

## **POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS**

Reserve Bank of India vide its circular reference DBOD.No. Leg. BC.55/09.07.005/2004-05 dated 1<sup>st</sup> November 2004, withdrew instructions as contained in previously issued circulars pertaining to (i) Immediate credit of local/outstation cheques, (ii) Time-frame for collection of local/outstation cheques, and (iii) Interest payment for delayed collections. Instead, all scheduled commercial banks were instructed to formulate their own comprehensive and transparent policy, covering all of the aspects described above. The requirement for the policy is that it should “clearly lay down the liability of the bank by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer”.

Citibank, N.A. in India (“**Citibank**”) has the following policy:

### **General Note**

This policy is applicable for customers who do not avail of cash management services from Citibank. Cheques/instruments deposited after the cut-off time, either at a Citibank branch or in Citibank collection boxes including at off-site Citibank ATMs, will be presented in the following clearing cycle:

Wherever applicable and available, the facility of high-value clearing (same day credit) will be extended to customers. Cheques/instruments presented in high-value clearing (with minimum value as prescribed by Reserve Bank of India from time to time) shall be credited on the same day (applicable only at locations covered by high-value/ same day clearing).

#### **a. Immediate credit for outstation cheques/instruments**

Citibank would provide for immediate credit for outstation cheques/instruments of upto Rs. 15,000/-.

Customers are required to make a specific request for the same, either to the Branch Manager or Relationship Manager or Product Manager, as the case may be. This facility would be provided subject to Citibank’s internal approvals, to customers who have maintained an account with the branch for a period of more than 1 year. Further, Citibank should be satisfied as regards the proper conduct of the account, and the customer should meet Citibank’s credit considerations (wherever applicable).

#### **b. Clearing of Local (intra-city) cheques/instruments**

1. Branches of Citibank in India are, as of the date hereof, located in the cities and towns listed in **Annexure A**. Branches of banks in each of these cities and towns, participate in local clearing, viz., credit or debit of the proceeds of cheques/instruments where the presenting bank and the drawee bank are in the same location. Cheques/instruments in local clearing are processed through the local clearing house which as per the clearing time-lines stipulated by that clearing house, gives effect to the clearing and settlement of cheques/instruments presented.

2. If a customer of Citibank presents a cheque on Day 0, the customer's account with the Citibank branch in that city/town would be provisionally credited in the morning on Day 1. Subsequent to receipt of information from the clearing-house with regard to returns for that clearing cycle, and requisite processing of the same by Citibank, the customer's account would be debited for any returns. For cheques/instruments not returned in clearing, clear funds would be available to the customer.

**c. Timeframe for collection of outstation cheques/instruments, and payment of interest for delayed collections**

Cheques/instruments drawn on

- |       |   |                   |
|-------|---|-------------------|
| (i)   | Citibank branch locations (where drawee location is a METRO location):                    | 5 business days.  |
| (ii)  | Citibank branch locations (where drawee location is a STATE CAPITAL location):            | 6 business days.  |
| (iii) | Citibank branch locations (where drawee location is NEITHER OF THE ABOVE TWO – “OTHERS”): | 8 business days.  |
| (iv)  | locations where Citibank does not have a branch:  | 14 business days. |

For this last category (iv), if funds, and/or the related information, have not been received by Citibank from the drawee bank so as to enable Citibank to credit the customer account with the funds within 14 business days, Citibank will inform such customers so that they may take action against and receive due compensation from the parties other than Citibank, who are responsible for the delay.

For any delay by Citibank in giving credit, beyond the respective periods of 5/6/8/14 business days, when the funds and information was received by Citibank from the drawee bank timely so as to enable Citibank to credit the customer account with the funds within the specified time-period in question, Citibank would compensate the customer at

- its then prevailing and applicable fixed deposit rate,
- for the period between the end of the applicable period of 5/6/8/14 business days, as the case may be, and the date of realization of the cheque/instrument.

In case of delay in application of funds by Citibank without due cause, in excess of 90 business days, interest will then be paid by Citibank at the rate of 2% above the then prevailing and applicable fixed deposit rate for the period from the 90<sup>th</sup> day till the day of credit within 180 business days.

On a monthly basis, the cheque/instrument realisation date would be compared with the date of its deposit and for such cheques/instruments where the period exceeds the aforementioned timelines of 5/6/8/14 business days, interest for the

excess period would, in the circumstances described above, be computed and credited to the account.

**d. Cheques/instruments (including those discounted/purchased), lost in transit**

For cheques/instruments lost in transit, Citibank will inform the customer as soon as it has received information, and will request the drawee bank to place a stop payment. Other than for cheques/instruments lost under force majeure circumstances, Citibank will not levy return charges on cheques/instruments lost in transit and reversed to the customer's account. Citibank will also not levy additional charges for the replacement cheques/instruments sent into Clearing or on Collection.

Citibank will compensate the customer, in respect of cheques/instruments lost in transit when dispatched by Citibank, in the following manner:

- (a) In case information regarding loss is conveyed to the customer beyond the time-limits stipulated for collection (5/6/8/14 business days, as the case may be), interest will be paid for the period exceeding the stipulated collection period, for the period from the end of the applicable period until the date on which information is conveyed to the customer, at the rates specified in Section 'c' above.
- (b) Additionally, Citibank will pay interest on the amount of the cheque/instrument for a further period of 15 days at its then prevailing Savings account rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- (c) Citibank would also compensate the customer for any reasonable charges that he/she incurs in obtaining duplicate cheque/instrument, upon production of receipt of payment of those charges, in the event the cheque/instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate.

**e. Returned cheques/instruments**

For cheques/instruments returned unpaid for which Citibank has afforded immediate credit, Citibank would recover interest from the customer in conformity with the applicable interest rate directive of Reserve Bank of India, for the period Citibank remains out of funds.

If the proceeds of the cheque/instrument for which immediate credit was given, are credited to

- (a) a Savings account but not withdrawn, the amount so credited will not qualify for payment of interest if the cheque/instrument is returned unpaid.
- (b) a Savings account and withdrawn, such interest would be charged by Citibank for the period from the date of return till the reimbursement of the cheque/instrument amount to Citibank.
- (c) an overdraft/loan account, interest shall be recovered at the rate of 2% above the Citibank interest rate then applicable to the overdraft/loan, from the date of credit to the date of reversal of the entry if the

cheque/instrument is returned unpaid, to the extent Citibank was out of funds.

Also on receipt of information regarding cheque dishonour or non-receipt of physical cheque from the drawee bank, Citibank will provide such information to the customer. The standard cheque dishonor charges (posted on Citibank's web-site [www.citibank.com](http://www.citibank.com)) will be applied to the customer account for returns.

**f. Cheques/instruments payable in foreign currency**

Retail customers:

For currencies USD, GBP, EURO, YEN, CAD, AUD and SGD:

Such cheques/instruments are sent through the International Cash Letter System arrangement as standard, for all customers who have maintained accounts with Citibank for more than 6 months.

The customer account is afforded provisional credit immediately upon Citibank sighting funds (within 7 business days), however the funds are placed on "Hold"(\*) status. This ensures that the customer does not lose interest on these amounts.

Clear funds are provided on the basis of the value of the cheque/instrument. Given below is the timeline to provide clear credit value, expressed in USD.

USD < 2500	–	28 days
USD 2500 to 10000	–	35 days
USD 10000 to 20000	–	42 days
USD > 20000	–	49 days

Other currencies: These cheques/instruments will be sent entirely on collection basis and funds credited to customer account only on receiving credit from the drawee bank.

For any undue delay over the timelines as mentioned above in this paragraph, the customer will be compensated as per the then prevailing and applicable fixed deposit rate of Citibank for period of delay beyond the aforementioned timeline.

(\* The hold period is essential to cover Citibank from the risk of returns on foreign currency cheques.)

Corporate customers:

Foreign currency cheques/instruments are sent under collection to the drawee bank in the respective countries. The customer account is credited, in local currency at the then prevailing market exchange rates, on receipt of clear funds from the drawee bank.

**g. Force Majeure**

Citibank shall not be responsible in the event of any force majeure event including but not limited to floods, riots, acts beyond its reasonable control and

without its fault or negligence. Such excusable delays or failures may be caused by, among other things, riots, rebellions, accidental explosions, floods, storms, acts of God and similar occurrences

### **Information about the policy**

A copy of the policy is placed inter alia on Citibank's web-site and is also displayed on the notice board in the branches. A copy can also be obtained for perusal from the Branch Manager at request.

### **Annexure A**

1. Ahmedabad
2. Aurangabad
3. Bangalore
4. Baroda
5. Bhopal
6. Bhubaneshwar
7. Chandigarh
8. Chennai
9. Cochin
10. Coimbatore
11. Delhi
12. Faridabad
13. Gurgaon
14. Hyderabad
15. Indore
16. Jaipur
17. Jalandhar
18. Kolkata
19. Lucknow
20. Ludhiana
21. Mumbai
22. Nasik
23. Noida
24. Pondicherry
25. Pune
26. Surat
27. Vapi
28. Akola
29. Nanded
30. Nandyal
31. Kurnool

## Annexure I

### **FAQ as available on the RBI website**

#### **Speed Clearing**

Banks as part of their normal banking operations undertake collection of cheques deposited by their customers, some of which could also be drawn on non-local bank branches. Such cheques are called outstation cheques. In order to facilitate faster collection of outstation cheques, the Reserve Bank of India started a special clearing styled "Speed Clearing" by leveraging the core-banking-solutions implemented in banks. In the interest of better public awareness, the following FAQs on Speed Clearing have been prepared.

#### Question 1

What is Speed Clearing?

#### Answer

Speed Clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core-banking-enabled branches of banks, if they have a net-worked branch locally.

#### Question 2

Why Speed Clearing?

#### Answer

The collection of outstation cheques, till now, required movement of cheques from the Presentation centre (city where the cheque is presented) to Drawee centre (city where the cheque is payable) which increases the realisation time for cheques. Speed Clearing aims to reduce the time taken for realisation of outstation cheques.

#### Question 3

What was the process followed by banks for collection of outstation cheques before the introduction of Speed Clearing ?

#### Answer

A person who has an outstation cheque with him deposits it with his bank branch. This bank branch is called the Presenting branch. The cheque is sent for collection to the city where it is payable / drawn called Destination centre or Drawee centre. The branch providing the collection service at the Destination centre is called the Collecting branch. On receipt of the cheque, the Collecting branch presents it in local clearing to the Drawee branch or the Destination branch. Once the cheque is paid the Collecting branch remits the proceeds to the Presenting branch. On receipt of realisation advice of the cheque from the Collecting branch, the customer's account is credited. This, in short, is the process of Collection. When a cheque is accepted on a collection basis by a bank, it credits the customer's account only after realisation of its proceeds. Alternatively, in the absence of a collection arrangement at the Destination centre, the Presenting branch will send the cheque directly to the Destination branch for payment.

On receiving the proceeds from Destination branch, Presenting branch credits the customer's account.

#### Question 4

How long does it take for getting credit of an outstation cheque sent on Collection basis?

Answer

Generally, it takes around a week to three weeks time depending on the drawee centre and collection arrangements to get outstation cheques realised on a Collection basis.

Question 5

How does the Local Cheque Clearing work?

Answer

In Local Cheque Clearing in 66 major centres, cheques are processed at the Clearing Houses on mechanised sorters, using Magnetic Ink Character Recognition (MICR) technology.

Local Clearing handles only those cheques that are drawn on branches within the jurisdiction of the local Clearing House. Generally, the distance between the Clearing House and the participating branches is defined, taking into account the local transportation and communication facilities as the cheques have to physically move to and from the Clearing House. For example, for a cheque to be processed in Local Clearing in Mumbai, both the presenting and drawee branches should be situated within the jurisdiction of the Clearing House in Mumbai.

Question 6

How does the Speed Clearing work?

Answer

Banks have networked their branches by implementing Core Banking Solutions (CBS). In CBS environment, cheques can be paid at any location obviating the need for their physical movement to the Drawee branch. The concept of Speed Clearing combines the advantages of MICR clearing with that of CBS.

Cheques drawn on outstation CBS branches of a Drawee bank can be processed in the Local Clearing under the Speed Clearing arrangement if the Drawee bank has a branch presence at the local centre.

Question 7

When will the beneficiary get funds under Speed Clearing?

Answer

As on date, the local cheques are processed on T+1 working day basis and customers get the benefit of withdrawal of funds on a T+1 or 2 basis. 'T' denotes transaction day viz. date of presentation of cheque at the Clearing House. So, the outstation cheques under Speed Clearing will also be paid on T+1 or 2 basis.

Question 8

Which are the centres where Speed Clearing is presently available?

Answer

Speed Clearing is currently available in 66 MICR centres.

Question 9

What are the charges for cheques cleared through Speed Clearing?

Answer

Presenting branches are currently permitted to levy charges at a rate not exceeding Rs.150 per cheque (inclusive of all charges other than Service Tax) for cheques of

above Rs. 1 lakh presented through Speed Clearing. No charges are payable for cheques of value up to Rs. 1 lakh.

**Question 10**

How is Speed Clearing an improvement over collection basis?

**Answer**

Outstation cheque collection through collection basis takes around one to three weeks time depending on the drawee centre. Under Speed Clearing, it would be realised on T+1 or 2 basis viz. within 48 hours.

Further customers need not incur any service charge for collection of outstation cheques (value up to Rs. 1 lakh) in Speed Clearing which they may have to incur if such cheque is collected under collection basis.

**Question 11**

How will a customer know whether a cheque can be cleared in Speed Clearing?

**Answer**

For facilitating customers to know CBS status of a branch, some of the banks stamp / print 'CBS' on the cheque leaves. Account numbers (if length of account number is more than 10 digits) printed on the cheque leaves may give a broad indication regarding CBS status of the branch. Further customers may refer to the list of Speed Clearing-enabled bank branches hosted on the website of the Reserve Bank of India under the link [http://www.rbi.org.in/Scripts/bs\\_viewcontent.aspx?Id=2016](http://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=2016).

**Question 12**

What type of cheques can be presented in Speed Clearing?

**Answer**

Cheques having transaction codes 10, and 11 and 13 which are drawn on CBS-enabled bank branches are eligible for being presented in Speed Clearing. Government cheques and Demand Drafts are not eligible for collection under Speed Clearing.

**DISCLAIMER:** The FAQs have been prepared for the general awareness of customers regarding collection of outstation cheques through Speed Clearing. Customers should contact the bank branches for further details.