

# Cheque Collection Policy

## Introduction

The Cheque 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. This policy document for The Hongkong and Shanghai Banking Corporation Limited (HSBC) covers the following aspects:

- Collection of cheques and other instruments payable locally, at centers within India
- Collection of cheques and other instruments payable at foreign centers
- 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 realisation of proceeds of instruments
- Our policy on dealing with collection instruments lost in transit

## Arrangements for Collection

Cheque Type		Credit Day*	Transaction Mode	Remarks
<b>A</b>	<b>Local Cheque</b>	Clear funds will be available by next working day from the presentation of Cheque, provided it is deposited prior to clearing cut-off time*	Via Clearing House	Both the presenting bank as well as the drawee bank should be located within the Local Clearing Network decided by clearing house
<b>B</b>	<b>Speed Clearing</b>	Clear funds will be available by next working day from the presentation of Cheque, provided it is deposited prior to clearing cut-off time*	Via Clearing House	The Reserve Bank of India launched 'Speed Clearing' with the objective of reducing the time taken for collection of outstation cheques by leveraging the technological advantage arising out of implementation of Core Banking Solution (CBS) in banks. Speed clearing eliminates the need of physical movement of cheques to bank branch locations which participate in Speed Clearing

<b>C</b>	<b>Outstation Cheque - payable at all State Capitals (CTS centers)</b>	Within 7 working days (Clear funds will be available for withdrawal by the customer depending on the clearing house timelines for return of cheques in that city)	Collection basis	Currently available for cheques drawn on State Capitals <sup>^</sup>
<b>D</b>	<b>Outstation Cheque - payable at all major cities other than mentioned above<sup>^^</sup></b>	Within 10 working days (Clear funds will be available for withdrawal by the customer depending on the clearing house timelines for return of cheques in that city)	Collection basis	Currently available for cheques drawn on major cities
<b>E</b>	<b>Outstation Cheque payable at all other locations except for State Capitals and Major cities</b>	Credit for collection instrument will be given within a period of 14 working days	Collection basis	Covers cheques drawn on all locations that are not covered under the above categories
<b>F</b>	<b>Outstation Cheques - drawn on HSBC's own branch</b>	Same day credit	Via inter-branch arrangement	Covers Cheques drawn on HSBC's own branches at outstation centres
<b>G</b>	<b>Foreign Currency Cheque</b>	Within 25 working days	Via Correspondent Bank	Covers USD denominated or other foreign currency cheques payable in US/foreign centres

**Discontinuation of acceptance of Traveller's Cheques for HSBC India** – Please be advised that HSBC India does not accept Traveller's Cheques (TCs) for encashment or credit to the HSBC India account with effect from 18 December 2013. Customers are requested to take note of the same and make alternate arrangements as may be necessary for the encashment of any Traveller's Cheques held by them. For any clarifications, please feel free to contact our PhoneBanking service, the nearest HSBC branch in India or your respective Relationship Manager.

This policy is not applicable for customers who avail The Cash Management Services (CMS) of the Bank. The Bank has separate agreements with customers availing CMS. The credit timelines would vary in case of such CMS deals and the same would be determined on the basis of overall relationship and market conditions.

\*The day of credit is given assuming that on Day 0 the cheques are deposited within clearing cut-off timings applicable at the branch of deposit. For cheques received after clearing cut off, Day 0 will be the next working day. Clear funds are available post clearing house confirmation on return cheques.

<sup>^^</sup>The major cities include Noida, Gurgaon, Ludhiana, Jodhpur, Vadodara, Indore, Thane, Pune, Nagpur, Mysore, Visakhapatnam, Coimbatore, and Kochi.

<sup>^</sup>State capitals include Hyderabad, Itanagar, Dispur, Patna, Chandigarh, Raipur, Delhi, Panjim,

Gandhinagar, Shimla, Srinagar, Jammu, Ranchi, Bengaluru, Thiruvananthapuram, Mumbai, Imphal, Shillong, Aizawal, Kohima, Bhubaneshwar, Bhopal, Jaipur, Gangtok, Chennai, Agartala, Lucknow, Dehradun and Kolkata.

The cut-off timings for acceptance of cheques are available at the respective branches. Additionally, the consolidated branch-wise cutoff timings are available on HSBC's website : [www.hsbc.co.in](http://www.hsbc.co.in) under HSBC Bank Accounts Service Charges and Terms.

Customers will be notified of cheques that are delayed by drawee Banks/dishonored on receipt of information from Clearing house/drawee Banks.

## Other Details

<b>Delays in collection of cheques#</b>	<p>As a 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 a 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.</p> <p><b>Interest for delayed collection shall be paid at the following rates:</b></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Savings bank rate for the period of delay beyond the time frame mentioned above for cheques metioned in point no. A, B, C, D E and F</li><li><input type="checkbox"/> Where the delay is beyond 14 days interest will be paid at the rate applicable to term deposit for the</li><li><input type="checkbox"/> respective period</li><li><input type="checkbox"/> In case of extraordinary delay, i.e. exceeding 90 days, interest at the rate of 2 per cent per annum above the fixed deposit rate applicable to the period of delay beyond the stipulated time frame will be payable to the customers for the number of days of delay</li><li><input type="checkbox"/> In the event the proceeds of cheques 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 upon production of relevant documentary proof. For extraordinary delay, i.e. exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to loan account</li><li><input type="checkbox"/> The interest payment is applicable only for cheques that are sent on collection within India</li></ul>
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<p><b>Cheques lost in transit</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> In the event a cheque or an instrument accepted for collection is lost in transit or in clearing process or at the paying Bank's Branch, the Bank would immediately on coming to know of the loss send a letter to the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that other cheques issued by him/her are not dishonored due to noncredit of the amount of the lost cheques/instrument</li> <li><input type="checkbox"/> In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (as defined in category A, B, C, D, E and F as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above</li> <li><input type="checkbox"/> In addition Bank will pay interest on the amount of the cheque for a further period of 15 days at the savings bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof</li> <li><input type="checkbox"/> The Bank would compensate the accountholder for any direct and reasonable charges the customer incurs in getting duplicate cheques/instruments, upon production of relevant documentary proof</li> <li><input type="checkbox"/> The Bank will provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque</li> </ul>
<p><b>Collection of Account Payee Cheque Prohibition on Crediting Proceeds to Third Party Account</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> In consonance with the legal requirements and in particular the intent of the Negotiable Instruments Act, 1881 the Bank will prohibit crediting 'account payee' cheque to the account of any person other than the payee named therein</li> <li><input type="checkbox"/> The Bank will not collect account payee cheques for any person other than the payee constituent</li> </ul>

<p><b>Immediate credit of cheques accepted for outstation clearing</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank will consider providing immediate credit for outstation cheques up to the aggregate value of `15,000 tendered for collection by individual accountholders subject to satisfactory conduct## of such account for a period of not less than 6 months. This facility will be provided only for those cheques that are drawn on HSBC branch location</li> <li><input type="checkbox"/> Bank will levy normal collection charges and actual out of pocket expenses</li> <li><input type="checkbox"/> In the event the cheque is returned unpaid, the value of the cheque would be immediately debited to the account</li> <li><input type="checkbox"/> 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</li> <li><input type="checkbox"/> 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 clean overdraft/loan from the date of credit to the date of reversal of the entry if the cheque/instrument was returned unpaid to the extent the bank was out of funds</li> <li><input type="checkbox"/> The facility of immediate credit will be provided only upon a specific request made by the customer</li> </ul> <p>##Satisfactorily conducted account shall be the one:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Opened at least six months earlier and complying KYC norms</li> <li><input type="checkbox"/> Conduct of account is satisfactory and bank has not noticed any irregular dealing</li> <li><input type="checkbox"/> Where no instrument, for which immediate credit was afforded returned unpaid for financial reason</li> <li><input type="checkbox"/> Where the Bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit</li> </ul>
<p><b>Domestic INR cheques returned due to technical reasons (reasons where customer is not at fault) and related return charge</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Customers shall not be charged for cheque returns where such returns are due to technical reasons (reasons where customer is not at fault)</li> <li><input type="checkbox"/> Further, such return cheques shall be re-presented by the Bank in the very next available clearing cycle (excluding holidays) with due notification to customers through SMS alerts (where customers have enabled such alert service of the Bank)</li> </ul>

**Separate clearing sessions for non-CTS-2010 cheques**

Effective 31 December 2018 the separate (Non CTS) clearing sessions have been discontinued. HSBC does not participate in the ECCS centre clearing as we do not have any branches at those locations

**USD/Non-USD denominated cheques payable in foreign countries**

- Cheques payable at foreign centres where HSBC has correspondent banking arrangements (either with HSBC Group entities operating in such countries or other banks) will be collected through such arrangements. The credit for all Foreign currency denominated cheques will be on realisation/ clear funds basis. The average realization time for foreign currency cheques is 25 working days from the time the cheque is deposited at HSBC branch. HSBC reserves the right to debit the customer's account value of any Foreign Currency Cheque(s) sent through HSBC for collection, in the event of the cheque(s) being returned unpaid (for any reasons whatsoever) by the drawee bank at a later date after crediting the customer's account. The conversion rate used is the rate prevalent on the day of credit to the customer's account. Currency wise clearing turnaround times have been attached for reference

Sr. No.	Currency	Location	Expected in Funds Date	Cooling Pd
1	AED	Dubai	10-21 Days	21 Days
2	AUD	Melbourne	8-10 Days	21 Days
3	CAD	Vancouver	5 Days	21 Days
4	EURO	Dusseldorf	5 (Dusseldorf) 10-15 (Rest)	21 Days
5	EURO	London	5 Days	21 Days
6	GBP	London	5 Days	21 Days
7	HKD	Hong Kong	15 Days	21 Days
8	USD	Hong Kong	15 Days	21 Days
9	JPY	Tokyo	NA	21 Days
10	NZD	Auckland	NA	21 Days
11	SGD	Singapore	5-7 Days	21 Days
12	USD	NY (Broadway) - Chq21	3 Days	8 Days
13	USD	NY (Brooklyn) - Chq21 (Unscanned)	7-8 Days	21 Days
14	USD	NY (Buffalo) - Advantage Collection	10-21 Days	21 Days
15	SAR	Riyadh	NA	21 Days
16	QAR	Doha	NA	21 Days
17	ZAR	Johannesburg	NA	21 Days
18	CHF	Zurich	NA	21 Days
19	DKK	Copenhagen	NA	21 Days
20	NOK	Oslo	NA	21 Days
21	SEK	Stockholm	10-21 Days	21 Days

Corporate Customers having account with HSBC for more than 6 months can be offered foreign currency collection services. Instruments of value up to USD 5,000 only can be sent for collection under this arrangement. For instruments with value greater than USD 5,000, please contact your respective Relationship Manager

	<ul style="list-style-type: none"> <li><input type="checkbox"/> All foreign currency cheques need to be accompanied by an indemnity for collection of such cheques. You can provide the indemnity at the time of each deposit or the one-time indemnity if you deposit foreign currency cheques with us often</li> <li><input type="checkbox"/> Clients are encouraged to use the electronic mode of transfers for all remittances</li> <li><input type="checkbox"/> Charges – Charges for collection of Foreign Currency Cheques are updated in the Bank’s tariff sheet for collection of foreign currency cheques:</li> <li><input type="checkbox"/> To be provided with each deposit, OR To be provided one-time to the Bank</li> </ul>
<b>Delay in collection of foreign currency denominated cheques</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Customer will be paid interest on the value of the cheque from the date of sighting credit in our Nostro account till such time customer’s account is credited. 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 rate: <ul style="list-style-type: none"> <li><input type="checkbox"/> Savings bank rate for the period of delay in passing the funds to customer post sighting of funds in the Nostro accounts for such foreign currency cheques</li> <li><input type="checkbox"/> In case of extraordinary delay beyond the agreed collection period, interest will be paid at savings bank rate plus 1 per cent per annum for next 90 days and savings bank rate plus 2 per cent per annum for any delays beyond that. Such interest shall be paid without the customer requesting for the same</li> </ul> </li> </ul> <p>The interest payment is only applicable to cheques which are sent outside of India for collection.</p> <p>*Working Days – Days when both India and the country where cheques have been dispatched for clearing are working.</p>
<b>Miscellaneous</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Cheques which are deposited with wrong account number mentioned on pay in slip, Bank on a best effort basis will return such cheques to the customers on the address mentioned within 48 working hours. However in cases with incomplete address, incomplete phone number or no phone number mentioned by the customer on pay in slip, the Bank will be responsible to keep these instruments for a maximum period of 3 months</li> <li><input type="checkbox"/> Cheques received back unpaid will be returned by post/courier, etc. to the customer within 24 working hours on the address recorded in the Bank records. 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 them back at the recorded address by post/courier. For customer’s availing CMS the timelines for handover or dispatch of returned cheque, along with the return memo shall depend upon the customers’ requirement or product variant availed under the Cash Management Services arrangement</li> <li><input type="checkbox"/> With effect from 1 April 2012 banks will not make payment of cheques/drafts/ Pay Orders/Banker’s Cheques bearing that date or any subsequent date, if they are presented beyond of three months from the date of such instrument</li> </ul>
<b>Service Charge</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> For all collection services the Bank will recover appropriate service charges as decided by the Bank from time to time and communicated to customer, displayed on Bank’s website</li> </ul>

<b>Force Majeure</b>	<input type="checkbox"/> 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
<b>Contact</b>	<input type="checkbox"/> The Bank has a dedicated processing unit in Mumbai, which is responsible to ensure quick realisation of outstation cheques. For any queries please call our customer helpline number at your city, details of which are available on our website

It may be noted that clear funds would be credited to the customers in line with the Cheque Collection Policy, however, in case of corporate customers who require customised cheque receivable solutions involving flexibility to opt for fixed day credit arrangement, the Bank on specific customer request may consider offering a 'clear + 1' arrangement on terms and conditions as may be agreed between the customer and the Bank.

The Bank is not 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 HSBC'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 service delivery parameters specified above.

### Cheque Deposit Timings – Branch Counters and Drop Boxes

<b>Branch Name</b>	<b>Branch Local Clearing Timings on Week days and Saturdays (Except 2nd, 4 th Saturdays and Sunday)</b>
Ahmedabad	3:00 PM
Andheri	12:00 PM
Bandra	12:00 PM
Bengaluru	3:00 PM
Borivali	11:30 AM
Chandigarh	2:00 PM
Chembur	11:30 AM
Chennai	2:00 PM
Coimbatore	2:00 PM
Dalhousie	4:00 PM
Gariahat	4:00 PM
Greater Kailash	11:45 AM
Gurgaon	12:30 PM
Hyderabad	2:30 PM
Jaipur	2:00 PM
Jayanagar	1:30 PM
Juhu Vile Parle	11:30 AM
Kochi	2:00 PM
Prabhadevi	11:30 AM
Mumbai (M G Road)	2:30 PM
New Delhi	2:00 PM



Noida	1:00 PM
Peddar Road	12:00 PM
Powai	11:00 AM
Pune	1:30 PM
South Extension	1:00 PM

The enclosed cheque deposit timings at the respective branches are subject to change without prior notice.

### Instructions for Envelope Deposited in the ATM Machine

- Envelopes deposited in this ATM before 8.00 AM will be collected and sent for onward processing on the next working day on best effort basis
- The Banks standard turnaround time for processing the contents of this envelope will apply
- Please be informed that for faster processing of your request you may visit any of our branch on any bank working day during banking hours

### You can call us

Resident Customers	Within India	From Overseas
HSBC Premier (Toll Free)	1800 266 3456/1800 120 4722	91-40-61268001/91-80-71898001
Personal Banking/Credit Cards (Toll Free)	1800 267 3456/1800 121 2208	91-40-61268002/91-80-71898002
Corporate Cards (Toll Free)	1800 419 2266/1800 121 6922	91-40-61268009/91-80-61268009
Business Banking #	1800 274 3211 (Toll Free)	+91-22-50166043
Retail Business Banking (RBB) - For general queries (Toll Free)	1800 419 5400/1800 123 2979	91-40-61268004/91-80-71898004
Retail Business Banking (RBB) - For HSBCNet queries (Toll Free)	1800 120 2210	91-22-50323533

**For Premier** – Our PhoneBanking officers are available for enquiries 24X7.

**For Personal Banking and Credit Cards** – Our PhoneBanking officers are available for enquiries from 06:30 am to 08: 30 pm

Emergency services are available 24X7 to report loss or misuse on Card or account, stop cheque, etc.

**For Retail Business Banking (general queries)** – Working hours: 8 am to 7 pm IST (Monday – Friday) and 8 am to 4 pm IST on Saturday.

**For Business Banking** - Opening Hours (excluding public holidays): Monday to Friday 9:30 am to 6:30 pm IST, and 1st, 3 rd and 5th Saturday of each month.

**For Retail Business Banking** (HSBC Net queries) – Opening Hours (excluding public holidays): Monday to Friday 9:30 am to 6:30 pm and 1st, 3 rd and 5 th Saturday of the month

**For Credit Card** queries please call 1800 267 3456/1800 121 2208.

### Important Information

## Terms and Conditions

# Our Business PhoneBanking service is available between Monday to Friday 9:00 am to 6:00 pm Indian Standard Time (IST) to help you with your banking queries and transactions. For Interactive Voice Response (IVR) transactions, IVR enquiries and for emergency services like Lost Card Reporting and Stop Cheque Instructions our Phone Banking service is available 24X7.

## Positive Pay System (PPS)

**Back ground** Reserve Bank of India vide their notification RBI/2020-21/41DPSS.CO.RPPD. No.309/04.07.005/2020-21 dated 25 September 2020, advised all banks to introduce 'Positive Pay System (PPS) for Cheque Truncation System', w.e.f. 1 January 2021.

### RBI notifications



### NPCI Circular



<b>Threshold</b>	<ul style="list-style-type: none"><li>All accountholders issuing cheques for the amount of `50,000 (Rupees Fifty Thousand) and above, shall be in scope under the of Positive Pay System</li></ul>
<b>Applicability and PPS information sharing</b>	<ul style="list-style-type: none"><li>The Positive Pay System facility either through the website or e-mail channel shall be made available to all customers i.e. Retail and Corporate respectively who are issuing cheques from their accounts</li><li>The Customer will need to provide the instrument details on the same day of the issuance or before it is handed over to the beneficiary</li><li>Corporate Customers can share the PPS information by sending an e-mail from their registered e-mail ID to the banks common mail-drop created for this purpose i.e. and as per the template circulated by the Bank-positive-pay-system.pdf (hsbc.co.in)</li><li>Corporate Customers will not be required to furnish the PPS information for the below instrument types as the Bank already holds the details of such instruments and these shall be sent by the Bank to NPCI (National Payments Corporation of India) for onward PPS validation.<ul style="list-style-type: none"><li>Instruments issued via the COS (Cheque Outsourcing Service) arrangement</li><li>Drafts</li><li>Warrants</li></ul></li><li>Retail Customers can share the PPS information by filling up the 'Positive Pay' form, as available on the Banks public website</li></ul>

<b>PPS Validation Process</b>	<ul style="list-style-type: none"> <li>• The correctness of data as per the Banks standard format will need to be ensured by the Customer before submission of the same to the Bank, including sending the data via the registered e-mail ID(s), failing which it may lead to the same being rejected or returned</li> <li>• Once the PPS information is received by the Bank as per the channels made available to the Customer, the Bank shall validate this information at the back-end and shall accordingly send a successful/unsuccessful validation e-mail confirmation to the Customer on their registered e-mail ID held with the Bank</li> <li>• Only successfully validated instruments (i.e. cheque number, account number and e-mail address) shall be sent to NPCI for onward PPS validation</li> <li>• For unsuccessful cases the information shall not be shared with NPCI, such instruments shall get processed through normal clearing mode i.e. without the PPS check</li> <li>• In case details of issued cheques are not provided to the Bank, existing clearing process will continue without the PPS check</li> <li>• Once the PPS validation status is received from NPCI, for any exception cases, the Bank will follow the exception handling process in line with the Banks cheque clearing policy</li> </ul>
<b>Dispute Resolution Mechanism</b>	<ul style="list-style-type: none"> <li>• While availing of this facility is at customer discretion, however to augment safety in cheque payments and reduce the instances of fraud occurring on account of tampering of cheque leaves, it is recommended to use the facility of Positive Pay System. As per RBI circular, Cheques which are compliant with above instructions, will be accepted for under the dispute resolution mechanism at the CTS grid</li> </ul>
<b>PPS Status check/ inquiry</b>	<ul style="list-style-type: none"> <li>• Customers can inquire PPS status through the Branch or their Relationship Manager/Client Service Manager accordingly</li> </ul>
<b>Force Majeure</b>	<ul style="list-style-type: none"> <li>• The Bank shall not be liable to compensate customers for PPS unsuccessful validation or miss-out cases 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</li> </ul>
<b>Contact</b>	<ul style="list-style-type: none"> <li>• For any queries kindly reach out to your nearest Branch or their Relationship Manager/Client Service Manager</li> </ul>

Issued by The Hongkong and Shanghai Banking Corporation Limited, India. Incorporated in Hong Kong SAR with limited liability.

RBI/2020-21/41

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

25 September 2020

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.

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

1. 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.
2. 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 ₹250,000 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 ₹25,00,000 and above.
3. 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.
4. 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.
5. Positive Pay System shall be implemented from 1 January 2021.
6. 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

NPCI/2020-21/CTS/Circular No. 004

17 October 2020

To

All CTS Member Banks

**Positive Pay System (PPS) for CTS**

Reference may be taken from RBI circular No DPSS.CO.RPPD. No.309/04.07.005/2020-21 dated 25 September 2020 (copy enclosed) on introduction of Positive Pay System for Cheque Truncation System (CTS). As per the circular, Positive Pay System should be implemented by all member banks by 1 January 2021.

Positive Pay System will enable the Banks to submit the cheque issuance data collected from their customers for validation during the clearing process. This system will provide the validated cheque information to both the presenting bank as well as drawee bank and thus will act as an additional tool for due diligence in cheque clearing process. A brief note detailing the process flow of Positive Pay System is attached - Annexure I.

CCH will validate the instruments presented in clearing against the data submitted to PPS and provide the relevant flags in the inward file received by the Bank. The list of identifiers is provided in Annexure II. In addition, a report will be provided on the partial and complete matching status to both presenting and drawee banks as part of session report. PPS Specification and CHI Specification document (i.e. PPS attribute in inward file) are provided in Annexure III.

The Banks should take the following steps for implementing Positive Pay System:

1. Provide system to accept the cheque issuance information from the customer after due authentication. Provision should be made for the customer to submit the information through various channels like net banking, mobile banking, ATM, branch, direct file upload (corporates) and other channels as may be required and suitable.
2. Necessary controls should be built to ensure that while accepting the cheque issuance data from the customer, all the data required to be submitted to PPS is collected. In case of any deficiency in the data provided by the customer the request should be rejected with appropriate reason to enable the customer to understand the issue and take corrective action.
3. Validate cheque issuance information before accepting. For example: The cheque series should have been issued and linked to the customer's account, otherwise bank should not accept the information.
4. Positive Pay System will validate the data uploaded for the uniqueness (MICR code + Cheque Number + SAN/account number of the drawer + TRAN code + Amount) and reject the record if found to be duplicate. The banks may put necessary controls in place to not accept duplicate records from the customers.
5. Banks should make arrangements to send SMS to the customer on successful acceptance or rejection of the cheque issuance data. SMS should provide all the details submitted by the customer and also acceptance or rejection status. In case of rejection the reason for such rejection should be provided.
6. Provision should be made to enable the customer to view the cheque issuance data submitted (after due authentication) along with the status of acceptance or rejection. This should be made available on all the channels through which the cheque issuance data is collected by the Banks.

7. Banks should upload the information of the instruments issued by themselves like DDs and Pay orders, etc.
8. The details collected from the customer should be uploaded in PPS in multiple batches as per the specifications provided in the technical specification document.
9. Banks should put in place monitoring mechanism to ensure that the files uploaded to PPS system are tracked and in case of rejection, necessary remedial measures should be taken to correct the files. In case correction is not possible then the customer should be intimated promptly of such rejection and be advised to resubmit the data. It is the responsibility of the banks to monitor and ensure that the data submitted is accepted by PPS.
10. Presenting bank should design a process/system to verify the report for all the instruments presented and take remedial measures for suspicious cases, if any.
11. Drawee bank should make necessary changes in their capture system to accept the Positive Pay flag as per the format provided in technical specification document.
12. Banks should make arrangements to reach out to the customers before taking action on the instruments for the reason of mis-match with Positive Pay data.

Member banks may note that the flags and data received from PPS may be consumed by both the presenting bank and the drawee bank for their processing/decision making. The ultimate responsibility of honouring/dishonouring the instruments will rest with the Banks only.

Banks may take immediate measures for implementing Positive Pay System as per the directions of RBI. The information herein may please be disseminated to all the concerned. Action taken in this regard may please be communicated by 16 November 2020,

With warm Regards,



Girdhar G  
(Chief - Offline Product Operations & Technology)

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