

**Responsible Business Conduct: Policy
on Collection of Cheques / Instruments
& Dishonour of Instruments 2026-27**

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Policy on Collection of Cheques/Instruments & Dishonour of Instruments 2026-27

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 the banks, the Reserve Bank of India had, d

Sr.No.	Circular No.	Circular Date	Subject of the Circular
1	DBOD.No.CAS.1392/C.44 6-72	August 19, 1972	Temporary Credit Limits against Cheques Taken for Collection when Clearing is Suspended
2	DBOD.No.NCC.77/16.15.8 4/85	July 31, 1984	Introduction of MICR Technology for Cheque Processing
3	DBOD.No.Leg.BC- 88/C.466(IV)-84	August 22, 1984	Customer Service - Payment of Interest at Savings Bank Rate for the Delay in Collection of Outstation Cheques (Recommendation No.78)
4	DBOD.No.BL.BC.81/BL.77 -78	January 11, 1988	Immediate Credit of Outstation Cheques upto Rs. 2,500/- and Payment of Interest for Delayed Collection of Outstation Instruments - Extension of Facilities at Extension Counters
5	DBOD.No.Leg.BC.96/C.46 6(IV)-88	February 17, 1988	Immediate Credit of Outstation Cheques upto Rs. 2,500/-
6	DBOD.No.Leg.BC.112/C.2 33-89	April 21, 1989	Section 4 of Banking, Public Financial Institutions and Negotiable Instruments Laws(Amendment) Act, 1988 - Imposing Penalties in case of Dishonour of Cheque for Insufficiency of Funds in the Account
7	DBOD.No.GC.BC.84/C.40 8(A)-91	February 19, 1991	Frauds - Kite Flying of Cheques
8	DBOD.No.BC.82/09.07.00 7/93	February 25, 1993	Customer Service - Immediate Credit of Local Cheques
9	DBOD.No.BC.127/11.19.0 01/92-93	June 9, 1993	Clearing Differences
10	DBOD.No.BC.140/09.07.0 07/93	July 12, 1993	Delay in Crediting the Proceeds of Outstation Instruments - Rate of Interest
11	DBOD.No.BC.45/09.07.00 7/94	April 16, 1994	Customer Service - Immediate Credit of Outstation Local Cheques - Rate of Interest
12	DBOD.No.BC.93/11.19.00 1/93-94	August 4, 1994	Presentation of Cheques in the same day's MICR Clearing

13	DBOD.BC.No.59/09.07.00 7/95	May 17, 1995	Customer Service - Collection of Outstation Cheques
14	DBOD.No.724/09.07.007/ 96	June 22, 1996	Customer Service - Collection of Outstation Cheques
15	DBOD.No.BC.48/09.07.00 7/97	April 22, 1997	Customer Service - Collection of Local Cheques
16	DBOD.No.248/09.07.007/ 97-98	December 12, 1997	Customer Service - Collection of Outstation Instruments
17	DBOD.No.BC.132/09.07.0 07/99-2000	December 30, 1999	Customer Service - Collection of Outstation Cheques
18	DBOD.No.BC.181/09.07.0 07/99-2000	May 29, 2000	Customer Service - Immediate Credit of Outstation and Local Cheques - Enhancement of Ceiling
19	DBOD.No.LEG.BC.131/09. 07.007/20002001	June 14, 2001	Delay in Collection of Outstation Cheques
20	DBOD.No.Leg.BC.21/09.0 7.007/2002-03	August 23, 2002	Customer Service - Immediate Credit for Outstation and Local Cheques - Enhancement of Ceiling

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 reflects 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 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:

- Implementation of Continuous Clearing
- Collection of cheques and other instruments payable locally, at centers within India and abroad
- 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 realization of proceeds of outstation instruments
- Our policy on dealing with collection instruments lost in transit
- Our Policy on dishonor/return of cheques
- Availability of Option of Positive Pay to customers

2. Regulatory Concern and Steps Initiated by Bank:

RBI vide its letter no.RBI:2020-21:41 DPSS. CO. RPPD. No. 309:04.07.005:2020-21 dated 25.09.2020 has introduced Positive Pay System in cheque clearing process. The directives issued by RBI are, under Section 10(2) read with Section 18 of Payment and Settlement Act of 2007 (Act 51 of 2007). RBI has laid down the broad parameters for Positive Pay System, to benchmark various scenarios and challenges that could emerge upon implementation of Central Positive Pay System and on lodgment of clearing cheques. Bank has accordingly conducted a study and issued a policy on Positive Pay System vide Instruction Circular No.02374-2021 dated 06.01.2021, 03490-2022 dated 11.08.2022 and 03762-2022 dated 23.12.2022

Earlier RBI has also expressed its concern on breach of limit on Return v/s Drawing (RD) and Return v/s Presentation (RP) in various clearing houses. Branches, therefore, need to take cognizance of the concern shown by RBI on Return of Cheques presented for clearing. Branches should ensure that Return of Cheque presented shall not exceed the pre-fixed limit of RBI i.e. 10% of the total cheque presented. The customers should be sensitized to abide by the financial discipline.

3. Scope of Policy:

The policy is applicable to all Domestic Branches of Union Bank of India. It also covers collection of foreign cheques, through the Domestic Branches. Additionally, this policy should be read in conjunction with related Operational guidelines issued from time to time by the Bank in consonance with regulatory guidelines.

4. Objective of Policy:

- 4.1 To lay down a Policy framework for abiding by the RBI Guidelines on Cheque Collection and our Technological capabilities systems and processes for adherence to such norms.
- 4.2 To safeguard the customers' interest and avoid possible dispute and time taken in settlement of such disputes.
- 4.3 To stop physical movement of cheques and replacement of physical instrument by image of instrument and the corresponding data contained in MICR line.
- 4.4 To reiterate Bank's commitment for increased use of Technology to provide quick collection services to customers in a seamless manner.
- 4.5 To reduce fraudulent cases related to clearing of cheques.
- 4.6 To make the payment safe & secure.

5. Guidelines on Collection, Processing & Handling of Cheques:

- 5.1 **Local Cheques:** All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the 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 on a continuous basis. 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, bank shall give credit to the customer

account as per clearing settlement timelines. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. Branches are advised to mention the cut off timing of clearing at appropriate places in the branch/ collection boxes.

5.2 CTS Cheques (Cheque Clearing Process under CTS based Clearing System): Cheque truncation is the process of eliminating the flow of physical cheque from presenting bank to the Drawee Bank. The physical cheques are truncated, and electronic images of the cheques are captured for processing at presenting Bank. The physical cheques are retained in the presenting bank itself. The captured image of instruments along with data is exchanged across the Banks. Bank handles inward & outward clearings as per laid procedures of NPCI and with the help of the CTS solution providers.

5.2.1 Webbic model : This model is convenient for Branches where volume of cheques is up to 50. Branches will scan the cheques in CTS scanner provided to them. Data entry, enrichment and verification is done by Branch User. Scanning module enables branches to scan and transmit cheque images directly to Clearing House Interface (CHI), through the CTS application without vendor-based data enrichment. The MICR band is read automatically using AI-integrated WebBIC scanning module thus simplifying data extraction. For more information detailed guidelines with Standard Operating Procedure have been circulated through Instruction Circular No.02938 dated 04.12.2021, Instruction Circular No.05216 dated 28.10.2024 and Instruction Circular 100893:2025 dated 26 September 2025.

5.2.2 Scan & Go Model: Scan and Go model is convenient for Branches where volume of cheques is more than 50. Branches are required to scan the cheques and the enrichment is done by CTS Solution vendor, post which Branches verify the entries with the cheque image in CTS application. Post verification images are sent to CHI (Clearing House Interface) and clearing data to CBS. [Detailed guidelines with Standard Operating Procedure have been circulated through Instruction Circular No.05216 dated 28.10.2024].

5.2.3 Remote Deposit Capture (RDC) Model: This model is convenient for Branches where volume of cheques is up to 20. Branches will scan the cheques using RDC application installed in Tablets provided to them. Data entry, enrichment and verification is done by Branch User. Scanning module enables branches to scan and transmit cheque images directly to Clearing House Interface (CHI), through the CTS application without vendor-based data enrichment. The MICR band is read automatically using AI-read engine thus simplifying data extraction. [Detailed guidelines with Standard Operating Procedure have been circulated through Instruction Circular No.05216 dated 28.10.2024].

5.3 Receiving payment based on an electronic image of truncated cheque:

5.3.1 Legal status of the cheque transaction is derived from amendments made to the Negotiable Instrument Act, 1881 by virtue of Negotiable Instruments (Amendments and Miscellaneous Provision) Act, 2002 whereby among others, the section 6,64, 81, 89 & 131 of the NI Act, 1881 are also suitably amended to incorporate the validity of the truncated image of the cheque.

- i. Cheque truncation system - Section 131 of Negotiable Instrument Act 1881 (Amendments).
- ii. Onus of due diligence shifted to the presenting bank in CTS environment.

It shall be the duty of the presenting bank who receives payment based on an electronic image of a truncated cheque held with him, to verify the prima facie genuineness of the cheque to be truncated and any fraud, forgery or tampering apparent on the face of the instrument that can be verified with due diligence and ordinary care as per the guidelines of the NI Act 1881, as amended from time to time.

5.3.2 In view of the above amendment, the presenting bank takes responsibility for exercise of due diligence. While scanning cheques, the Branches should ensure the following:

- i. To exercise due diligence on all instruments.
- ii. To check the apparent tenor and genuineness of the instruments.
- iii. To ensure verification under UV lamp of Rs.50,000/- & above cheques and affixing UV Verified stamp and signed by officer.
- iv. To scrutinize the cheques for material alteration visible to the naked eye.
- v. To ensure genuineness and validity of instruments.
- vi. To ensure that pay in slip is properly filled up or necessary information is given on reverse of the cheque with correct and complete account number, name of the account holder, and Mobile Number etc.
- vii. To ensure that the complete account No. is written on the back of the cheque/instrument along with the mobile no. of the depositor.
- viii. To ensure that the branch stamp is affixed on the cheque before scanning. The stamps should be affixed in such a way that it is not overwriting the material contents of the cheque.
- ix. To ensure that instrument confirms to features of CTS 2010 standard
- x. To ensure that physical feel of the instrument meets the usual paper standard used for cheque
- xi. To affix PAID/RETURNED stamp on the cheque after completion of clearing cycle.
- xii. Branch to spread awareness amongst the customers to not to mutilate the cheques.

5.3.3 General points:

- i. Both the drop box facility and the facility for the acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.
- ii. Branch should ensure that customers are not compelled to drop the cheques in the drop-box.
- iii. Further, in the context of customer awareness in this regard, branch should invariably display on the cheque drop box itself that “customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips”. The above message is required to be displayed in English, Hindi and the concerned regional language of the State.

- iv. Branches are also advised to make full proof arrangement in accounting for the number of instruments each time the box is opened so that there is no dispute and the customer's interest is not compromised.
- v. Branches shall not decline to accept outstation cheques deposited by its customers for collection.
- vi. Branches shall give wide publicity to the collection policy by prominently displaying salient features thereof in bold and visible letters on the notice board at their branches.
- vii. A copy of the complete CCP (Cheque Collection Policy) shall be made available by the Branch Manager, if the customer requires so.
- viii. Notice on positive pay should be displayed by the branches on the prominent places and customers must be sensitized to use positive pay to prevent fraud.

5.3.4 Bank issues only Payable at Par CTS Standard 2010 cheques to Customers.

5.3.5 In terms of RBI letter no. DEL. DPSS. No. /01.03.003/2022-23 dated 22nd February 2023 present architecture of three Regional Grids (South, North and West Grid) have been merged into single 'National Grid' under concept of "One Nation One CTS Grid" in phased manner.

5.3.6 W.e.f. 13.10.2023, single National Grid has come into existence. Accordingly, for better coordination, liaison and management, the Southern Grid i.e. Service Branch Chennai has been made Nodal Grid (National Grid).

5.3.7 States/UTs covered separately under erstwhile Grids are now covered under National Grid.

5.3.8 All branches are now enabled to handle the outward clearing in the respective scanning model. The branches are mapped with the grid branches for faster release of funds in the customer's accounts.

5.3.9 Outstation Cheques

5.3.9.1 For cheques drawn on Bank's own branches at outstation centers, same day credit will be provided to the customers through our inter-sol transfer system, subject to obtaining confirmation from the customer over the threshold limits for High Value Cheques as per bank's guidelines.

5.3.9.2 Since, Non-CTS cheques are discontinued, the CTS cheques can be presented at any location. Thus, outstation cheques after conducting due diligence of the cheque, branches will lodge the cheque in CTS clearing on the same day and the proceeds will be credited in the customer's account centrally by Nodal Grid within one hour after receiving the settlement file from NPCI.

5.3.10 Cheques payable in Foreign Countries

5.3.10.1 Cheques payable at foreign centers where the bank has branch operations (or banking operations through a subsidiary etc.) will be collected through that office. The services of correspondent banks will be utilized in country/centers where the correspondent has presence. Cheques drawn on foreign banks at centers where the bank or its correspondents do not have direct presence will be sent directly to the Drawee bank with instructions to

credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

5.3.10.2 Cheques denominated in Foreign Currency (Including Foreign Postal Orders) drawn or payable India would be handled as Local Cheques. In case proceeds are received in rupee the bank would not be responsible for the conversion rate applied and collection charges levied by the Drawee/Collection banker. The applicable charges will be deducted from the proceeds received.

5.3.10.3 Domestic Foreign Business & International Banking Division is authorized to issue operational guidelines in this regard. [Ref. IC No.7560-2020 dated 20.12.2006 and further as amended from time to time.]

5.3.10.4 Foreign Exchange Services: Compensation for delayed payment of Clean Instruments is incorporated in FEDAI (Foreign Exchange Dealers Association of India) Circular No. SPL- 05. BC / FEDAI Rules/2019 dated 11th March 2019 (updated up to 15 November 2020). It is mandatory for the Banks to follow the guidelines of FEDAI, please refer **Compensation Policy, Point No 9- Foreign Exchange Services.**

5.3.11 Immediate credit of Banker's Cheque, Drafts etc. during suspension of clearing: In case of temporary suspension of Clearing House operations for reasons beyond the control of the authorities/ bank, and it is apprehended that suspension may prolong; in order to entail hardships of the customers, bank may accommodate to the extent possible by purchasing the local cheques, demand draft etc. deposited in their account for collection. Special consideration shall be shown in respect of cheques drawn by Government Departments/companies of good standing and repute, as also Demand Draft drawn on local banks. The facility will be extended based on credit worthiness, integrity, past dealings and occupation of the constituents to safeguard the interest of the bank, against possibility of such instruments being dishonored subsequently.

5.3.12 Under this policy, prepaid instruments like Demand Drafts, Interest/Dividend warrants shall be treated on par with cheques.

In the event of dishonour of cheque against which immediate credit was provided, interest shall be recoverable from the customer for the period the bank remained out of funds at the rate applicable for overdraft limits sanctioned for individual customers.

- i. For availing the benefits under this Policy, a satisfactorily conducted account shall be the one.
- ii. Opened at least six months earlier and complying with KYC norms in totality.
- iii. Conduct of which has been satisfactory and bank has not noticed any irregular dealings.
- iv. Where no cheques / instruments drawn for which, immediate credit was afforded returned unpaid for financial reasons.
- v. Where the bank has not experienced any difficulty in recovery of any amount advanced in the past including cheques returned after giving immediate credit.
- vi. The cheque drawn in Indian Currency are eligible for immediate credit. Foreign Currency Cheques will not be eligible for immediate credit.

Bank shall levy collection charges and out of pocket expenses. The applicable service charges are made available on corporate website of the Bank.

5.3.13 Writing the cheques in any language

All cheque forms shall be printed in Hindi and English. The customer may, however, write cheques in Hindi, English or in the concerned regional language.

5.3.14 Acceptance of Cheques bearing a date as per National Calendar (Saka Samvat) for payment

Government of India has accepted Saka Samvat as National Calendar with effect from March 22, 1957 and all Government statutory orders, notifications, Acts of Parliament, etc., bear both the dates, Saka Samvat as well as Gregorian Calendar. An instrument written in Hindi having date as per National Calendar (Saka Samvat) shall be accepted by bank for payment, if otherwise in order. The bank can ascertain the Gregorian calendar date corresponding to the National Saka Calendar in order to avoid payment of stale cheques.

6. Collection of third-party Cheques:

“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, branch will not collect account payee cheques for any person other than the payee constituent”. However, under following circumstances bank will collect account payee cheques for third parties. a) Where the drawer / payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, bank will ask the drawer / payee to have the cheque, or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank. b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization. c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, bank may consider collecting account payee cheques drawn for an amount not exceeding Rs.50,000/- to the account of their customers and the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, bank will obtain a clear representation in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments

Act, 1881, including Section 131 thereof. This is applicable to Drafts, Pay Orders and Banker's Cheque also.

7. Collection of Cheques in the name of Deceased Person:

For collection of cheque in the name of deceased person, bank will obtain authorization from the Survivor(s)/nominee of a deceased account holder to open an account styled as "Estate of Shri _____ deceased". Where all pipeline flows in the name of deceased account holder could be allowed to be credited, provided no withdrawals are made. Or the Bank would be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark "Account holder deceased" and will intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary.

8. Cheques drawn in the name of Karta:

While Banks shall not collect account payee cheques for any person other than the payee constituents, it is clarified that the bank collecting instruments drawn in the name of 'Karta' to the Account of the HUF is not prohibited. However, the bank may, take a mandate from the account holder at the time of opening an account in the name of HUF, that the cheques drawn in favour of the Karta can also be collected in the account and vice-versa. Further, the bank may also take such other precautions as they deem fit to ensure that the cheques drawn in favour of 'Karta' really pertain to the account of HUF before crediting the same to HUF account.

9. Introduction of Continuous Clearing and Settlement on Realization in Cheque Truncation System:

Reserve Bank of India has announced introduction of 'Continuous Clearing and On-realisation Settlement' which changes the batch processing to continuous clearing with settlement on realization. Phase 1 has been implemented from October 4, 2025 vide RBI Circular No RBI/2025-26/73 CO.DPSS.RLPD.No.S536/04-07-001/2025-2026 dated August 13, 2025. (Please refer to IC 100912-2025 Dated 29-09-2025). Implementation of Phase 2 is postponed until further notice vide RBI Circular No RBI/2025-26/156 CO.DPSS.RLPD.No.S1039/04-07-001/2025-2026 dated December 24, 2025.

9.1 Single Presentation Session with Continuous Delivery:

9.1.1 The presentation session will run continuously from 9 AM to 3 PM.

9.1.2 Cheques received by branches is scanned and immediately pushed to the Centralised Clearing House (CCH) operated by NPCI.

9.1.3 Drawee banks receive inward cheque images continuously as they are processed by CCH.

9.2 Continuous Inward Processing and Confirmation:

9.2.1 The confirmation session commences at 9 AM and closes at 7 PM.

9.2.2 Drawee banks must provide positive (for honoured cheques) or negative (for dishonoured cheques) confirmation for each cheque.

9.2.3 Each Cheque contains the 'item expiry time' which indicates the latest time by which confirmation for the presented instrument needs to be provided by the drawee bank.

9.2.4 Information of positive/negative confirmation sent by the drawee banks to the clearing house immediately after processing.

9.3 Time available for inward processing:

9.3.1 Phase I (from October 4, 2025), drawee banks are required to confirm (positively/negatively) cheques presented on them latest by the end of confirmation session (i.e 7:00 PM).

Item expiry for all cheques is set as 7:00 PM in phase I

Items with no confirmation till 7:00 PM shall be deemed approved and included for settlement.

9.3.2 Phase II - Implementation of phase 2 is deferred until further notice vide RBI circular No RBI/2025-26/156 CO.DPSS.RLPD.No.S1039/04-07-001/2025-2026 dated December 24,2025.

9.4 Settlement on Realization:

9.4.1 No accounting entries are posted at the time of presentation.

9.4.2 Starting from 11:00 AM, settlement is done at every hour till 7:00 PM based on the positive confirmations received from drawee banks and cheques considered deemed approved.

9.5 Payment to Customers:

9.5.1 Post-settlement, Clearing House releases the information of positive and negative confirmations to the presenting bank.

9.5.2 Presenting banks will then release payments to customers immediately, but not later than 1 hour from successful settlement.

10. Time Frame for Collection of Local / Outstation / Foreign Cheques / Instruments:

10.1 For Local Cheques presented in clearing credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds on T+0 as per circular on Continuous Clearing issued by RBI.

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

10.1.1 Cheques/ instruments drawn on one of our branches deposited at another center Same day

10.1.2 Cheques/instruments drawn on other bank and sent for collection to:

i. Centers where our Bank have a branch - Maximum T+6 days

ii. Centers where our Bank does not have a branch:

Centers	Maximum Timeframe (in days)
State Capitals	7
Major Cities	10
Other Locations	14

10.2 Cheques drawn on Foreign Countries:

The bank is committed to ensure that instruments drawn in foreign currencies and payable outside India are also collected in the quickest and most efficient manner. Towards this the bank may enter into specific collection arrangements with its Correspondent Banks in these countries for speedy collection of such instrument(s). Bank would give credit to the customer upon realization of proceeds in the bank's Nostro Account with the Correspondent Bank after considering cooling periods as applicable to the other countries concerned.

Country / location specific norms wherever stipulated for such foreign currency instruments and the same shall be made known to the customers at the time of accepting instruments in collection.

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks. Domestic Foreign Business & International Banking Division issues the operational guidelines in this regard. [Ref. IC No. 7560 dated 20.12.2006 and as amended from time to time.]

11. Payment of Interest for delayed Collection of Local / Outstation Cheques and Cheques payable outside India:

11.1 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 prescribed time-period. 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. Please refer Customer Service Excellence Policy & Compensation Policy 2025-26 **Point No 10- Payment of Interest for delayed Collection / delayed Interest credit.**

11.2 Compensation by way of interest payment, where necessary, should be made without any claim from the customer.

11.3 Adequate care may be taken to ensure that the interests of the small depositors are fully protected.

11.4 In case of cheques drawn on foreign countries interest at the rate of savings bank interest rate will be paid on the amount of cheque collected for any delay from the value date of credit to the Nostro Account till the date of actual credit to customer's account. [Ref. IC No.7560-2020 dated 20.12.2006 and as amended from time to time, issued by International Banking Division, Central Office].

12. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

12.1 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 being aware of the loss, will inform 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 dishonoured 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.

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

12.2.1 In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (T+2/T+6/T+10 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.

12.2.2 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 likely further delay in obtaining duplicate cheque/instrument and collection thereof.

12.2.3 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, if any, for issue of duplicate instrument.

13. Third Party Endorsement:

RBI has prohibited banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Bank does not collect account payee cheques for any person other than the payee constituent. However, in case 'account payee' instructions are withdrawn by the drawer then procedure mentioned at point no. 6 to be followed.

14. Validity of Cheques / Drafts / Pay orders / Banker's Cheques:

With effect from April 1, 2012, the validity of Cheques / Drafts / Banker's Cheques is three months only from the date of issue. The validity period is mentioned on the face of Cheque leaves, Drafts / Banker's Cheques printed after 01.04.2012. Instruments should be presented within the validity period of three months from the date of issue.

15. 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, Lockdown, Strike or other labor disturbances, accident, fires, natural disasters or any other "Acts of God", War, Pandemic, Invocation of Disaster Management Act by Central/State/District/Local government/authorities, 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.

16. Charging of interest on cheques returned unpaid where instant credit was given:

16.1 If a cheque sent for collection for which immediate credit was provided by the bank is returned unpaid, the value of the cheque will be immediately debited to the account. Further, applicable interest would be charged on the notional overdrawn balances in the account.

16.2 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 overdraft/loan from the

date of credit to the date of reversal of the entry if the cheque/ instrument were returned unpaid to the extent the bank was out of funds.

17. Service Charges / Fees on Collection of Cheque:

Wherever service charges are applicable on collection services, Bank will recover the applicable services charges. The list and applicable services charges are made available on the corporate website of the Bank (<https://www.unionbankofindia.bank.in>).

18. Return/ Dishonour of Cheques:

Branches will return dishonored cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Rules 6 of Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) of RBI.

18.1 Return/ dishonour and dispatch of dishonored Cheque/instruments:

- 18.1.1** In relation to cheques presented directly to the branches for settlement of transaction by way of transfer between two accounts with that branch, it will return such wrongly presented cheques to payees / holders immediately.
- 18.1.2** In case of dishonour/return of cheques, the paying Bank's branch will clearly indicate the return reason code on the return memo/ objection slip which should also bear the stamp of the branch & signature/initial of the bank officials.
- 18.1.3** Cheques dishonoured for want of funds in respect of all accounts will be returned along with a memo indicating therein the reason for dishonour as "insufficient funds".
- 18.1.4** Cheques received back unpaid will be returned by post/ courier etc. to the customer within 24 hours (excluding holiday) 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 on the same or next working day, bank will send them back at the recorded address by post or courier.
- 18.1.5** Cheques which are deposited with wrong account number mentioned on the Pay-in slip, Bank will return such cheques to the customers within 24 hours (excluding holiday) on the address recorded in the system. However, in cases with incomplete address, incomplete phone number, no phone number mentioned on the Pay-in Slip, the bank will be responsible to keep/preserve these instruments for a maximum period of 3 months in case the customer fails to collect the same.
- 18.1.6** Re-presentation of technical return Cheques: Cheques that are rejected due to technical reason need to be re-presented by Branch/Grid in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to customers.

- 18.1.7** Cheque will be returned if any alteration is made in cheque. No changes / corrections should be carried out on the cheques in the payee’s name, courtesy amount (amount in figures) or legal amount (amount in words) etc., such cheques will not be accepted for presentation in CTS. Except change in the date for validation period, fresh cheque forms should be used by customers.
- 18.1.8** Bank will pay the cheques issued by the Bank’s customers and received in clearing based on the current balance at the time of presentment of cheque, subject to the cheque is in order for payment.
- 18.1.9** No withholding of presentation except under legal hold, regulatory direction, or written customer instruction duly recorded.
- 18.1.10** Post-dated cheques are not to be presented before date; stale or invalid instruments to be returned with appropriate reason code.
- 18.1.11** Secure/joint custody and tracked dispatch/hand-over of dishonored instruments to be periodically reviewed.
- 18.1.12** Intentional delay or suppression of dishonor communication or collusion with drawer/payee will attract disciplinary action as per guidelines enforce.
- 18.1.13** As per RBI letter No RBI/2012-12/493 DPSS.CO.CHD.No.2030/03.06.01/2012-2013 dated May 7, 2013, cheque return charges shall be levied only in cases where the customer is at fault and is responsible for such returns.
- 18.1.14** Cheques that need to be re-presented without any recourse to the payee, shall be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such re-presentation through SMS alert, email, etc.

Illustrative but not Indicative List of Return Reason codes where customers are not at fault are described below:

Reason Code	Reason for return
33	Instrument mutilated requires Banks 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	Payees endorsement irregular / requires collecting banks confirmation
68	Endorsement by mark/ thumb impression requires attestation by Magistrate with se al.
70	Advice not received
71	Amount / name differs on advice
72	Drawee banks funds with sponsor bank insufficient
73	Payees 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	Banks 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	Payees a/c Credited - Stamp required

18.1.15 The cheques are returned as per Rule 6 of URRBCH (Uniform Regulations and Rules for Bankers Clearing Houses).

The key reason for returns of cheque are described hereafter:

Return reason codes as per CTS specifications for Continuous Clearing dated 29th November 2024

CBS CODE	REASON
00	Positive Response
1	Funds insufficient
2	Exceeds arrangement
3	Effects not cleared, present again.
4	Refer to drawer
5	Kindly contact Drawer / Drawee Bank and please present again
10	Drawers signature incomplete
11	Drawers signature illegible
12	Drawers signature differs
13	Drawers signature required
14	Drawers signature not as per mandate
15	Drawers signature to operate account not received
16	Drawers authority to operate account not received
17	Alteration require drawers authentication
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
30	Instrument post dated
31	Instrument out dated / stale
32	Instrument undated / without proper date
33	Instrument mutilated requires Banks guarantee
34	Cheque irregularly drawn / amount in words and figures differ
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
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)
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	Payees endorsement required
67	Payees endorsement irregular / requires collecting banks 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 banks funds with sponsor bank insufficient
73	Payees 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	Banks 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/Corrections on instruments other than date field are prohibited under CTS
86	Fake/Forged/Stolen-draft/cheque/cash order/interest warrant/dividend warrant
87	Payees a/c Credited - Stamp required
88	Other reasons (Please specify)
99	Deemed Accepted

Note:

18.1.15.1 Return reason code 00:

This reason code shall be utilized by drawee banks for Positive Response in case of On Realization sessions.

18.1.15.2 Return reason code 99:

- i. This return reason shall be utilized by CCH for 'deemed accepted' cheques in case of On Realizations sessions.
- ii. The return file (RF) shall contain this Return Reason code in case of 'deemed accepted' cheques.
- iii. Reason code 99 not to be used for other return reasons.

18.2 Information on Dishonoured Cheques

18.2.1 Data in respect of each dishonoured cheque for amount of Rs.1.00 crore and above will be made part of Bank's MIS on constituents.

18.2.2 Data in respect of cheques drawn in favor of stock exchanges and dishonoured will be taken separately irrespective of the value of such cheques as a part of Bank's MIS relating to broker entities at Central Office.

18.2.3 Bank will place before Audit / Management Committee, every quarter, consolidated data in respect of the matters referred to above.

18.3 Dealing with incidence of frequent dishonour:

18.3.1 Dealing with frequent dishonour of Cheques of Rs. 1.00 crore and above

- a. With a view to enforce financial discipline among the customers, bank has decided to introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn 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.

The bank may also consider closing current account at its discretion. [Please refer Instruction Circular 05186 dated 11.10.2024]

- b. If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, bank will issue a cautionary advice (Physical or Electronic) to the concerned constituent drawing their attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice (Physical or Electronic) will be issued if the bank intends to close the account.
- c. As per RBI circular Ref No. (DOR/2025-26/170 DOR.MCS.REC.No.89/01-01-032/2025-26 Dated November 28, 2025 it has been left at the discretion of the Bank to determine the course of action/response to dishonour of cheques of the account holders.

18.3.2 Dealing with frequent dishonour of Cheques of value less than Rs.1.00 crore

In case of frequent dishonour of cheques of less than Rupees One Crore, Branches to educate the customer to adhere financial discipline.

19. Issuance of Cheque with Security Features:

- 19.1** To curb cheque related frauds, Bank has introduced additional security feature of Random Number on the cheques w.e.f. 27th November 2017, as per IC 04069:2017 dated 5th December 2017. As per this the system prompts for Random Number for Passing Rs.2.00 lacs and above cheques at Branches/Service branches. This module is stabilized and effective in curtailing cheque related frauds to large extent. The random is mandatory in case of inter-sol transactions irrespective of amount. Bank may introduce further changes in the threshold ceiling and process of handling random numbers. Please refer IC no. 4424:2023 dated 04th November 2023 for additional security features introduced in the cheque book.
- 19.2** All customers should be issued cheques with alphanumeric random number. Customers should physically handover their old cheques to branches and such cheques should be marked as surrendered in the system and these should be destroyed physically immediately as per policy after issuance of new cheques with random number. The branches are advised to educate the customer and get the without security features cheques replaced with security feature cheques at the earliest.

20. Dispatching the cheque book by courier:

Branches should refrain from obtaining undertaking from depositors for dispatching the cheque book by courier at his own risk and ensure that cheque books are delivered over the counters on request to the depositors or his authorized representative.

21. Payment of Cheques after Stop Payment Instructions:

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, please refer Compensation Policy, Point No 7- Payment of Cheques after Stop Payment Instructions.

22. Verification of Cheques presented in clearing at various centres:

- 22.1** As per IC No. 00843-2017 dated 04.05.2017, all Cheques of Rs.2.00 Lakhs and above presented for payment in CTS/MICR Clearing, Cash Payment, NEFT/RTGS/Transfer should be invariably cross verified by contacting the customer and obtaining confirmation over registered phone/email/SMS/IVR. However, it can be exempted in case of customer using the positive pay in CTS.
- 22.2** The detailed guidelines are reiterated vide IC No.1052:2017 dated 19th December 2017 & IC No.1442/2019 dated 05.01.2019, whereby base branch must contact the customer for getting confirmation on issuance of the cheque through telephone/e-mail/SMS or centralized through IVR by call centre. However, it can be exempted to the customer who are using positive pay in CTS.
- 22.3** By invoking menu “CLGINQ” inquiry option, Branch can get the details of status of cheques lodged in inward and outward clearing for any date.
- 22.4** For inquiring about instruments in any branch on any date lodged in Outward clearing, branch to invoke menu “IOCCCL”. Status of the instrument is Approved, Rejected, Acknowledged or Accepted.
- For Inward Clearing, Branch /Grid Officials must go through the cheques lodged and contact the Branch / customer for verifying the issuance of the cheque in case of Cheques of Rs.2.00 lakhs and above.
- The list of customers who have used Positive Pay can be derived by using “PLUSPAY” menu and generating “Positive Pay Channel Report” under report option. Since, reconfirmation of cheque issuance is made available by the customer in Positive Pay Channels, there is no need to contact these customers. However, in exceptional cases customers can be contacted.
- 22.5** In case of any doubt even when the amount is below Rs.2.00 lacs or the payment is to an entity/person not connected to the previous trend of the account or profile or business of the customer, take confirmation from the customer though it is less than Rs.2.00 lakhs. Bank also provides SMS alerts to customers on debiting of cheques in inward clearing, so that customers are kept informed.
- 22.6** The name of the official confirming/honoring of such cheque should be recorded. A register should be maintained for such transactions recording the name of the official of the base branch who has permitted the transaction as per IC No.00843-2017 dated 03.05.2017.
- 22.7** Maintenance of this register (Physical or electronic in CBS) is mandatory on confirmation of Cheque and auditors and inspecting officials will verify the register during their visits to the branches and comment on adherence of norms by the branch.

- 22.8** If any cheque is not issued by the customer or the customer refuses to provide confirmation or branch suspects the genuineness of the cheque due to the features appearing on the image of the cheque or if they fail to get confirmation from the customer, it should be informed to the respective service branch immediately for returning the cheque to Clearing House and alerting the presenting bank.
- 22.9** Grid/ Service branches should continue to contact the Customer in case of Holiday at Base Branch Centre as per IC No.1442 dated 05.01.2019. However, customers using positive pay should be excluded.

23. Customer Grievances Redressal:

Bank has a structured Customer Grievances Redressal Policy displayed on the web site. Customer having grievances on the subject area will be redressed as per our Customer Service Excellence Policy.

24. General:

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 dishonored cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, bank will extend full co-operation, and will furnish him / her documentary proof of fact of dishonour of cheque.

At the cost of repetition, it is reiterated that, all the cheque, if they are to be returned for want of funds in the account, then they will be returned with the reason “Insufficient Funds in the account” only.

25. SMS/e-mail Alerts:

The Bank in its policy has enabled the customer to receive SMS/e-mail-based alerts for presentation, realization or dishonour of instruments sent through clearing/collection.

26. Dispute Resolution Mechanism at RBI - Panel for Resolution of Disputes (PRD):

[As per Enclosure to RBI Circular (PSS. CO. CHD.No.654/03.01.03/20102011) dated September 24, 2010]

There is a Dispute Resolution Mechanism for all payment systems, in line with the provisions of the Payment and Settlement Systems Act, 2007 (PSS Act). This is applicable for all Clearing House-related activities, including paper (cheques) and retail electronic (ECS) payment products. Service Branches/ GRIDs can refer the relevant disputed cases between banks to PRD in time. The PRD is applicable for cheque amount ₹50000.00 and above.

27. Positive Pay System:

- 27.1 Background:** With a view to prevent fraud, Positive Pay System has been introduced by RBI vide letter No. RBI: 2020-21:41 DPSS.CO.RPPD No 309:04.07.005:2020-21 dated 25.09.2020. Accordingly, Bank has implemented Positive Pay System from 01.01.2021. Positive Pay System involves a process of validating key details of cheques of

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₹50000.00 and above. The positive pay has been introduced to prevent the frauds and making the payment of cheque secure under CTS process.

27.2 Mandatory Positive Pay: Bank has made positive pay mandatory ₹2.00 lakhs & above. The cheques can be returned by the branches if reconfirmation is not given in the Positive Pay by the customers.

27.3 Channels of Positive Pay: The following Channels can be used by the customer for reconfirmation of cheque under Positive Pay:

- a. Mobile Banking (Union ease)
- b. Internet Banking
- c. Corporate Website (<https://unionbankofindia.bank.in/en/listing/positive-pay-system>)
- d. WhatsApp Banking (UVConn)
- e. SMS Banking
- f. Branch Banking

27.4 Features of Positive Pay:

- Bulk upload option- Bulk handling of positive pay is made available in Internet Banking & Branch Banking. Customer Branch can submit positive pay details by consolidating and uploading the file.
- After selecting the cheque number under Positive Pay in Internet banking, Mobile Banking, WhatsApp Banking & Corporate Website, the customer to select the relevant cheque number and provide the details of beneficiary, amount and cheque date. MICR code, SAN code and Transaction Code is auto populated.
- Instant acknowledgement is provided to the customer on using Positive Pay on customer devised channels and history is also made available.
- Branches can generate the Positive Pay Reports under report option in “PLUSPAY” menu.
- Positive Pay Enquiry option under “PLUSPAY” menu.
- Positive Pay Limit Option for the customers. Customers can fix their own threshold limit. In case limit is fixed and details of cheque issued is not provided in Positive Pay for the limit and above, the cheque is returned in the clearing. Thus, it is an added advantage to the customer.
- The system flashes the details of positive pay received from the NPCI portal at the time of payment of the cheque, thus branches can cross cheque the details available in the CTS.
- Below are flags which will be provided as part of the inward file by NPCI to drawee Banks to take decision for payment.

S No	Flag	Description	Proposed action
I.	P	Instruments validated with CPPS. No mismatch in cheque number, Drawee bank MICR and amount	Pass the instrument
II.	D	Duplicate instruments already presented. No mismatch in cheque	Two scenarios are available in this case: a. Actual cheque is returned back & presented again

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		number, Drawee Bank MICR and amount	<p>b. Already passed cheque is presented again as duplicate</p> <p>Role of Grid/Service Branch: In above scenarios, Service Branch users must verify the data available in inward file vis-a-vis PPS data to take suitable decision on passing/returning the inward cheque.</p>
III.	Y	Amount mismatch. Cheque number and Drawee Bank MICR have matched	<p>Role of Grid/Service Branch: There may be instances where amount is inadvertently entered by customers in PPS. In this scenario, Service Branch user may take decision as per the extant guidelines available in the Bank such as contacting the customer/refer to drawer etc.</p>
IV.	Z	Duplicate instrument already presented. Amount mismatch. Cheque number and Drawee Bank MICR matched	<p>Role of Grid/Service Branch: In this scenario, Service Branch user may take decision as per the extant guidelines available in the Bank such as contacting the customer/refer to drawer etc.</p>
V.	N	Instrument not part of CPPS data	<p>Adoption of Positive Pay System is at the discretion of the customer. However, if a customer is opting for Positive Pay System, then it is obligatory to present the cheque through Positive Pay System for an amount of Rs.2.00 lacs and above.</p> <p>Role of Grid/Service Branch: As the instrument is not the part of PPS data, Service Branch user may reject the instrument if it is Rs.2.00 lacs and above.</p> <p>For cheques below Rs.2.00 lacs, Service Branch user may take decision as per extant guidelines available in the Bank.</p>

- The Above flags are reflected at the time of payment of the instrument, in case the flag is “P” then branch can pass the instrument. In case of flag “D, Y, Z” the branch is advised to take due precautions. In case of “N” branch can pass the instrument, but the customer should be advised to use positive pay mandatorily above Rs.2.00 Lakh.
