

KOTAK MAHINDRA BANK LTD.
Policy for Cheque Collection

Version 1.06

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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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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. 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 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 Local Cheques - All cheques and other negotiable instruments payable locally would be presented through the clearing system prevailing at the centres.

All CTS Compliant cheques and other Negotiable Instruments which are payable under a Grid system will be presented through the CTS clearing system prevailing at the centre. Cheques deposited at branch counters, Cheque Deposit Kiosks and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same

day subject to the instrument being otherwise in order in all technical aspects. Cheques with discrepancy will not be presented and returned to the customer through the depositing/ home branch. The cut off timings vary from branch to branch. The applicable cut off timings will be displayed at respective branches and cheque drop box for the benefit of the customers.

Cheques deposited after the cut-off time in branches and in Cheque Deposit Kiosks & 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 post return clearing and after the clearing settlement for cheques deposited is posted in the RBI Account. In certain categories of cheques, (subject to amendments in guidelines) or instruments demanded by the correspondent Bank, Central & State government cheques or Image Quality Assessment (IQA) failure will be presented in physical form to the drawee Bank.

2.2 Outstation Cheques

2.2 (a) Cheques drawn on other banks at outstation centres other than those covered 2.1(a) 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 a correspondent bank.

2.2 (b) Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. 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

Cheques 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.

The cooling period (no of calendar days from date of receipt of Credit in KMBL Nostro) will be as below –

Cheque Currency	With cash Letter	On Collection
USD	21 calendar days from date of receipt of credit in Bank Nostro Account	Same day on receipt of credit from Drawee Bank
GBP / EUR / CAD	21 calendar days from date of receipt of credit in Bank Nostro Account	Same day on receipt of credit from Drawee Bank depending upon the time zone.
SGD / AED	NA (No Corr Bank relationship for cheque collection)	21 calendar days for Individuals and Non individuals
JPY / CHF	NA (No Corr Bank relationship for cheque collection)	Same day on receipt of credit from Drawee Bank depending upon the time zone.

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

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

Cheques payable at CTS Centres: Maximum period of 7 working days.

3.2 Cheques drawn on Foreign Countries:

Such 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 realization credit of proceeds into the bank's NOSTRO Account with the correspondent bank after taking into account cooling periods as applicable to the countries / currencies concerned.

The 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. Immediate Credit of Outstation Cheques / Instruments

As per Banks policy, the bank may provide immediate credit against outstation cheques at the request of the customer depending upon the eligibility of accounts, amount to be credited and the rate of interest to be charged etc.

In all such cases normal cheque collection charges, cheque return and charging of interest on cheques returned unpaid would be charged as per Banks general schedule of charges.

5. Purchase of local / outstation cheques

Bank may, at its 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 Payment of Interest for delayed Collection of Local / Outstation Cheques and Cheques Payable outside India

- 6.1 In case of any delays in sending the cheques for clearing beyond the timelines defined in Point 2.1 to 2.3 above, bank will compensate the customer at the savings bank rate as applicable for balance of Rs. 1 lakh and below for a period equivalent of the delay without the customer having to place a request for the same. This credit will be given to the customer at the end of the month in which such delay occurred.
- 6.2 As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of clearing instrument sent for collection in case there is delay in giving credit beyond the time period mentioned above in Point 3 after the cheque is presented in clearing subject to the cheque otherwise being in order.

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. However bank will not be liable for compensation if clear funds are delayed due to unavoidable circumstances like riots, bandh, delay in return presentation by the drawee bank, etc.

- 6.2. Interest for delayed collection beyond the period specified above shall be paid at the following rates:
- a) Savings Bank rate as applicable for balance of Rs. 1 lakh and below for the period of delay beyond 7 days in collection of outstation cheques payable at CTS Centres.
 - b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the respective period.
 - 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. It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India

- d) In the event the proceeds of cheque under collection was to be credited to an overdraft / loan account of the customer, the rate should be the OD Interest Rate if the customer has utilized part / full OD amount, else the interest rate would be as applicable for Savings Account for balance of Rs. 1 lakh and below for a period equivalent of the delay on the amount of the cheque.
- e) At certain locations where the bank has no branches, the instrument would be directly sent for collection to the drawee bank or collected through a correspondent bank. On account of any unjustified delays on the part of the drawee bank in sending proceeds to the collecting bank i.e KMBL, KMBL would pay compensation to the customer for the period of delay beyond 14 working days.

6.3. Interest for delayed collection of foreign currency cheques:

Customers will be compensated for delay in foreign currency cheques by way of interest for cases where there is a delay beyond one week of stated collection period without any demands from the customer.

The interest shall be paid on the actual amount that is credited to the customer account on realisation of the cheque as following:

- a) Savings Bank rate as applicable for balances of Rs. 1 lakh and below for the period of delay upto 30 days from the agreed date of realisation.
- b) Where such delay is beyond 30 days interest will be paid at the rate applicable to for term deposit for the respective period (upto 90 days)
- c) In case of extraordinary delay, i.e. delay beyond 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.

7. Cheques / Instruments lost in transit / cheques dishonoured / in clearing process or at paying Bank's branch:

7.1. In the event a cheque or an instrument accepted for collection is lost in transit in the clearing process or at the paying bank's branch:

- a. 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.

- b. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. In case, the cheque is lost by the bank, charges if any for recording the stop payment will be borne by the bank.

7.2 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:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (as mentioned in Point 3) 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 as applicable for balance of Rs. 1 lakh and below to provide for likely further delay in obtaining duplicate cheque / instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges (up to Rs.500/-) 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.

7.3. **Miscellaneous:**

- a) Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the depositing branch within 48 working hours. In the case of cheques dropped in ATM / cheques collection boxes / vendor pickups, the Bank will send the cheques to the home branch of the customer. In case the home branch is not identifiable (eg. Due to wrong account number capture), the said cheques would be sent to the Service Branch and retained at the clearing location. 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.

- b) 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 within 15 days bank will send them back at the recorded address by post or courier. The cheque return charges for the same will be collected as defined in the General Schedule of Charges.

8. Service Charge

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

9. Charging of Interest on cheques returned unpaid where Instant Credit was given:

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. As per various arrangements with the customer, bank shall recover interest for the period wherein bank was out of funds and / or per instrument rate which is applicable to customer as return charges. If the proceeds of the cheque were credited to the Savings Bank Account and was 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 clean overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/ instrument was returned unpaid to the extent the bank was out of funds.

10. The Bank will pay the customer savings bank rate as applicable for balances of Rs. 1 lakh and below for any erroneous debits/ credits / listing errors in the account affected for more than a day so that the customer is compensated for the interest loss. In the event the rectification amount was to be credited to an overdraft / loan account of the customer, the rate should be

the OD Interest Rate. This credit will be given to the customer at the end of the month in which such delay occurred

11. Cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns.

The illustrative, but not exhaustive, list of returns, where the customers are not at fault are indicated below:

Code No.	Reason for Return
33	Instrument mutilated; requires bank's guarantee
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
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
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(applicable to sub-members)
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
87	'Payee's a/c Credited'-Stamp required
92	Bank excluded

12. Cheques that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays)

13. 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, 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.