

Cheque Collection Policy

Mizuho Bank, Ltd- India
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1. Introduction

This document covers the Cheque Collection Policy of the Bank, which is applicable to its branches operating in India. The policy is a reflection of the Bank's on-going efforts to provide better service to its customers and set higher standards for performance. The Policy is based on principles of transparency and fairness in the treatment of customers.

In terms of RBI guidelines, banks are required to introduce a condition for operation of accounts with cheque facility that, in event of dishonor of a cheque of INR 10 million or above drawn on the account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, banks are required to have board approved policy for dealing with frequent dishonor of cheques/ACH mandates of less than INR 10 million are in place.

This policy document covers following aspects:

- Collection of cheques and other instruments payable locally, at centres 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.

2. Arrangements for Collection

2.1(a) Local Cheques

All CTS compliant cheques and other Negotiable Instruments payable under a grid system would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters cheque drop box in the premises before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time will be presented in the next clearing cycle. As a policy, Bank would give credit to the customer account on the same day when clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. In case of any extension provided for any bank by RBI , settlement of cheques and credit to customers may be delayed.

The cheques would be processed under Cheque Truncation System (CTS). CTS is currently operational, under single grid for all zones (West, South & North zones merged together in a single grid),

Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank en-route to the paying bank branch. In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across bank branches, other than in exceptional circumstances for clearing purposes. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing.

In CTS, the presenting bank (or its branch) captures the data (on the MICR band) and the images of a cheque using their Capture System (comprising of a scanner, core banking or other application) which is internal to them and meeting the specifications and standards prescribed for data and images under CTS. To ensure security, safety and non-repudiation of data / images, end-to-end Public Key Infrastructure (PKI) has been implemented in CTS. As part of the requirement, the collecting bank (presenting bank) sends the data and captured images duly signed digitally and encrypted to the central processing location (Clearing House) for onward transmission to the paying bank (destination or drawee bank). For participating in the clearing process under CTS, the presenting and paying banks use either the Clearing House Interface (CHI) or Data Exchange Module (DEM) that enables them to connect and transmit data and images in a secure and safe manner to the Centralised Clearing House (CCH).

The Clearing House processes the data, arrives at the settlement, and routes the images and requisite data to the paying banks. This is called presentation clearing. The paying banks through their CHI / DEM receive the images and data from the CCH for further processing.

The paying bank's CHI / DEM also generates the return file for unpaid instruments, if any. The return file / data sent by the paying banks are processed by the Clearing House in the return clearing session in the same way as presentation clearing and return data is provided to the presenting banks for processing. The clearing cycle is treated as complete once the presentation clearing and the associated return clearing sessions are successfully processed. The entire essence of CTS technology lies in the use of images of cheques (instead of the physical cheques) for payment processing.

Only CTS-2010 standards compliant instruments can be presented for clearing through CTS. Non-CTS cheques are no longer accepted in clearing.

CTS-2010 standards contain certain benchmarks towards achieving standardization of cheques issued by banks across the country. These include provision of mandatory minimum-security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardization of field placements on cheques. The minimum-security features and standardization help presenting banks while scrutinizing / recognizing cheques of drawee banks in an image-based processing scenario.

(b) Customer should be taking due care while issuing cheques.

There are three images of each cheque that are taken in CTS – front Gray Scale, front Black and White and back Black and White. Customers should use image friendly coloured ink to write cheques to facilitate clear image of written information. Further, customer should use permanent ink to prevent fraudulent alteration of contents later. However, Reserve Bank of India (RBI) has not prescribed specific ink colors to be used to writing cheques.

Customer should also be aware that cheques with alteration / modification are not accepted under CTS. No changes / corrections can 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), fresh cheque leaves should be used by customers. This would help banks in identifying and controlling fraudulent alterations.

(d) Positive Pay System (PPS) for CTS is an additional indicator provided by NPCI to all banks to facilitate the clearing process and pre-empt cheque-related frauds and shall form part of prudent practices followed

by banks for payment processing. It has been introduced to augment customer safety in cheque payments and reduce instances of fraud occurring on account of tampering of cheque leaves.

Banks have been advised to enable PPS facility for all account holders issuing cheques for amount of ₹ 50,000 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 ₹ 5,00,000 and above.

2.2 Cheques payable in Foreign Countries

Cheques payable at foreign countries where the Bank has branch operation (or banking operations through a subsidiary; etc.) will be collected through that office. The services of correspondent banks will be utilized in country where the correspondent has presence. Cheques drawn on foreign banks at location 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.

2.3 Continuous Clearing:

It has been decided to transition CTS to continuous clearing and settlement on realization in two phases. Phase 1 shall be implemented on October 4, 2025 and Phase 2 on January 3, 2026.

(i). Single presentation session with continuous delivery:

- a) There shall be a single presentation session from 10:00 AM to 4:00 PM.
- b) Cheques received by the branches shall be scanned and sent to the clearing house by the banks immediately and continuously during the presentation session.
- c) The clearing house will in turn release the cheque images to drawee banks on a continuous basis.

(ii). Continuous inward processing and confirmation by banks:

- a) The confirmation session shall start at 10:00 AM and close at 7:00 PM.
- b) For every cheque presented, the drawee bank shall generate either positive confirmation (for honored cheques) or negative confirmation (for dishonored cheques).
- c) Each cheque will contain the 'Item Expiry Time' which indicates the latest time by which confirmation for the presented instrument needs to be provided by the drawee bank.
- d) Processing by drawee banks is to be done continuously throughout the day and on a real time basis as soon as cheque images are received.
- e) Information of positive/negative confirmation shall be sent by the drawee banks to the clearing house immediately after processing.

(iii). Time available for inward processing:

- a) During phase 1 (From October 4 to January 2, 2026), drawee banks shall be required to confirm (positively / negatively) cheques presented on them latest by end of confirmation session (i.e. 7:00 PM) else those will be deemed to have been approved and included for settlement. Item expiry time for all cheques shall be set as 7:00 PM in phase 1.
- b) In Phase 2 (from January 3, 2026), the item expiry time of cheques shall be changed to T+3 clear hours. For example, the cheques received by drawee banks between 10:00 AM and 11:00 AM will have to be confirmed positively or negatively by them by 2:00 PM (3 hours from 11:00 AM). Cheques for which confirmation is not provided by the drawee bank in the prescribed 3 hours shall be treated as deemed approved and included for settlement at 2:00 PM.

(iv). Settlement on realization:

- a) No accounting entries (settlement) will be posted for presentation of cheques.
- b) Starting from 11:00 AM, settlement will be arrived every hour till the end of confirmation session, based on the positive confirmations received from drawee banks and cheques considered deemed approved.
- c) No accounting entries shall be passed for cheques with negative confirmation.

(v). Releasing payment to customers:

- a) On completion of settlement, clearing house shall release the information of positive and negative confirmations to the presenting bank.
- b) The presenting bank shall process the same and release the payment to the customers immediately, but

not later than 1 hour from successful settlement, subject to usual safeguards.

3. Time Frame for collection of Cheques

For local cheques presented in clearing, the credit will be afforded as on the date of settlement of funds in clearing and the account holder will be allowed to withdraw funds as per return clearing norms. As a policy, Bank would give credit to the customer account on the same day when clearing settlement takes place. In case of any extension provided for any bank by RBI to participate in return session for clearing for the day, settlement of cheques and credit to customers may be delayed.

4. Payment of Interest for delayed collection of cheques

Please refer to Bank's "Policy on Compensation to customers" available on Bank's website (<https://www.mizuhobank.com/india>) in this regard.

5. 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, strike or other labor 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.

6. Charging of Interest on cheques returned unpaid where instant credit was given

If a cheque sent for collection for which immediate credit was provided by the Bank is returned unpaid, the value of the cheque will be immediately debited to the account. 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. Interest where applicable would be charged on the notional overdrawn balances in the account had credit not been given initially.

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.

7. Foreign Currency Denominated Instrument payable outside India

Mizuho Bank- India presently deals in following foreign currencies:

- US Dollar (USD)
- Pound Sterling (STG)
- Euro (EUR)
- Japanese Yen (JPY)
- Singapore Dollars (SGD)
- Thai Baht (BAHT)
- Australian Dollar (AUD)

- Swiss Francs (CHF)
- Arab Dirhams (AED)
- Chinese Yuan (RMB)
- Canadian Dollar (CAD)
- Ruble (RUB)

The foreign currency instrument deposited by the customer payable at foreign location shall be handled as below:

1. If the instrument is payable in the country where Mizuho Bank has branch operations (or banking operations through a subsidiary, etc.), it will be sent generally to our branch (e.g. instrument in USD payable in US to be collected through MHBK New York, or through correspondent bank JP Morgan Chase NY).
2. If the instrument is payable in the country where Mizuho Bank does not have a branch, then it will be sent to the correspondent bank where we are maintaining Nostro Account (e.g. instrument in EURO payable at a European country will be sent to Deutsche Bank AG, Frankfurt).
3. If the instrument is drawn & payable at a place different from those mentioned in point 1 & 2 above, the same will be presented directly to the drawee bank for payment.

Guidelines for arrangement of collection & payment:

1. In case of individual customer, immediate credit for foreign currency collection instrument may be given up to equivalent of USD 100/- at the specific request from the Customers.
2. The time frame for collection of foreign currency Instruments payable outside India where the Bank is having branch is 21 working days, in case the instrument are collected through the correspondent bank where the Bank is not having branch or sent directly to drawee bank, 30 working days.
3. The customer account will be credited on the Forex business day when the credit is confirmed in Nostro statement.
4. No time frame for collection of foreign currency instrument sent to foreign countries (where Bank does not have a branch) can be given, as the Bank would not be able to ensure timely credit from overseas banks. It is the Bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country.
5. Bank Charges & GST: Bank shall recover charges as per schedule of charges revised annually from the Customer. Applicable GST shall be recovered from the Customer.

8. Return of Cheques for technical reason and levy of charges

1. Bank shall levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. If any cheque is returned due to technical reason for which customer is not responsible, Bank shall not debit the customer with cheque return charges.
2. Bank shall re-present the cheques which do not require recourse to the payee in the immediate next presentation clearing but not later than 24 hours (excluding holidays) with due notification to the customer of such representation through email.

9. Cut-off time for depositing the Cheques

Days	All branches
Monday to Saturday- (2nd & 4th Saturday Closed)	2:30 pm

All cheques deposited within the cut-off time will be lodged in CTS clearing on the same day. Cheques deposited post cut-off time will be presented for CTS clearing on next working day.

End