



Bank of Bahrain and Kuwait B S C

BANK OF BAHRAIN AND KUWAIT BSC

POLICY ON COLLECTION OF CHEQUES

1. Introduction

This policy is framed in view RBI Circular to improve efficiencies in collection of cheques and other instruments and is based on the Model Policy made by Indian Banks' Association. This policy document covers the following aspects:

- Collection of cheques and other instruments payable locally, at centres within India and abroad.
- Our commitment regarding time norms for collection of instruments.
- Payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments.
- Dealing with collection instruments lost in transit.

Under this policy, prepaid instruments like Demand Drafts, Bankers' Cheques, Pay Orders, Interest / Dividend Warrants shall be treated on par with cheques.

RBI has advised all CBS enabled banks to issue only "payable at par at all branches"/"multi-city" CTS-2010 Standard cheques to all eligible customers without extra charges. Further, the Banks have been advised that, effective from 01-07-2014, only CTS-2010 standard instruments shall be sent for collection in the CTS clearing centres. Non-CTS-2010 instruments shall be sent for collection through the clearing centres on a restricted basis.

In line with the above directives, the Bank shall henceforth issue only CTS-2010 standard cheques with the words "Payable at Par at all branches" printed to enable customers and collecting bank branches to be aware of such status.

2. Arrangements for Collection:

2.1. Local Cheques

2.1.1 All cheques etc payable locally or "at par at all branches" shall be presented through the clearing system prevailing at the Branch location. Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time i.e. 4.00 pm, (1.00 pm on Saturdays) will be presented for clearing on the same day.

2.1.2 Cheques deposited after the cut-off time and in collection boxes outside the branch premises will be presented in the immediate next clearing cycle.

2.1.3 Bank would give credit to the customer account on the same day, when clearing settlement takes place.



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2.1.4 Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing-house of respective Branch locations.

2.1.5 The above time frame for collection of cheques applies to CTS-2010 standard instruments only. Non-CTS-2010 standard instruments will be cleared at less frequent intervals in the CTS clearing centres. The Bank's customers shall be advised to accept only CTS-2010 standard instruments from their clients to ensure timely collection.

2.1.6 Non-CTS-2010 instruments will be presented for clearing as per the advice of the Clearing House. If that particular day is declared a holiday under the Negotiable Instruments Act, 1881, the instruments will be presented on the previous working day.

2.1.7 At centres where no clearing house exists, Bank branches, 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.

2.2. Outstation Cheques

2.2.1 Cheques drawn on other banks at outstation centres (and not "payable at par at all branches") shall normally be collected through the Bank's branches and/or branches of our correspondent banks as per the arrangement at those centres.

2.2.2 Where the Bank does not have a branch/or correspondent arrangement of its own, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank.

2.2.3 Cheques drawn on the Bank's own branches at outstation centres will be handled at the local centre as follows:

- a. The local centre will provide its customers same day credit in respect of outstation instruments drawn on any of our branches in the CBS network.
- b. Wherever the drawee branches of other banks are in CBS and the instruments are marked with "CBS" or "payable at par at all branches", such instruments shall be presented in the local clearing.

2.3 Cheques payable in Foreign Countries:

2.3.1 Cheques payable at centres in foreign countries, where the Bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office.

2.3.2 The services of correspondent banks will be utilized where the cheques are drawn on such correspondents.



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- 2.3.3 Cheques (other than in USD) drawn on foreign banks at centres where the bank or its correspondents do not have direct presence will be sent direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.
- 2.3.4 In case where the Bank is not maintaining Nostro Account in the currency of instrument, the drawee bank shall be entrusted to convert the collection proceeds in to currency in which we have Nostro Account.
- 2.3.5 Cheques in USD / payable in USA are not accepted for collection.

2.4 Immediate Credit of Local / Outstation Cheques / Instruments:

- 2.4.1 The Bank shall consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000/- tendered for outstation collection by individual account holders subject to **satisfactory conduct** of such accounts for a period not less than 6 months.
- 2.4.2 Immediate credit shall be provided against such collection instruments at the specific request and undertaking of the customer to reimburse the Bank if the cheque is not honoured or as per prior arrangement.
- 2.4.3 The facility of immediate credit shall also be made available in respect of local cheques at centres where no formal clearing-house exists.
- 2.4.4 The facility of immediate credit shall be offered on Savings Bank / Current / Overdraft Accounts of the individual account holders.
- 2.4.5 For extending this facility there will not be any separate stipulation of minimum balance in the account.
- 2.4.6 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.
- 2.4.7 For the purpose of this Policy, a satisfactorily conducted account shall be the one, opened at least six months earlier and complying with KYC norms and:
- a) Conduct of which has been satisfactory and the Bank has not noticed any irregular dealings.
 - b) Where no cheques/instruments for which immediate credit was afforded earlier returned unpaid for financial reasons
 - c) Where the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
 - d) The Account is KYC-compliant and has regular transactions.
- 2.4.8 The Bank shall levy normal collection charges and out-of-pocket expenses while providing immediate credit against outstation cheques tendered for collection.



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2.4.9 Exchange/Interest charges applicable for cheque purchase will not, however, be charged.

2.5 Charging of Interest on outstation cheques returned unpaid where Instant Credit was given:

2.5.1 If a cheque sent for collection for which immediate credit was provided by the Bank is returned unpaid, the value of the cheque shall be immediately debited to the account, **with value date of the date of credit**, to nullify the interest effect.

2.5.2 The customer will not be charged any interest from the date immediate credit was given to the date of return of the instrument unless the bank had remained out of funds on account of withdrawal/utilisation of funds.

2.5.3 Interest where applicable shall be charged on the notional overdrawn balances in the account had the credit not been given initially.

2.5.4 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.

2.6 Purchase of local/outstation cheques

Any request for purchase of a cheque by the customer will be handled as per the guidelines of Credit Policy of the bank.

2.7 Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account:

RBI has strictly prohibited the banks from crediting 'account payee' instruments (cheques, demand drafts, pay orders and banker's cheques) to the account of any person other than the payee named therein. Accordingly, the Bank shall not accept for collection 'account payee' instruments for any customer other than the payee constituent.

Where the drawer / payee instructs 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' instrument, such instructions can be accepted only when the drawer / payee of the instrument with the 'account payee' mandate thereon, gets the same withdrawn by the drawer. This instruction would also apply with respect to the instrument drawn by a bank payable to another bank.

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



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- 3.1 For local cheques presented in clearing credit shall be afforded as on the date of settlement of funds in clearing and the account holder shall be allowed to withdraw funds as per return clearing norms in vogue.
- 3.2 For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:
- a. State Capitals: Maximum period of 7 days.
 - b. In major cities where courier/speed-post services are available: Maximum period of 10 days.
 - c. In all other locations: Maximum period of 14 days.
- 3.3 Cheques drawn on foreign countries: Such instruments shall be accepted for collection on the 'best of efforts' basis.
- 3.4 The Bank shall give credit to the party on credit of proceeds to the bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.
- 3.5 The above time norms are applicable for cheques/instruments drawn on the Bank's own branches as well as on branches of other banks.
- 4. Payment of Interest for delayed Collection of Outstation Cheques:**
- 4.1 In case there is delay in giving credit beyond the time period mentioned above, the Bank shall pay interest to its customer on the amount of collection instruments.
- 4.2 Such interest shall be paid without any demand from customers in all types of accounts.
- 4.3 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.
- 4.4 Interest shall be paid for the delayed period beyond the specified days at Savings Bank a/c interest rate for the minimum slab.
- 4.5 In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest shall be paid at the rate applicable to the loan account. It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.
- 5. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:**
- 5.1 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 on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments.



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- 5.2 The onus of such loss lies with the Bank and not the accountholder.
- 5.3 The Bank shall provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- 5.4 The Bank shall compensate the account holder in respect of instruments lost in transit in the following manner:
- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest shall be paid for the period exceeding the stipulated collection period at the rates specified in Para 4 above.
 - b) In addition, the Bank shall pay interest on the amount of the cheque for a further period of 15 days at minimum slab of Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
 - c) The Bank shall 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 that would charge a fee for issue of duplicate instrument.
 - d) In such cases, the Bank shall charge collection charges once only.
 - e) If the cheque / instrument has been lost at the paying bank's branch, the Bank shall have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

6. Cheques sent for Collection returned – Charges and representation:

- 6.1 Where cheques sent on collection are returned unpaid, charges as per the Bank's Schedule of Service Charges and out-of-pocket expenses shall be recovered.
- 6.2 The Bank shall charge cheque return charges only in case where the customer is at fault and is responsible for such returns.
- 6.3 On receipt of dishonoured cheques, the Bank shall dispatch (by Registered AD) immediately to the payees / holders after recording in the Register maintained for the purpose.
- 6.4 The cheques may also be handed over to the authorized representative of the payee against acknowledgement in the Register.
- 6.5 The dishonoured cheques shall be returned/dispatched to the customer promptly without delay, in any case within 24 hours.
- 6.6 In cases where the cheques need to be re-presented without any recourse to the payee, such re-presentation shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such representation through SMS alert, email etc.



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7. Return of cheques in case of Link failure:

Link failure is an operational disruption and in situations of Link/Connectivity/Network failure issues, the RBI instructions vide circular No.DPSS.CO (CHD) No.1749/03.06.03 /2008-2009 dated 02.04.09 shall be followed as detailed below:

- Bank shall explore other alternatives before returning the cheques.
- After exhausting all avenues, if it is necessary to return the Cheque due to link failure, it may be returned under Reason Code 84 (Other reasons – Connectivity Failure), with no charges debited to the payee's account.
- No charges shall be recovered from the payee for return of the Cheque in such cases. Such cheques shall be re-presented in the next clearing without waiting for request from the payee.

8. 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, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc) beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters

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