



**POLICY**

**ON**

**RISK MANAGEMENT**

**PROCEDURES – CTS 2010**

**STANDARD CHEQUES**

(Reviewed August 2018)

**Strategy & Partnerships Division,**  
**Corporate Headquarters, M.A. Road,**  
**Srinagar**  
**[sbdchq@jkbmail.com](mailto:sbdchq@jkbmail.com)**

## Table of Contents

1. Introduction
2. Initiatives taken by our Bank
3. Eligibility to avail the facility
4. Issuance of Cheques by Customers
5. Cheques issued in CTS Clearing
6. CTS 2010 Standard Cheques – Best Practice Guidelines

## **1. Introduction:**

Processing of paper based cheques constitutes an important segment of the payment and settlement scenario in India. Settlement of cheques is arrived at on the basis of the physical presentation of paper based cheques to the clearing houses of the state / city for transmission to the drawee banks and for payment thereafter.

Reserve Bank of India has initiated a number of proactive measures in the recent past with regard to processing of cheques to reduce the time for realization of cheques and to leverage the technological advancements in the Banking sector. RBI introduced Express Cheque Clearing System, Electronic Clearing Services, Speed Clearing et al. The notable amongst these is the Cheque Truncation System (CTS 2010) in Delhi, Chennai, Bangalore, Chandigarh, Jammu etc. CTS 2010 Cheques possess mandatory minimum security features like quality of paper, watermark, banks' logo in invisible ink, void pantograph etc.

Reserve Bank of India vide circular no: RBI/2012-13/163 dated August 10, 2012 has advised that all CBS enabled Banks are to issue only "Payable at par" / "Multi City" CTS 2010 Standard cheques to all eligible customers. Reserve Bank of India vide circular no: RBI/2012-13/190 dated September 3, 2012 set timelines for all commercial Banks to issue CTS 2010 Standard Cheque Books only. Furthermore, Banks have been advised to put in place "Appropriate Board approved risk management procedures".

Reserve Bank of India vide circular no: RBI/2012-13/444 dated March 18, 2013 advised all banks to issue cheques (including DDs/POs) from the date of the circular necessarily of CTS-2010 Standard. The banks were also advised to withdraw non-CTS 2010 Standard cheques in circulation by or before the December 31, 2013.

## **2. Initiatives taken by our Bank**

In compliance to RBI directives with respect to CTS 2010 Standard Cheques, the Bank has undertaken the following initiatives:

- i. The Bank has been printing and issuing CTS 2010 Standard cheques to customers across India both at CTS & Non CTS Centres. The issuance of CTS 2010 Standard cheques started from 15.01.2012 after placing

Policy on Risk Management Procedures – CTS 2010 Standard Cheques (Reviewed August 2018)

orders with IBA approved vendor.

ii. A planned & sustained awareness campaign was launched in print & electronic media to spread massive awareness among general public about the benefits of CTS 2010 Standard cheques and about the urgency to replace the non CTS 2010 cheques with the CTS 2010 Standard Cheques. The branches have also been advised to arrange replacement of post-dated EMI cheques in Non CTS 2010 format with CTS 2010 Standard cheques.

ii. Furthermore, SMSes were sent to the customers and notices have been placed at the branch premises for awareness of the general public.

iii. The operative levels were advised umpteen times to issue only CTS 2010 Standard Cheques to the customers. It was observed that some of the branches were issuing Non CTS cheques out of the old stock lying with them, consequently, the branches were advised to take proper inventory of Non CTS Cheque books / stock available with them and burn / destroy the same.

### **3. Eligibility to avail the facility**

i. Existing as well as new customers maintaining Current Deposit Account, Cash Credit account, SOD Account, Savings Bank Accounts are eligible for availing CTS 2010 Standard Cheque Book facility.

ii. Old format cheque books shall be replaced with CTS 2010 Standard Cheque free of any charges.

iii. Cheques shall be pre-printed with branch name and address.

iv. Valuable clients shall be offered customized cheque books with the title and account number pre-printed on the cheque book. Any extra charges on account of customization shall be borne by the customer.

v. Cheques with value caps with regard to amount shall be issued at the request of the customers to fall in line with the practice of other banks.

vi. The cheque book shall be at par / multi city cheque with no service charges on collection and remittance (Inter Branch). This is in compliance to RBI guidelines on 'Uniformity in Intersol Charges'. The Bank earlier used to charge an amount of Rs 50/- per Inter Branch remittance above Rs 1.00 lakh.

vii. Any extra charges on account of customization shall be borne by the customer.

## CTS 2010 Standard Cheque Books- Policy and Procedures

<b>Limits for Cash Payment / Funds Transfer at BASE BRANCH using Cheque *</b>				
Amount in Lakh INR	Per Day / Per Instrument Limit			Per Instrument Limit No Per day Limits
Account Type	Cash Payment to drawer	Remittance (Electronic / paper based) by drawer	Third Party Cash Payment	Fund Transfer
General SB	5.00	10.00	0.50	10.00
Gen. Salary	5.00	10.00	0.50	10.00
Deluxe SB	10.00	20.00	0.50	20.00
Deluxe Salary	10.00	20.00	0.50	20.00
Variants of "Saving JKU" for Universities	10.00	20.00	0.50	20.00
Variants of "Saving JKP" for Police	10.00	20.00	0.50	20.00
J&K Bank Pink Gold Saving Scheme for Women	10.00	20.00	0.50	20.00
J&K Bank Pink Platinum Saving Scheme for Women	10.00	20.00	0.50	20.00
Current Account / Cash Credit / SOD Account	No Limit	No Limit	0.50	10.00

<b>Limits for Cash Payment / Funds Transfer at NON-BASE BRANCH/ES using Cheque *</b>				
Amount in Lakh INR	Per Day / Per Instrument Limit			Per Instrument Limit. No Per day Limits
Account Type	Cash Payment to drawer (combined Sols)	Remittance (Electronic / paper based) by drawer	Third Party Cash Payment	Fund Transfer
General SB	1.00	10.00	0.50	5.00
Gen. Salary	1.50	10.00	0.50	5.00
Deluxe SB	2.00	10.00	0.50	10.00
Deluxe Salary	2.00	10.00	0.50	10.00
Variants of "Saving JKU" for Universities	2.00	10.00	0.50	10.00

Policy on Risk Management Procedures – CTS 2010 Standard Cheques (Reviewed August 2018)

Variants of "Saving JKP" for Police	2.00	10.00	0.50	10.00
J&K Bank Pink Gold Saving Scheme for Women	2.00	10.00	0.50	10.00
J&K Bank Pink Platinum Saving Scheme for Women	2.00	10.00	0.50	10.00
Current Account / Cash Credit / SOD Account	2.00	10.00	0.50	10.00

- i. Customer will approach & inform the Business Unit one working day before if cash is required beyond the prescribed limit.
- ii. \* Branch Heads shall have the power to pay cash / transfer funds beyond the stipulated daily limits, after verifying the credentials of the customer / status of account (additional due diligence).

#### Charges per cheque leaf

i	Rs 3/- per cheque leaf plus GST for SB Accounts, Basic Current Accounts, Grameen Current Account and Cash Credit and SOD Accounts.
ii	Re 2/- plus GST for higher Current Accounts variants.

#### Free cheque leaves per year

i	Savings Bank Account (All variants)	20
ii	Basic Current Account	50
iii	Premium Current Account	150
iv	Premium Plus Current Account	200
v	Gold Current Account	300
vi	Borrowal Accounts with limits up to Rs 10.00 lakh	50
vii	Borrowal Accounts with limits above Rs 10.00 lakh	100
viii	Platinum Current Account	Unlimited

ix	Pink Gold Saving Scheme for Women	200
x	Pink Platinum Saving Scheme for Women	Unlimited
xi	Saving JKU Platinum	80
xii	Saving JKU Diamond	80
xiii	Saving JKU Gold	80
xiv	Saving JKU Silver	80
xv	Saving JKP Platinum	80
xvi	Saving JKP Diamond	80
xvii	Saving JKP Gold	80
xviii	Saving JKP Silver	80

#### **4. Issuance of Cheques by Customers**

- i. Customer may issue cheques to their suppliers / beneficiaries who maintain accounts with any branch of the bank or with any other Bank.
- ii. Customers can also use the cheque at the base branch for withdrawal of cash as per the prescribed limit and for remittance of both paper based as well as electronic types – Inter Bank & Inter Branch.
- iii. Customers can use the cheque at all branches of the Bank for collection and payments with usual limits.

#### **5. Cheques issued in CTS Clearing**

Cheques Truncation System (CTS) involves stoppage of physical movement of the cheque at the collecting Bank level and replacement of physical instrument by the image of the instrument and the corresponding data contained in MICR line. The Negotiable Instruments (NI) Act, 1881 was amended during the year 2002 paving the way for presentment of electronic images instead of the physical instrument.

As the drawee banks do not receive physical cheques in the CTS mode of clearing and payment processing is done on the basis of images, the onus of due diligence shifts to the Presenting bank.

## **Collection of CTS 2010 Standard Cheques**

The precautions to be taken while collecting cheques under CTS Clearing are given as under:

- i. Physical feel of the instrument should be checked to see that the instrument does not feel differently than others in the similar category. During the touch & feel of the instrument, if the paper and / or printing thereon is suspected to be of inferior quality or appears to be doubtful, collecting branch shall exercise due care & diligence by verifying the customers' details and transaction history of the account and consider presenting such cheques only after satisfying itself.
- ii. While scanning, the capture system sometimes rejects all MICR fields. This may be due to an alert that the cheque is fraudulently printed / photocopied. Such cheque should be rescanned and if on rescanning all rejected MICR fields are rejected, the concerned official shall instead of routinely repairing all rejected MICR fields manually refer the matter to the immediate incumbent / In Charge. The incumbent In Charge must carry out due diligence on the intended transaction and only after being fully satisfied should permit in writing manual repair of MICR fields rejected by the capture system.
- iii. In case of any doubt i.e situations where the dealings of the customer are such so as to create suspicion in the given circumstances, necessary enquiries shall be made. While doing so, the amount of cheque, the history of the account in which given cheque is to be collected, the antecedents of the customer and relationship between payee customer and drawer shall be taken into consideration.
- iv. Deployment of Ultra Violet (UV) lamps shall be made at CTS Clearing Centre branches on priority and in other centers as well. This will help the presenting branches of the bank to detect any material alteration on the cheques and invariably scrutinize cheques of high value and / or being collected in newly opened accounts –say accounts opened in the last six months.
- v. This has already been decided that all cheques of Rs 1.00 lakh and above, received for presentation in CTS clearing should be invariably processed through UV Lamp. In non CTS Centers all cheques of Rs 2.00 lakh and above should be invariably processed through UV Lamp. The



UV Lamp helps in verifying the UV Printing on cheques having these alterations, if any made in the cheques.

vi. The aforesaid threshold limit of Rs 1.00 lakh & Rs 2.00 lakh above does not absolve the officials from their responsibility to check the genuineness of the instrument and in case of any suspicion, cheques for any amount may be scanned through the UV lamp.

vii. While handling the MICR rejects during scanning, the reason of MICR rejects is to be verified and a double check is to be made whether all CTS 2010 features of the instrument are in order. Furthermore, it is to be seen whether the account to which the instrument is being collected is an active account (being not an inoperative or dormant or inactive or unclaimed account) and in case of high value instruments it may be notified to the drawee bank.

### **Payment of CTS 2010 Standard Cheques**

The precautions to be taken while making payment of cheques under CTS Clearing are given as

i. Passing official shall examine carefully the Font Size and Style or writing of the payee name vis-à-vis other particulars of the cheque. If on examination, the cheque creates suspicion of fraud, forgery, tampering or destruction of the instrument, the paying branch / RCC must demand the physical cheque of the truncated cheque for verification, and it should return the item with Return Reason Code 39 "Image not clear; present again with paper" OR Code-40 "Present with Document".

ii. Any apparent alteration in the account number and cheque number shall be examined carefully.

iii. RBI has issued guidelines with regard to alterations / corrections on cheques as "No changes / corrections should be carried out on the cheques (other than for date validation purposes, if required). For any change in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words), etc., fresh cheque forms should be issued by customers. This would help banks to identify and control fraudulent alterations."

These guidelines are

- Effective w.e.f December 1, 2010.
- Applicable only for cheques cleared under the image based Cheque Truncation System (CTS).

Cheques which do not conform to the RBI's guidelines on alterations / corrections on cheques may be returned with return reason code 85 with the nomenclature as "Alterations / Corrections on instrument are prohibited under CTS."

iv. The signatures should be examined more carefully in case of high value cheques and cheques in favour of individuals and little known firms, companies.

v. The back of the cheque be also examined especially in view of any writings on the back of the cheques and endorsements thereon.

vi. Under CTS clearing, the Presenting Bank is required to send the physical cheque to the drawee bank in respect of following instruments:

- Cheques which have failed Image Quality Analysis (IQA) test.
- Government Cheques.
- Drawee Bank has returned the item with request to present again with paper document.

vii. Regarding issuing of a memo to a cheque presented at a non-base branch when the account has insufficient balance (rejection code 1 to 3) or due to technical reasons (rejections code 4 onwards), for time stamping this non-financial transaction the cheque should be routed through option ECHRAC and cheque return charges should be deducted. However, cheque return charges should be levied only in cases where customer is at fault and is responsible for such returns.

viii. The appropriate rejection code for clearing and over the counter returns should be ticked / punched in. A Model List of Objections which is RBI compliant, whereby a unique code is given to a particular reason for returning a cheque is given below.

Code No.	Reason for Return	Code No.	Reason for Return
(01-03)	<b>Funds</b>	(50-59)	<b>Account</b>
1	Funds insufficient	50	Account closed
2	Exceeds arrangements	51	Account transferred to another branch
3	Effects not cleared; present again	52	No such account
(04-09)	<b>Refer to drawer</b>	53	Title of account required
4	Refer to drawer	54	Title of account wrong / incomplete
5	Kindly contact drawer / drawee bank and please present again	55	Account blocked (situation covered in 21-25)
(10-19)	<b>Signature</b>	(60-69)	<b>Crossing/Endorsement</b>
10	Drawer's signature incomplete	60	Crossed to two banks
11	Drawer's signature illegible	61	Crossing stamp not cancelled
12	Drawer's signature differs	62	Clearing stamp not cancelled
13	Drawer's signature required	63	Instrument specially crossed to another bank
14	Drawer's signature not as per mandate	64	Amount in protective crossing incorrect
15	Drawer's signature to operate account not received	65	Amount in protective crossing required / illegible
16	Drawer's authority to operate account not received	66	Payee's endorsement required
17	Alterations require drawer's authentication	67	Payee's endorsement irregular / requires collecting bank's confirmation
(20-29)	<b>Stop Payment</b>	68	Endorsement by mark/thumb impression requires attestation by Drawer/Magistrate with seal
20	Payment stopped by drawer	(70-79)	<b>RBI/Government</b>
21	Payment stopped by attachment order	70	Advice not received
22	Payment stopped by court order	71	Amount / Name differs on advice
23	Withdrawal stopped owing to death of account holder	72	Drawee bank's fund with sponsor bank insufficient
24	Withdrawal stopped owing to lunacy of account holder	73	Payee's separate discharge to bank required
25	Withdrawal stopped owing to insolvency of account holder	74	Not payable till 1st proximo
(30-49)	<b>Instrument</b>	75	Pay Order/cheque requires counter signature
30	Instrument post dated	76	Required information not legible / correct
31	Instrument out-dated / stale	(80-89)	<b>Miscellaneous</b>
32	Instrument undated / without proper date	80	Bank's certificate ambiguous/incomplete/required
33	Instrument mutilated; requires bank's guarantee	81	Draft lost by issuing office; confirmation required from issuing office
34	Cheque irregularly drawn/ amount in words and figures differ	82	Bank / Branch blocked
35	Clearing House stamp / date required	83	Digital Certificate validation failure
36	Wrongly delivered/not drawn on us	84	Other reasons- connectivity failure
37	Present in proper zone	85	Alterations on instrument-Other than "Date" filed (Alteration/correction on instruments are prohibited under Cheque Truncation System.
38	Instrument contains extraneous matter	86	Fake/forged/stolen draft/cheque/cash order/ Interest Warrant/Dividend Warrant
39	Image not clear; present again with paper	87	'Payee's a/c Credited' Stamp required
40	Present with document	88	Other reasons (Please specify)
41	Item listed twice	92	Bank excluded
42	Paper not received		
43	Encoding/listing error		

## 6. CTS 2010 Standard Cheques – Best Practice Guidelines

Some of the Best Practice Guidelines with respect to CTS 2010 Standard Cheques are summarized below:-

### **Inward Clearing Process**

- 1) Do Technical Scrutiny of the instruments
- 2) Verify the signature on the cheque
- 3) If Image not clear/look suspicious then ask for physical instrument from the Presenting bank
- 4) Reconcile the Paper to follow Inward items
- 5) Do not process any P2F instrument without verifying physical instrument
- 6) In case of CTS 2010 Instrument check for VOID pantograph
- 7) Return any cheque with material alteration even if such an alteration is duly authenticated by the drawer of the cheque (exception being date field)
- 8) Be very careful in case of instruments for which MICR reject repair performed by the presenting bank
- 9) System provides an indicator for reject repair being done for an instrument
- 10) Thoroughly check the instrument before clearing the same
- 11) In case of high value transactions, it is suggested to seek confirmation of the account holder

### **Outward Clearing Process**

- 12) Monitor the process of Cheque movements from drop boxes and ATM sites to the processing Centre
- 13) Slab wise Verification – for high value cheques - it is suggested to have dual checking
- 14) UV lamp verification
- 15) Check for any alterations, erasures on the cheques
- 16) Check the quality of paper, printing and uneven spaces (if any)
- 17) Be alert while high value instruments are getting presented through dormant or inoperative accounts
- 18) If it is a CTS 2010 standard instrument then look for Void pantograph
- 19) Processed CTS instruments should be stored with proper processed seal to avoid duplication
- 20) In case of suspicion, check up with the customer before presentation

### **MICR rejects**

- 21) In case of Xerox copy or duplicate instrument there is a very high possibility of MICR reject at the time of scanning.
- 22) At the time of scanning, if the MICR code can't be read by the scanner, the instrument will be shown as MICR reject.
- 23) Before updating the MICR code manually the bank should ensure the following
  - a) Verify the reason for MICR reject
  - b) Double check whether all the CTS2010 features of the instrument are in order
  - c) Check whether the account to which the instrument is being collected is an active account.

### **Internal Process**

- 24) Ensure that KYC is done for all the new accounts as per the guidelines issued, from time to time, by RBI
- 25) Monitor the transactions of all the new accounts for a period as may be decided
- 26) Upper limit may be set for ATM and internet based transactions of new accounts till such time bank is comfortable with the operation of the account
- 27) All the cheque leaves pertaining to an account closed should be defaced and then shredded
- 28) Document the standard operating procedures
- 29) Staff dealing with the customer accounts and cheques should be given fraud awareness training on regular basis
- 30) Provide the details of beneficiary in the account statement of the customer
- 31) Verify the credentials of any agency or person engaged to carry out activities on behalf of the bank
- 32) Follow the RBI norms and act accordingly on the accounts where cheques are frequently returning for insufficient funds especially high value cheques
- 33) Should a manipulation in cheque occur in your bank – share the modus operandi with fellow bankers so that they will be alert on such type

## **Customer Awareness**

The operative levels should sensitise the customers to follow the Best Practice Guidelines with respect to CTS 2010 Standard Cheques. Some of the best practices are summarized below.

- 34) At the time of receipt of cheque book, make sure all of the cheques are there, and that none are missing. Report missing cheque to your bank at once
- 35) Store cheque book, deposit slips, bank statements and cancelled cheques in a secure and locked location
- 36) Always issue Account Payee cheques
- 37) Don't leave blank spaces on the payee and amount lines
- 38) Draw a Line after the name, amount and wherever empty space was left
- 39) Always use ball-point pen
- 40) Never Pre-sign the cheques
- 41) Always write the details of the cheques issued in the appropriate column provided in the cheque book
- 42) Reconcile / Review Bank statements regularly
- 43) Start using CTS 2010 standards cheques
- 44) Never give your account number and other credentials to anybody
- 45) Unless needed, destroy old cancelled checks, account statements, deposit slips, ATM receipts
- 46) At the time of closure of an account, return unused cheques to the bank
- 47) Use alternate channels of payment for High Value transaction
- 48) Customer will approach & inform the Business Unit one working day before if cash is required beyond the prescribed limit
- 49) Valuable clients shall be offered customized cheque books with the title and account number pre-printed on the cheque book. Any extra charges on account of customization shall be borne by the customer

End of Policy

\*\*\*\*\*