

LIGHT CIRCLE - APRIL 2016

GIST OF HO CIRCULARS ISSUED DURING MARCH - 2016

104/2016 Interest Subvention Scheme for the WSHGs for the year 2015-16 - Operational guidelines under NRLM – Aajeevika

- Our Bank is the Nodal Bank for administering the Interest Subvention Scheme for NRLM in 150 identified districts in the Country.
- SHGs can avail either Term Loan or Cash Credit Limit or both based on need.
- Weighted Average Interest Charged(WAIC) for the year 2015-16 is 11.00 % for our Bank. Hence, differential 4% is to be debited to SA head & credited to Interest Collected head.
- Branches coming under identified 150 districts (Category I) have to submit interest subvention claims in respect of following heads:
- Charging interest at 7% to WSHG loans & claiming subvention @4% for the FY 2015-16
- Claim for 3% additional interest subvention in case of prompt payee accounts.
- Regular & Additional claims are to be submitted on Quarterly basis for the FY 2015-16
- Interest Subvention Scheme is not applicable for the outstanding loans under SGSY, where capital subsidy is already released.

105/2016 104. MODIFICATION IN GUIDELINES ON DRAWING OF CREDIT INFORMATION REPORTS (CIRs) FROM MULTIPLE CREDIT INFORMATION COMPANIES (CICs) AND DELEGATION OF POWER FOR CREDIT SANCTION FOR THE CONSUMER SEGMENT. It is decided to continue with the existing guidelines on obtention of credit Information reports from Multiple Bureau, i.e. Branches / Offices shall continue to access one more CIR from any of the following CICs, apart from CIBIL, for certain consumer segment advances and threshold amount of loan (as advised in HO Circular 560/2015). a) M/s CRIF High Mark Credit Information Services Pvt. Ltd (CRIF) b) M/s Equifax Credit Information Services Pvt. Ltd (ECIS) c) M/s Experian Credit Information Company India Private Ltd. (ECICI) - However, for the purpose of determining the risk grades for the borrower, only CIBIL – Transunion Score shall be considered. Apart from above certain guidelines have been modified as mentioned in the Annexure. Key changes in the guidelines are as under: In case of variation in the scores of applicant or Co-applicant, score of applicant shall be reckoned for decision making. In case the credit history indicates the status as Written Off/ Overdue /Settled account (Not older than 3 years) then same shall be placed to Next Higher Authority. However, in case the proposal falls under the delegated power of Circle Head CAC (AGM/DGM/GM/CGM) & above authorities, then same can be considered by the respective sanctioning authorities. Reports having status as Written Off/ Overdue /Settled account which are more than 3 years old may be ignored for the purpose of linkage to delegation. Scores of CIBIL – Transunion shall be considered for determining the risk grade. Credit score of Applicant & Co- Applicant shall be taken into consideration for determining the risk grade under Point No. 1 above. In case of variation in the scores of the applicant or Co -applicant, the score of applicant shall be reckoned for decision making. Delegation based on risk grades shall continue (Note: Risk Grade shall be based on CIBIL Transunion Score only).

106/2016 Financing for housing projects – Reiteration of circular

- 107/2016 Introduction of modification / additional features under 'Easy Health' Insurance Plan launched by the Bank under the Corporate Agency Tie-up with M/s Apollo Munich Health Insurance Co.(AMHI)
- Introduction of New Sum Insured option of Rs. 7.5 Lacs.
 - Withdrawal of existing Sum Insured option of Rs. 50,000/-. As such, the minimum Sum Insured option available under "Easy Health" Scheme will be Rs. 1 lac for all new proposals.
 - Built in Personal Accidental Death cover equivalent to the Sum Insured. Accordingly, withdrawal of existing optional Accidental cover of Rs. 1 lac, irrespective of the Sum Insured.
- 108/2016 RTGS - Revised Time varying Service Charges w.e.f April 1, 2016
- 109/2016 Compensation policy for the year – 2016-17
- 110/2016 BO Report "170200" for TASC & Govt. Accounts – 1.CASA is one of the thrust areas of the Bank.2. TASC and Govt. Depts. accounts contribute significantly to CASA growth.3. BO Report "170200" developed to view balances and new accounts opened under TASC and Govt. Departments
- 111/2016 Customer rights policy – 2016-17
- 112/2016 Updation of Customer Master with correct details of date of birth, profession, customer type, business type, occupation, annual income, etc. – Reiteration of guidelines.
- Audit Committee of the Board has directed that Customer Master has to be updated within timelines.
 - Branches should update correct date of birth, profession, customer type, business type, occupation, annual income, etc. on or before 31.03.2016.
- 113/2016 Compliance Breaches, Failures and Penalties – Need for strict adherence of guidelines-Reiteration of guidelines
- Compliance Breaches are to be totally avoided by scrupulously following Regulatory / Statutory / Government guidelines for ensuring zero penalty.
 - Non-observation of guidelines would result in legal or regulatory sanctions, material / financial loss or loss of reputation to the Bank.
 - Only dedicated GLs are to be debited for the penalty paid by the branches/offices.
 - Zero tolerance level expected for delayed remittance of Tax and other compliance issues.
- 114/2016 Seeding of Aadhaar Numbers in the accounts of Pensioners – Directions from the Ministry of Finance, Government of India, New Delhi.
- Period from 1st to 5th March 2016 to be observed as "Aadhaar Seeding Week" in Pensioners accounts as per the directions of the Ministry of Finance;
 - Branches can avail the services of Business Correspondents / Business Correspondent Agents enrolled by the Bank for collecting the Aadhaar Numbers from Pensioners for seeding in their accounts by making payment of Rs.10/- per account
 - Branches to display the details of addresses of nearest Aadhaar Enrolment UIDAI Centres for the benefit of Pensioners.
- 115/2016 Gold Related Schemes – Sovereign Gold Bonds Scheme – Issue of Bonds under Tranche III.
- 116/2016 CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTESA new guarantee scheme to guarantee loans/advances sanctioned to Scheduled Casteentrepreneurs.

- The scheme covers Small and Medium Enterprises (Registered Companies, Societies and Partnership Firms) promoted and run by Scheduled Caste entrepreneurs in Manufacturing, Trading and Services sector.
- Individuals and Sole Proprietorship firms are not eligible for guarantee cover under the scheme
- Micro Enterprises are not eligible for guarantee cover under the scheme.
- The minimum loan amount that can be covered under the guarantee scheme is Rs.25.00 lakhs.
- There is no limit on the maximum loan amount. However the maximum guarantee amount is limited to Rs.500.00 lakhs.
- Guarantee cover is available for Term Loans and Composite Loans only.
- Stand alone Working Capital facility and Non Fund Based Facilities are not eligible for guarantee cover when availed independently.
- Accounts where the ROI is 3% above the Base Rate of the Bank are not eligible for guarantee cover.
- Guarantee Fee - 0.75% for women SC entrepreneurs and 1% for other SC entrepreneurs in the first year. Annual Renewal fee - 1% p.a. for all.
- Lock in period – 12 months
- Guarantee cover will be available for a period of 7 years or the repayment period of the advance whichever is less.

117/2016 Retail Loans-Confirmation of Pre-Sanction Visits in NF 967

118/2016 AVOID SLIPPAGE OF MSME ACCOUNTS TO NPA DUE TO NON FINANCIAL REASONS – REITERATION OF GUIDELINES.

119/2016 RTGS - Revised Time varying Service Charges w.e.f April 1, 2016We refer Cir. No. 108/2016 dated 01.03.2016 on the revised charges for RTGS outward transactions. The Clarification and correction to the above circular are given.

120/2016 ONLINE INSTANT IN-PRINCIPLE SANCTION OF HOUSING LOANS & CAR LOANS - Updation of Status and Monitoring of Leads- Updation of Status of Leads in SAS package- Follow-up and Monitoring of leads on day to day basis

121/2016 Sovereign Gold Bonds – Issue of Third Tranche conducted by RBI from 8th to 14th March 2016

- RBI has fixed the issue price at Rs.2,916/- per gram of SGBs
- ? Number of designated branches has been increased from 180 to 254.

122/2016 Grievance redressal policy – 2016-17

123/2016 CUSTOMER RIGHTS POLICY REITERATION OF GUIDELINES INCOGNITO VISITS BY RBI OFFICIALS

124/2016 Change in nomenclature of 'Adhoc over limit to Temporary over limit

- Temporary over limit may be permitted once in a month for a period not more than 7 days within the maximum limit of delegated powers of adhoc facility

125/2016 Sovereign Gold Bonds – Issue of Third Tranche conducted by RBI from 8th to 14th March 2016Technical/Operational Guidelines for handling the Software Module by the users in designated branches for Tranche III SGBs are furnished.

126/2016 Rate of Interest reduced for new loans to be sanctioned and disbursed on or after 08.03.2016 under Canara Home Loan Plus.

127/2016 Atal Pension Yojana Scheme – Conducting “ATAL CARNIVAL” on 9th and 10th March 2016

- 128/2016 1. Each branch / RO(proposed) / CO should designate one officer as Nodal Officer for Mudra. 2. Display of banners and brochures on Mudra in the branch premises. 3. Disposal of loan applications under Mudra in a time bound manner.
- 129/2016 Credit Guarantee Scheme (CGS) of CGTMSE—Prompt Invocation of Claims in respect of covered accounts
- 130/2016 Automatic transfer of balance outstanding in “Sundry Liabilities – Service Tax GL Code 209271050, GL Code 209271150, GL code 209271020, GL code 209271151 & GL Code 209271052” as on 31/03/2016 to ETT Section, FM&S Wing, Head Office. Important Service Tax matters to be complied with by all Branches/Offices
- 131/2016 Credit linked subsidy under the PMAY scheme to be claimed by Branches/ Offices before 18/03/2016 through Circle Offices. Circles to submit consolidated claims in soft copy to Head Office on or before 18/03/2016.
- 132/2016 “Insurance Premium Payment Module – Option 7071 in CBS” for collection of Life Insurance premium by all our Branches for Canara HSBC OBC Life Insurance Co. Ltd. (CHOICE)
- 133/2016 Sovereign Gold Bond Scheme – Modifications in non financial data of Tranche I & Tranche-II entries without financial implications. Reserve Bank of India has opened window for modifications in non financial data of Tranche-I & Tranche-II without financial implications. Last date for such modifications is 17.03.2016
- 134/2016 APPROVED LIST OF TRANSPORT OPERATORS– ADDITIONS, DELETIONS AND RENEWALS
- 135/2016 Maintenance of Bank guarantee / Letters of credit in CBS
- 136/2016 CONTINUATION OF LOAN SCHEME “CANARA MSE UNNATI” FOR FINANCING MICRO & SMALL ENTERPRISES (MSE)”
- 137/2016 Locking of Internet Banking USER ID
- 138/2016 Atal Pension Yojana Scheme – Observing “APY-MAHA LOG-IN DAY” on 18th March 2016
- 139/2016 Implementation of OL - Annual Implementation Programme - 2016-17
- 140/2016 BALANCE SHEET AS AT 31.03.2016
- 141/2016 KYC Compliance- AML Alerts- Implementation of FIU-IND 63 new Red Flag Alerts. FIU-IND has come out with 63 new Red Flag indicators which are to be invariably implemented by Banks. Branches/ Foreign Departments/ FEX Cells/ Circle AML Teams should monitor the 63 new Red Flag indicators.
- 142/2016 1) DPN LOAN TO EMPLOYEES OF THE BANK – MODIFICATION 2) INCREASE IN QUANTUM OF LOAN FOR PURCHASE OF TWO WHEELER BY EMPLOYEES DURING THE PROBATIONARY PERIOD
- 143/2016 Organizing Special Credit Campaigns to extend Bank Credit to SCs/STs during celebration of ‘April 2016’ as SC/ST month in commemoration of Birth Anniversary of Dr. B.R. Ambedkar.
- Celebration of April 2016 as SC/ST month.
 - All branches to organize mass credit campaign during April 2016.
 - Adequate publicity to be given to the mass campaign programme.
 - Each branch of Bank is instructed to try to hand hold at least two no. of SC /ST youth, as entrepreneurs under Stand Up India Scheme of Govt. Branches to identify and assist minimum 100 new SC/ST beneficiaries during the campaign month. Honour borrowers belonging to SC/ST community who are prompt in repayment during the campaign.

- 144/2016 Stand Up India Scheme to Help Women and SC/ST Entrepreneurs
- 145/2016 INSTRUCTIONS / DIRECTIVES RECEIVED FROM RBI - PROVISION OF MAGNIFYING GLASS IN THE BRANCHES
- 146/2016 BALANCE SHEET- MARCH 2016 – Obtention of Auditor's Certificates: I. Weavers Credit Card (WCC) – Loan scheme for Financing Handloom weavers Margin Money Subsidy and Interest Subvention Claims II. Certification on remittance made in CGTMSE claim settled accounts.III.
- 147/2016 IBA MODEL EDUCATION LOAN SCHEME – MASTER CIRCULAR
- 148/2016 Memorandum of Understanding with M/s Piaggio Vehicles Private Limited (PVPL) - continued for two years from 22.03.2016 to 21.03.2018 Validity of MoU with M/s Piaggio Vehicles Private Limited (PVPL) is extended upto 21.03.2018.
- 149/2016 COMMERCIAL REAL ESTATE – MODIFICATION IN GUIDELINES ON MODIFICATION IN THE GUIDELINES TO THE EXTENT OF COVERING EXPOSURE - UNDER COMMERCIAL REAL ESTATE-RESIDENTIAL HOUSING (CRE-RH) - MODIFICATION IN THE GUIDELINES TO THE EXTENT OF COVERING EXPOSURE UNDER COMMERCIAL REAL ESTATE-RESIDENTIAL HOUSING (CRE-RH) DELEGATION OF POWERS **Validity of MoU with M/s Piaggio Vehicles Private Limited (PVPL) is extended upto 21.03.2018.**
- 150/2016 Atal Pension Yojana Scheme – Conducting “ATAL CARNIVAL” on 28th and 29th March 2016
- 151/2016 SUB:EMPLOYEES HOUSING LOAN - MODIFICATION IN GUIDELINES. SYNOPSIS
- 153/2016 Propagation of Platinum Debit Card.
- Platinum Debit Card earns 15 bps higher incomes (issuer interchange) for the Bank on purchase transactions done using the card.
 - Higher per day cash withdrawal Limit & purchase Limit to meet the high spending pattern of Platinum cardholders
 - Host of benefit to cardholders like complimentary insurance cover, periodical offers extended by Card associations like Airport lounge services, periodical discounts at select Merchants etc.
 - Card is absolutely free in case the cardholder meets the minimum threshold annual turnover of Rs 50,000/- for purchase transactions
- 154/2016 Automatic Remittance of TDS on Term Deposit for March 2016B. TDS on interest on RD will be deducted by the system as on 31.03.2016 – Guidelines to be complied with.C. Refund option to be utilized only for TDS exemption given u/s 197 and RD
- 155/2016 SPECIAL PACKAGE UNDER HOUSING LOAN, CANARA VEHICLE LOAN AND CANARA BUDGET LOAN SCHEMES FOR THE EMPLOYEES OF M /S BHARAT SANCHAR NIGAM LTD. (BSNL) IMPLEMENTED ON ALL INDIA BASIS .Bank has entered into an MOU with M/s. Bharat Sanchar Nigam Limited (BSNL) and extending a Special Package under Retail Lending Schemes for their employees on All India Basis. The MOU is valid upto 31.12.2016.
- 156/2016 Hotlisting of Credit Cards and Canara International Prepaid Travel cards Credit cards can be hotlisted by sending SMS/by calling the ‘customer care centre’ on Toll free Number
- Our ‘International Prepaid Travel card’ Card can be hot listed through Canara Bank website by logging in to ‘Canara Travel pre-paid Card’ web portal/ calling dedicated call centre/sending Email to travelcard@canarabank.com.

- FAQs (Frequently Asked Questions) on hotlisting of Credit Cards & 'International Prepaid Travel card'.
 - Display of Notice at Branches/ATM Lobbies, to create awareness amongst the cardholders
- 157/2016 ECS Debit functionality as a mode of recovery of EMI's / instalments by replacing post dated cheques for retail loans. The ECS debit functionality hitherto processed under regional clearing centres through RBI local offices shifted to process under NACH at Clearing Section, Mumbai through NPCI. Mapping of all the branches to Mumbai Clearing centre w.e.f 1st April 2016.
- 158/2016 Operational Risk Management – New Incident Management Module SAS-EGRC - INCIDENT MANAGEMENT MODULE – New Package
- Annexure–I Types Of Operational Risk Loss Incidents/Events
 - Annexure–II Work Flow under New Incident Management Module
 - Annexure–III Roles and Responsibilities
 - Annexure–IV List of CBS GLs integrated with SAS-EGRC
 - Annexure- V EXAMPLES OF VARIOUS INCIDENTS TO BE REPORTED
 - Annexure- VI FORMAT OF NOTE BY RM SECTION, CIRCLE OFFICE
 - Annexure- VII LIST OF BUSINESS LINES & LOSS EVENT TYPES
- 159/2016 Operational Risk Management - New Incident Management Module- A quick reference
- 160/2016 Operational Risk Management – Risk and Control Self Assessment Module (RCSA) SAS-EGRC - Risk and Control Self Assessment Module (RCSA)– New Package
- 161/2016 Operational Risk Management – Key Risk Indicators Module (KRI) SAS-EGRC - Key Risk Indicators Module (KRI)– New Package
- 162/2016 SAS-EGRC - Key Risk Indicators Module (KRI)– New Package
- 163/2016 Risk Based Supervision of our bank by Reserve Bank of India for 2014-15 – Need to adhere to the systems and procedures - Reiterating the guidelines.
- Need to ensure Priority Sector classification as per extant guidelines reiterated
 - Feeding of correct repayment schedule/holiday period in the CBS system while account opening and at the time of Restructure/reschedule/Rephasing.
 - Selection of appropriate reason at the time of restructuring/rescheduling.
 - Adherence of guidelines on restructuring of advances
 - Adherence to time norms in extending relief measures under natural calamity.
 - Proper feeding of security details in the system.
 - Account level verification of Correct Rate of interest & ensuring of correct updation.
 - Strict monitoring /adherence of subsidy guidelines under Government Sponsored Scheme.
 - Ensure end use of agriculture gold loans especially under crop production purpose.
 - Desist from opening of Term Deposits out of loan proceeds in respect of go
- 164/2016 RESTRUCTURING OF ACCOUNTS - MODIFIED FUNCTIONALITY - ACCOUNTS WILL BE CLASSIFIED AS NPA ON FIRST RESTRUCTURING BASED ON REASON SELECTED.
- 165/2016 Incentive Scheme for Capacity Building for Officers and Clerical employees

- 166/2016 Marketing Officers Suggestion Scheme
- 167/2016 CANARA PENSION LOAN SCHEME-MODIFICATIONS IN SCHEME GUIDELINES1. Increase in loan quantum: - For other Pensioners - 15 months pension amount OR Rs. 3.00 lacs whichever is less, subject to 40% of Gross pension with a minimum of Rs. 7500/- after deducting the proposed EMI as NTH.- For Retired Employees of our Bank/Family Pensioners of Retired Employees of our Bank – 20 months pension amount or Rs.4, 00,000/- whichever is less, subject to NTH of 40% of Gross with a minimum of Rs. 7500/- after deducting the proposed EMI.2. Repayment (Common for Both Categories): - To be repaid in 72 equated monthly installments (EMIs) if the pensioner is below the age of 65 years. - To be repaid in 60 equated monthly installments (EMIs) if the pensioner is above the age of 65 years.
- 168/2016 PMAY - Credit Linked Subsidy Claims- Reiteration of guidelines
- Branches/Offices to claim subsidy for all eligible Housing Loans under PMAY Housing Loan Scheme.
 - To obtain and safe keep the documents for verification by Auditors/NHB officials at a later date.
- 169/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME
- 170/2016 SAFE DEPOSIT LOCKER PACKAGE : RENT COLLECTION FY 2016-17
- 171/2016 BUDGET-2016-2017- IMPORTANT CHANGES IN SERVICE TAX w.e.f 01.04.2016? Any Service provided by Government or Local authorities to Bank, barring a few exceptions, is taxable under Full Reverse Charge mechanism w.e.f 01/04/2016? Other relevant changes in Service Tax w.e.f 01/04/2016
- 172/2016 TAX AUDIT REPORT FOR THE YEAR ENDING 31ST MARCH 2016
- 173/2016 CGTMSE- Charging of Annual Service Fee (ASF)/ Annual Guarantee Fee (AGF) at differential rates depending upon NPA level / Claim payout ratio of MLIs.
- 174/2016 Interest subvention for short term Crop production loans to farmers & loans against Negotiable Warehouse receipts to KCCS borrowers (Small & Marginal farmers) – Submission of Claims for financial year 2015-16.
- Submission of Audited claims for the ENTIRE FINANCIAL YEAR 2015-16.
 - Separate claims for Regular and Incentive subvention and concurrently running Schemes viz. 2014-15 (disbursement between 1.4.2014 & 31.3.2015) and 2015-16 (disbursement between 1.4.2015 & 31.3.2016).
 - In respect of KCCS / Kisan Suvidha Sub-limit I loans, only crop cultivation component is eligible for interest subvention.
- 175/2016 PMJDY – Overdraft facility - Classification.
- 176/2016 Natural Calamities – Extension of Relief Measures
- 177/2016 INFORMATION & COMMUNICATION TECHNOLOGY (ICT) POLICY FOR THE YEAR 2016-2017
- 178/2016 INFORMATION & COMMUNICATION TECHNOLOGY (ICT) PROJECTS MANAGEMENT POLICY 2016-17
- 179/2016 EXPORT CREDIT INSURANCE FOR BANKS -- WHOLE TURNOVER PACKING CREDIT ECIB (WT PC) COVER &- WHOLE TURNOVER POST SHIPMENT CREDIT ECIB (WT PS) COVER
- 180/2016 Withdrawal of :1. Canara MSE Pragati2. MSE Vijeta – Model I3. Canara MSE Sara4. Canara MSE Satkar5. Canara Guide

FOREX CIRCULARS

FX/20/2016 REGULATORY RELAXATIONS FOR START-UPS – CLARIFICATIONS RELATING TO ACCEPTANCE OF PAYMENTS

FX/21/2016 REGULATORY RELAXATIONS FOR STARTUPS – CLARIFICATIONS RELATING TO ISSUE OF SHARESPERMISSION FOR ISSUANCE OF SHARES WITHOUT CASH PAYMENT BY THE INVESTOR THROUGH SWEAT EQUITY OR AGAINST ANY LEGITIMATE PAYMENT OWED BY THE COMPANY REMITTANCE OF WHICH DOES NOT REQUIRE ANY PERMISSION UNDER FEMA, 1999

FX/22/2016 REVISION IN RATES OF INTEREST ON FCNR [B] & RFC DEPOSITS - REVISION IN INTEREST RATES ON FCNR (B) DEPOSITS/RFC DEPOSITS W.E.F. 01.03.2016

FX/23/2016 GRANT OF EDF WAIVER FOR EXPORT OF GOODS FREE OF COST - REVISION OF GUIDELINES REGARDING THE GRANT OF EDF WAIVER FOR EXPORT OF GOODS FREE OF COST

FX/24/2016 TERMINATION OF PREFERRED COLLECTION AND CASH LETTER SERVICES BY - DEUTSCHE BANK AG W.E.F.04-MAY-2016

FX/25/2016 REMOVAL OF M/S SKYNET WORLDWIDE EXPRESS PVT LTD FROM THE EXISTING PANEL OF INTERNATIONAL COURIER SERVICE PROVIDERS

FX/26/2016 CASH LETTER SERVICES FOR CAD – CHANGE IN MAILING ADDRESS

FX/27/2016 COMPILATION OF R-RETURNS : REPORTING UNDER FETERS & LIBERALISED REMITTANCE SCHEMECHANGE IN PURPOSE CODES UNDER LIBERALISED REMITTANCE SCHEME (LRS), CLUBBING OF LRS APPLICATION WITH FORM A-2

FX/28/2016 INVESTMENT BY FOREIGN PORTFOLIO INVESTORS (FPI) IN GOVERNMENT SECURITIESENHANCEMENT IN LIMIT FOR INVESTMENT BY FOREIGN PORTFOLIO INVESTORS (FPIs) IN GOVERNMENT SECURITIES IN TWO TRANCHES FROM APRIL 4, 2016 AND JULY 5, 2016 RESPECTIVELY.

TRANSFER OF A NEGOTIABLE INSTRUMENT AND ENDORSEMENT

PAYMENT OF CHEQUES

Protection to paying banker: A paying banker gets protection under Section 85 of the NI Act.

1. In the case of order cheques, protection is available under section 85(1) and for bearer cheques it is available under section 85(2) of NI Act. In the case of drafts it is available under section 85A.

2. As per section 85(1) of the Act a paying banker is discharged by payment in due course of a cheque payable to order and which purports to be endorsed by or on behalf of payee. It means paying banker is concerned about regularity of endorsement and not its genuineness or forgery.

PROTECTION TO BANKERS

85-1 Paying banker protected by payment in due course of **order** cheque that bears **regular endorsement**. Genuineness of endorsement is not to be ensured by the paying bank.

85-2 Protection to paying banker in case of a bearer **cheque**. Endorsement on a bearer cheque to be ignored.

85-A Protection to paying banker in case of **Bank drafts**.

89-Protection to paying bank for **materially altered instrument** when alteration not visible

128- Protection for payment in due course of **crossed cheques**

131- Protection to **collecting bank** for crossed cheques subject to compliance of conditions

131 - A Protection to collecting bank for crossed bank drafts.

3. As per section 85(2) of the NI Act, a bank will be discharged of its liability by making payment in due course of a cheque payable to bearer if the payment is made in due course notwithstanding any endorsement. If the cheque is endorsed, the bank is not required to take note of any such endorsement. Thus as per section 85(2), 'Once a bearer always a bearer' Payment in due course is defined in Sec 10 of the Act and means (i) payment is accordance with the apparent tenor of the instrument(ii) in good faith and without negligence (iii)to any person in possession thereof (iv) under circumstances which don't afford a reasonable ground for believing that the- is not entitled to receive payment of the amount therein mentioned.

Payment of a cheque: While making payment of a cheque, bank is required to take certain precautions.

(a) Form of the cheque has not been given in the Act. It is simply as per practice. However, RBI has prescribed format at centres where cheque truncation has started. RBI has prescribed the new cheque standards "CTS-2010" and all banks providing cheque facility to their customers, will issue only 'CTS-2010' standard cheques across the country by December 31, 2012.

(b) Different ink: A cheque can be drawn in different inks, handwritings or different scripts. Thus, a cheque presented with different ink, handwriting or script can be paid.

(c) Language: The cheque should be written in Hindi, English or Regional language. Bank is within its powers to return a cheque written in a language other than the language of that region.

(d) Signatures on Back: When a cheque is presented for payment signatures of the presenter are taken on the back as a witness of payment. if the presenter refuses to sign, the bank can take receipt on a separate paper.

(e) Date: Ante dated: A cheque dated prior to its date of presentation is called ante dated cheque and can be paid within 3 months from the date of issue. Post dated cheque means a cheque which is dated subsequently to the date of presentation. Both ante-dated and post-dated cheques are valid in law. A postdated cheque can be passed only on the date written on it or within 3 months thereof. Stale cheque: RBI has reduced the period within which cheques/ drafts/pay orders/banker's cheques are presented for payment from six months to three months from the date of such instrument for instruments issued on or after April 1, 2012. The drawer may further reduce validity and can revalidate the cheque any number of times.

Impossible Date: A cheque with impossible date like 31.11.10 should be paid on the last day of the month or within 3 months of the last day of the month. Cheque dated prior to opening the account: A cheque dated prior to the date of opening the account or issue of cheque book can be paid if otherwise in order.

(f) **Amount** : (i) The amount should be written both in words and figures. (ii) Amount in words is called legal amount and amount written in figures is called courtesy amount. (iii) As per Sec 18 of the NI Act, if the amount written in words and figures differ, the amount written in words will be the amount intended to be payable. (iv) If the balance in the account is just equal to the amount of the cheque, the cheque will be paid.

(v) If the balance in the account is insufficient to pay the cheque, it should not be paid relying on the - balance in some other account or transferring the amount from other account unless there is an arrangement to that effect. (vi) If number of cheques are presented at the same time and the balance is not sufficient to pay all the cheques, then normally priority is given to cheques favouring revenue authorities, then to cheques favouring public authorities. If balance is left, maximum number of cheques should be passed taking care that cheque of very small amount is not dishonoured.

(g) Banking Hours: As per section 65 of the Act, presentment for payment of a cheque must be made within banking hours. If a cheque presented after banking hours is paid, it will not be a payment in due course. However, the payment of a reasonable amount can be made to drawer even after banking hours. Further, the presentment should be within banking hours. Actual payment may be even after banking hours.

Mutilation: if there is any mutilation of cheque, it should be confirmed by drawer:

(h)Material alteration: (i) Any change in date, amount or name of payee is called material alteration. (ii) The change from order to bearer, or cancellation of crossing or converting special crossing to general crossing is also material alteration. (iii) However, bearer to order or crossing a cheque or converting general crossing to special crossing is not material alteration. (iv) If there is any material alteration on a cheque it can be paid only after confirmation from drawer. In the case of joint accounts with "either or survivor" clause any of the account holders can confirm material alteration. (v) The confirmation should be under full signatures as per specimen signatures (vi) With effect from 1st Dec 2010, in case of clearing houses where image based cheque truncation has started, cheques with material alteration will not be acceptable even if the same has been authenticated. This rule does not apply to change in date. (vii) Under Section 89 of the NI Act, 1881 paying banker gets protection in case of payment of materially altered cheques if the alteration is not apparent at the time of payment and payment has been made in due course.

(i)Payee: if the payee is fictitious person then the cheque can be paid to bearer if it is payable to bearer but if the cheque is payable to order, it can be paid only to the drawer. Bearer or Order: if a cheque is payable to bearer or order, it can be paid to bearer. However, if neither Bearer nor order is written it is payable to order.

(j)Forged signatures: (i) if there is a forgery in the signatures, such an instrument is null and void. Paying banker will not get protection if it pays such a cheque even though the drawer might have been careless in custody of the cheque book or bank might have sent statement of accounts and the customer did not point out the mistake. (ii) However, if the cheque has been signed by the drawer himself but in a different fashion, the banker will not be liable.

Crossing:

(a) General Crossing: if a cheque or a draft bears across its face addition of two parallel transverse lines with or without addition of words 'and company' or any abbreviation thereof, it is called General Crossing (Section 123).

(b) General Crossing is a direction to the paying banker to pay the cheque/draft through some bank.

(c) Even if the name of a city is written between two parallel lines like "Indere", it will continue to be a general crossing and the cheque can be paid to any bank. Such cheque can be paid at any station to a bank and not necessarily at indore.

(d) Special Crossing: When a cheque/draft bears the name of a bank across its face with or without two parallel transverse lines either with or without the words 'not negotiable', it is said to be specially crossed (section 124).

(e) As per section 126, A cheque with special crossing can be paid only to the named bank or his authorized agent for collection.

(f) A cheque crossed to two banks has to be returned unpaid unless crossed by one bank to another as his agent for collection (Section) 27).

(g) For special crossing, two branches of a bank are considered as same bank. The special crossing is in favour of a bank and not in favour of a particular branch. Hence a cheque favouring PNB Bhopal, can be paid to a branch of PNB at any other place also.

(h) For special crossing it is not necessary that the cheque should bear two parallel lines. The Act does not restrict the payment of a crossed cheque to the banker in cash. Therefore, a cheque with general or special crossing can be paid to a bank in 1311.

Applicability of provisions relating to Crossing: Provisions relating to crossing are applicable to cheques and drafts only and not to Promissory Notes or Bill of Exchange. Therefore, if any Bill or Promissory note is having addition of two parallel lines or name of a banker, it does not have any effect.

(j) Who can cross a cheque: The Crossing can be done by drawer, payee or holder or a banker.

(l) '**Account Payee' crossing** (i) Account payee crossing is not recognised by law but is a long standing practice amongst bankers. (ii) It is a direction to the collecting banker.

(iii) Such a cheque can be collected for credit of the named payee and cannot be endorsed.

(m) '**Not negotiable' crossing** takes away an important characteristic of negotiability. A cheque with Not negotiable crossing remains freely transferable and can be endorsed. But a person

taking a cheque crossed generally or specially bearing in either case the words 'not negotiable' shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had (Section 130). Nobody will be a holder in due course of a cheque bearing Not Negotiable Crossing. However, paying bank will pay the cheque in normal course.

(n) **Cancellation of crossing** can be done by drawer only under his full signatures by writing the words crossing cancelled. In such cases, the payment is made in cash to a person known to the bank.

(o) Under Section 128 of the NI Act. The paying banker is will get protection in respect of crossed cheques or drafts provided the instrument has been paid in accordance with the requirement of the crossing and payment has been made in due course.

(p) As per Section 129 of the NI Act, if a banker pays a cheque in violation of the crossing direction, it will not be a payment in due course and bank shall be liable to the true owner of the cheque for any loss he may sustain owing to payment of the cheque.



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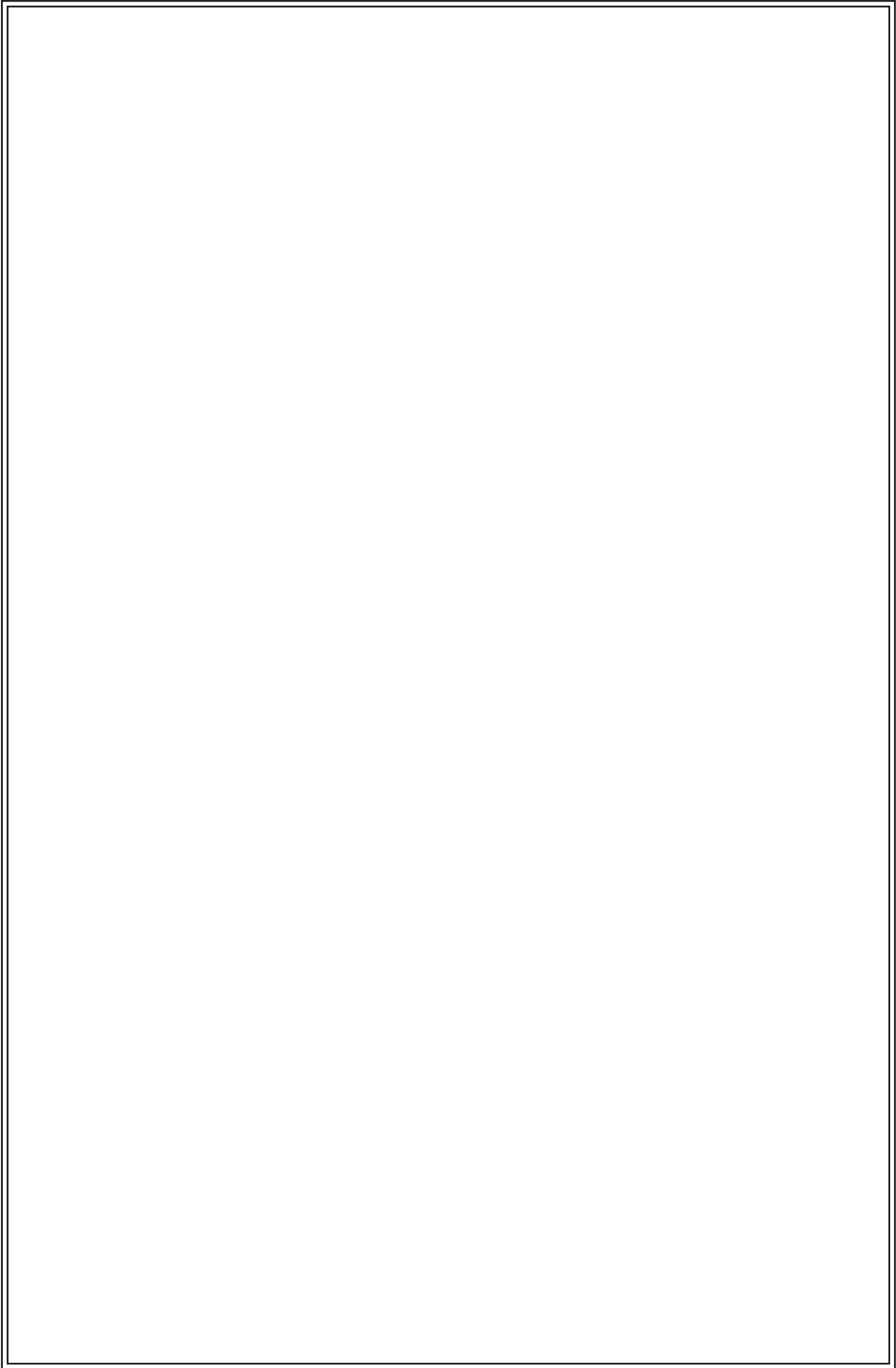
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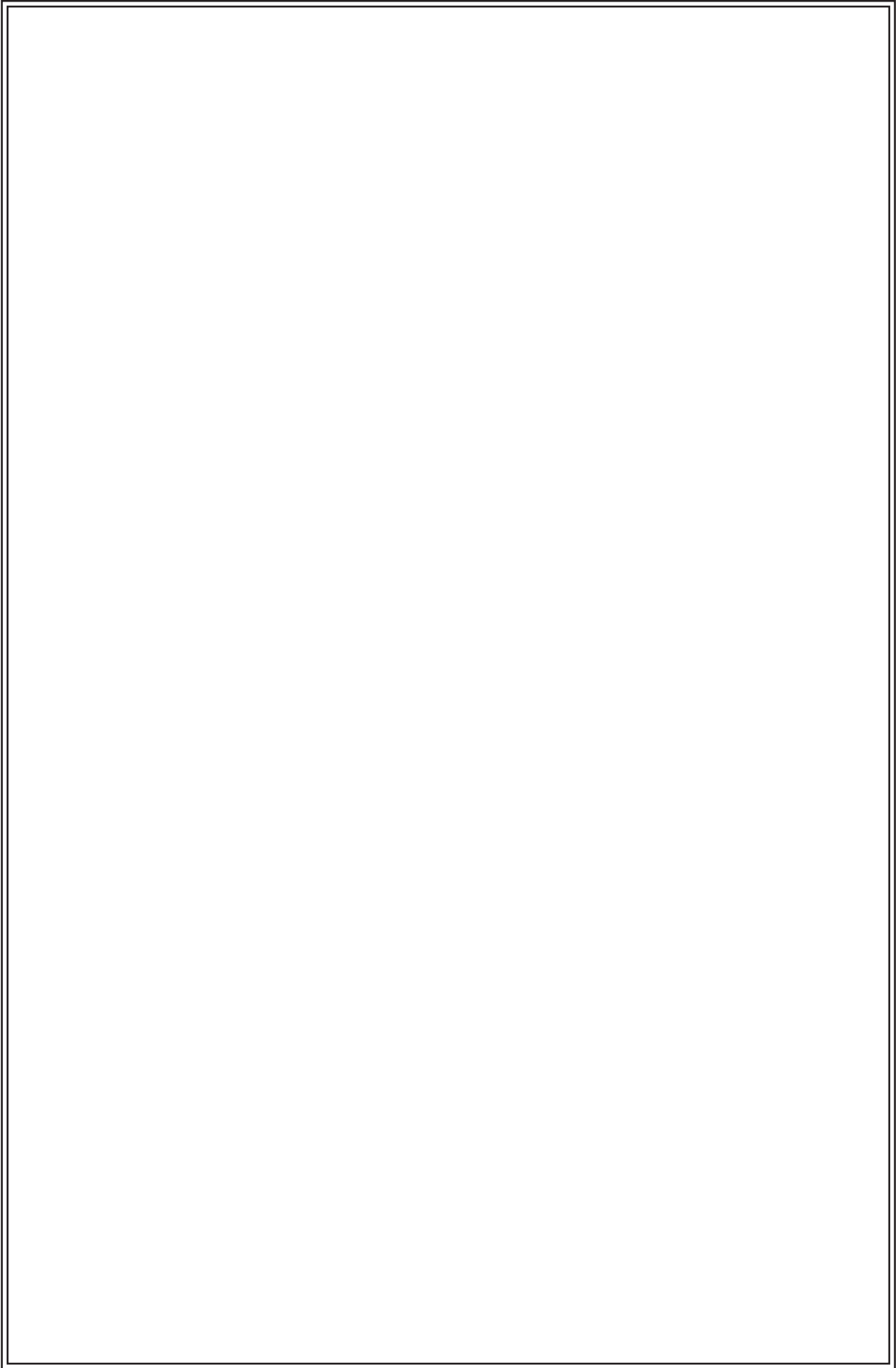
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