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1. Introduction

At present, FINO Payments Bank (FPB) is not operating under CTS membership mechanism. Currently, the Bank shall provide the facility of collection of cheques under the agency arrangement with ICICI Bank.

Cheque collection will only be allowed for CASA + customers. In other words, if Bank's existing CASA customer lodges cheque for collection, it will be treated that he/she is agreeing to upgrade his/ her CASA account to CASA+ product and also to the provisions of Cheque Collection Policy. Appropriate communication shall be sent to the customers.

2. Arrangements for Collection

The bank shall arrange to have required processes and systems in place for the purpose of Cheque collection in line with this policy. Instruments (cheques /demand drafts either local / outstation) deposited by eligible CASA plus customers for credit to their FPB accounts, will be cleared through ICICI Bank, as per arrangement between the Bank and ICICI Bank. The process flow is briefly outlined hereunder:

- a. The Bank's customer will lodge/tender instruments with FPB's branches/Collection points.
- b. FPB will have required process to provide acknowledgement to customer for the cheque/s deposited and arrange for submission of the cheques with designated ICICI Bank's office for lodgment.
- c. ICICI Bank shall carry out its necessary examination including that of UV lamp test and/or water droplet test etc., as applicable, and will submit them to the concerned CTS grid for payment.
- d. The bank will process the credit to customer's account / return the cheque, as may be the case, upon receipt of confirmation from ICICI bank.

3. Time Frame for collection of instruments

Since the Bank will be utilizing the services of ICICI Bank offices across various locations, for collection of cheques, the overall timeline for such cheque collection shall depend on following:

- Type of instrument
- Cut off time for acceptance of cheque by ICICI Bank's respective offices
- Distance between FPB cheque acceptance point and the corresponding ICICI Bank's offices.

The cheques once lodged with ICICI bank's processing office, will follow the clearing guidelines as applicable. Credit will be accorded to the FPB customer account within T+1 working day, where T day will be the date of receipt of funds from ICICI Bank.

Outstation cheques collection – Collection of instruments falling under outstation cheque category and the eventual credit by FPB shall to be performed in the same manner as applicable for local cheques. The clearing of outstation cheque shall be performed by ICICI bank as per their cheque collection policy.

In view of the above factors, it would be advisable for Customer's to enquire about the expected cheque collection timeline at the cheque acceptance point while depositing the cheque with FPB.

4. Payment of interest for delayed collection of CTS instruments

The payment of interest, if any, for delayed collection of cheques will be dealt with as per Bank's Customer Service Policy and RBI guidelines in this regard. The Bank's policy currently prescribes compensation at Bank's Savings Bank Interest Rate for the designated period of delay, if any.

CTS compliant instruments: The period of delay will be calculated as number of days of delay in credit of funds to customer account, beyond T+4 working days, where T is the date when the instrument is lodged for collection in FPB's system. FPB will arrange for required processes and systems to support this. The above mentioned TAT is derived as follows:

- T is date of lodgment of the cheque with FPB
- T+2 is the date of lodgment in CTS clearing by ICICI Bank
- T+4 is the date of credit to customers / return marking of Cheque post receipt of funds / confirmation from ICICI Bank.

Outstation collection instruments - If there is any delay in collection beyond timeline mentioned below, then compensation shall be paid at Bank's Saving Bank Interest rate for the designated period of delay.

Fino Payments Bank uses the services of ICICI Bank for collection of outstation instruments. Period for payment of interest for delayed credit will be governed by the provisions of the Policy prevailing with ICICI Bank. Currently, ICICI Bank follows 7 working days period norm for ICICI Bank locations and 21 working days where ICICI Bank does not have their own branch.

5. Cheques / demand drafts lost in transit

In the event a cheque or demand draft accepted for collection is lost in transit or in the clearing process at ICICI Bank 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 accountholder so that the accountholder 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. The onus of such loss lies with the collecting banker and not the accountholder. The bank shall

reimburse the account holder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same. This will be applicable only to instruments drawn in INR payable within India.

6. Precautionary measures followed by the Bank as part of cheque collection

In view of the rise in the number of cheque related fraud cases across the industry, bank should put in place following controls in the cheque collection process.

- a. Bank shall ensure that all the cheques being collected are 100% CTS - 2010 compliant.
- b. Bank shall strengthen the infrastructure at the cheque collection branches and bestow special attention on training the personnel posted for collection of cheques, so that it is not merely a mechanical process.
- c. Bank shall collect cheques only in respect of fully KYC compliant beneficiaries and post verifying the name appearing on the cheque with that appearing in Bank's records.
- d. In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, bank shall not collect account payee cheques for any person other than the payee constituent.
- e. Bank shall put in place necessary checking at multiple levels, if required, in respect of cheques above a threshold defined from time to time.
- f. Bank shall carry out necessary close monitoring of credits due to cheque collection in newly opened accounts based on their risk categorization.
- g. Suitable SMS shall be sent by the Bank as part of cheque collection and subsequent clearing.
- h. Bank shall put in place appropriate precautionary measures to ensure that the confidential information such as customer name / account number / signature, cheque serial numbers and other related information are neither compromised nor misused as part of cheque collection process. Due care and secure handling shall be exercised in the movement of cheques from the time they are tendered over the counters or dropped in the collection boxes by customers.

The precautionary measures as outlined hereinabove shall further be evaluated to align with RBI guidelines and accordingly will be made part of the existing process notes. The process notes shall accordingly be taken up for review.

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, lock-out, disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), types of transportation, etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

8. Charges :

- For all collection services the Bank may recover appropriate charges, as decided by the Bank from time to time and as communicated to customers.

9. Policy Revision :

- This policy will be reviewed on an annual basis for organizational appropriateness, taking into consideration the state of the business/technology environment and compliance with legal and regulatory requirements.
- Subsequent changes / modifications, consequent upon any change in regulatory guidelines, market conditions, etc., such changes and approvals shall be deemed to be part of the policy and to be included therein during the time of annual review. However, major changes in Bank's approach, if any, will mandatorily necessitate a review of the policy.

10. Complaints:

Any customer complaints in this regard will be handled as per Bank's Customer Service and customer Grievance Policy.