

## POLICY ON COLLECTION OF CHEQUES/INSTRUMENTS

Reserve Bank of India, vide its circular reference RBI/2015-16/59 DBR No.Leg.BC.21/09.07.006/2015-16 has advised banks to formulate a comprehensive and transparent policy for cheque collection, covering all of the aforementioned aspects. It was further advised that the Cheque Collection policy should clearly provide the liability of the bank by way of interest payments due to delays in non-adherence to 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. The Bank has separate agreements with customers availing cash management services. Cheques/instruments deposited after the specified cut-off time, either at a Citibank branch or in Citibank collection boxes (including collection boxes maintained at off-site Citibank ATMs), will be presented in the next clearing cycle.

#### **a. Clearing of Local (intra-city) cheques/instruments and payment of interest for delayed clearing:**

1. The present locations for Citibank branches in India are provided in **Annexure A**. Citibank branches in these locations participate in local clearing, i.e. where the presenting bank (*bank where cheque is deposited*) and the drawee bank (*bank responsible for making payment of the cheque*) are in the same location. Cheques/instruments presented in local clearing are processed through the Local Clearing House. The settlement of cheques/instruments presented in local clearing is effected in accordance with the time-lines stipulated by the Local Clearing House.

2. **Provisional Credit period:** If a customer presents a cheque on Day 0 (prior to clearing cut off time):

- (a) The customer's bank account would be provisionally credited in the morning on Day 1.
- (b) In case of cheques deposited in collection boxes, on Day 2 it shall be provisionally credited.

In the event of a cheque return, based on information provided by the Local Clearing House, the customer's bank account would be debited for the amount of the returned cheque. For cheques/instruments that are not returned in clearing, clear funds would be available to the customer for withdrawal from the bank account post the provisional credit period.

For any delay beyond the Provisional Credit period stated above, the bank will compensate the customer with interest for the delayed period (to the date of realization of the cheque) on the basis of the then prevailing savings account interest rate or Rs 10/- whichever is higher.

The bank will, on a monthly basis, undertake the exercise of computing compensation and crediting the customer's bank account with the compensation amount for instances where there has been a delay as explained above.

#### **Non-CTS 2010 cheque clearing**

In line with RBI directives on "Migration of Cheques forms to CTS-2010 standard", Separate clearing session for cheques not complying with CTS-2010 standards has been discontinued from December 31,2018. Accordingly, there is no separate session for Non-CTS instruments under CTS Clearing. Banks, can, however, continue to present such instruments in Express Cheque Clearing System (ECCS) centers or other means of collection.

#### **b. Clearing of outstation (inter-city) cheques/instruments and payment of interest for delayed collections**

The timeframe for collection of cheques/instruments drawn on outstation locations

once the cheque is sent for collection is as given below:

S. No.	Drawee Location details	Timeframe for clearing
(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)	(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 the last point (iv) mentioned above, 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 in realization of cheque beyond the applicable period of 5/6/8/14 business days, the bank will compensate the customer with interest for the delayed period on the basis of the then prevailing savings account interest rate or Rs. 10/- whichever is higher.

The bank will on a monthly basis, undertake the exercise of computing compensation and crediting the customer’s bank account with the compensation amount for instances where there has been a delay as explained above.

### c. Speed Clearing

In order to facilitate faster collection of outstation cheques, the Reserve Bank of India commenced a special clearing facility called “Speed Clearing”. This facility leverages the core-banking-solutions implemented in banks. Details on Speed Clearing are available in the RBI FAQ provided in **Annexure B**.

**d. Immediate credit for outstation cheques/instruments**

Citibank provides a facility of immediate credit for outstation cheques/instruments up to Rs. 25,000. Customers are required to make a specific request for the same. This facility would be provided to customers at the sole discretion of the bank and is subject to Citibank's internal approvals and satisfactory conduct of the bank account, provided the customer:

- (i) have maintained an account with the branch for a period of more than 1 year
- (ii) meet the bank's credit considerations, wherever applicable.

The facility of immediate credit would not be applicable to cheques collected under 'Speed Clearing' arrangements.

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

For cheques/instruments lost in transit, Citibank will inform the customer immediately on receipt of this information and will request the drawee bank to place a stop payment. Except where the cheques/instruments are lost under force majeure circumstances, return charges on cheques/instruments lost in transit will not be levied to the customer's bank account. The bank will also not levy any 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:

- (i) 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 clearing period, i.e. period from the end of the applicable period until the date on which information is conveyed to the customer, at the rates specified in Point 'b' above.
- (ii) 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 interest rate to provide for likely delay in obtaining duplicate cheque/instrument and collection thereof.

- (iii) 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.

#### **f. 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, have been 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.

Further, 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, URL - [www.citibank.com](http://www.citibank.com)) will be applied to the customer account for cheque return.

Cheque return charges shall be levied only in case where the reason for such return is attributable to the customer. The illustrative, but not exhaustive, list of returns, where reason for such return is not attributable to the customer is available in **Annexure C**.

Cheques requiring re-presentation without any recourse to the payee shall be represented in the next clearing cycle not later than 24 hours (excluding holidays).

**g. 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 a standard procedure if it is payable in the parent country of the respective currency (like USD cheque payable in US, GBP payable in UK etc.) for all customers who have maintained accounts with Citibank for more than 6 months. Else, such cheques/instruments are sent on collection basis.

The customer's bank account is afforded provisional credit immediately upon Citibank sighting funds (within 7 business days), however the funds are placed on pre-defined "Hold"(\*) status, based on value of the instrument.

Provisional credits will be parked in the sundry account with cooling period of 11 business days to cover the risk of returns on foreign currency Cheques. Customer account will be credited post cooling period (11 Business days) with good value date (the date of credit sighted in the Nostro account), this would enable the customer to earn the interest on these amounts from the date of provisional credit sighted.

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

For any undue delay over the timelines as specified above, the customer will be

compensated as per the then prevailing and applicable fixed deposit interest rate for the 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:

ICLS Process:-

USD Chqs drawn on banks in US and payable at US are processed in house and sent through International Cash Letter system arrangement to Citibank USA for clearing. Customer bank account is credited upon Citibank sighting the funds and as per hold period.

CORPFCC Process:-

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

**h. Cheque Collection Charges – Outstation cheques**

The cheque collection charges for outstation cheques vary based on the nature of account held by the customer with the bank. The maximum cheque collection charged levied currently are as provided below:

Rs. 25 for any outstation cheque-value up to Rs. 5,000

Rs. 50 for any outstation cheque-value greater than Rs. 5,000 and up to Rs. 10,000

Rs. 100 for any outstation cheque-value greater than Rs. 10,000 and up to Rs. 100,000

Rs. 150 for any outstation cheque-value greater than Rs. 100,000

**i. Cancellation of physical Demand Draft issued by Citibank and drawn on correspondent bank**

In case a demand draft drawn on a correspondent bank is returned to Citibank for cancellation, the proceeds of cancellation of such draft will be credited to the customer

account within 15 days of presentation for cancellation. In case there is a delay in refunding the cancellation proceeds, then compensation will be paid to the customer at fixed deposit interest rate for the delay beyond 15 days.

**j. ForcMajeure**

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 things, riots, rebellions, accidental explosions, floods, pandemic outbreak, storms, acts of God and similar occurrences. In case of any contingencies beyond the control of Citibank, bank will put up a notice on revised timelines for cheque clearance as a notification to the customer, subject to site being accessible.

**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**

### **Details on Citibank branch locations**

1. Ahmedabad
2. Aurangabad
3. Bangalore
4. Vadodara
5. Chandigarh
6. Chennai
7. Kochi
8. Coimbatore
9. New Delhi
10. Faridabad
11. Gurgaon
12. Hyderabad
13. Jaipur
14. Kolkata
15. Lucknow
16. Mumbai
17. Nasik
18. Noida
19. Pune
20. Surat
21. Nagpur

## **Annexure B**

### **Speed Clearing (Updated on June 30, 2015)**

#### **1. What is Speed Clearing?**

Speed Clearing refers to collection of outstation cheques (a cheque drawn on non-local bank branch) 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.

#### **2. Why Speed Clearing?**

The collection of outstation cheques, earlier 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.

Even though Speed clearing hastens the process of cheque collection as compared to outstation cheque collection, it pre-supposes the presence of the drawee bank branch in the clearing house location

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

A person who had an outstation cheque with him/her use to deposit it with his/her bank branch. This bank branch is called the Presenting branch. The cheque, was sent for collection to the city where it was payable / drawn called Destination centre or Drawee centre. The branch providing the collection service is called the Collecting branch. On receipt of the cheque, the Collecting branch use to present the physical instrument in local clearing at the drawee bank branch location through its branch at the drawee bank branch location. Once the cheque was paid, the Collecting branch used to remit the proceeds to the Presenting branch. On receipt of realisation advice of the cheque from the Collecting branch, the customer's account was credited. This, in short, was the process of Collection before the introduction of Speed Clearing.

When a cheque was accepted on a collection basis by a bank, the customer's account was credited only after realisation of proceeds. In the absence of a clearing arrangement at the Destination centre, the Presenting branch was sending the cheque directly to the Destination branch for payment. On receiving the proceeds from Destination branch, Presenting branch follow the practice of crediting the customer's account.

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

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.

#### **5. How does the Local Cheque Clearing work?**



In Local Cheque Clearing in major centres, cheques are processed by using Cheque Truncation Systems(CTS) through movement of images. Grid based CTS are in place in

New Delhi, Chennai and Mumbai. In addition, Express Cheque Clearing Systems (ECCS) application package is used in small clearing houses.

Local Clearing handles only those cheques that are drawn on branches within the jurisdiction of the local Clearing House. Generally, the jurisdiction is determined taking into account the logistics available to physically move to and from the Clearing House.

It may however be noted, under grid-based CTS clearing, all cheques drawn on bank branches falling within in the grid jurisdiction are treated and cleared as local cheques. The grid clearing allows banks to present/ receive cheques to/ from multiple cities to a single clearing house through their service branches in the grid location.

## **6. How does the Speed Clearing work?**

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. 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.

## **7. When will the beneficiary get funds under Speed Clearing?**

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 like any other local cheque.

## **8. What are the charges for cheques cleared through Speed Clearing?**

With effect from April 1, 2011, no charges will be payable for cheques of value up to and including Rs.1 lakh by Savings a/c customers. Banks would be free to fix charges for collection of other types of accounts for all values and also from Savings a/c customers for cheque of value above Rs.1 lakh. Charges fixed should be reasonable, computed on a cost-plus-basis and not as an arbitrary percentage of the value of the instrument and to be levied in an upfront manner with due dissemination to the customers of such charges.

## **9. How is Speed Clearing an improvement over collection basis?**

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, say, within 48 hours. Further Savings Bank 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.

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

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.

**11. What type of cheques can be presented in Speed Clearing?**

Instruments of all transaction codes (except Government cheques) and drawn on CBS-enabled bank branches are eligible for being presented in Speed Clearing.

## Annexure C

Following is the illustrative, but not exhaustive, list of returns, where reason for such return is not attributable to the customer:

<b>Code No.</b>	<b>Reason for Return</b>
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 Istproximo
75	Pay order 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