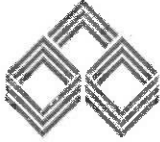


<p>From Indian Overseas Bank Central Office 763, Anna Salai Chennai 600002</p>		<p>Ref: No Misc/448/2022-23</p> <p>Dated: 04.03.2023</p> <p>Issuing Department: Banking Operations</p>
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Circular to All Branches/Regional Offices/Other Offices

Policy on Collection of Cheques/Instruments

Preamble

The Cheque Collection Policy of the Bank reflects our ongoing 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. Policy on Collection of Cheques/Instruments was earlier approved by Board on 21.05.2020 and communicated through Circular No. Misc./22/2020-21, Dated: 16.06.2020.

During the Policy Renewal Process, Regulatory Directions, Internal and External Audit Observations, Revision/Modification in the Existing Policy Terms and Additional requirements have been considered and Board has approved renewal of the Policy on 09.02.2023.

Operational Instructions:

Revised Policy on Collection of Cheques and Instruments as approved by the board is provided as Annexure. The Salient Features of the Policy Includes the following

- ❖ 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 of Instruments Lost in Transit.
- ❖ Doorstep Banking Services through PSB Alliance
- ❖ Positive Payment System (PPS) on Cheque Truncation System.

Conclusion:

Branches and Regional Offices are advised to adhere to the revised guidelines under the Policy on Collection of Cheques/Instruments for rendering effective Customer Service.


(Sudhir Prasad Thakur)
General Manager



Indian Overseas Bank
Banking Operations Department Central Office Chennai
POLICY ON COLLECTION OF CHEQUES / INSTRUMENTS

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(Annexure to Circular No.Misc./ 448 /2022-23, Dated: 04.03.2023)

Indian Overseas Bank
Banking Operation Department
Central Office, Chennai

Policy on Collection of Cheques / Instruments

1. Preamble:

From April 27, 2013 onwards, after migration of the entire cheque volume from MICR system to CTS, the traditional MICR-based cheque processing has been discontinued and cheque truncation has started. Cheque truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank to the paying bank branch. In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like date on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across bank branches, other than in exceptional circumstances for clearing purposes. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing.

The electronic movement of images can facilitate reduction in the clearing cycles as well. Moreover, there is no fear of loss of instruments in transit. Further, limitations of the existing clearing system in terms of geography or jurisdiction can be removed, thus enabling consolidation and integration of multiple clearing locations managed by different banks with varying service levels into a nationwide standard clearing system with uniform processes and practices. Under grid based cheque truncation system clearing, all cheques drawn on bank branches falling within the grid jurisdiction are treated and cleared as local cheques. No outstation cheque collection charges / Speed Clearing charges to be levied if the collecting bank and the paying bank are located within the jurisdiction of the same CTS grid even though they are located in different cities. Detailed circular regarding the procedure of CTS is in place.

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 centres 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.



2. Arrangements for Collection:

2.1. (a) Local Cheques

All Cheque Truncation System (CTS) Compliance cheques and other Negotiable Instruments which are payable under a grid system will be presented through the clearing system prevailing at the centre. 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 on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted after the cheque return schedule of the clearing house. All branches will fix up the day's cut off time for the inclusion of instruments for clearing, taking into account the time required for scanning, uploading and other related operations. While arriving at the said cut off time, care would be taken to extend maximum leverage time to the advantage of the customers. Once the clearing zone is cleared Branch Manager to ensure that the credits are released and regularized. Display board will be placed in the banking hall, indicating the cut off time limit for receipt of cheques for clearing for the day.

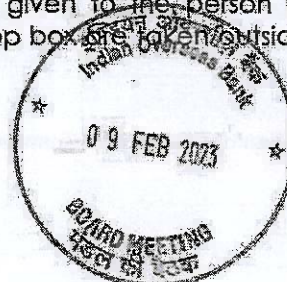
2.1 (b) Bank branches situated at centres which are not members of any CTS Grid or where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest but not later than 7 working days from the date of deposit by Customer.

2.1. (c) The cheque / instruments drawn on Banks which are participating in the CTS clearing of the respective Grid will be presented through CTS clearing and credit are passed on to the customer's account accordingly.

2.1 (d) The cheque/ instruments drawn on banks which are not participating in the respective Grid but participating in the other Grids, will be sent to the concerned CBOs for presentation in the CTS clearing for realization of the proceeds for credit to customer's account accordingly.

2.1 (e) The cheque /instruments drawn on bank's which are not participating in the CTS clearing at all, then the instruments will be presented directly or through our branch if any in the same centre, for over the counter presentation.

All the branches having cheque drop box facility to be secured with lock and key. The customer can drop the cheques directly in the box or tender the instruments to the counter staff. When the cheque is handed over to the staff member an acknowledgement will be given to the person tendering the cheque. The cheque dropped in the drop box are taken outside for lodging.



under the supervision of an officer. If an instrument is lost after being received at the branch either personally or through drop box, or if there is delay in crediting the proceeds the bank will take quick action to protect the interest of the customers.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centres other than those covered under 2.1 above, will normally be collected through bank's branches at those centres. Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through correspondent bank.

Branches which are connected through a centralized processing arrangement and are offering anywhere banking services to its customers will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches in the CBS network if received in the branch up to specified time and latest by next working day if deposited / dropped in collection box outside the branch premises including the offsite ATMs.

2.3 Cheques payable in Foreign Countries

USD Cheques upto USD 10,000.00

All USD clean instruments/cheques payable in USA up to USD 10,000 will be sent to The Chief Manager, Treasury Department, Central Office, Chennai only, for collection under Bank of America "International Cash Letter Services (ICLS)" by all the Authorised Dealer (AD) branches irrespective of their designated US Dollar correspondent.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

USD Cheques above USD 10,000.00

Cheques above USD 10,000 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/centres where the correspondent has presence. Cheques 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.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments / cheques.



Policy on Collection of Cheques/ Instruments



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EUR Cheques

All clean instruments/ cheques of currency EUR drawn on Banks in Euro Zone, UK and Switzerland will be sent by the Authorised Dealer (AD) Branches to The Chief Manager, Treasury Department, Central Office for collection under Euro Cash Letter Services provided by Standard Chartered Bank irrespective of their Designated Correspondents.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

GBP Cheques

All clean instruments/ cheques drawn in currency GBP will also be sent by the Authorised Dealer (AD) Branches to The Chief Manager, Treasury Department, Central Office for collection through Cash Letter Services provided by Standard Chartered Bank.

Credit to customer's account to be effected after 21 days from the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean instruments/ cheques.

Cheques in Other Currencies

Cheques drawn on currencies other than USD, EUR and GBP payable at foreign centres 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/centres where the correspondent has presence. Cheques 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.

Credit to customer's account to be effected on final credit basis i.e., the date of credit to our Nostro Account (Value Date) for collection of Foreign Currency clean Instruments / cheques.

General guidelines:

- 1) The exchange rate will be the rate applicable on the date on which the foreign currency is converted in Indian Rupees and credited to the customer's account by the Bank (Date of Vouching).
- 2) As returns on account of frauds and forgeries have no time frame, branches are advised to conduct due diligence and comply with KYC/AML guidelines strictly in respect of new accounts, dormant

Policy on Collection of Cheques/ Instruments



accounts and in-operative accounts or such accounts where recovery (in case of return of cheque) will be difficult.

- 3) Cheques are not to be accepted for collection from customers representing receipt of foreign contribution by entities like associations/organisations having definite cultural, economic, educational, religious and social programmes and governed by the Foreign Contribution Regulation Act, 2010."

2.4 Immediate credit of local / Outstation cheques/ Instruments:

Branches of the Bank will consider providing immediate credit of outstation Cheques/ instruments drawn on other Banks, up to the aggregate value of Rs. 15000/- tendered for collection by individual account holders, subject to satisfactory conduct of such accounts for a period not less than 6 months, immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangements.

The facility of immediate credit will be offered on savings bank/ current/ cash credit accounts of the customers. In the event of dishonour of cheques against which immediate credit was provided, interest shall be recovered from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers, and at commercial rate of interest for current/ Cash credit account of customers.

For the purpose of this policy, a satisfactorily conducted account shall be the one:

- a) Opened at least six months earlier and complied KYC norms.
- b) Conduct of the account has been satisfactory and bank has not noticed any irregular dealings.
- c) Where no cheques/ Instruments for which immediate credit was afforded, returned unpaid for financial reasons.
- d) 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.

2.5 Purchase of Local and Outstation cheques:

Bank may at its discretion, purchase local outstation cheque tendered for collection at the specific request of the customer or as per the prior arrangement. Besides satisfactory conduct of account, the standing of the

Policy on Collection of Cheques/ Instruments



drawer of the cheque will also be a factor considered while purchasing the cheque.

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

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Cheques payable at CTS centres: Maximum period of 7 days.
- b) Cheques drawn on foreign countries; Cheques/instruments are accepted for collection on the 'best of efforts' basis. The bank is committed to ensuring that instruments drawn in foreign currencies and payable outside India are collected in the quickest and most efficient manner, towards this the Bank may enter into specific collection arrangements with its correspondent banks in those countries for speedy collection of such instrument(s). Bank would give credit to the party upon realisation credit of proceeds into the bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

Country/location specific times norms wherever stipulated will be specified for foreign currency instruments and made known to the customers at the point in time of while accepting instruments for collection.

4. Payment of Interest for delayed Collection of Outstation Cheques and Instruments sent for collection within India

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 above. Such interest shall be paid without any demand from customers in all types of accounts. 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.

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

- a) Saving Bank Rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Savings bank rate whichever is higher.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to the loan account.

Policy on Collection of Cheques/ Instruments



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5. Collection of account payee cheque to third party account:

As per Negotiable Instrument Act and with a view to protect the banks being burdened with liabilities arising out of unauthorised collection, bank should not collect account payee cheque for any person other than account holder.

In order to facilitate collection of cheques from a payment system angle, account payee cheque deposited with sub member for credit to their customer's account can be collected by the member bank (sponsor bank) with an undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only upon realization. It is further clarified that collecting bank may consider collecting account payee cheques drawn for an amount not exceeding Rs. 50000/- to the account of the customer who are cooperative credit societies, if the payee of such cheques are the constituent of such cooperative societies.

It is also to be noted that w.e.f 01.04.2012, banks should not make payment of cheques/ draft/pay order bearing the date or any subsequent date, if they are presented beyond the period of three months from the date of such instruments.

6. Cheques / Instruments lost in transit / In clearing process or at paying bank's Branch:

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 such 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. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank, the bank will compensate the account holder in respect of instruments lost in transit in the following way:

- i. 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 will be paid for the period exceeding the stipulated collection period at the rates specified above.
- ii. 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 for likely further delay in obtaining duplicate cheque/ instrument and collection thereof.

Policy on Collection of Cheques/ Instruments



- iii. 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.

Miscellaneous:

1. Cheques received back unpaid will be returned by post/ courier etc. to the customer within 24 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 within 15 days bank will send them back at the recorded address by post or courier.
2. Bank will levy cheque return charge only in cases where the customer is at fault and is responsible for such returns.
3. Regarding the dealing of frequent dishonour of cheques of value Rs.1crore and above, bank has issued detailed circular with No MISC/391/2009-10 dated 14.08.2009 by Banking Operations Department.

7. Cheques/ debit instructions issued by the customers:

- a) Bank will keep original cheques/ debit instructions acted upon from the customer's account or copies or images of the cheques received from the presenting bank under Cheque Truncation System (CTS) for such periods as required by law.
- b) Bank will give the cheque / image of the cheque/ debit instruction acted upon or copy thereof as evidence as long as records are available with us. If there is a dispute about a cheque paid / debit instructions from customer's account and in case the request for such cheque/ debit instructions, no charge will be levied. In respect of requests received beyond this period, charges will be levied as per tariff schedule.

8. PSB Alliance – Doorstep Banking Services:

PSB Alliance Doorstep Banking Services has been launched to customers of all public sector Banks through a common platform under supervision of IBA. Doorstep banking services offered for collection of cheques through PSB alliance or similar agencies is only an extended customer service rendered by the bank for picking up of the negotiable instruments from the customer's door steps and hence such collection process is not a part of this policy.



This policy on collection of cheques/instruments deals with the core function of the bank as a "Collecting Banker" in the normal banking parlance.

However, the negotiable instruments collected through DSB process may be included under the purview of this policy after these cheques/instruments are duly deposited at branch counters or in the collection boxes within the Branch premises.

9. Positive Pay System (PPS) on Cheque Truncation System

To augment customer safety in cheque payment and reduce instance of Fraud, RBI has introduced a new mechanism "Positive Pay System on CTS" from January 2021 for all the cheques of Rs. 50,000 & above and mandatory for Rs.5.00 lakhs and above.

The Cheque details which are available in the Positive Pay System will alone be accepted under Dispute Resolution Mechanism at the CTS Grids

PPS has been facilitated through the following channels with effect from 1st January 2021

- Internet Banking
- Mobile Banking
- Website www.iob.in (those who do not have Internet Banking/ Mobile Banking)

Cheque of Rs 5.00 Lakhs and above , if not complied with the Positive Pay Guidelines will be dishonoured.

10. Service Charge

Bank will recover appropriate service charges for all collection services as decided by the bank from time to time and communicated to customer, displayed on Bank's website.

11. 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, Lock out, 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 for all types of transportation etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.



12. Validity of the Policy:

This policy is valid for a period of three years from the date of approval and review to be done every year. MD & CEO has the discretion to extend the validity of the policy by 6 months. Any changes suggested by RBI/Other Regulatory authorities during the currency of the said Policy, will automatically form part of the Policy.

