued vide IC: 1961: 2020 dated 21.03.2020 and as amended from time to time, the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

a. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (T+2/T+6/T+10 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.

b. In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide likely further delay in obtaining duplicate cheque/instrument and collection thereof.

c. 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, if any, for issue of duplicate instrument.

9. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to) Civil Commotion, Sabotage, Lockout, Lockdown, Strike or other labor disturbances, accident, fires, natural disasters or any other "Acts of God", War, Pandemic, Invocation of Disaster Management Act by Central/State/District/Local government/authorities, Damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

10. Charging of interest on cheques returned unpaid where instant credit was given:

10.1 If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. Further, interest where applicable would be charged on the notional overdrawn balances in the account had credit not been given initially.

10.2 If the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. If proceeds were credited to an overdraft/loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument were returned unpaid to the extent the bank was out of funds.

11. Service Charges / Fees on Collection of Cheque

For all collection services bank will recover appropriate service charges as decided by the bank from time to time and communicated to customer as indicated in the Code of Bank's Commitment to Customers adopted by the bank. Bank's policy on service charges / fees is updated on Bank's website from time to time and the same is available with branches.
12. Dishonour of Cheques - Procedures:


12.1 Procedure for return / dispatch of dishonoured cheques

a. Branches will return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Bankers' Clearing Houses.

b. In relation to cheques presented direct to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such dishonored cheques to payees / holders immediately.

c. In case of dishonor/return of cheques, the paying bank should clearly indicate the return reason code on the return memo/ objection slip which should also bear the signature/initial of the bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonor as “insufficient funds”.

d. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 48 working hours on the address recorded in Bank’s database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer on the same or next working day, bank will send them back at the recorded address by post or courier.

e. Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers on the address mentioned within 48 working hours. However, in cases with incomplete address, incomplete phone no., no phone number mentioned on the Pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.

12.2 Information on Dishonoured Cheques

a. Data in respect of each dishonoured cheque for amount of Rs.1.00 crore and above will be made part of Bank’s MIS on constituents.

b. Data in respect of cheques drawn in favor of stock exchanges and dishonoured will be taken separately irrespective of the value of such cheques as a part of Bank’s MIS relating to broker entities at Central Office.
c. Bank will place before Audit / Management Committee, every quarter, consolidated data in respect of the matters referred to above.

12.3 Dealing with incidence of frequent dishonour:

12.3.1 Dealing with frequent dishonour of cheques of Rs.1.00 crore and above

a. With a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. The bank may also consider closing current account at its discretion.

b. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice (Physical or Electronic) to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice (Physical or Electronic) will be issued if the bank intends to close the account.

12.3.2 Dealing with frequent dishonour of cheques of value of less than Rs.1.00 crore

a. On the same lines mentioned above, with a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheques of value of less than Rs.1.00 crore, drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued and bank may consider to close the account at its discretion.

b. If a cheque is dishonoured for a fourth time on a particular account of the drawer during the financial year, bank will issue a cautionary advice (Physical or Electronic) to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fifth occasion on the same account during the financial year. Similar cautionary advice (Physical or Electronic) will be issued if the bank intends to close the account.

12.4 Regulatory relaxation in terms of Discretion

12.4.1 As per RBI circular Ref No. DBR.No.Leg.BC.3/09.07.005/2016-17 dated 04.08.2016 it has been left at the discretion of the Bank to determine the course of action/response to dishonor of cheques of the account holders.

12.4.2 Also as per RBI circular reference RBI/2015-16/59 DBR No.Leg.BC.21/09.07.006/2015-16 dated 01.07.2015, Bank’s needs to have an internal mechanism for dealing with the instances of frequent dishonour of cheques of value of less than Rs. 1 crore including dishonor of ECS mandates.
12.4.3 The Bank already has a well-developed Early Warning Signal Ecosystem as per Policy on Resolution of Stressed Assets 2020-21 conveyed vide IC no 02012-2020 dated 03.04.2020 which includes Cheque Return as “Early Warning Signal” in loan accounts. Therefore, keeping in view the volume of business of the Amalgamated Entity and as per discretion given to the Bank by RBI, provisions as per point 12.3.1 (a) & 12.3.2 (a) & (b) has been dispensed off.

12.4.4 As per the Policy on Resolution of Stressed Assets 2020-21 referred above, the Early Stress Signals are reflected in the account 180 days before the account goes into SMA. The following Cheque Return/s Triggers is also a part of the Early Stress Signals triggers under the Predictive Model built on the Regression Analysis/ Machine learning :-

<table>
<thead>
<tr>
<th>SN</th>
<th>Triggers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Inward Cheque Return - Nos</td>
</tr>
<tr>
<td>2.</td>
<td>Outward Cheque Return - Nos</td>
</tr>
<tr>
<td>3.</td>
<td>Inward Cheque Return - Amount</td>
</tr>
<tr>
<td>4.</td>
<td>Outward Cheque Return - Amount</td>
</tr>
<tr>
<td>5.</td>
<td>ECS/NACH/SI - Availability/Failure</td>
</tr>
</tbody>
</table>

12.4.5 These warning signals is further disseminated through the CMRD Portal for use of Branches/Regional Offices/Zonal Office/Central Office for close monitoring of the loan portfolio.

12.4.6 The details of Cheque Return/s is also taken while assessing the Credit Rating of the Borrowal Accounts during Loan Processing/Sanctioning process.

12.4.7 Further, details of Cheque Return/s in the loan accounts are also captured in the Approval Note (Executive Summary) in case of Loan Accounts for prudent decision making during sanctioning process.

13. Issuance of Cheque with Random Number

13.1 In order to curb cheque related frauds, Bank has introduced additional security feature of Random Number on the cheques w.e.f. 27th November 2017, as per IC 040069:2017 dated 5th December 2017. As per this the system prompts for Random Number for Passing Rs.2.00 lacs and above cheques at Branches/Service branches. This module is stabilized and effective in curtailling cheque related frauds to large extent.

13.2 All the customers should be issued cheques with alphanumeric random number. Customers should physically handover their old cheques to branches and such cheques should be marked as surrendered in the system and physically also these should be destroyed immediately after issue of new cheques with random number. All the branches are advised to identify such customers of their branch who use more number of cheques and convince these customers to
replace the existing cheques which are not having the security feature of alphanumeric Random number with the cheques having Alphanumeric random number immediately.

14. Verification of Cheques presented in clearing at various centers by Base Branch

14.1 As per IC No. 00843-2017 dated 04.05.2017, all Cheques of Rs.2.00 Lakhs and above presented for payment in CTS/MICR Clearing, Cash Payment, NEFT/RTGS/Transfer should be invariably cross verified by contacting the customer and obtaining confirmation over registered phone/email/SMS.

14.2 The detailed guidelines are reiterated vide IC No.1052:2017 dated 19th December 2017, whereby base branch has to contact the customer for getting confirmation on issuance of the cheque either through telephone/e-mail/SMS.

14.3 By invoking the Option “15” i.e. “Inward Cheques lodged in other branches” under “QUERY” Menu every day, branch gets the details of all inward cheques of the respective “SOL” presented in clearing at various service branches. The details/image of these cheques can be verified from “HICTMO” menu.

i. “QUERY” Menu → Option “15” → Gives List of cheques lodged in other branches.

ii. “HICTMO” menu → Verify details/image of the Cheque

From the Inward Clearing report generated, Branch Officials has to go through the cheques lodged and contact the customer for verifying the issuance of the cheque in case of Cheques of Rs.2.00 lakhs and above.

Printout of the list generated in ‘Query’ option with signatures of branch officials who permitted the transactions should be held at branch and the same file can be used as Register.

Data in respect of each dishonored cheque for an amount of Rs.1.00 crore & above should be made part on constituents, and concern branches should report such data to their respective controlling office / Head Office [Ref. RBI Circular no. DBOD.BC.Leg No.113/09.12.001/2002-03 dated 26.06.2003].

14.4 In case of any doubt even when the amount is below Rs.2.00 lacs or the payment is to an entity/person not connected to the previous trend of the account or profile or business of the customer, take confirmation from the customer though it is less than Rs.2.00 lakhs. Bank also provides SMS to customers on lodgment of cheque in clearing, so that customers are kept informed.

14.5 All big value cheques should be brought to the notice of the Branch Head / Dy. Branch Head.

14.6 The name of the official confirming/honoring of such cheque should be recorded. A register should be maintained for such transactions recording the name of the official of the base branch who has permitted the transaction as per IC No.00843-2017 dated 03.05.2017.
14.7 Maintenance of this register (Physical or electronic in CBS) is mandatory and auditors and inspecting officials will verify the register during their visits to the branches and comment on adherence of norms by the branch.

14.8 If any cheque is not issued by the customer or branch suspects the genuineness of the cheque due to the features appearing on the image of the cheque or if they fail to get confirmation from the customer, it should be informed to the respective service branch before 12.00 Noon on the same day for returning the cheque to Clearing House and alerting the presenting bank.

14.9 Service branches should also continue to contact the base branches (Customer in case of Holiday at Base Branch Centre) as per IC No. 00843-2017 dated 03.05.2017.

15. Proposed Process of CTS clearing in the Amalgamated Entity

It is observed that in all three entities i.e. Union Bank of India (stand-alone), e-CB and e-AB, three different CTS applications is in use. In order to have common application in amalgamated entity, and to overcome the issues faced in the existing CTS application, Bank has divided the proposed implementation strategy in two categories i.e. short term (1-2 months period) & long term (3-4 months) for all Branches in the Amalgamated Entity.

15.1 Three enhancements is being explored/implemented in existing CTS architecture which are cheque scanning at branches and Centralized Positive Pay System of NPCI (Facility to customer to scan and upload the cheque at their end).

a. Centralized Positive Pay System of NPCI (Facility to customer to scan and upload the cheque at their end): Positive Pay is an automated system where the customers and Banks can upload the details of cheque /instruments issued by them. This database will be used to verify the credentials of instruments at the time of processing the instruments through CTS clearing. In its simplest form, it is a service that provides database to match fields like payee name, amount and date of instrument. This will be centralized system which will be available for Banks. Banks should collate the data from their retail and corporate customers and upload the same into CPPS. A separate application is created which can be accessed via internet for Banks, corporate and retailers.

It is also informed that National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant Banks. Banks in turn shall enable it for all account holders issuing cheques for amount of Rs.50,000/- and above. While availing of his facility is at the discretion of the account holder, Banks may consider making it mandatory in case of cheques for amounts of Rs.5,00,000/- & above. Only those cheques which are complaint with above instructions will be accepted under dispute resolution mechanism at the CTS grids. Member banks may implement similar arrangements for cheques cleared/collectiong outside CTS as well. We shall be placing our note / policy on the above shortly. [Refer IC: 2374-2020-2020 dated 06.01.2021]

b. Remote Deposit Capture Suite (cheque scanning through Mobile/Tablet): The product enables the cheque image capture through the Mobile/Tablet thereby reducing the Turnaround Time (TAT) and cost of cheque processing at Branches with low cheque volumes. This enables the Bank to be part of CTS clearing with minimum capital expenditure. The images captured through the RDC channel is first processed in the RDC server where real
time IQA validations are carried out. Once the cheque is successfully deposited, the images are transferred to CTS Platform for further processing. A separate circular will be issued with regard to detailed process / workflow after getting prior approval from the Competent Authority.

c. Rationalization of Service Branches: Amalgamated Entity has 69 Service Branches and hence the rationalization/ harmonization of the same is also anticipated keeping in view colocation and/or grid concept of clearing operations.

16. General:

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

At the cost of repetition, it is reiterated that, all the cheque, if they are to be returned for want of funds in the account, then they will be returned with the reason “Insufficient Funds in the account” only.

17. SMS/e-mail Alerts:

The Bank as a policy has enabled the customer to receive SMS/e-mail based alerts for presentation, realization or dishonor of instruments sent through clearing/collection.

18. Validity & Review of the Policy:

The policy shall be reviewed annually in tune with the regulatory guidelines issued from time to time or internal requirements or as and when considered necessary.