

## **Bank of America's Policy on Collection of Cheques/Instruments**

### **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 1<sup>st</sup> November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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 done 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 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 instruments lost in transit.

This policy does not cover corporate customers of the Bank who have entered into specific arrangements with the bank for cash management - for such customers, the terms of their specific agreements would govern such arrangements.

### **2. Arrangements for Collection:**

#### **2.1. Local Cheques**

All cheques and other Negotiable Instruments drawn on Bank of America locations & payable locally would 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 will be presented in the next clearing cycle.

Cut-off timings for same day clearing shall be as given below & shall also be displayed at all branches branch-counters:

- i) High-value clearing : 11:00 am
- ii) MICR clearing : 2:00 pm

As a policy, bank would give credit to the customer account for the said cheques on the same day clearing settlement takes place and the bank's account with the clearing house is credited. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Wherever applicable, facility of high-value clearing (same day credit) will be extended to customers.

## **2.2. Outstation Cheques**

a. Cheques drawn on other banks at outstation centers will normally be collected through bank's branches at those centers and the customer account would be credited within 7 working days subject to normal clearing operations at drawee locations.

b. Cheques drawn on our Correspondent Bank branch locations would be credited within 14 days subject to normal clearing operations at drawee locations.

c. Cheques drawn on all other locations would be credited within 1 working day of receipt of clear funds from the drawee bank.

d. All our branches are connected through a centralized processing arrangement and the bank will provide same day credit to its customers in respect of outstation instruments drawn on any of its own branches in India.

e. All cheques deposited at Bank of America locations & payable under Speed Clearing would be presented through the Speed 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 will be presented in the next clearing cycle.

As a policy, bank would give credit to the customer account for the said cheques participating under Speed Clearing on the same day clearing settlement takes place and the bank's account with the clearing house is credited. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

### **2.3 Cheques payable in Foreign Countries**

Cheques payable at foreign centers where the bank has branch operations (or banking operations through a subsidiary) will be collected through that office. The services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers 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. Bank would give credit to the account holder, on credit of the proceeds to the bank's Nostro Account with the correspondent bank, at the OD buying rate published by the bank/ prevailing market rate for the concerned currency as on the transaction date. For US Dollar, Euro, British Pound and Canadian Dollar cheques, this credit would be given after taking into account a 21 day cooling period.

### **2.4 Immediate Credit of Outstation Cheques / Instruments deposited by Individual customers:**

Individual accounts are generally opened by the Bank only for employees of certain corporate relationships. Bank of America shall provide immediate credit for outstation cheques to such individual account holders if agreed as per prior arrangement with the respective corporate.

For other Individual account holders, not established under a corporate relationship, Branches / extension counters of the Bank will provide immediate credit for outstation cheques / instruments up to the aggregate value of Rs.15,000/- tendered for collection by individual account holders subject to *satisfactory conduct* of such accounts for a period not less than 6 months.

The facility of immediate credit will be offered on Savings Bank Accounts of the customers. For extending this facility there will not be any separate stipulation of minimum balance in the account.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall also be given immediate credit as specified above.

In the event of dishonor of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the Bank's prime lending rate

For the purpose of this Policy, a *satisfactorily conducted* account shall be the one

- a) Opened at least six months earlier and complying with KYC norms.
- b) Conduct of which 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.
- e) All cheques deposited at Bank of America locations & payable under Speed Clearing would be presented through the Speed 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 will be presented in the next clearing cycle.
- f) As a policy, bank would give credit to the customer account for the said cheques participating under Speed Clearing on the same day clearing settlement takes place and the bank's account with the clearing house is credited. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

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/outstation cheques of Individual customers**

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.

**3. Payment of Interest for delayed Collection of Outstation Cheques:**

As part of the compensation policy of the bank, the bank will pay interest to its customers 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) Savings Bank rate for the period of delay beyond that stipulated above in Section 3 in collection of outstation cheques. This rate will be applicable where the period of delay is upto 14 days beyond the stipulated period.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the respective period as the period of delay.
- 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.

In the event the proceeds of cheque under collection were 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, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

**4 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 within 1 working day 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 dishonored 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 accountholder 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 above in paragraph 1 of this Section, interest will be paid for the period exceeding the stipulated collection period at the rates specified above in Section 4.
- b) The bank will also compensate the customer for any reasonable bank charges he/she incurs in putting in place the Stop Order for the lost cheque/ instrument or 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.

## **5 Force Majeure**

The bank is not liable to compensate customers for delayed credits due to causes beyond it's reasonable control including acts of God, industrial disputes, war, act of public enemy, acts of terrorism, blockade, revolution, riot, insurrection, civil commotion, lightning, storm, flood, fire, earthquake, explosion, embargo, or anything done or not done by a government or public authority including, but not limited, to change in applicable law for the time being in force, or any external disruption caused to the supply of electricity, internet, or other means of communication

## **6 Charging of Interest on cheques returned unpaid where Instant Credit was given:**

If a cheque send 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.

Individual accounts opened under a corporate relationship will be charged as per the arrangement with the corporate.

All other individual customers will not be charged any interest from the date immediate credit was given to the date of return of the instrument, unless the bank had remained out of funds on account of withdrawal of funds. Interest where applicable would be charged on the notional overdrawn balances in the account, had credit not been given initially.

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 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.

If proceeds were credited to a Savings account, interest shall be recovered at the rate of 2% above the Savings account interest rate from the date of credit to the date of reversal of the entry if the cheque/ instrument were returned unpaid, to the extent the bank was out of funds.

If the proceeds of the cheque were credited to a Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest if the cheque is returned unpaid.

**Additional Notes:**

1. In receiving instruments for deposit or collection, the bank acts only as a depositor's collecting agent and assumes no responsibility beyond the exercise of due care. All items are credited subject to final payment being received by the bank in solvent funds or cash.
2. 1) All cheques should be deposited within the stipulated cut-off timings.
3. The Bank has the right to debit the Customer's account for any credits passed to it prior to receipt of clear funds from the drawee bank and for dishonored cheques, which may be intimated to it even after the Customer's account has been credited. The bank need not obtain the customer's consent for such debits<sup>1</sup>.

4. All external third party service providers used for the cheque collection process are engaged at the Depositor's risk and responsibility. The Bank will not be liable for default or negligence of its duly selected correspondents nor for any losses in transit.
5. Customers requiring cheque collections on a regular basis or requiring specific cash management services including detailed MIS can enter into an arrangement with the bank for the same in which case the terms of the specific agreements would govern such arrangements.
6. All collections for cheques deposited by a customer drawn on non-BoA branch locations in India would be further subject to the Uniform Rules for Collections, ICC Publication number 522 where those rules are not contradicting any of the points stated hitherto.