

# **JAMMU AND KASHMIR GRAMEEN BANK**

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## **CHEQUE COLLECTION POLICY**

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**APPLICABLE w.e.f. May 01,2025**

**(Date: 01-05-2025)**

**(Next Due Date: 01-05-2027)**

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# CHEQUE COLLECTION POLICY

## Document Control

<b>Title</b>	<b>CHEQUE COLLECTION POLICY</b>	<b>Version</b>	<b>1.1</b>
<b>Created By</b>	<b>GENERAL ADMINISTRATIVE DEPARTMENT</b>	<b>Date of Origin</b>	17.04.2025
<b>Reviewed By</b>	Steering Committee Through Risk Management Committee	<b>Date of Review</b>	25.04.2025
<b>Approved By</b>	Board of Directors	<b>Date of Approval</b>	01.05.2025
<b>Date of Next Review</b>			01.05.2027
<b>Frequency of Review</b>			Two Years

# CHEQUE COLLECTION POLICY

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### GLOSSARY

Abbreviation/ Acronym	Explanation
CBS	CORE Banking Solution
CCP	Cheque Collection Policy
CTS	Cheque Truncation System
ECCS	Express Cheque Clearing System
IBA	Indian Banks Association
KYC	Know Your Customer
MICR	Magnetic Ink Character Recognition.
NPCI	National Payments Corporation of India
PPS	Positive Pay System
RCC	Regional Collection Centre
URRBCH	Uniform Rules and Regulations for Bankers' Clearing House
UV	Ultra-Violet

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that have been undertaken by a number of banks, the Reserve Bank of India had, with effect from 1st November 2004, withdrawn its earlier instructions to commercial banks on (i) Immediate Credit of local / outstation cheques, (ii) Time Frame for Collection of Local / Outstation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

The policy has been designed as a comprehensive document taking into account technological capabilities in payment and settlement system and processes adopted for clearing arrangements and other internal arrangements for collection through different methods. The policy covers inter-alia, the following aspects: -

- i. Collection of cheques and other instruments
- ii. Defining time norms for collection of instruments
- iii. payment of interest in cases where the bank fails to meet time norms for realization of proceeds of outstation instruments
- iv. Dealing with collection instruments lost in transit.

Besides the above Reserve Bank of India announced introduction of Positive Pay System (PPS) for Cheque Truncation System (CTS) vide its notification No. DPSS.CO.RPPD. No.309/04.07.005/2020-21 dated 25th September, 2020, in order to ensure customer safety in cheque payments and reduce instances of frauds occurring on account of tampering of cheque leaves. PPS involves a process of re-confirming key details of large value cheques. The details of PPS is given in succeeding paras.

## 2. Objective of the Policy

The Policy has been designed to set out guidelines for dealing with the collection process of instruments in a fair and transparent manner. The policy lays the guiding principles to deal with collection of instruments, their time norms, payment of interest for delay in collection of outstation cheques and instruments that are lost in transit.

The policy is based on the guiding principles enlisted in the “Master Circular on Customer Service in Banks” circulated vide [RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated July 01, 2015](#). The policy is in line with the [‘Model Policy on Cheque Collection’](#) of IBA.

### 3. Scope / Applicability

This policy shall include the following:

- i. Established procedure for collection of Bank's own cheques (local and outstation).
- ii. Collection of cheques from our Branches as well as branches of other banks.
- iii. Time frame for collection of outstation/local cheques drawn on branches of the Bank.
- iv. Compensation/Payment of Interest for delayed collection for local/outstation cheques.

### 4. Cheque clearing process

#### a) Guidelines laid down by the Reserve Bank of India on Positive Pay System (PPS)

In order to ensure customer safety in cheque payments and reduce instances of frauds occurring on account of tampering of cheque leaves, the Reserve Bank of India announced introduction of Positive Pay System for Cheque Truncation System (CTS) vide its notification No. DPSS.CO.RPPD.No.309/04.07.005/2020-21 dated 25th September, 2020, advising Banks to implement the same by January 01, 2021. The concept of Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary/ payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures.

National Payments Corporation of India (NPCI) has developed the facility of Positive Pay in CTS and made it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of ₹50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of ₹5,00,000 and above. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids.

#### b) Regulatory instructions and steps initiated by the Bank on Positive Pay System

**(PPS):** Reserve Bank of India vide its notification No. DPSS.CO.RPPD.No.309 /04.07.005/2020-21 dated 25<sup>th</sup> September, 2020 has introduced Positive Pay System in Cheque Clearing Process (CCP). The directives issued by RBI are under Section 10(2) read with Section 18 of Payment and Settlement (Act 51 of 2007). RBI, through NPCI, has laid down the broad parameters for Positive Pay System, to benchmark various scenarios that could emerge upon the implementation of Positive Pay System. Bank has issued detailed guidelines on Positive Pay System vide Circular No. 88 dated 10-06-2021 and circular No. 239 dated 05-11-2021. Wherein Bank has implemented Positive Pay System for CTS clearing cheques amounting to Rs.5.00 Lakh & above w.e.f. 11<sup>th</sup> July 2021. PPS option has been enabled in Finacle as well as Mobile Banking application of the Bank.

## CHEQUE COLLECTION POLICY

### c) Cheque Clearing Process under CTS based clearing system

Cheque Truncation System is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank en-route to the paying bank/Drawee branch. In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across bank branches. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing.

The following precautions are to be taken while collecting cheques under CTS clearing: -

- i. The printing of instruments shall be based on "CTS-2010 standard" platform.
  - ii. Due diligence should be exercised regarding the physical feel of the cheque.
  - iii. In case of high value cheques, necessary enquiries shall be made in case of suspicious dealings and factors like amount of cheque, history of the account in which given cheque is to be collected, antecedents of the customer and relationship between payee customer and drawer shall be taken into consideration.
  - iv. CTS Centres shall make use of Ultra Violet (UV) lamps to help them to detect any material alteration on the cheques. Cheques of high value and / or cheques being collected in newly opened accounts, say accounts opened in the last six months, shall invariably be scrutinized with UV lamps.
  - v. All cheques of Rs 1.00 lakh and above, received for presentation in CTS clearing and in non-CTS centres, if any, shall be invariably processed through UV Lamp. However, in case of any suspicion, cheques for any amount may be scanned through the UV lamp.
- d) Branches shall issue only payable at par CTS Standard-2010 cheques to Customers.
- e) Non-CTS clearing sessions have been discontinued w.e.f. December 31, 2018. The CTS facility has been extended across the country by September 30, 2021.

### 5. National Grid for Cheque Truncation System (CTS): -

5.1 The Reserve Bank of India vide their letter No S210/01.02.003/2022-23 dated 09.02.2023, advised the migration of Cheque Truncation System from the architecture of three Regional Grids to a single National Grid. Consequently, w.e.f October 13<sup>th</sup>, 2023, National Grid has been formed and RCC Jammu has been designated as the Nodal Regional Office for Centralized CTS Operations under "One Nation-One Grid" Vision. List of existing CTS Centres is given hereunder:

Sr. No.	CTS Centre	Sr. No.	CTS Centre	Sr. No.	CTS Centre
1	RCC Shakti Nagar	9	Kishtwar	17	Bandipora
2	Swankha More	10	Rajouri	18	Pattan
3	Samba	11	Sunderbani	19	Kunzer
4	R.S. Pura	12	Nowshera	20	Kupwara
5	Bishnah	13	Poonch	21	Handwara
6	Kathua	14	M.B. Sopore	22	Kishtwar
7	Akhnoor	15	Kakarhamam	23	Leh
8	Phainter	16	Uri	24	Kargil
25	Tophsherkhani	26	Udhampur	27	Doda
28	Anantnag	29	Pulwama	30	Main Branch Srinagar
31	Katra				

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Note: - Tophsherkhani Branch shall continue to manage the CTS operation of the Branches of Erstwhile Ellaquai Dehati Bank till integration of CTS process with RCC Shakti Nagar Jammu.

- 5.2 RBI has directed that no changes/corrections should be carried out on the cheques presented through clearing (other than for date validation purpose, if required). Any alteration made in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc., presented through image-based Cheque Truncation System (CTS) should not be accepted and customers should be advised to get a fresh cheque from the drawer. However, cheques cleared under physical exchange of instruments may be accepted with such alterations.
- 5.3 Validity of cheque / draft / pay order / Banker's cheque has been reduced from 6 months to 3 months w.e.f. 01.04.2012, vide [Circular No. RBI/2011-12/251 DBOD.AMLBC.No.47/14.01.001/2011-12 dated November 04, 2011.](#)
- 5.4 As per RBI circular under ref no. [RBI /2018-19/216 DGBA.GBD.No. 3136/42.01.035/2018-2019](#) dated June 20, 2019, it has been decided to dispense with the current requirement of forwarding the paid State Government Cheques in physical form (commonly known as P2F) to the State Government Departments/treasuries. The government cheques would be paid in CTS clearing solely based on their electronic images. The paid cheques in physical form would be retained by the presenting bank.

### 6. Clearing Process at CTS centres

Under grid-based Cheque Truncation System clearing, all cheques drawn on bank branches falling within in the grid jurisdiction shall be treated and cleared as local cheques. Cheque collection charges shall not be levied if the collecting bank and the paying bank are located within the jurisdiction of the same CTS grid even though they are located in different cities.

All CTS Centres/ Clearing Houses shall adhere to all provisions of Uniform Rules and Regulations for Bankers' Clearing House (URRBCH) issued by RBI from time to time.

### 7. Dishonour / Return of cheque

Bank needs to mention the 'Date of Return' & the Cheque Return Memo is to be signed, giving therein a definite and valid reason for refusing payment. This would enable the holder of the instrument to have legal recourse against the drawer of the cheque.

- 7.1 The list of objections for return of Instruments and Image based Cheque Clearing, as detailed in *Procedural guidelines for CTS*, is appended as "**Annexure-I**" of this document.
- 7.2 Cheque return charges shall, however, be levied only in cases where the customer is at fault and is responsible for such returns. The list of reasons for return, where the customers are not at fault is given in "**Annexure-II**" of this document. However, the list provided in Annexure-II is only illustrative and not exhaustive, Incharge RCC (Shaktinagar) shall have discretion to waive/reverse

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cheque return charges in case he/she is satisfied that the customer is not at fault and/or is not responsible for return of a cheque/ instrument for cheque/instruments returned for any other reason (excluding those mentioned in Annexure-II) on a case to case basis.

- 7.3 Cheques that need to be re-presented without any recourse to the payee shall be presented in the immediate next presentation clearing, not later than 24 hours (excluding holidays), with due notification to the customers of such presentation. Dishonored instrument will be returned / dispatched to the customer promptly without delay not exceeding 24 hours of dishonor (excluding holidays).

### 8. Collection of Clearing Cheques

#### 8.1 Third Party Cheques in Clearing:

RBI has prohibited Banks from crediting 'Account Payee' cheques to the account of any person other than the payee named therein. However, with a view to mitigate the difficulties faced by members of co-operative credit societies in the collection of account payee cheques, RBI has permitted banks to collect, for such societies, account payee cheques drawn for an amount not exceeding Rs. 50,000/- on behalf of their constituents.

- 8.2 Cheques tendered at branches for collection and those deposited in the drop-box within the branch premises, before the specified cut-off time (which may be fixed by respective Regional Office for branches, based on location of the branch and local practice), will be sent for clearance on the same day, for which the clearance period will be T+1 working days. Cheques deposited after the cut off time will be sent for clearing on next day, for which clearance period will be T+2 working days.

- 8.3 All drop-boxes shall clearly indicate the timeline (fixed as provided above) upto which cheques dropped in the drop boxes would be sent for clearing on the same day. The customers should not be compelled to drop the cheques in the Drop-Box and as such branches should invariably display on the Cheque Drop-Box itself that "Customers can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips".

- 8.4 Cheques deposited after the cut-off time shall be presented in the next clearing cycle.

- 8.5 The timeline for clearing of local cheques shall not be later than T+3 working days, excluding holidays / Sundays/ 2<sup>nd</sup> & 4<sup>th</sup> Saturday.

- 8.6 Branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and proceeds thereof would be credited, at the earliest, on realization.

- 8.7 Irrespective for the amount of cheques, normal collection charges will be levied for local cheques not collected through clearing, in accordance with Bank's Service Charges Schedule.

### 9. Arrangements for Collection of Domestic Cheques

#### 9.1 Instruments Drawn On Our Own Local and Outstation Branches:

All CTS compliant cheques and other Negotiable Instruments drawn on Bank's own branches, at local or at outstation centres, irrespective of amount and market/ business segment, except Govt. Cheques, Banker's Cheques, RBI cheques, received across the counter or through Drop-Box are not required to be presented in clearing or purchased as DD/ sent out on collection for credit. These instruments shall be disposed of at their end only, subject to ceiling for non-base branch payment as decided by the Bank. The instruments will be paid by the receiving branch at their end by affording credit directly to the payees' account after verifying the genuineness of the instruments and observing all necessary precautions for payment of instruments.

Since the Bank is offering anywhere banking services to its customers, same day credit will be provided in respect of cheques drawn on any branch of the Bank in the CBS network, whether local or outstation. Further local/ outstation cheques drawn on any branch of our Bank for payment, will normally be paid on the same day if received in the branch upto specified time or latest by next working day, depending upon the local situations, barring a few exceptional circumstances, for example — insufficient funds, non-availability of drawing power, un-cleared balance, cheque number not matching with the cheque range in the system, same cheque number already paid, difference in signature, any lien stop/hold restrictions (statutory, regulatory or otherwise), marked on the account, limit exceeding in case of loan account.

### 10. Instruments Drawn on Outstation Branches of Other Banks

Cheques drawn on other banks at outstation centres will normally be collected through our own branches/RCC. Where the Bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank.

### 11. Timeframe for collection of cheques:

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

- a) **Cheques payable at CTS centres:** Maximum period of 7 days.
- b) **Non-CTS centres:** Maximum period of 14 days.

### 12. Payment of Interest for Delayed Collection

Bank shall 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:

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- a) Savings Bank rate for the period of delay beyond 7 working days in case of local cheques payable at CTS centres.
- b) Saving Bank rate for the period of delay beyond 14 days in collection of outstation cheques/ payable at non CTS centres.
- c) In case of extraordinary delay, i.e. delays exceeding 90 day's interest will be paid at the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at 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. The minimum interest payable shall be Rs.10/-.

However, Bank shall not be liable to compensate for delayed credit if some unforeseen event (including, but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fire, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank(s), beyond the control of the bank) prevents it from performing its obligations within the specified service delivery parameters. The discretionary powers to determine extant and applicability of compensation for delayed collection shall vests with General Manager (Head Office).

### **13. Cheques/ Instruments Lost in Transit / In Clearing Process or at Paying Bank's Branch:**

In the event of a cheque or an instrument accepted for collection being lost in transit or in the clearing process or at the paying Bank's branch, the Bank shall immediately, on coming to know about 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 respect of cheques lost in transit, the following procedure shall be followed by Bank to compensate the account holder:

- i. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/14 days as the case may be), interest shall be paid for the period exceeding the stipulated collection period at the rates specified above.
- ii. In addition, bank shall 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.
- iii. 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 that would charge a fee for issuance of a duplicate instrument.

### 14. Miscellaneous:

- a) Cheque which are deposited with wrong account number mentioned on the pay-in slip, Bank will return such cheques to the customer on the address mentioned within 48 working hours. However, in cases with incomplete address, incomplete phone no. or no phone number mentioned on the pay-in slip, the bank will be responsible to keep these instruments for a maximum period of 3 months.
- b) Cheque received back unpaid will be returned by post/courier etc. to the customer within 24 working hours on the address recorded in Bank's database. However, these will be kept in the Bank for returning to the customer over the counter if he/she makes a request for the same. If not collected by the customer within 15 days, bank will send back at the recorded address by post or courier.
- c) **Grievance Redressal:** If any customer has a complaint against any branch due to non-payment or inordinate delay in the payment or collection of cheques, complaint can be lodged with the bank concerned. If the bank fails to respond within 30 days, a complaint with the Banking Ombudsman may be lodged.

### 15. Service Charges

For all collection services, the bank shall recover appropriate service charges as per Service Charges Schedule communicated to operative levels through Service Charges Schedule from time to time and communicated to customers by displaying the same on Bank's Website.

### 16. Force Majeure:

Bank shall not be liable to compensate the customers for delayed credit if some unforeseen event (including, but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fire, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank(s), beyond the control of the bank) prevents it from performing its obligations within the specified service delivery parameters.

### 17. Disclosure of the Policy

The policy shall be available on Bank's Intranet Homepage under policies section as well as on Bank's Website for the information of Customers in compliance to RBI's Master Circular on Customer Services.

### 18. Review of the Policy

The policy shall be subject to review after every two years by the Board for review/ approval. However, in case of exigencies and to be in line with regulatory / statutory guidelines, Chairman is empowered to approve changes /modifications/ amendments/ relaxations/ exemptions, if any, required to be made in the policy and same shall be placed before the Board during the next review of the Policy.

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### (Annexure I)

#### **REASON FOR RETURN**

<b>CODE NO.</b>	<b>REASON FOR RETURN</b>
<b>(01-03)</b>	<b>Funds</b>
01	Funds insufficient
02	Exceeds arrangement
03	Effects not cleared, present again.
<b>(04-05)</b>	<b>Reference to Drawer</b>
04	Refer to drawer
05	Kindly contact Drawer/Drawee Bank and please present again.
<b>(10-17)</b>	<b>Signature</b>
10	Drawer's signature incomplete
11	Drawer's signature illegible
12	Drawer's signature differs
13	Drawer's signature required
14	Drawer's signature not as per mandate
15	Drawer's signature to operate account not received
16	Drawer's authority to operate account not received
17	Alteration requires drawer's authentication
<b>(20-29)</b>	<b>Stop Payment</b>
20	Payment stopped by drawer
21	Payment stopped by attachment order
22	Payment stopped by court order
23	Withdrawal stopped owing to death of account holder
24	Withdrawal stopped owing to lunacy of account holder
25	Withdrawal stopped owing to insolvency of account holder
<b>(30-42)</b>	<b>Instrument</b>
30	Instrument post dated
31	Instrument out dated/stale
32	Instrument undated/ without proper date
33	Instrument mutilated; requires Bank's guarantee
34	Cheque irregularly drawn/ amount in words and figures differs
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

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<b>(50-55)</b>	<b>Account</b>
50	Account closed
51	Account transferred to another branch
52	No such account
53	Title of account required
54	Title of account wrong/ incomplete
55	Account blocked (situation covered in 21-25)
<b>(60-68)</b>	<b>Crossing/Endorsement</b>
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
64	Amount in protective crossing incorrect
65	Amount in protective crossing required/illegible
66	Payee's endorsement required
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with seal
<b>(70-76)</b>	<b>RBI /Government</b>
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order/ cheque requires counter signature
76	Required information not legible/ correct
<b>(80-92)</b>	<b>Miscellaneous</b>
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
85	Alterations on instrument- Other than "Date" field (Alteration/correction on instruments are prohibited under Cheque Truncation System. Return reason code applicable to instruments presented in CTS)
86	Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87	'Payee's a/c credited' - Stamp required
88	Other reasons (Please specify)
92	Bank Excluded

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### (Annexure-II)

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/cheque 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

# CHEQUE COLLECTION POLICY

(Annexure-III)

## Positive Pay System for Cheque Truncation System

RBI/2020-21/41

DPSS.CO.RPPD. No.309/04.07.005/2020-21

The Chairman and Managing Director / Chief Executive Officer

All Scheduled Commercial Banks including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks /

District Central Co-operative Banks / Local Area Banks / Payment Banks / Small Finance Banks / National Payments Corporation of India

Madam / Dear Sir,

### Positive Pay System for Cheque Truncation System

September 25, 2020

Please refer to the [Statement on Developmental and Regulatory Policies dated August 6, 2020](#) wherein Reserve Bank of India (RBI) had announced introduction of Positive Pay System for Cheque Truncation System (CTS).

2. The concept of Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures.

3. National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of ₹50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of ₹5,00,000 and above.

4. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids. Member banks may implement similar arrangements for cheques cleared / collected outside CTS as well.

5. Banks are advised to create adequate awareness among their customers on features of Positive Pay System through SMS alerts, display in branches, ATMs as well as through their web-site and internet banking.

6. Positive Pay System shall be implemented from January 01, 2021.

7. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Yours faithfully

(P Vasudevan)  
Chief General Manager