

CONFIDENTIAL DOCUMENT

POLICY ON
Collection of Cheques / Instruments

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SHINHAN BANK
INDIA

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1. Introduction

The policy of collection of cheques / instruments drafted by Shinhan Bank is based on the principles of transparency and fairness in treatment of customers. It has been the bank's endeavor to make available the credits of the cheques / instruments sent by it for collection locally or outstation on behalf of its customers, in the lowest possible time by making use of the technology and expertise the bank has acquired over a period of time.

The Cheque collection policy of the bank is the reflection of bank's on-going efforts to provide better service to our customers and set higher standards for performance.

2. Arrangements for Collection for Local and Outstation cheques

Local Cheques

Shinhan Bank branches at different locations may opt to become direct member or sub-member of CTS Clearing mechanism depending upon the volume and other business parameters. The clearing arrangements and the cut-off timings for accepting the cheques for presentation may vary for different locations and as such such the cut-off timings should be prominently displayed on the notice board of the branches.

Outstation Cheques

All cheques and other Negotiable Instruments drawn on other banks at outstation centre will be collected through bank's branch at those centre.

Where the bank does not have a branch of its own, the instrument would be directly sent for collection to the drawee bank or collected through the correspondent bank.

The bank will also use the National Clearing services offered by the Reserve Bank of India at centres where such collection services exist.

3. Cheques payable in Foreign countries

The services of correspondent bank will be utilized in country / centres where the correspondent has presence. The bank forwards the cheque to the correspondent bank through their office in Mumbai, India. Normally the clear funds are available to the bank on the 4th day from the date of deposit with the correspondent bank branch in Mumbai, India. The bank receives the NOSTRO statement daily. The bank credits the customers account with the equivalent rupee amount by converting the FCY amount at the TT buying rate on the very next day the bank gets clear funds in NOSTRO account. The maximum period for affording credit to the customer's account is 15 days.

The cheques drawn on foreign banks at centres where the bank or its correspondent do not have direct presence will be sent directly to the drawee bank with instructions to credit proceeds to the Nostro Account of the bank maintained with the correspondent bank.

4. Immediate credit of Local / Outstation cheques

Branches of the bank will consider providing 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. Immediate credit will be provided against such collection instruments at the specific request of the customer or as per prior arrangements. The facility of immediate credit would also be made available in respect of local cheques.

The facility of immediate credit will be offered on Savings / Current / Cash Credit Accounts of the customers. For extending this facility there will be no separate stipulation of minimum balance in the account.

The facility will be provided to a satisfactorily conducted account and shall be the one:

- Opened at least six months earlier and complying with KYC norms.
- Conduct of which has been satisfactory and the bank has not noticed any irregular dealings.
- Where no cheques / instruments for which immediate credit was afforded returned unpaid for financial reasons.
- Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.

The bank will levy normal collection charges while providing immediate credit against outstation cheques tendered for collection.

5. Purchase of Local / Outstation cheques

The 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.

6. Time frame for Collection of Local / Outstation cheques

Local cheques – CTS

The local cheques presented in the normal clearing is being credited to the accounts of the customer with clear funds on the 3rd day from the date on which it has been tendered for clearing. The bank gets the credit on the 2nd day after the closure of relative return clearing at 5:30 pm (after the banking hours). The bank may permit usage of the shadow credit afforded to the customers account immediately after closure of the relative clearing at 5:30 pm on the 2nd day.(subject to usual safeguards)

Outstation cheques

The cheques drawn on the centres of National Clearing services offered by the Reserve Bank of India will be credited to the accounts of the customers on the day the bank get clear funds from Reserve Bank of India. The bank normally gets credit on the 4th day of the cheques drawn on the centres of National clearing services. The credit is being passed on to the customer the very next day.

For the cheques drawn on the centres other than on National Clearing Services the services of Axis Bank is to be availed. Normally the bank gets the clear funds of the cheques sent for collection drawn on state capitals / major cities / other locations, maximum on the 7/10/14 day respectively. If the bank receives credit before the timeframe as given above, the bank passes on the benefit to the customer the same day.

Foreign country cheques

Such instruments will be accepted for collection on the 'best of effort basis'. The bank will give credit to the party upon credit of proceeds to the bank's Nostro Account with the correspondent bank taking into account cooling period as applicable to the countries concerned.

7. 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 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.

Interest for delayed collection shall be paid at the following rates:

No interest for the period of delay within 14 days.

Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.

The bank will give interest for delayed collection proceeds only for instruments sent for collection within India.

8. Payment of interest for delay in collection of local cheques.

As part of the compensation policy of the bank, the bank will pay interest to its customer for the delay in collection of instruments sent in local clearing. The credit of the cheques sent in local clearing is afforded to the customers on the 3rd working day.

The bank will pay interest without any demand from customers in all types of accounts. The interest for delayed collection of cheques sent in local clearing shall be paid at the following rates.

No interest for the period of delay within 14 days.

Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.

9. Cheques 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 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 are not dishonoured due to the non-credit of the amount of lost cheque. The bank will provide assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy the bank will compensate the account holder in respect of the cheque lost in transit in the following way:

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection i.e 14 days, the interest will be paid at the rate applicable for term deposit as on that day.
- 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.
- 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.

10. 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 bank will follow as under:

- The value of the cheque will be immediately debited to the account.
- If the proceeds of the cheques were credited to the Savings Bank account and was not withdrawn, the amount so credited will not qualify for payment of interest where the cheque is returned unpaid.
- The customer will not be charged any interest from the date immediate credit was given to the date of return of instrument unless the bank has remained out of funds on account of withdrawal of funds.
- The bank will charge interest if the customer does the withdrawal of funds of the cheque sent for collection and returned thereof. If the proceeds are credited to overdraft / loan account, interest shall be recovered at the rate of 2% above the interest rate applicable to the overdraft / loan account from the date of credit to the date of reversal of entry.

11. Dishonour of cheques – Dealing with incidents of frequent dishonour

Procedure for return / dispatch of dishonoured cheque –

As a paying bank -

The bank will return dishonoured 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 House.

Cheques returned for want of funds in respect of all accounts will be returned with the memo indicating therein the reason for dishonour as 'insufficient funds'.

Cheque value of Rs. 1 crore and above -

With a view to enforce financial discipline among the customers, bank has introduced the condition that in the event of dishonour of cheque valuing one crore and above on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also bank may consider closing the account at its discretion. However in respect of advances account such as Cash Credit and Overdraft account, the need for continuance and issuing of cheque book will be reviewed by the General Manager of the bank.

At the first and second instance of dishonour of cheque of Rs. 1 crore and above, the bank will contact the customer through mail, telephone and will enquire into the reason and explain the gravity of the issue.

If the cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank will issue cautionary advice drawing attention to aforesaid condition and consequential stoppage of cheque book facility and closure of account.

The bank will place before their Management committee, every quarter, consolidated data in respect of matter referred to above.

Cheque value less than Rs. 1 crore and ECS mandates -

The bank will monitor the accounts for the frequent dishonours.

If instances of returns more than 6 during financial year for want of funds in the account the month the bank will –

Correspond with the customer through mail and telephone enquiring into the reasons.

The bank will enforce for financial discipline and proper conduct of the account.

If need be the customer / authorized signatory will be called to the bank for explanation.

Still if the bank is not satisfied with the explanation and the situation not improving favorably, then bank may put restrictions on the number of cheque books to be issued to the customer.

If the situation still persists as regards dishonour of cheques / ECS mandates by the recalcitrant customers then bank may very reluctantly convey about its intention to close the account.

Sufficient notice of 3 months will be issued to the customer for closure of account so as to make alternate arrangements at their end.

As a collecting bank –

The bank will on receipt of such dishonoured cheques will dispatch it immediately to the payees / holders.

For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e Payee / holder of a dishonoured cheque) in any proceeding relating to dishonour cheque before the court or any other competent authority, the bank will extend full co-operation and will furnish documentary proof of fact of dishonour of cheque.

12. Disclaimer

The bank shall not be liable to compensate customers for delayed credit for unforeseen events which is beyond the control of the bank and prevents it from performing its obligations.