BNP PARIBAS

Policy on Collection of Domestic Cheques - Local BNP and Non-BNPP and Foreign Cheques

Owner entity *	12,359,032 - CIB and Group Deputy Executive Management / CIB - Pole Corporate and Institutional Banking / General and Territory Mgmt / CIB CEO / World CIB / APAC / India / BNPP SA Mumbai Branch - IN / INDIA			
Co-owner entity (ies)	eSopV2 https://esop.group.echonet/eSOP-web/			
Involved Process(es)*	L1 - PR00027 Settlement, clearing and Payment / L2 - PR00231 Cash management	Select an item	Select an item	Multiple selection possible. Refer to appendix 1 (RISK0329)
Involved Risk(s)*	L1 - RIT0001 Compliance risks	Select an item	Select an item	Multiple selection possible. Refer to appendix 2 (RISK0329)
Keywords	Cheque, collection, foreign			

Level *	Level 3			
Procedure type *	1- Policy			
Scope of Application: <u>Applying entity</u> (BU, BUG, OE, LE) *	12,359,032 - CIB and Group Deputy Executive Management / CIB - Pole Corporate and Institutional Banking / General and Territory Mgmt / CIB CEO / World CIB / APAC / India / BNPP SA Mumbai Branch - IN / INDIA			
Scope of Application: <u>Covered entity</u> (BU, BUG, OE, LE) *	12,359,032 - CIB and Group Deputy Executive Management / CIB - Pole Corporate and Institutional Banking / General and Territory Mgmt / CIB CEO / World CIB / APAC / India / BNPP SA Mumbai Branch - IN / INDIA			
Geographical Scope of Application: <u>Applying entity</u> <u>(region, territory)</u> *	APAC-India - IN	APAC-India - IN	multiple selection possible	
Geographical Scope of Application: <u>Covered entity</u> <u>(region, territory)</u> *	APAC-India - IN	APAC-India - IN	multiple selection possible	
To Adapt Locally *	Applied as such OR transposition			
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Strict parent procedure (strict parent link to cascade the norm) **	XXX **– Full inheritance concept** - Reference of the parent procedure (of a higher level or of the same level) from which this procedure is inherited to cascade the norm – **strict parent link to cascade the norm in the cases of application as such or transposition**
Affiliated parent procedure(s) (parent link(s) for the operational implementation) **	XXX – **Partial inheritance concept** - Reference(s) of the parent procedure(s) (of a higher level or of the same level) from which this procedure includes **some** normative elements for its operational implementation – **parent link for the operational implementation**
Regulatory text(s) / legal provision(s)	**Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025 (Updated as on April 1, 2026)**
Control plan(s)/control (s) re. if any	

** Mandatory fields ** Mandatory fields when relevant: if the field is not completed, it means it is not relevant*

All roles, responsibilities and tasks mentioned in this document are undertaken by BNP Paribas Employees without distinction of gender.

EXECUTIVE SUMMARY

As required by RBI vide its circular Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025 (Updated as on April 1, 2026), Cheque Collection Policy has been made.

This policy lists down requirements relating to the cheque collection process, timelines and frequent dishonor of cheques.

Relevant operating regulations in this regard are:

1. Introduction of Continuous Clearing and Settlement on Realisation in Cheque Truncation System dated 13.08.25
2. Continuous Clearing and Settlement on Realisation in Cheque Truncation System: Phase 2 dated 24.12.25

WHAT'S NEW?

This is the first policy version

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Introduction

BNP PARIBAS SA is a bank headquartered in Paris with global operations in over 65 countries. The bank operates in India since 1860 via. a branch structure with banking licence from Reserve Bank of India [RBI].

In the current banking scenario 'Collection of instruments (Cheques, drafts, Pay Orders, warrants etc)' are one of the important ancillary services provided by all the banks. This service has great potential to enhance customer satisfaction, and to attract new clients besides providing good scope for increasing the fee-based income of the Bank. BNP Paribas –India provides collection of local and outstation cheque services under normal cheque collection facility and under specialised Cash Management Services. Foreign cheques are collected under normal collection process.

The Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025 (Updated as on April 1, 2026) have specified a need for the Bank to have a Cheque Collection Policy to in place.

1. Objective and Scope

To put in place a comprehensive and transparent Cheque Collection Policy considering BNPP India's technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. The policy inter alia covers the following three aspects:
(1) Immediate Credit for Local / Outstation cheques
(2) Time frame for Collection of Local / Outstation Instruments
(3) Interest payment for delayed collection

2. Cheque Collection Requirements

2.1 Cheque Truncation System

The Reserve Bank of India (RBI) introduced the continuous cheque clearing system through Notification No. RBI/2025-26/73, dated August 13, 2025, titled "Notification regarding introduction of continuous clearing and settlement on realization in cheque truncation system". This new mechanism replaces the previous batch-processing model with hourly settlements, aiming to significantly reduce the time it takes for a cheque to be cleared and funds to be credited to the account. The new mechanism is being rolled out in two phases, first phase has started from October 4, 2025 that replaces batch processing with continuous, real-time processing of cheques within the Cheque Truncation System (CTS). The second phase is yet to be rolled out by RBI. This new mechanism significantly reduces cheque clearance times from the current 1-2 days to just a few hours, enabling faster fund availability and improved customer service.

How it Works

- Continuous Presentation:

Cheques will be scanned and sent for processing continuously by banks during a single presentation window from 10:00 AM to 4:00 PM each day.

- Real-time Image Transfer:

Clearing houses will release the scanned images of these cheques to drawee banks immediately and on a continuous basis.

- Faster Confirmation:

Drawee banks must provide positive or negative confirmation for each cheque presented by 7:00 PM on the same day. If no response is received, the cheque will be automatically approved and settled.

2.2 Cheques Receivable in Foreign Countries

Cheques receivable at foreign centres 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/ centres where the correspondent has presence. Cheques drawn on foreign banks at centres where the bank or its correspondents do not have direct presence will be sent direct to the drawee banks with instructions to credit the proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks.

TIME NORMS FOR FOREIGN CHEQUE COLLECTIONS:

Cheques in EUROS, CAD, GBP, SGD, USD: within 45 Days

2.3 Legal Provisions

The relationship between the collecting bank and its customer is that of agent and principal, the bank being the agent. The collecting bank is expected to exercise reasonable skill, care and diligence in presenting and obtaining payment of the instruments received from the customer for collection. In case, the customer suffers loss or damage, on account of the bank's negligence in discharging the duties, the bank would be liable for action by the customer against the bank.

2.4 Bank's Responsibility

Section 84 of the Negotiable Instruments Act 1881 stipulates that "Where a cheque is not presented for payment within a reasonable time of its issue, and the drawer or person on whose account it is drawn had the right, at the time when presentment ought to have been made, as between himself and the banker, to have the cheque paid and suffers actual damage through the delay, he is discharged to the extent of such damage ,that is to say, to the extent to which such drawer or person is a creditor of the banker to a larger amount than he would have been if such cheque had been paid."

The collecting bank, therefore, must present the cheque to the drawee bank within a reasonable time. Section 84 further states that "In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade and of bankers, and the facts of the particular case."

Hence BNPP branches should present the cheques through the next available local clearing immediately on receipt of the instruments before the cut-off time fixed by each branch in India.

In respect of cheques lost in transit or in the clearing process or at the paying bank's branch, the bank should immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record stop payment and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The onus of such loss lies with the collecting banker and not the accountholder.

The bank should reimburse the account holder related expenses for obtaining duplicate instruments and interest for reasonable delays occurred in obtaining the same. The interest at our MCLR+ 2% should be paid to the customer. (charges are subject to change periodically).

2.5 Protection to the Bank

Section 131 of the Negotiable Instruments Act states that: "A banker who has, in good faith and without negligence, received payment for a customer of a Cheque crossed generally or specially to himself shall not, in case the title to the cheque proves defective, incur any liability to the true owner of the Cheque by reason only of having received such payment.". Hence the collection must be in good faith and without negligence.

3. Time norms for Collecting Cheques

Type	Mode of Clearing	Amount	Time Frame
1	Cheques on CTS/ BNPP / Non-BNPP locations	Any amount	• Same day clearing for cheques deposited before 11 AM for BNPP branches • Same day clearing for cheques deposited with Partner Bank (Axis Bank) by 11.30 am for non-BNPP locations. Next day clearing for cheques deposited on Partner Bank (Axis Bank) counter after11.30 am for non-BNPP locations

2	Foreign Currency Cheque Collection	Any amount	• 45 days

4. General Guidelines

4.1 Cheque collection facility is generally provided to the clients of the bank. A customer means a person/corporate entity who has an account with the bank and his/its dealing with the latter are in the nature of banking business.

4.2 With the introduction of CTS, cheques are not sent physically for collection, hence instances of Cheque lost in transit may not happen. However for any reason including but not limited to Paper-to-Follow, if the cheque is lost in transit and a confirmation to this effect is received from the Collecting Bank/ Branch, an intimation has to be sent to our Customer informing him of the loss of the instrument in transit and request for duplicate instrument and to make arrangement for settling the transaction.

4.3 Our Branches should show due diligence in informing the customer about the dishonour of a cheque to enable him to recover the amount from the parties liable. If the return is due to insufficiency of funds, this must be clearly communicated. If a cheque is returned for technical reasons which are to be rectified by our Bank Branch as a collecting Branch, it should nevertheless inform the customer about the return and representation of the cheque.

4.4 Commission and out of pocket expenses should be collected as per our card rate/ as per our sanction to the customer.

4.5 In case the cheques have been returned for the reason “Link Failure”, such cheques would be re-presented in the next clearing without waiting for a request from the payee and no charges shall be recovered from the payee for return of the cheques in such cases.

4.6 When the instrument is returned by a Branch, necessary return charges as per our Card rate /agreement with the customer would be recovered.

4.7 Customers wish to avail the cheque collection facility under Cash Management Services of the bank have to execute necessary CMS application and the facility would be sanctioned by the appropriate authorities. Cheques collected under the specific arrangement done under Cash Management Services where the credit is given as per the agreed terms, shall be excluded from this policy. Such arrangements are covered under the specific agreements with the client.

5. Force Majeure:

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 labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

6. Dealing with Frequent Dishonour of Cheques

In the event of frequent dishonour of cheques observed for a particular account of the drawer of the cheque during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Further, the bank may consider closing the account at its discretion. In case of borrowal accounts the continuance or otherwise of the credit facilities relating to these accounts shall be reviewed by the sanctioning authority.