

Mizuho Bank, Ltd

Cheque Collection Policy

Revised on August 2018



DISCLAIMER

This policy has been prepared on the basis of existing risk management policies in the Bank, the best practices in the industry and the discussions held with the various officials from different departments.

This report is based on the current organization and does not take into consideration any proposed or future re-organization / change in the roles and responsibilities of various functional departments and associated policies and is based on the status of the Bank as at the date of preparation.

The recommendations made in this report are drawn from RBI / Basel II guidelines for Credit, Market And Operational Risk Management, industry best practices, and the international experience of our firm.

“MHBK”, “MHBK, India” and “Bank” are used interchangeably and should be considered to refer to the MHBK, Indian Operations.

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1. Introduction.....	5
2. Arrangements for Collection.....	6
3. Time Frame for Collection of Local/Outstation Cheques/Instruments.....	8
4. Payment of Interest for Delayed Collection of Local/Outstation Cheques.....	8
5. Cheques/Instruments Lost in Transit /in Clearing Process or at Paying Bank's Branch.....	9
6. Force Majeure.....	9
7. Charging of Interest on Cheques Returned Unpaid where Instant Credit was given.....	9
8. Foreign Currency Denominated Instrument payable outside India.....	10
9. Return of Cheques for technical reason and levy of charges.....	111
10. Summary of the Policy.....	111
11. Cut-off time for depositing the cheques:.....	11
12. Proposed arrangements for Realisation of non CTS-2010 standard instruments:.....	12
13. Review of this Policy:.....	122

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local/outstation cheques, (ii) Time Frame for Collection of Local / Outstation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 expected 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 centres 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.

2. Arrangements for Collection

2.1 (a) Local Cheques

All CTS Compliant cheques and other Negotiable Instruments payable under a grid system locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters cheque drop box in the premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time will be presented in the next clearing cycle. As a policy, Bank would give credit to the customer account on the same day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

The cheques would be processed under Cheque Truncation System (CTS). CTS is presently working at **Northern grid** in Delhi, **Southern Grid** in Chennai and **Western grid** in Mumbai.

States/Circles covered in Grid based CTS-2010 centres:

Northern grid in Delhi covers Bihar, Chandigarh, Delhi, Haryana, Jammu& Kashmir, Jharkhand, Rajasthan, Uttar Pradesh & Uttarakhand states (Covering Chandigarh, Delhi, Lucknow and Patna Circles). Centres covered are Agra, Amritsar, Allahabad, Bhilwara, Chandigarh, Dehradun, Delhi, Gorakhpur, Jaipur, Jalandhar, Jamshedpur, Jammu, Jodhpur, Kanpur, Kota, Lucknow, Ludhiana, Patna, Ranchi, Udaipur and Varanasi,

Southern grid in Chennai covers Andhra Pradesh, North Eastern States, Orissa, Karnataka, Kerala, Tamilnadu & West Bengal states (covering Bangalore, Bhubaneswar, Chennai, Guwahati, Hyderabad, Kolkata and Thiruvananthapuram circles). Centres covered are Bangalore, Belgaum, Bhubaneswar, Calicut, Chennai, Coimbatore, Cuttack, Ernakulum, Erode, Guwahati, Hubli, Hyderabad, Kolkata, Madurai, Mangalore, Mysore, Pondicherry, Salem, Thirunelveli, Tiruchirapalli, Tirupur, Trichur, Trivandrum, Vishakhapatnam and Vijayawada.

Western grid in Mumbai covers Chhattisgarh, Goa, Gujarat, Madhya Pradesh, and Maharashtra states (covering Ahmedabad, Bhopal and Mumbai Circles). Centres covered are Ahmedabad, Anand, Aurangabad, Bhavnagar, Bhopal, Gwalior, Indore, Jabalpur, Jamnagar, Kolhapur, Mumbai, Nagpur, Nasik, Pune, Panaji, Rajkot, Raipur, Solapur, Surat and Vadodara.

All centres covered under the same grid will be treated as a single clearing zone and cheques drawn on these centres and presented at any of the grid centres are treated as locally drawn cheques in as much as no clearing charges would be applicable for such cheques.

2.1 (b) Non-CTS cheques will be presented in the clearing house at the prescribed intervals which is presently once in week on each Monday or as decided by RBI, from time to time. 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.

2.1 (c) Bank branches situated at centers which are not members of any CTS Grid or where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavor to credit the proceeds at the earliest but not later than 3rd working day from the date of deposit by customer.

2.2 Outstation Cheques

2.2 (a) Cheques drawn on other banks at outstation centres other than those covered under 2.1 above, will normally be collected through correspondent bank with whom Bank is having collection arrangement. In case of cheques drawn on other banks where Bank is having branch, such cheques will be collected through our Bank's branches at those centres. Where neither Bank nor the correspondent bank have a branch, the cheque would be directly sent to drawee bank for collection.

Cheques drawn on bank's own branches at outstation centres will be collected using the inter-branch arrangements in vogue. Bank will provide same day credit to its customers in respect of outstation instruments drawn on any of its branches with in India.

2.3 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 directly to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the **Bank** maintained with one of the correspondent banks.

2.4 Immediate Credit of Local / Outstation Cheques / Instruments:

Branches of the **Bank** will consider providing immediate credit for outstation cheques / instruments up to the aggregate value of Rs.5, 000/- tendered for collection by individual account holders provided the account is fully KYC compliant of such accounts for a period not less than 6 months. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangement.

Under this policy, prepaid instruments like Demand Drafts, Interest / Dividend warrants shall be treated at par with cheques.

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 rate applicable for overdraft limits sanctioned for individual customers.

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

- a) Opened at least six months earlier and fully 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.

Bank shall levy normal collection charges and out of pocket expenses while providing immediate credit against outstation instruments tendered for collection. Exchange charges applicable for cheque purchase will not, however be charged.

2.5 Purchase of local/outstation cheques

Presently, Bank is not providing any cheque purchase facility for local / outstation cheques.

3. Time Frame for Collection of Local/Outstation Cheques/ Instruments

For local cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms.

For cheques and other instruments sent for collection to centres within the country the following time norms shall be applied:

- a) Cheques presented at any of the four major Metro Centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres: Maximum period of 7 working days.
- b) Other Metro Centres and State Capitals (other than those of North Eastern States and Sikkim): Maximum period of 10 working days.
- c) In all other Centres : Maximum period of 14 working days.
- d) Cheques drawn on foreign countries: Such instruments are accepted for collection on the 'best effort' basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. Bank would give credit to the customer on receiving proceeds to the Bank's Nostro Account with the correspondent after taking into account cooling periods as applicable to the countries concerned.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the Bank's own branches or branches of other banks.

4. Payment of Interest for Delayed Collection of Local/Outstation Cheques

As part of the compensation policy of the Bank, the Bank will pay interest to its customer 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:

In case of collection of cheques through local Clearing House, due to negligence on the part of the Bank employee if the credit to Customer's account is delayed beyond two working days, Bank shall pay interest at Savings Deposit Account interest rate for the delayed period.

Savings Bank rate for the period of delay beyond 7/10/14 working days as the case may be in collection of outstation cheques.

In case of extraordinary delay, i.e. delays exceeding 90 working 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 overdraft/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.

5. Cheques/Instruments Lost in Transit 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 immediately 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 dishonoured 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 account holder 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 for collection (7/10/14 working days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above. In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- b) The Bank would also compensate the customer for any reasonable charges 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 who would charge a fee for issue of duplicate instrument.
- c) In case of collection of cheques through local Clearing House, due to negligence on the part of the Bank employee if the credit to Customer's account is delayed beyond two working days, Bank shall pay interest at Savings Deposit Account interest rate for the delayed period.

6. 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 labour disturbances, accident, fires, 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 prevents it from performing its obligations within the specified service delivery parameters.

7. Charging of Interest on Cheques Returned Unpaid where Instant Credit was given

If a cheque sent 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. The customer 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 the proceeds of the cheque were credited to the Savings Bank Account and were not withdrawn, the amount so credited will not qualify for payment of interest when the cheque is returned unpaid. 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 were returned unpaid to the extent the Bank was out of funds.

8.Foreign Currency Denominated Instrument payable outside India

Mizuho Bank, Ltd. In India presently deal in following Foreign Currencies

1. US Dollar 2) Pound Sterling 3) Euro (EUR) 4) Japanese Yen (YEN) 5) Singapore Dollars (SGD) 6) Thai Baht (BAHT) 7) Australian Dollar (AUD) 8) Swiss Francs (CHF) 9) Arab Dirhams (AED) 10) Chinese Yuan (RMB)

Handling of Foreign currency instrument deposited by the customer payable at foreign centre will be handled as follows:

1. If the instrument is payable in the country where MHBK has branch operations (or banking operations through a subsidiary, etc.) it will be sent to our branch (e.g. Instrument in USD payable in US to be collected through MHBK New York / J.P.Morgan chase N.Y).
2. If the instrument is payable in the country where the MHBK do not have a branch then it will be sent to the correspondent bank where we are maintaining Nostro Account (e.g. Instrument in EURO payable at European country will be sent to Deutsche Bank Frankfurt)
3. If the instrument is drawn & payable at a place different from those mentioned in point 1 & 2 above will be presented directly to the drawee bank for payment.

Guidelines for arrangement of collection & payment:

- i) In case of individual customer immediate credit for foreign currency collection instrument may be given up to equivalent of USD 100/- only at the specific request from the Customers.
- ii) The time frame for collection of foreign currency Instruments payable outside India where the Bank is having branch is 21 working days, in case the instrument are collected through the correspondent bank where the Bank is not having branch or sent directly to drawee bank, 30 working days.
- iii) The customer account will be credited on the Forex business day when the credit is confirmed in NOSTRO statement.
- iv) Interest payment for delayed collection:
 - a) Bank shall pay interest at the Saving Bank rate in case of delay beyond 21 / 30 working days without waiting for any claim from the customer at Savings Bank Rate calculated on the amount of proceeds credited to the customers account for the delayed period.
 - b) In the event the proceeds of Instrument 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.
- v) Bank Charges & GST :

Bank shall recover charges as per schedule of charges revised annually from the Customer. Applicable GST shall be recovered from the Customer.

8. Return of Cheques for technical reason and levy of charges

1. Bank shall levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. If any cheque is returned due to technical reason for which customer is not responsible, Bank shall not debit the customer with cheque return charges.
2. Bank shall re-present the cheques which do not require recourse to the payee in the immediate next presentation clearing but not later than 24 hours (excluding holidays) with due notification to the customer of such representation through email.

9. Summary of the Policy

Keeping in view the wide liberalization vide the RBI circular (RBI/2015-16/59 DBR No.Leg.BC. 21/09.07.006/2015-16) We lay following standards:-

(i) Immediate Credit of outstation cheques: In case of individual customer immediate credit will be given up to Rs. 5,000/- only at the specific request from the Customers.

(ii) Time Frame for Collection of Local / Outstation Instruments: The time frame for collection of outstation cheques in the four metropolitan centers having MICR cheque clearing system is 7 working days, in case of major cities it is 10 working days and in case of others it is 14 working days. The time frame for collection of local cheques is two working days.

(iii) Interest payment for delayed collection: We shall pay interest at the saving bank rate in case of delay beyond 7/10/14 working days without waiting for any claim from the customer. 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.

10. Cut-off time for depositing the cheques:

	<u>Mumbai/ Br.</u>	<u>Bangalore</u>	
	<u>NewDelhi /</u>	<u>-Devanahalli Br.</u>	<u>ChennaiBr.</u>
	<u>Ahmedabad Br.</u>		
1. Monday to Saturday – Local MICR cheque 2nd & 4th Saturday Closed	4.00 pm.	4.00 pm	4.00 pm
2. Week days – outstation cheques	11.00 am.	11.00 am	11.00 am
3. Saturday – Outstation cheques	11.00 am.	11.00 am	11.00 am

Note: 1. In case of Bulk Deposit of cheques, same will be presented in Next day clearing.
(Bulk cheques for Chennai would be 50 cheques or more)

11. Proposed arrangements for Realisation of non CTS-2010 standard instruments:

Reserve Bank of India has introduced separate clearing session in the three CTS centres (Western, Northern and Southern) for clearing of non – CTS 2010 instruments with effect from January 1, 2014. Mumbai & Ahmedabad participate in the Western centre, New Delhi in the Northern centre & Bangalore, Chennai participate in the southern centre. This separate clearing session will operate once in a fortnight. If the identified day for clearing non-CTS – 2010 instruments falls on a holiday under the Negotiable Instrument Act, 1881, presentation session on such occasions will be conducted on the previous working day or on days as specified by RBI from time to time. In view of proposed arrangement for clearing of non-CTS-2010 standard instruments, there may be likely delay in realization of these instruments compared to CTS – 2010 standard instruments.

12. Review of this Policy:

This Policy shall be reviewed annually or as and when there are any changes in local regulations/laws or Head Office guidelines.