



Utkarsh Small Finance Bank

CHEQUE COLLECTION POLICY

Version 9.0 (September 06, 2025)

Table of Contents

1. INTRODUCTION	3
2. ARRANGEMENTS FOR COLLECTION	3
2.1. Local Cheques	3
2.2. Outstation Cheques	4
2.3. Speed clearing	4
2.4. Immediate Credit of Local / Outstation Cheques / Instruments.....	4
2.5. Purchase of local/outstation cheques.....	5
3. TIME FRAME FOR COLLECTION OF LOCAL / OUTSTATION CHEQUES /INSTRUMENTS	6
4. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES	6
5. CHEQUES/INSTRUMENTS LOST IN TRANSIT/IN CLEARING PROCESS OR AT PAYING BANK BRANCH	6
6. FREQUENT DISHONOUR OF CHEQUES	7
6.1. Procedure for return/ dispatch of dishonored cheques	7
6.2. Information on dishonored cheques	7
6.3. Dealing with incidence of frequent dishonor	7
6.4. General	8
6.5. Frequent Dishonor of cheques	8
7. FORCE MAJEURE	8

1. INTRODUCTION

Utkarsh Small Finance Bank Limited is a subsidiary promoted by Utkarsh Core Invest Limited, formerly known as Utkarsh Micro Finance Limited. It aims to provide affordable & accessible banking services which are process centric, technology enabled, and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which include small and marginal farmers, micro and small industries, and other organized sector entities, at an affordable cost.

This collection policy of the Bank is a reflection of our approach to provide better service to the customers of the Bank and setting higher standards for Customer Service. 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.
- Bank's 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.
- Policy on dealing with collection instruments lost in transit.
- Policy with regards to issuance of payable at par Cheque books.
- Policy with regards to clearing of non-CTS – 2010 standard cheques.
- Policy on management of customer accounts with Frequent Dishonor of Cheques.

2. ARRANGEMENTS FOR COLLECTION

2.1. Local Cheques

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at that center. 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, including off-site ATMs, will be presented in the next clearing cycle. As a policy, the Bank would give credit to the customer account on the same day when the clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.

The Bank branches situated at centers 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.

2.2. Outstation Cheques

Cheques drawn on other banks at outstation centers will normally be collected through bank's branches at those centers. Where the Bank does not have a branch of its own, the instrument would be directly sent for collection to the correspondent bank or drawee bank directly. Cheques drawn on the Bank's own branches at outstation centers will be collected using the inter-branch arrangements in vogue. As a part of the anywhere banking services of the Bank, customers will be provided same day credit for cheques drawn on the Bank's own branches subject to limits/charges prescribed by the Bank from time to time.

The definition of outstation cheques excludes demand drafts, banker's Cheques, interest warrants and dividend warrants drawn on the Bank itself.

2.3. Speed clearing

Speed clearing refers to collection of outstation cheques through the local clearing. Outstation cheque collection through collection basis takes around one to two weeks depending on the corresponding/drawee bank for this purpose. Under Speed clearing, it would be two to three working days. Speed clearing aims to reduce the time taken for realization of outstation cheques.

The Bank can thus now locally pay outstation cheques of branches covered under CBS without having to physically send the cheque to the branch of the drawee bank for clearing. Instruments of all transaction codes (except Government cheques) which are drawn on CBS enabled bank branches are eligible for being presented in Speed Clearing.

The list of speed clearing centers and details of the participating banks branches are available at the RBI site with the following URL address http://rbidocs.rbi.org.in/rdocs/content/Docs/10002_LSCC.xls.

2.4. Immediate Credit of Local / Outstation Cheques / Instruments

No immediate credit of local cheques would be given as the Bank endeavors that delays do not occur in realization of proceeds of the cheques. At centers where no clearing house exists cheques will be presented across the counter, and the proceeds will be credited at the earliest.

Branches / extension counters of the Bank would grant immediate credit for outstation cheques / instruments drawn on our Bank centers up to the aggregate value of Rs.15000/- (maximum limit outstanding per account at any one point of time) tendered for collection of individual account holders subject to satisfactory conduct of such accounts for a period not less than 6 months.

Immediate credit will be provided at the sole discretion of the Branch Head after carefully verifying the satisfactory conduct of the account, creditworthiness of the Customer and the genuineness of the need of the customer.

The facility will be offered on savings bank/current/cash credit accounts of the Customers. Under this policy, prepaid instruments like demand drafts, interest/dividend warrants shall be treated on par with cheques. The amount of Rs. 250/- would be charged on each such case as a flat fee over and above

the normal collection charges. For the purpose of this policy, a satisfactorily conducted account shall be the one which fulfills all of the following: -

- a) Opened at least six months earlier and complying with KYC norms.
- b) The conduct of which has been satisfactory, and the 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) Maintenance of Average Quarterly Balance (AOB) stipulation for at least 2 preceding quarters.

Immediate credit would also be subject to the following criteria:

- a) The account should be denominated in Indian Rupees.
- b) The cheque / DD should be drawn on a scheduled commercial bank, payable in India (excluding a co-operative bank).
- c) The facility should be extended to the customer at his / her base branch only.
- d) Cheques shall not be post-dated / out of date / nearing out of date (to avoid risk of return in clearing). The cheques must be at least 14 working days from the date of expiry of the cheque.
- e) The account shall not be "inoperative".
- f) The amount of immediate credit, whether for a single or multiple cheques / DDs, shall not exceed Rs. 15,000/- in an eligible account, at any point in time.
- g) There should be no partial immediate credit of a cheque / DD.
- h) The cheque shall not be the customer's own cheque from another account i.e. not selfdrawn cheque.
- i) The facility of immediate credit would not be applicable to cheques collected under speed clearing arrangements.
- j) The policy of immediate credit would be reviewed annually considering the amount of losses, frauds and customer issues.

For low value cheques, the customer may approach the account holding branch requesting a waiver of the cooling period (if any) to avail of the funds quickly.

2.5. Purchase of local/outstation cheques

The Bank may, at its discretion, purchase a 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. TIME FRAME FOR COLLECTION OF LOCAL / OUTSTATION CHEQUES /INSTRUMENTS

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

Cheques and other instruments sent for collection to centers within the country the following time norms shall be applied:

- a) Cheques presented at any of the State Capitals (other than those of Northeastern States and Sikkim) Maximum period of 7 days.
- b) Cheque presented at any of the major cities: Maximum period of 10 days
- c) In all other Centers: Maximum period of 14 days.

4. PAYMENT OF INTEREST FOR DELAYED COLLECTION OF OUTSTATION CHEQUES

The Bank will pay interest to the customer on the amount of the collection instrument in case there is a delay in giving credit beyond the time period mentioned above. Such interest shall be calculated and paid as per the Customer Compensation Policy of the Bank. The period of delay for this calculation would be from the date of expiry of turnaround time indicated in the table on timeframe for collection of local /outstation instrument up to the date of realization of the instrument. This payment would be made without any demand from customers in all types of accounts. There will 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 except for reasons which are beyond the control of the Bank. Interest payments would be applicable only for instruments (drawn in INR) sent for collection within India.

5. CHEQUES/INSTRUMENTS LOST IN TRANSIT/IN CLEARING PROCESS OR AT PAYING BANK BRANCH

In the event a cheque or an instrument accepted for collection is lost in transit or lost in the clearing process or lost at the paying bank's branch, the Bank shall immediately upon receipt of such information, bring the same to the notice of the account holder so that the account holder can inform the drawer to record a stop payment against the instruments and also take care that cheques, if any, issued by him / her to the extent of amount of loss cheques 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 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 days as the case may be), interest will be paid for the period exceeding the stipulated collection period at the rates specified as per specified in the Compensation Policy.

- b) In addition, the Bank will pay interest in 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.
- c) 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.

6. FREQUENT DISHONOUR OF CHEQUES

6.1. Procedure for return/ dispatch of dishonored cheques

- a) The paying bank are supposed to return dishonored cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations and Rules for Bankers' Clearing Houses. The collecting bank on receipt of such dishonored cheques should dispatch it immediately to the payees / holders (within 24 hours).
- b) In relation to cheques presented directly to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, it should return such dishonored cheques to payees/holders immediately.
- c) Cheques dishonored for want of funds in respect of all accounts should be returned along with a memo indicating therein the reason for dishonor as "insufficient funds".
- d) Cheque may be refunded for financial as well as non-financial reasons.

6.2. Information on dishonored cheques

- a) The Bank will monitor the dishonored cheques for the amount of Rs.1 Crore and above & Other Account where in frequent dishonor of instruments are observed.
- b) Data in respect of cheques drawn in favour of stock exchanges and dishonored will be consolidated separately irrespective of the value of such cheques as a part of MIS relating to broker entities.

6.3. Dealing with incidence of frequent dishonor

- a) With a view to enforce financial discipline among the customers, operation of accounts would be subjected to a condition that in the event of dishonor of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions & other account with over 6 frequent cheque dishonor during the financial year for want of sufficient funds in the account, fresh cheque book would not be issued & the Bank may consider closing such account at its discretion.

- b) However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts would be reviewed by an appropriate authority higher than the sanctioning authority.
- c) A cautionary advice and request to close the account will be given to the customer in the following cases:-
 - Wherein Cheques of value over 1 crore has bounced for the 3rd time in a year.
 - Wherein Cheques value less than 1 crore has bounced for the 5th time in a year.

6.4. General

For the purpose of presenting evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee / holder of a dishonored cheque) in any proceeding relating to dishonored cheque before a court, consumer forum or any other competent authority, the Banks would extend full co-operation, and would furnish the customer documentary proof of fact of such dishonor of cheques.

6.5. Frequent Dishonor of cheques

Zonal Operation Head in consultation with Zonal Head will have discretion power to allow issue of cheque book for case of frequent dishonor above depending on the conduct of account & relationship.

7. 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.
