

**BNP PARIBAS - INDIA**

**POLICY ON**

**Collection of**

**Domestic Cheques(Local&outstation)**

**&**

**Foreign Cheques**

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## **SECTION I: GENERAL POLICY**

### **1.00 INTRODUCTION**

In the current banking scenario ‘Collection of instruments (Cheques, drafts, Pay Orders, warrants etc)’ is one of the important ancillary services provided by all the banks. This service has great potential to enhance customer satisfaction, and to attract new clients besides providing good scope for increasing the fee-based income of the bank.. BNP Paribas –India is providing collection of local and outstation cheques services under normal cheque collection facility and also under specialised Cash Management Services. Foreign cheques are collected under normal collection process

### **2.00 LEGAL PROVISIONS**

The relationship between the collecting bank and its customer is that of agent and principal, the bank being the agent. The collecting bank is expected to exercise reasonable skill, care and diligence in presenting and obtaining payment of the instruments received from the customer for collection. In case, the customer suffers loss or damage, on account of the bank’s negligence in discharging the duties, the bank would be liable for action by the customer against the bank.

### **3.00 BANK’S RESPONSIBILITY**

Section 84 of the Negotiable Instruments Act 1881 stipulates that “Where a cheque is not presented for payment within a reasonable time of its issue, and the drawer or person on whose account it is drawn had the right, at the time when presentment ought to have been made, as between himself and the banker, to have the cheque paid and suffers actual damage through the delay, he is discharged to the extent of such damage ,that is to say, to the extent to which such drawer or person is a creditor of the banker to a larger amount than he would have been if such cheque had been paid.”

The collecting bank, therefore, must present the cheque to the drawee bank within a reasonable time. Section 84 further states that “In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade and of bankers, and the facts of the particular case.”

Hence BNPP branches should present the cheques through the next available local clearing immediately on receipt of the instruments before the cut-off time fixed by each branch in India.

In respect of cheques lost in transit or in the clearing process or at the paying bank’s branch, the bank should immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record stop payment and can also take care that other cheques issued by him are not dishonoured due to non credit of the amount of the lost cheques / instruments.

The onus of such loss lies with the collecting banker and not the accountholder.

The bank should reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

#### **4.00 PROTECTION TO THE BANK**

Section 131 of the Negotiable Instruments Act states that: “A banker who has, in good faith and without negligence, received payment for a customer of a Cheque crossed generally or specially to himself shall not, in case the title to the cheque proves defective, incur any liability to the true owner of the Cheque by reason only of having received such payment.”. Hence the collection must be in good faith and without negligence.

#### **5.00 GENERAL GUIDELINES**

5.01. Cheque collection facility is generally provided to the clients of the bank. A customer means a person/corporate entity who has an account with the bank and his/its dealing with the latter are in the nature of banking business.

5.02. Third party cheques shall not normally be collected unless approved by the appropriate authorities.

5.03. With the introduction of CTS, cheques are not sent physically for collection, hence instances of Cheque lost in transit may not happen. However for any reason including but not limited to Paper-to-Follow, if the cheque is lost in transit and a confirmation to this effect is received from the Collecting Bank/Branch, an intimation has to be sent to our Customer informing him of the loss of the instrument in transit and request for duplicate instrument and to make arrangement for settling the transaction.

5.05 Our Branches should show due diligence in informing the customer about the dishonour of a cheque so as to enable him to recover the amount from the parties liable. If the return is due to insufficiency of funds, this must be clearly communicated. If a cheque is returned for technical reasons which are to be rectified by our Bank Branch as a collecting Branch, it should nevertheless inform the customer about the return and representation of the cheque.

5.06 Commission and out of pocket expenses should be collected as per our card rate/as per our sanction to the customer.

5.07 In case if the cheques have been returned for the reason”Link Failure”,such cheques have to be re-presented in the next clearing without waiting for a request from the payee and no charges shall be recovered from the payee for return of the cheques in such cases.

5.08. When the instrument is returned by a Branch, necessary return charges as per our Card rate /agreement with the customer has to be recovered.

5.09 Wherever credits are passed before the receipt of the money(Cheque Purchase) necessary credit limit have to be fixed to the customers. Credit facility is given only to customers with appropriate sanctioned credit limits put in place by the appropriate sanctioning authorities of the Bank.

5.10. Customers wish to avail the cheque collection facility under Cash Management Services of the bank have to execute necessary CMS application and the facility has to be sanctioned by the

appropriate authorities. Cheques collected under the specific arrangement done under Cash Management Services where the credit is given as per the agreed terms, shall be excluded from this policy. Such arrangements are covered under the specific agreements with the client.

## **SECTION II: POLICY ON IMMEDIATE CREDIT OF LOCAL/OUTSTATION CHEQUES**

### **1.00 INTRODUCTION**

The RBI had initially advised banks to afford immediate credit in respect of outstation cheques upto Rs.2500/- subject to certain conditions about the proper conduct of the customers' accounts. The Goiporia Committee on Customer Service, had recommended the facility of affording immediate credit of outstation instruments upto Rs.7500/- .The RBI vide Circular DBOD.No.Leg.BC.21/09.07.007 dated August 23, 2002 increased the limit to Rs.15,000/- However the RBI vide Circular DBOD.No.Leg.BC.55/09.07.005/2004-05 dated November 1, 2004 has withdrawn the instructions on immediate credit and left it to the individual banks to formulate their own comprehensive and transparent policy on immediate credit of local and outstation cheques. The guidelines issued by RBI were specific to Cheques collected from Individual clients only and it does not cover cheques purchased from non-individual clients. Accordingly we have framed our Bank's Policy on immediate credit of local and outstation cheques which is as below.

**2.00 ELIGIBLE AMOUNT** :As most of our individual account holders are high network individuals, we can consider the limit of up to Rs.25,000/- for affording immediate credit.

### **3.00 ELIGIBLE CUSTOMERS:**

3.01. The facility is to be extended to all the Savings, Current or Cash credit accounts held in individual names either singly or jointly .

3.02. The facility should not be extended to staff accounts as a matter of routine.

3.03. While extending this facility, the branch has to ensure that the account has been operating satisfactorily for a minimum period of six months.

3.04. The facility is to be extended to accounts which are properly introduced and adhering to KYC norms.

3.05. The facility can be refused/denied for the following reasons:

- a ).Return of instruments without realisation on which the facility was accorded earlier.
- b).Return of instruments without realisation three times during the last one year or from the date of opening of the account whichever is shorter.
- c).Unsatisfactory operations in the account , during any time in the last one year.
- d).Outstanding Liability on account of facility afforded earlier.

### **4.00 ELIGIBLE INSTRUMENTS:**

- 4.01. The facility is applicable to local as well as outstation instruments (within India) only.
- 4.02. The facility is available to all the instruments such as Cheques, Demand Drafts, PayOrders, Dividend /Interest / Refund warrants.
- 4.03. The instrument must be in favour of the account holder.
- 4.04. The facility can be afforded to a single customer for more than one instrument upto the value of Rs.25,000/-.
- 4.05. The facility should not be allowed for Self-drawn cheques.
- 4.06. The facility should not be extended for third party cheques endorsed in favour of the account holder depositing the Cheque.

### 5.00 SERVICE CHARGES

A.LOCAL INSTRUMENTS UPTO Rs.25,000.00 :	Rs.25.00
B.OUTSTATION INSTRUMENTS: ON BNPP LOCATIONS NON-BNPP LOCATIONS	
UPTO Rs.10,000.00	Rs.50.00
ABOVE Rs.10,000.00 AND UPTO Rs.25,000	Rs.100.00

NOTE: No separate Cheque purchasing charges need be levied

In case of the instruments are returned unpaid, the interest at our MCLR+ 2% should be collected. (charges are subject to change periodically)

## SECTION III: POLICY ON TIME FRAME FOR COLLECTION OF LOCAL/OUTSTATION CHEQUES

### 1.00 INTRODUCTION

Bank's policy on time frame for collection of local/outstation cheques is in accordance with prescribed time frame stipulated by RBI on collection of instruments.

### 2.00 BNPP-INDIA TIME FRAME FOR LOCAL AND OUTSTATION CHEQUE COLLECTIONS

**2.01 Cheques drawn on BNPP Locations (CTS clearing) :** (Lodged on or before the clearing cut-off time) Credit will be offered latest by the third working day from the day of presentation in clearing as prescribed by RBI. . All BNPP branches are covered under CTS clearing

**2.02 Cheques drawn on non BNPP locations:**

Credit will be offered within time frame prescribed by RBI – maximum timeframe for collection of cheques drawn on state capitals/ major cities/ other locations are 7/10/14 days respectively, from the date of lodgment of instruments.

### **2.03 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 banks with instructions to credit the proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

#### **TIME NORMS FOR FOREIGN CHEQUE COLLECTIONS:**

Cheques in EUROS, CAD, GBP, SGD, USD : within 45 Days

## **SECTION IV: POLICY ON INTEREST PAYMENT FOR DELAYED COLLECTION OF CHEQUES**

### **1.00 INTRODUCTION:**

The RBI advised banks vide Circulars DBOD.No.Leg.BC.88/C.466(IV)/88 dated February 4, 1988 and DBOD.No.BC.147/09.07007/99-2000 dated March 9, 2000 to pay interest at the rate as applicable for appropriate tenor of fixed deposit for the period of delay beyond 10/14 days in collection of outstation instruments. Banks were also advised vide circular dated March 9, 2000 to pay penal interest at the rate of 2 per cent above fixed deposit rate as applicable for abnormal delay caused by branch in collection of outstation instruments.

However the RBI vide their Circular DBOD.No.Leg.BC.55/09.07.005/2004-05 dated November 1, 2004 has withdrawn the instructions on interest payment for delayed collection and left to the individual banks to formulate their own comprehensive and transparent policy on interest payment for delayed collection of outstation cheques. Accordingly we have framed our Bank's Policy on interest payment on delayed collection of outstation cheques.

### **2.00 TIME NORMS FOR COLLECTION OF CHEQUES**

CHEQUES ON BNPP LOCATIONS: within 7 days

CHEQUES ON CTS LOCATIONS: within 10 days

CHEQUES ON OTHER LOCATIONS NON CTS within 14 days

### **3.00 RATE OF INTEREST PAYABLE FOR DELAYED COLLECTION OF CHEQUES**

3.01. When instruments are collected for credit to Non-borrowal accounts, our bank will pay interest at : Option: 2% above Savings bank rate for the delayed period.

3.02. When instruments are collected for credit to borrowal accounts, our bank will pay interest at Saving bank rate + 2 % or interest charged to the borrowal account whichever is less.

3.03. No interest is payable when instruments/collection proceeds are lost in transit.

3.04. Interest will be paid only when the amount of interest is more than Rs.10/-

3.05. Interest will be rounded off to the nearest rupee

3.06. Interest shall be calculated on the total amount of instrument sent for collection on a day.

3.07. Interest shall be calculated only for the period of delay above the days mentioned above.

3.08. Instruments received from clients under the Cash Management Services of the Bank will not be considered under this category.

**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, lockout, strike or other labor disturbances, accident, fire, 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 or its correspondent bank(s) prevents it from performing its obligations within the specified service delivery parameters.**

#### **4.00 OPERATIONAL GUIDELINES:**

4.01. Branches should maintain proper record of all cases where the branch had to pay interest, with full particulars.

4.02. The Manager Operations / Branch Manager / Head of Cash Management will seek approval from the Head of Coverage / Head of Liabilities and Cash Management for payment of interests on delay of collection of outstation cheques.

4.03. The interest for delayed collection should be credited to customer’s account or by Cheque and should not be paid to the customer in cash.

4.04. Interest paid on account of delayed collection, should be paid by debiting” Interest paid on Delayed Collection A/c”(To be opened)

4.05. Where the delay has occurred at the other bank, interest should be paid to the customer immediately and the amount so paid, should be claimed from the other bank, subsequently.



4.06. A note has to be prepared client wise for each interest payment on delayed collection of outstation instruments and a complete record has to be maintained by each branch for verification by the audit team in the following format.

**DETAILS TO BE FURNISHED IN THE NOTE**

1. Name of the Customer
2. Details of the instruments lodged for collection:
3. Details of the Bank/Branch where instruments sent for collection:
4. Date of receipt of the instruments for collection:
5. Date of dispatch of the instruments for collection:
6. Date of credit of the proceeds:
7. No.of days delayed in collection:
8. Applicable rate of interest:
9. Amount of instrument sent for collection:
10. Interest amount to be paid :
11. Reason for the delay:

**5.00 RECORD TO BE MAINTAINED BY OUR BRANCHES:**

S. No	Name of The Customer	Inst Drawn On Bk	Inst sent to Bank/Br.for collection	Dt.of Receipt	Dt.of Credit	Actual Due date	No.of days of Delay	Amount of Instrument	Amount of Interest paid	Reason for delay

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