

Cheque Collection Policy

Introduction

Ujjivan Small Finance Bank (hereinafter referred to as “Bank”) is committed to providing responsible and best in class financial services to its customers. Customer Service is the key focus area of the Bank following a holistic approach targeting consistent improvement in customer experience and quality of operations.

Keeping in view the regulatory guidelines, Bank has formulated a comprehensive and transparent cheque collection policy.

1. Objective

This cheque collection policy of the Bank reflects its ongoing efforts to provide better service to its customers and set higher standards of 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.

The key objectives of the policy areas are

- Lay down norms for collection of local and outstation cheques and other instruments like Demand Drafts, Pay orders/Banker Cheques etc.
- Procedures to be adopted in case of loss of cheques or delay in collection of cheques and other instruments
- Devise the mechanism for handling returned cheques and re-presentation of cheques
- Put in place a mechanism to monitor instances of frequent return of cheques and take appropriate action with respect to accounts having high number of returned cheques

2. Applicability

The policy will apply to all customers of the Bank and it covers cheques and all such instruments that may be sent for collection by its branches . It also captures the roles and responsibilities of Bank employees, scope of activities, scope of operations and the monitoring mechanism of the processes and procedures relating to collection of cheques and other instruments.

3. Governance Structure

The Bank shall have the following governance structure for the approval and implementation of this policy.

Board of Directors / Customer Service Committee of the Board

The first version of the policy was reviewed and approved by the Board of Directors (Board) of the Bank. The subsequent versions shall be reviewed by the Customer Service Committee of the Board (CSCB) and approval of all future revisions and versions will vest with the CSCB

Operations and Branch Banking

The Head of Operations shall prepare the policy in consultation with key stakeholders such as Head Liabilities, Risk, Legal, Compliance & Service Quality etc. and ensure that all processes and procedures relating to collection of cheques and other instruments are aligned to the policy. He or she shall

incorporate the changes/ provisions suggested by the Stakeholders and put up the final version to the Board / CSCB for their approval.

Risk and Compliance Departments

The Risk, Compliance departments of the Bank shall separately examine if the cheque collection processes and procedures are aligned to the policy. The Process Approval committee that has representatives from Risk and Compliance Departments besides others, shall approve the processes and procedures relating to Cheque Collection , or any changes to them only if they are aligned to the policy and the relevant regulations and statutes.

General Guidelines on Acceptance of Cheques and Other Instruments

The Bank shall accept cheques conforming to CTS 2010 standards from customers / depositors over the counters at its branches, through drop boxes installed in its branches and ATM centers and at centre meetings where doorstep banking services are provided.

The Bank shall provide acknowledgement for the cheques collected through the branches and doorstep interaction. The Bank shall not compel customers to drop the cheques in drop boxes. The Bank shall display notices in English, Hindi and the regional languages concerned in its branches and top of drop boxes that customers shall have the option to tender the cheques at the counters and obtain acknowledgement

The Bank shall not decline to accept outstation cheques deposited by its customers for collection. The Bank shall not collect any account payee cheque for any person/s other than the payee constituent mentioned in the cheque.

The Bank shall accept a cheque for collection even if the date mentioned on the cheque is a date in Hindi or the date is as per the National Calendar (Saka Samvat), if the cheque is otherwise in order. It shall ascertain the Gregorian calendar date corresponding to the National Saka calendar date in order to avoid collection of stale cheques.

The Bank shall accept a cheque and honor cheques drawn by customers in English, Hindi or in concerned Regional Language subject to the cheques being in order

The Bank shall not collect cheques that are presented beyond the period of 3 months from the dates mentioned on the instruments. It shall not collect instruments containing material alterations (other than in the date) even if such alterations are authenticated by the drawer/s. It shall not collect Non MICR cheques.

The Bank shall subject the cheques accepted for collection to scrutiny under ultraviolet lamps and other such checks as deemed fit and reject instruments that are suspected to have been tampered with. Instruments that pass scrutiny and other checks will be collected on a good faith basis with recourse to the account holder / depositor.

4. Arrangements for collection of Instruments

a) Local Cheques

All cheques that can be collected at the same location where they are tendered – either through CTS clearing or local non- CTS clearing / speed clearing – shall be presented locally, through the clearing system prevalent at the location.

Cheques that are presented over the counters at Bank's branch and collectible locally will be sent for clearing on the same day, if tendered within the cut- off time specified. Cheques dropped in the drop boxes up to the cut- off timings will be sent for clearing on the same day. Cheques tendered or dropped after the cut- off time will be processed in the next working day.

The Bank would give credit for local cheques to the customers' accounts on the same day on which the final clearing settlement takes place. It will permit withdrawal of the amounts so credited on the same day.

If the location where a cheque is tendered does not have a clearing mechanism, but has a branch of the drawee bank, the Bank's branch will present the cheque directly to the drawee bank, over the latter's counters. In such a case, the proceeds of the cheque will be credited to the payee's account on the same day the funds are received from the drawee bank. The Bank will engage with the drawee bank branch to ensure that the funds are received or fate of the cheque known within a reasonable turn-around-time (TAT).

For the cheques drawn on its own branches, the TAT for collection is as below:

- Cheque deposit across the counter – Same working day
- Cheque deposit in drop box- Same working day within cut off time

b) Non-CTS Cheques

As notified by Reserve Bank of India vide circular no. DPSS (Che)/ 569 /01.02.003/2017-18 Dt. June 21, 2018, separate clearing session for Non-CTS instruments has been discontinued from 31st December 2018,

As notified by Reserve Bank of India vide circular no. RBI/2020-21/107 DPSS.CO.RPPD.No.SUO 21102/04.07.005/2020-21 dated March 15, 2021-, Extension of Cheque Truncation System (CTS) across all bank branches in the country, All the erstwhile non-CTS clearing houses (ECCS centres) have been migrated to CTS effective September 2020 and to leverage the availability of CTS and provide uniform customer experience irrespective of location ,RBI has decided to extend CTS across all bank branches in the country to facilitate this, banks shall have to ensure that all their branches participate in image-based CTS under respective grids by September 30, 2021

In certain categories of cheques, (subject to amendments in guidelines) or instruments demanded by the correspondent bank or image quality assessment (IQA) failure will be presented in physical form to the drawee bank,

c) Outstation Cheques

Any cheque that cannot be collected locally because the location where it is tendered is not linked to a CTS grid and the drawee bank does not have a branch there will be treated as an out-station cheque. Such cheques will be collected through one of the mechanisms explained below.

- i. The cheque is payable at a location where the Bank has a branch: The instrument will be collected through the Bank's branch at that location.
- ii. The cheque is payable at a location where the Bank does not have a branch, but has a correspondent bank arrangement there: The instrument will be collected through the correspondent bank's branch
- iii. The cheque is payable at a location where the Bank has neither a branch nor a correspondent bank arrangement: The instrument will be sent directly to the drawee bank branch for collection

5. Cheques/Instruments lost in transit/in clearing process or at paying bank

In respect of cheques lost in transit or in the clearing process or at the branch, the Bank shall immediately bring the fact to the notice of the accountholder through any of the channels i.e. in writing, call, SMS or email so that accountholder can inform the drawer to record stop payment and can also take measures to ensure that cheques issued by him or her (the account holder) are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank shall compensate the customer with respect to the cheque/s lost in transit.

The Bank would also compensate the customer for any reasonable charges (up to Rs.500/- (Five Hundred only) that 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.

For delayed clearing of cheque, compensation will be paid as per customer compensation policy of the bank, Bank shall reserve the right to recover the amount from the customer the reimbursed amount

For acts beyond the control of the Bank ,the Bank shall not be liable to compensate customers for delayed credit in case of unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, war, damage to the Bank's facilities or of its correspondent bank(s), absence of usual means of communication or all types of transportation, etc. beyond the control of the bank preventing it from performing its obligations within the specified service delivery parameters(additional points)

6. Time Frame for Collection of Local and Outstation Instruments:

a. Local Cheques

The cut- off time for presenting cheques in clearing or over the counter to the drawee banks and the TAT for crediting proceeds of the cheques shall be aligned to the clearing timings prevalent locally at the location.

Cheques that are tendered / received for collection within the cut- off time shall be presented in clearing (or over the counter to the drawee banks, as the case may be) on the same day. Cheques received after the cut- off time will be processed on the subsequent working day.

Credits for cheques presented in clearing shall be afforded on the day the clearing settlement takes place or within the first working hour on the next business day, depending on the return clearing timings. The cleared funds will be made available to customers immediately after they are credited.

Credits for cheques tendered over the counter to drawee banks (at locations where a clearing mechanism does not exist) will be afforded on receipt of cleared funds from the latter. Credits received during banking hours will be afforded on the same day, and credits received after banking hours would be afforded on the next business day

b. Outstation Cheques

The TAT for collection of outstation cheques will be as per the norms outlined below:

- i. Cheques drawn on metros and state capitals (other than Sikkim and North Eastern states) where Bank has a branch: 7 business days

- ii. Cheques drawn on major cities where the Bank has a branch: 10 business days
- iii. Cheques drawn on locations where the Bank has a correspondent bank arrangement: 14 business days
- iv. Cheques drawn on locations where the Bank has neither a branch nor a correspondent bank arrangement: 14 business days

7. Dishonored Cheques

7.1 Procedure for return/dispatch of dishonored cheques

The Bank shall ensure that the dishonored instruments are returned or dispatched to the account holders or depositors promptly without delay, in any case within 1 working day.

In case of returned cheques, a cheque return memo will be prepared by the Bank wherein the reason for return of the cheque will be indicated. The memo along with the dishonored cheque will be sent to the customer by registered post or through a local courier, or will be handed over across the table. The Bank shall return or dispatch the dishonored cheques to the customer at his / her last recorded address available. In case a cheque had been received by another branch of the Bank on collection, it shall be dispatched to the sending branch along with the cheque return memo and advice within 1 working day from the date of dishonor.

7.2 Dealing with incidents of frequent dishonor of outward cheques

In instances of frequent return of outward cheques, The Bank may send letters advising customers concerned to take steps necessary to reduce the number of returns. If the issue persists despite repeated engagement on its part, the Bank may consider closing the accounts after issuing due notice to the concerned customers.

7.3 Re-presentation of Technical Return Cheques and Levy of Charges for such Returns:

If a cheque is returned for a technical reason and can be presented again without any action or intervention of the account holder or depositor's part, the Bank will present the cheque again, after intimating the account holder / depositor through one of the channels – by letter, via e- mail, through SMS or over a phone call.

However, if an instrument is returned for reasons relating to availability of funds in the drawer's account or due to a technical reason which requires an action from either the drawer or the payee, the Bank will return the cheque to the payee / depositor / accountholder as per the process explained in section **7.1 above**.

The Bank shall levy cheque return charges only in cases where the reason for return can be attributed to either the drawer or the payee. Charges will not be levied if the reason for return is attributable to the Bank. Illustrative lists of returns, where the customers are not at fault are indicated in **Annexure-I**.

8. Immediate Credit of Outstation Cheques

The Bank will afford immediate credit of outstation cheques up to an amount of Rs.5,000/- (Rupees Five Thousand only) subject to satisfactory conduct of the account.

9. Charges for Collection of Cheques

The Bank shall not levy any charge for collection of local cheques presented through CTS, non- CTS or speed clearing. In case of local cheques presented over the counter to drawee banks (at locations where a clearing mechanism does not exist), The Bank will not levy any charge on its part; only the paying Bank's charges, if any, will be levied to the account.

Charges for collection of outstation cheques will be as per the general schedule of charges communicated from time to time. The charges, in any case, shall not be more than the ceiling prescribed by Reserve Bank of India from time to time. The charges will be all inclusive; i.e., no additional charges such as courier charges, out-of-pocket expenses etc., will be levied.

10. Positive Pay System

As notified by Reserve Bank of India vide circular no. PSS.CO.RPPD.No.309/04.07.005/2020-21 dated September 25, 2020, Effective January 1, 2021, facility of "Positive Pay" is made available to customers issuing cheques amounting to Rs.50,000/- & above. However it is mandatory for issuing cheques for amount Rs.50, 000/- and above.

This will ensure customer safety in cheque payments and reduce instances of erroneous processing on account of tampering of cheque leaf.

The Positive Pay System will further augment safety of the customers in cheque payments and reduce instances of fraud occurring on account of tampering of cheques. Under this process, customers issuing cheques have to submit details of the cheque such as date, Payee name, instrument number, amount, etc. to his / her banker immediately after issuing. Banks will be cross-checking these details when such cheques are presented for clearing by the beneficiaries and any discrepancy is flagged to the drawee bank and presenting bank, who would take redressal measures.

General terms and conditions:

- i. By using the Positive Pay Facility, the Customer allows the Bank to collect the Information, for all cheques issued by the Customer. The Customer also authorises The Bank to share the Information with other banks, regulators or any third party in order to facilitate the clearing of the cheques issued by the Customer.
- ii. The Customer agrees and understands that while the Facility may be enabled by the Bank on different Channels from time to time, it is not mandatory to utilise the Facility for cheques below the value of Rs5,00,000 (five lakhs) and the Customer may choose to do so, at their sole discretion, as an additional due diligence. The Bank reserves the right to reject the cheque, if the Facility is not used while issuing the cheques above Rs 5, 00,000/- (five lakhs only). However, in the event the Customer chooses to utilise the Facility, the Customer understands that the cheques shall be cross-checked against the Information provided by the Customer through the Channels and it shall be the Customer's responsibility to enter accurate Information. The Bank has no control over and takes no responsibility for any errors that may occur in the Information. The Bank reserves the right to reject/return the cheque, if the information provided in Positive Pay does not match with the information on the cheque being presented.
- iii. The Customer also agrees and understands that for any cheque issued by them above Rs.50,000/- in value, shall be accepted for the dispute resolution mechanism under the Cheque Truncation System grids, only if the Positive Pay Facility has been utilised while issuing the cheque.

- iv. The Customer must provide the Information before the cheque is deposited for the Information to be accepted for Positive Pay Facility. The Customer understands and agrees that if the Information is not provided before the said time, the Bank shall not employ the Facility while clearing the particular cheque issued by the Customer.
- v. The Bank reserves the right to reject the cheque, if there is any mismatch in the Information and the corresponding details on the cheque.
- vi. The Bank may rely on third parties to be able to provide the Facility, however, the Bank is not responsible for third parties. The Bank does not screen, endorse or recommend third parties and cannot confirm their professional qualifications, skills, licences or permits needed for their line of work.
- vii. The Customer understands that the Facility may be unavailable for certain periods, including but not limited to maintenance work, unavailability of third party services, etc. and the Customer agrees to not bring any claims against the Bank for such unavailability of the Facility.
- viii. The Customer also understands that any communication of successful validation of the Information, whether through SMS, e-mail or any mode, shall not be treated in any way a proof of clearance of the cheque.

Miscellaneous:

- i. These Terms of Use shall be governed by the laws of India and any disputes in relation to the use of the Facility shall be referred to the exclusive jurisdiction of the courts of Bangalore.
- ii. The Customer agrees to indemnify, defend and hold harmless, at their own expense, the Bank from and against any and all liability any other loss that may occur, arising from or relating to the Customer's use of the Facility, breach, non-performance or inadequate performance by the Customer of these Terms of Use, including but not limited to provision of incorrect Information by the Customer.
- iii. To the maximum extent permitted by applicable law, the Bank, our affiliates, and the personnel, shall not be liable to the Customer for any direct, indirect, special, punitive, exemplary, statutory, incidental or consequential damage, loss of profit, loss of data, loss of business opportunities, and any intangible or economic loss, whether based on tort, negligence, or any other theory of liability, where such loss, liability arises from or in connection with the Customer's use of the Facility.
- iv. The Bank may amend/modify these Terms of Use, from time to time in its sole discretion, at any time, and such modifications shall be effective immediately upon posting of the modified terms on the Website/Channels. The Customer should periodically review these Terms of Use to be aware of such modifications. If the Customer continues to use the Facility, it shall be deemed conclusive proof of the Customer's acceptance of the amended/modified terms and conditions.

11. Force Majeure

The Bank shall not be liable if any transaction does not fructify or may not be completed or for any failure on part of the Bank to perform any of its obligations contemplated hereunder if performance is prevented, hindered or delayed by a Force Majeure event (defined below) and in such case its obligations shall be suspended for so long as the Force Majeure. "Force Majeure Event" means any event due to any cause beyond the reasonable control of the Bank, including without limitations, unavailability of any communication systems, breach, or virus in the processes or payment or delivery mechanism, sabotage, fire, flood, explosion, natural disasters or other "Acts of God", war, damage to

the bank's facilities or of its correspondent bank(s), civil commotion, strikes or industrial action of any kind, riots, insurrection, war, acts of government, computer hacking, unauthorized access to computer data and storage devices, computer crashes, malfunctioning in the computer terminal or the systems getting affected by any malicious, destructive or corrupting code or program, mechanical or technical errors/failures or power shut down, faults or failures in telecommunication etc. Which prevents it from performing its obligations within the specified service delivery parameters.

12. Reporting Requirements

The Operations team shall collate on a quarterly basis, the centralized MIS for the data in respect of dishonored. The data shall be shared with the business verticals concerned for them to engage with the customers concerned and take suitable action, if necessary.

The Head of Operations shall place before the Customer Service Committee of the Board on a quarterly basis, all the revisions made in the Policy, if any

Head of Liabilities shall place before their Audit/Supervisory committee of the Board, every quarter, a consolidated data with respect to incidents of frequent dishonour of cheques and the actions taken on such accounts.

An employee of the Bank shall report to his or her senior official/s in case he or she finds any discrepancy in the cheque, with a view to reduce the risk of fraud. Any instance of fraud will be reported to Reserve Bank of India in the manner prescribed by them and to the Board or the relevant constituent committee of the Board.

13. Record Keeping

The Bank shall preserve the physical instruments and deposit slips in respect of CTS clearing securely for a period of 10 years as required under Procedural Guidelines for CTS. In case of cheques presented through non- CTS clearing, over the counter and sent on collection, the deposit slips and other relevant documents shall be retained for a period of 10 years from the date of cessation of relationship with customer, so as to permit reconstruction of the customer transaction

Annexure- I.

Illustrative but not exhaustive list of objections where customers are not at fault (Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

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 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