

## Cash Management Product Guide

The Hong Kong and Shanghai Banking Corporation Limited, India offers Cash Management Services to its Customers. This document provides an overview of product specific operational aspects for the respective services availed by the Customer.

### General definitions

**Law** shall mean any law, rule, judicial ruling, regulation or any circular or guidelines issued by the Reserve Bank of India, National Payment Corporation of India or any other government or statutory body (from time to time) in relation to the Services.

**Bank** shall mean The Hongkong and Shanghai Banking Corporation Limited, India.

**Business Day** means any day, on which the Bank is open for banking business during normal banking hours in India.

**Customer** means any person or entity who avails any Services from the Bank.

**Customer Account** means any account of the Customer other than term deposit account(s), maintained with the Bank and notified in writing by the Customer for crediting/debiting the funds in relation to the Services.

**Customer Instruction** means any communication which is received by the Bank in relation to a Service which:

- a. contains the necessary information for the Bank to carry out the payment or other acts on Customer's behalf; and
- b. has, or in the reasonable opinion of the Bank, appears to have been provided by an authorised person.

**E-Channels** shall mean HSBC Group's electronic banking systems.

**Force Majeure Event** means any event beyond the reasonable control of a Party affecting that Party's ability to comply with the T&Cs, such as, (a) any natural event such as flood, storm or earthquake, (b) war, civil disturbance or act of terrorism, (c) industrial action, (d) Act of God, (e) action of a government or governmental agency, (f) change in Law, (g) pandemic and consequential quarantine/lockdown measures pursuant to any government order (h) power or equipment failure or interruption, or (i) interruption, failure or delay in receiving or acting on any communication or Customer Instruction including without limitation due to any system issue or link failure.

**HSBC Group** shall mean HSBC Holdings Plc and its subsidiaries and associate undertakings and any of their branches.

**Infrastructure Provider** means any third party providing shared market infrastructure necessary for a Party to perform its obligations under the T&Cs including any communications, clearing, settlement or payment system, or intermediary or Infrastructure Provider.

**Payor** refers to remitter or the Customer's end customers initiating payment(s) into the relevant Customer Account by debiting its account or from whom the Customer has receivables. In case of Virtual Accounts Service, the Payor is allocated a distinct Virtual Account number.

**Party/Parties** – The Customer and the Bank shall individually be referred to as a Party and together as Parties.

**Service(s)** means the services provided by the Bank as selected by the Customer on the Service Designation Form. Services will also include MIS/Reports provided by the Bank to the Customer from time to time.

**Third Party** means and includes a courier, vendor or any other third party (excluding an Infrastructure Provider) appointed by the Bank to enable the provision of Services under the present T&Cs.

### What is Cross-Border Remittance

Cross-border remittance refers to a payment transaction where the counterparties are operating in at least two different countries. All cross-border remittances to and from India are governed by the Reserve Bank of India (RBI) circulars, Foreign Exchange Management Act (FEMA) regulations and any local regulations applicable in the remitting/or recipient country). These regulations are binding on Customers as well as authorised dealers (such as banks dealing in foreign currency). For cross-border transactions, additional documentation may be required from the remitter and/or beneficiary.

### How it works

Cross-border remittances are settled between financial institutions/banks using a wide network of Infrastructure Providers and an infrastructure of inter-bank financial tele-communication. A cross-border remittance may move through a network of more than one bank and more than one currency to finally reach its destination beneficiary bank in the destination currency.

### Operational Information

- ◆ Cross-border remittances can be initiated by the Bank's Customers by submitting the payment instruction in a nearby branch or through E-Channels.
- ◆ To enable the Bank to ascertain permissibility of the transaction in line with the existing laws and regulations, it is important that Customers submit all relevant documentation and tax certificates along with the payment instruction. Customers should also capture details of the purpose in 'Information for the Beneficiary' field.
- ◆ It is mandatory to provide the Purpose of Payment Code (to be selected from RBI specified list of purpose codes) followed by a free text description. The nature of the transaction should be in line with the purpose code being mentioned.
- ◆ The Bank, or any Infrastructure Provider selected by the Bank, may make any currency conversion in connection with the exercise of its rights and obligations pursuant to these T&Cs, using exchange rates that are reasonable in the relevant market at the time and for the size and type of foreign exchange transaction.
- ◆ Encashment of the cross border remittance is subject to any exchange control or restrictions which may be imposed by the rules and regulations of the country where encashment is to be made.
- ◆ Customer Instructions for cross border remittances received will be processed on the availability of market rates and Customer Instructions for same day value are subject to cut-off times related to the geographical location of the destination.
- ◆ Different payment types are subject to different regulations and the purchase of INR is permitted for trade and current account purposes. Foreign currency can be paid from offshore for local conversion subject to regulations.

## IMPS

### What is the Immediate Payment Service (IMPS)

Immediate Payment Service (IMPS) is the settlement system provided by National Payment Corporation of India (NPCI) for facilitating payments and receivables. This facility is available only for those banks that participate in IMPS service.

### How it works

IMPS helps customers transfer money instantly from one account to another. Using IMPS, the Customer can send money in real-time, and it will be credited to the beneficiary's account within seconds. While there is no cap on the minimum transfer amount, the maximum amount that can be transferred per day via the Immediate Payment Service is ₹500,000. This fund transfer service is available 24x7 throughout the year, including on Sundays, bank, state or national holidays. Another significant advantage of IMPS is that people can access this facility through multiple channels, such as HSBC Net, HSBC Connect and API.

### Operational Information

- ◆ The Customer can make real-time IMPS payments by sending files through E-Channel and Real Time Payments API's that are hosted by the Bank.
- ◆ The Customer Instruction should contain the Customer Account number and IFSC code in order to trigger payments to their beneficiaries.
- ◆ The Customers will receive the end status of the transactions through reverse IMPS feed files and API acknowledgements.

### What is Receivables Management Services (RMS)?

Receivables Management Services (RMS) is an information management service that provides a range of functionalities that includes consolidation of collection transaction information from various channels, data enrichment capabilities, reconciliation of collection information against Customer's account receivables records, and delivery of information to the Customer through comprehensive reports, transaction alerts/advices, online enquiry and analytics.

### What are the service components of RMS?

- ◆ Centralised Database A global centralised server which houses all the essential receivables information to help Customer to perform accounts receivables management centrally. Information being captured within the database can include: (i) Payor records and open invoice records uploaded by Customers (optional) (ii) parameters defined by the Customers and (iii) transaction details of multiple instrument types extracted from various systems of the Bank.
- ◆ Transaction Enrichment Transaction information can be further enriched by picking up information from remittance advices provided by Payors to the Customer, typically in case of bulk payments involving adjustments and credit notes.
- ◆ Reconciliation RMS allocates and reconciles the transactions credited into Customers' collection accounts against their AR records based on Customers' pre-defined parameters, and stores the related information in the Centralised Database.
- ◆ Comprehensive Reporting Leverages on the Centralised Database to generate a comprehensive set of collection and reconciliation reports that can be downloaded through the Bank's proprietary E-channels. Online enquiry tool to view the information stored in the Centralised Database is also available via HSBCnet.
- ◆ Advising Enables timely push-mode alerts to Customer and its clients on various payment and reconciliation events through SMS and E-mail.
- ◆ Analytics A tool in HSBCnet that allows Customer's to visually analyse historical (up to 2 years) collection data, trends and patterns that can help them to identify business improvements or changes.

### How does RMS work?

In view of the varying accounts receivables management needs of Customers, the RMS service components can be used in the following packages: Standard, Enhanced and Premium.

#### Standard

- ◆ Customer's clients pay using electronic collection channels such as TT, ACH, direct debit, bill payment or paper collection.
- ◆ channels such as lockbox, counter deposit, etc.
- ◆ Payment information available along with these payments is pulled into the RMS and saved into the Centralised Database.
- ◆ RMS sends automated alerts/notifications, based on pre-defined parameters, to Customer and Customers clients.
- ◆ Consolidated collection reports are available for download via HSBCnet or HSBC Connect.
- ◆ Analytics on collection data trends and patterns (i.e., by transaction channel, customer and country) is also available via HSBCnet.

#### Enhanced/Premium

- ◆ Customers can upload their open invoice records to the Bank, in bank-prescribed file format, via HSBCnet or HSBC Connect. The data will be stored in the Centralised Database for Transaction Enrichment & Reconciliation.
- ◆ Customer's clients pay using electronic collection channels such as TT, ACH, direct debit, bill payment or paper collection channels such as lockbox, counter deposit, etc.
- ◆ Payment information available along with these payments are pulled into the RMS and saved into the Centralised Database.
- ◆ Customer's clients can provide (to the Customer) additional information on the payments through different remittance advices, such as computer-generated formats like TXT/CSV files.
- ◆ Customers can send the remittance information to the Bank through a designated e-mail address assigned by the Bank.
- ◆ With the open invoice records uploaded to the Bank and payment information which is further enriched with various remittance advices, RMS can allocate payments and perform reconciliation based on various rules pre-defined by Customer.

## Bulk-Pay

### What is Bulk-Pay

Bulk-Pay is a mode of payment, whereby a single debit and multiple credit is processed via online transfer.

### How it works

The Customer initiates the transaction through E-channels. On receipt of the Customer Instruction, the Customer Account is debited for the consolidated amount of the file and multiple payments are processed. In case of insufficient funds in the Customer Account at the time of receipt of the file, the entire file is rejected and the intimation is sent to the Customer.

Bank provides an additional feature wherein if the Customer Instruction is sent through a file from a particular account and the account has insufficient funds at the time of file transmission, basis the initial set-up, the residual funds are recovered from an alternate Customer Account as instructed by the Customer and the transaction is successfully processed.

### Operational Information

- ◆ Cut-off time – 08:00 AM to 07:00 PM, and the said facility is not available on 2nd and 4th Saturdays, all Sundays and Bank Holidays.
- ◆ The files received on E-Channels after the cut-off time lines are actioned on the next Business Day at 08:00 AM with the value date of the day they are processed.
- ◆ Even postdated transactions can be uploaded via E-Channels. Such transactions are processed at 07:00 AM with the value date of the day they are processed.
- ◆ At the request of the Customer, hourly, intra-day and end of day transaction reports can be enabled and sent via e-mail.

## Virtual Accounts

### What are Virtual Accounts

Virtual Account (Payor identification mechanism/tool) is a non-transactional sub-account created under the Customer Account at the request of the Customer, to capture reference of payments made by the Payors for the purpose of preparing MIS for the Customer to reconcile the funds at its end.

### How it works

- ◆ Crediting payments received from the Payor into the relevant Customer Account (received through the underlying Virtual Account); and
- ◆ recording the Virtual Account number and/or Payor information mentioned in each such payment in the account statement of the relevant Customer Account.

### Operational Information

- ◆ The payments initiated by a Payor should mention the relevant Virtual Account number to which payment is to be made.
- ◆ The Bank shall set-up the validations on the Virtual Account basis the instructions received from the Customer.
- ◆ The Bank shall also deliver Virtual Account MIS to the Customer as per the agreed arrangement.

## E-payment of Statutory Payments

### What is E-payment of Statutory Payments Facility

E-payment of Statutory Payments Facility means collection of state government tax, service tax, direct tax, central excise duty, port payment, customs duty and/or provident fund and/or any other statutory payments of such nature via electronic payment mode for Central and State Government Taxes with or without Login ID/Password.

### Operational Information

- ◆ The Customer shall be required to ensure that the TAN, PAN, Assessee codes, Registration Number/TIN, Import Export Codes (IEC) and/or TRRN as the case maybe quoted in the e-payment request are validated against the data registered with the relevant tax authorities. In case of any discrepancy in the data provided by the Customer against the data registered with the relevant tax authorities, the Customer shall be solely responsible for any financial loss

and/or damage suffered, liabilities and/or penalty incurred, interest accrued for non-payment, wrong payment or delayed payments of any statutory taxes.

- ◆ Customer shall ensure that the login ID and password remain functional at all times.

## Cash Payouts

### What is Cash Payout

HSBC supports cash withdrawals for Customers' on-going business operations. Customers instruct HSBC to make funds available for withdrawal at their premises.

The Cash payout service is provided by the Bank either directly and/or through Third Parties at Customer's premises, basis a withdrawal limit mutually agreed between the Parties.

### What is it used for?

Cash Payout supports Customers need to withdraw cash in order to name a few:

- ◆ Make salary or retail payments.
- ◆ Make one-off supplier or operational payments.
- ◆ Make petty cash payments.

### How it works

- ◆ Customer's raise a request through paper instruction and send it through fax with indemnity in place.
- ◆ The Bank shall carry out necessary validations such as, to determine if the Customer Account has sufficient funds or any overdraft facility is provided in relation to the Customer Account and signature credentials etc. and subject to successful validations, the request shall be actioned.
- ◆ Cash prepared for transport and issued through the Third Party for delivery at Customer's location.

### Operational Information

- ◆ For Cash Delivery to Customer at HSBC locations - cut off time for request is 10.30 a.m. through fax mode. Any request received post this cut-off, the delivery shall get executed on the next Business day i.e. on a D+1 basis.
- ◆ For Cash Delivery to Customer at Infrastructure Provider locations - Cut off time for request is 10.30 a.m. through fax mode. All deliveries at Infrastructure Provider locations shall get executed on a D+1 basis only (Business days). Any request received post this cut-off, the delivery shall get executed on the next Business day i.e. on a D+2 basis.
- ◆ The Customer shall take care and precaution while accepting cash from the Third Party. The provision of cash delivery as required by the Customer will be subject to the availability of the requisite cash at HSBC or Infrastructure Provider. This will be supported on a best effort basis. The delivery of coins and lower denominations will be subject to availability at the Third Party/Infrastructure Providers end.
- ◆ Post successful validation of Customer's authorised representatives, identity proof and authorisation letter verification by the Third Party, the cash shall be handed over as per the scheduled timing mutually agreed between the Parties.
- ◆ The Customer shall count and verify (counterfeit, soiled and mutilated notes) the cash received from the Third Party and provide an acknowledgment to the Third Party in this regard. The Bank or its Third Party shall not be held responsible for any claims related to shortages, soiled, mutilated or counterfeit notes once the cash has been accepted by the Customer and acknowledgment is provided to the Third Party.
- ◆ In the event that the cash delivered through the Third Party does not tally with the amount debited by the Bank (excluding the charges) to the relevant Customer Account, the Customer shall inform the same to the Bank by the next Business Day of the payout.
- ◆ In case of loss or theft of cash in transit, the Bank shall credit back the funds back into the Customer's Account, as and when it is received from the Third Party.
- ◆ Courier/Agent verification requirements (signature lists/ID cards):
  - The Customer must ensure that the delivery request specifies name and contact details of the Customer's representative who will be collecting the Cash from the Third Party.
  - The Customer must ensure that the cash is counted and verified to determine if the cash is soiled, mutilated or counterfeit. In case such notes are received, the same shall be returned back with a proper acknowledgment from the Third Party.
  - Any query or issue in relation to this Service should be brought to the attention of the Customer's Relationship Manager or Service Manager for necessary investigation and resolution. In order for the Bank to assist the

Customer in this regard, Customer undertakes to provide a copy of the delivery letter or receipt acknowledged by the Third Party.

- o Any queries regarding Cash Payout service shall be raised by the Customer within two Business Days from the date of cash delivery by the Third Party.

## Cash Collection

### What is Cash Collection Service

Collection of cash by the Bank which includes pick-up of cash from Customer's premises and to deposit the same with the Bank or Infrastructure Provider as the case may be ('Cash Collection Services').

### How it works

- ◆ Cash receipts are collected and deposited through the Bank or Infrastructure Provider.
- ◆ Cash is counted and processed.
- ◆ Processing centre sends credit to Customer Account.
- ◆ Customer reporting available through E-Channels or E-mail.

### Definitions

Cash Deposit Slip: shall mean a card booklet issued by the Bank, to be used by the Customer as a medium of control designed for capturing the denomination level details (along with other parameters like unique client code, location and pick-up point code etc.) in relation to the cash handed over to the Service Provider.

HCI shall mean a security code card booklet used as a medium of control during the Cash Collection process from Customer's premises.

Seal Bag shall mean a secure bag in which the Third Party shall deposit the cash for secure logistics.

Counting & Verification shall mean an add-on service availed by the Customer at an agreed commercial, whereby the cash shall be counted and verified by the Third Party at the Customer's premises. The necessary infrastructure for this purpose shall be provided by the Customer.

### Operational Information

- ◆ Cash Collection services are offered on Business Days, on the basis of timings that are pre-agreed between the Customer and the Third Party. Please note: due to the risk associated with the transit of cash, the Third Party shall provide a 4hour window for collection. This is because the route of the cash van shall be frequently changed according to the Third Party provider's security procedures.
- ◆ As mutually agreed between the Bank and the Customer, cash may also be collected on Sundays and public holidays. The credit for pick-up of cash on holidays shall be posted into the Customer's Account on the subsequent Business Day.
- ◆ Cash Collections shall be supported only for local INR Currency Notes. Coins will not be accepted for Collection.
- ◆ The Customer will need to abide by the pick-up procedure established by the Bank or the Third Party by using HCI exchange process. The HCI booklet, which may be amended from time to time by the Bank or the Third Party, will be provided to the Customer before the start of the Cash Collection Service. The Bank will not be liable for misuse of Customer's company seal or HCI booklet.
- ◆ The cash will be segregated by the Customer into bundles in sets of 100 notes per denomination and loose notes up to a total of 100 notes only shall be given in separate sealed envelopes. All bundles prepared by Customer shall have bundling slips, on which Customer will affix the company stamp along with the date, name and signature of Customer's official/cashier. Counterfeit notes will not be accepted for deposit. Only legal tenders in INR (Indian Rupees) currency and denominations as mutually agreed in the pricing proposal shall be accepted.
- ◆ During the cash handover process, the Customer will need to provide an acknowledgment to the cash executive (representing the Third Party) along with company seal to the Third Party on the Deposit Slip in five (5) copies. The Customer copy and the Customer H.O. copy will need to be retained by the Customer while the remaining copies will be taken back by the cash executive. On the HCI slip and residual copies, the Customer will need to provide an acknowledgment with company seal to the Third Party, and the Third Party will provide an acknowledgment on the Customer copy.
- ◆ Before handing over the cash, the Customer must validate the cash executive's credentials i.e. Identity Card and the cash executive's name against the list shared by the Third Party with the Customer from time to time. Only after

successful validation, the Customer will hand-over the cash. In case of any discrepancy or issue, the Customer will not hand-over the cash and shall report the matter to the Bank for necessary investigation and resolution.

- ◆ The cash shall be collected in Seal Bag. The Third Party shall only count the bundles (100 notes per denomination) and any loose notes (which shall not exceed 100 count) shall be deposited into the Seal Bag. The Customer will need to ensure that the cash is deposited by the Third Party in the Seal Bag and sealed in their presence.
- ◆ The Customer may also choose to avail the Counting & Verification service from the Bank. For such cases, the Customer agrees to provide a dedicated and secure area within their premises under CCTV surveillance to enable the Third Party to count and verify the cash. Verification shall mean determination of the notes as either soiled and mutilated and any counterfeit determination shall only be carried out at the Third Party's premises. Mutilated notes will not be accepted for deposit.
- ◆ The determination whether the notes are mutilated, counterfeit or if there is a shortfall may be made by the Bank or Third Party as and when the same are received by them at their premises and such decision shall be and binding upon the Customer. The Bank will debit the Customer's Account to recover all shortages and mutilated notes that are not accepted by the Bank or Infrastructure Provider. Upon receipt of any such claim from the Bank or its Third Party, the Customer agrees to follow, the Bank prescribed process for such notes as notified by the Bank from time to time. Counterfeit notes once determined and informed by the Infrastructure Provider or the Third party provider or by the Bank itself, shall be debited to the Customer's Account with an intimation to the Customer through daily reports. Letters to this effect shall also be dispatched to the respective Customer offices from where the cash was collected, informing them about the counterfeit notes, shortages or mutilated notes collected from the Customer's offices.
- ◆ The Bank shall count and verify each Deposit Slip and in the event that the cash picked up by the Third Party does not tally with the credit provided by the Bank, the Bank undertakes to assist on a best efforts basis to identify any discrepancies between the cash picked up and credited to Customer Account. Customer undertakes to provide a copy of the deposit and HCI slip duly acknowledged by the Third Party, to enable the Bank to investigate and resolve the matter. Customer understands that the Bank will assist in tracing and resolving such discrepancy, and the Bank will not be liable for incidental loss, delays, damages etc. in any way.
- ◆ In the event that the cash collected through the Third Party does not tally with the amount credited by the Bank (excluding the charges) to the relevant Customer Account, Customer shall inform the same to the Bank within two (2) Business Days of the cash being collected from the Customer's premises.
- ◆ In the event of the cash not being accepted by the Infrastructure Provider, due to system issue or link failure or any Force Majeure Event at their end, efforts will be made to handover the cash back to the Customer and the Customer agrees to accept the same along with an acknowledgement.
- ◆ In case of loss or theft of cash in transit, the Bank shall have a right to debit Customer Account immediately in case credit is provided to the Customer. The Bank shall credit the amount to the Customer Account as and when it is received from the Third Party, disregarding any lost or stolen cash.
- ◆ In the event the cash during transit to the Bank or Infrastructure Provider gets confiscated by the police or any authorities the Customer agrees to provide the necessary support and furnish the appropriate documentation to the Bank or Third Party provider to get the cash released from such authorities. The Bank will fund the Customer Account once the cash is released from the authorities.

## SmartSafe Cash Collection Service

### What is SmartSafe Cash Collection Service

Collection of cash by the Bank which has been deposited by the Customer into the SmartSafe, pick-up of cash from the Customer's offices and depositing them in the Customer Account ('SmartSafe Cash Collection Services').

The SmartSafe Cash Collections Service should be read along with the Cash Collection product guide.

### Definitions

SmartSafe is the 'Cash Deposit Machine' provided by the Bank and installed at Customer's premises to enable cash deposition only and excludes all coin deposition.

Transaction Receipt/Log is the cash deposit acknowledgement provided by SmartSafe, detailing the denomination level count and value of Valid Notes. For Suspect Notes, only the count of notes shall be provided.

Valid Notes – Indian tender currency notes accepted by SmartSafe based on the predefined parameters.

Suspect Notes – All such notes which the SmartSafe is unable to identify based on the predefined parameters and may either be an invalid tender or counterfeit currency.

## Operational Information

- ◆ The Customer will provide the necessary support, facility and infrastructure (like 24 X 7 CCTV coverage, dedicated area for installation and grouting of SmartSafe machine, network, UPS, physical security, machine upkeep, clearance down-time etc.) for the SmartSafe, the details of which shall be separately provided by the Bank.
- ◆ The Customer shall be responsible for ensuring security of the SmartSafe i.e. protecting the SmartSafe against any theft, misuse or any untoward incident.
- ◆ The cash will be deposited by the Customer into the SmartSafe based on the login credentials provided by the Third Party. The Customer will need to ensure that access to SmartSafe or cash deposition shall not be extended to any other party other than its authorised employees. The Bank or Third Party/s shall not be held responsible and liable for any loss or dispute arising on account of deposition by any third party.
- ◆ Upon deposit of cash, the SmartSafe will issue a Transaction Receipt to the Customer. The Transaction Receipt/Log should be retained by the Customer for reconciliation against the credit into the Customer's Account and for future reference purpose.
- ◆ During the cash hand-over process, the Customer shall seek an acknowledgment from the cash executive on the Transaction Receipt/Log. In the event of any Suspect Note eventually gets determined as genuine (post validation at the Third Party's premises), the same shall be handed over to the Customer on a D+1 (Business Day) basis and the Customer will need to return the Transaction Receipt/ Log to the cash executive. It is important to note that the Transaction Receipt/Log shall only aid in reconciling the count and value of notes deposited into the SmartSafe and for any queries or discrepancies, the Customer will need to furnish the Third Party acknowledged copies (i.e. Deposit and HCI Slip) with the Bank.
- ◆ The responsibility of reconciling the credit into the Customer's Account against the cash collected by the Bank or the Third Party shall reside with the Customer.
- ◆ The Customer hereby agrees to avail that the SmartSafe services are for a period of three (3) years. In the event the Customer decides to discontinue using the SmartSafe services before the lock-in period, the Customer hereby agrees to pay a lock-in fee mutually agreed with the Bank at the time of availing this Service.
- ◆ In the event any technical issues are encountered with the SmartSafe as a result of which the Customer is unable to deposit the cash into the SmartSafe, the Customer allows the Bank to provide the standard Cash Collection Services until such time the issue gets resolved. During this period the Bank or the Third Party will not be held liable for any loss or damage in case the Customer needs to store the cash overnight in its premises.
- ◆ The final determination of the Unfit and Suspect Notes shall be carried out by the Bank or Infrastructure Provider and shall be binding upon the Customer. Mutilated notes, if deposited into the SmartSafe shall be returned to the Customer. The Customer agrees to follow the process for such notes as will be advised by the Bank from time to time. The Customer also agrees to acknowledge the letter(s) sent by the Bank via its representatives informing about the counterfeit or mutilated notes.
- ◆ The Bank shall count and verify each Deposit Slip to ensure that the cash picked up by the Third Party tally's with the credit provided by the Bank in the Customer Account. In case of any discrepancies, the Bank undertakes to assist the Customer on a best efforts basis in this regard. The Customer will provide a copy of the Deposit Slip and HCI slip duly acknowledged by the Third Party, along with the SmartSafe Transaction Receipt and Transaction Log to enable the Bank to resolve the matter. The Customer understands that although the Bank will assist in tracing or resolving such discrepancy it will not be liable for any incidental loss, delays, damages, etc. in any manner.

## Collection Services

### What is Collection Service

Collection of Instruments or Documents by the Bank or the Third Party from Customer's premises, including deposit and realisation of such Instruments in the Customer Account. ('Collection Services'). The Collection Services shall cover Instruments (favouring the Customer and marked 'A/c Payee' only), that are:

- a. Locally payable at specified branch locations of the Bank.
- b. Locally payable at other specified locations.
- c. Outstation instruments payable at specified locations.
- d. Outstation instruments payable at all locations other than (a), (b) and (c) above.

Any direct deposit of Instrument(s) at the branch counter will be out of scope from this collection service arrangement.



## Definitions

Instrument(s) include cheques, demand drafts, pay orders, etc. in Indian currency.

Document(s) include paper based Customer Instructions including but not limited to debit authorisations, service requests, mandate forms, etc.

## Operational Information

- ◆ The Bank shall be entitled to debit the Customer's Account for the Instrument amount returned unpaid and for the interest recovered at Bank's prevalent MCLR (for one-month tenor) plus 400 bps per annum for the period for which the funds were with the Customer. The timelines for handover or dispatch of returned cheque, along with the return memo shall depend upon the Customers' requirement or product variant availed under the Collection Services arrangement.
- ◆ The timelines for handover or dispatch of returned cheque, along with the return memo shall depend upon the Customer's requirement or product variant availed by the Customer.
- ◆ In the event Instrument(s) are lost in transit, the Bank shall debit the Customer for the same if the credit has already been provided to Customer, and Bank's statement intimating the non-receipt of payment of the Instrument(s) will be binding in this regard. Customer understands that the Bank may assist in tracing the lost Instrument and/or certify that the Instrument has been lost, without being liable for loss or damages in any way.
- ◆ In the event Document(s) is/are lost in transit, the Customer shall provide duplicate copies of the same. Customer understands that loss of Documents or delay by Customer to provide duplicate Documents may result in delay or rejection of execution of certain Customer's Instructions and the Bank shall not be liable for loss or damages in any way.
- ◆ During the process of collection, in case provisional credit has been provided by the Bank to Customer and the Bank does not receive a communication regarding the realization or return from the destination, Infrastructure Provider(s) or clearing house, the Customer Account will be debited by the Bank for the value of Instruments along with the applicable interest which remain outstanding beyond the numbers of days, at a rate as mutually agreed between the Bank and the Customer from time to time.
- ◆ Instrument(s) which are sent to the Bank for collection may become stale upon expiry (as per the period defined by the Reserve Bank of India) from the date of issue. Customer agrees that for such stale Instruments the Bank shall not be required to take any action, unless a drawee bank certificate or statement confirming a debit to drawer's account, in lieu of the said Instruments sent for collection to the drawee Bank, is provided by the Customer to the Bank.

## Post Dated and Pre-Signed Blank Cheque Management Service

### What is Post Dated Cheque Management Services

Collection of Post-dated cheques (PDC) Instruments, includes pick-up of instruments from Customer's offices, safekeeping and processing of PDCs for collection of funds ('Collection Services') by the Bank. The Collection Services shall cover Instruments favouring the Customer and marked 'A/c Payee' only, that are:

- a. Locally payable at specified branch locations of the Bank.
- b. Locally payable at other specified locations.
- c. Outstation instruments payable at specified locations.
- d. Outstation instruments payable at all locations other than (a), (b) and (c) above.

### Operational Information

- ◆ Customer shall ensure that the PDCs delivered for warehousing are complete in all material details, and payable to Customer.
- ◆ Along with the PDCs, Customer shall deliver to the Bank a list including but not limited to details of total number of PDCs delivered, date of each PDCs, amount, and Instrument number.

### What is Pre-signed Blank Cheque Management Services (PSBC)

Collection of PSBC Instruments (which term shall include pre-signed blank cheques) by the Bank which includes pick-up of instruments from Customer's offices, safekeeping of the ('PSBCs'), processing of PSBCs for collection of funds ('Collection Services'). The Collection Services shall cover Instruments favouring the Customer and marked 'A/c Payee' only, that are:

- a. Locally payable at specified branch locations of the Bank.
- b. Locally payable at other specified locations.

- c. Outstation instruments payable at specified locations.
- d. Outstation instruments payable at all locations other than (a), (b) and (c) above.

## PSBC

An account payee, signed cheque issued in favour of the Customer and submitted to the Bank for collection as per applicable terms, on which the amount payable and cheque date is left blank.

### Operational Information

- ◆ Customer to ensure that the PSBCs delivered for warehousing are validly issued, complete in all material details and aspects and payable to Customer.
- ◆ Along with the PSBCs, Customer shall deliver to the Bank a duly verified and signed by authorized signatory list which includes following details of the PSBCs delivered (a) total number of PSBCs delivered, and (b) the instrument number.
- ◆ Customer shall provide PSBC printing file as per process and channel advised by the Bank from time to time.
- ◆ The PSBC(s) will be pulled out of the safe custody by the Bank and the Bank will print the appropriate details on each PSBC in accordance with Customer instructions. Such duly printed PSBC(s) shall then be presented for clearing by the Bank.

## Cheque Outsourcing Service (COS)

### What is Cheque Outsourcing Services/Solutions (COS)?

The Cheque Outsourcing Service is a product offering which provides customers with an convenient way to send electronic instructions for bulk issuance of paper instruments (domestic and cross-border) by the Bank. The paper instruments can be delivered via mail, courier, or in select countries, picked up at a branch.

### What are paper instruments?

**Cashier's Order:** An instrument issued and payable by the Bank (in its capacity as both the drawer and the drawee of the Cheque) at the request of the customer. It is usually issued in the local currency of the Bank. It can also be issued in a foreign currency if the jurisdiction in which the Bank is located supports such foreign currency settlement.

**Cheque:** An unconditional order in writing, addressed by the Customer to the Bank, requiring the Bank to pay on demand the amount therein specified to or to the order of the payee therein named as the case may be by debiting the specified account of the Customer. A cheque is locally cleared (i.e. it is cleared in the jurisdiction where the debiting account is located). A cheque can be in either the local currency of the Bank or other currencies if the local jurisdiction in which the Bank is located supports such foreign currency settlement.

**Demand Draft** shall mean an instrument issued at the request of the customer by the Bank and drawn on and payable at Infrastructure Provider locations under arrangements between the Bank and such Infrastructure Provider(s).

**Business day:** A day on which banks located in the jurisdiction of (i) the Bank issuing the instrument concerned (ii) the customer account to be debited in respect of the paper instrument and (iii) the printing of the paper instrument, as shall be applicable, are all open for business.

**Payee:** refers to the person or entity named in an Instrument as the beneficiary of that Paper Instrument.

**Unclaimed Paper Instrument:** means a Cashier's Order or a Demand Draft issued by the Bank which was not presented for payment within a designated period of time.

### How COS works?

- ◆ Customers can instruct the Bank to issue a paper instrument ('COS Instruction') through the Bank's proprietary E-Channels such as HSBCnet (online input and file upload) or HSBC Connect (Host-to-Host or using industry standard connectivity such as SWIFT for Corporates (collectively 'E-Channels')).
- ◆ No manual payment instructions are permissible under COS.
- ◆ COS Instructions can be individual (in case there is only one instrument) or in batch (if there are more than one Instruments).
- ◆ Where COS instructions are sent in by batch and the processing of any Paper Instrument in this batch involves the immediate debiting of an Account, the entire batch of Instructions will not be processed if the Bank is unable to process one or more of these instructions within this same batch for whatever reasons. In the event that one or more

of these instructions within this batch has already been rejected or are being processed, the Bank will accordingly reverse or stop these transactions as the case may be.

- ◆ Once customer successfully authorizes COS instructions via E-Channels and the apparently valid instructions are received by the Bank, the Bank will process and carry out the COS instructions to print the Paper Instruments on the given Business day.
- ◆ Duly authorised COS instructions received by the Bank within stipulated cut-off times will be processed accordingly as per the local arrangements in India. However, if the COS instructions are received after cut-off times, or on a non-business day, the Bank will process the instructions with the date of the immediately following business day, as the instrument date.
- ◆ The Bank undertakes the delivery of printed instruments as per the COS instructions. This could mean delivery of the Paper Instruments through mail and/or courier back to the Customer or to the beneficiary, or over the Bank counter delivery to the beneficiary/Customer.
- ◆ Country specific business day banking cut-offs for COS will be provided by your cash management specialist.

### **What you need to be aware of COS**

- ◆ Please ensure that those individuals giving COS Instructions for issuing Cheques are not only authorised to give the COS Instructions through the E-Channels, but that they are also duly authorised to sign cheques in accordance with the mandate of the relevant Customer Accounts. This is to ensure that the cheques issued under COS will be honored as per the account mandate, upon presentation for clearing. Please see 'Important Reminder' below for more details.
- ◆ Sufficient funds should be available in the Customer Account to be debited for the issuance of a Cashier's Order and Demand Drafts and we recommend earmarking of funds for cheques issuance.
- ◆ For Cashier's Order and Demand Drafts (and other Paper Instruments that require upfront debit), the Customer Account(s) will be debited with the amount of each Paper Instrument according to your COS instructions.
- ◆ For company cheques, the Customer Account(s) will only be debited upon presentation of the relevant cheque(s).
- ◆ In the absence of manifest error, our accounts and records (or those of our agents) regarding COS shall be conclusive evidence of the matters to which they relate including but without limitation to the following: (a) your COS Instructions (b) any amendment to, replacement of, or cancellation of your COS instructions (c) the time at which your COS instructions were received by us and (d) the time at which the related transactions were rejected.
- ◆ If we are unable to process any COS instruction due to service suspension or interruption, the Bank shall substitute the date of the pending instrument(s) with the date when we are able to process the same when service resumes.
- ◆ If COS service is unavailable for use through an E-Channel, the Bank shall endeavor to make alternative arrangements to meet your business needs.

### **Important Reminder**

- ◆ When a customer opens an account, an 'Account Mandate' setup is mandatory detailing who are the authorised signatories of the account to make payments and issue cheques and their signing limits, if any.
- ◆ When a customer sets up an E-Channel Profile (such as HSBCnet), it will set up an 'E-Channel Mandate' through its system administrators who shall appoint Users. The users will have authority to view and transact the accounts of the 'Customer' and the 'Customer associates' in the E-Channel Profile as per their access and transaction rights granted by the system administrators. All these set-ups are done on-line by the system administrators without any involvement from the Bank.
- ◆ The 'E-Channel Mandate' is independent and separate from the 'Account Mandate' and so the two mandates can be, if the Customer so chooses, be entirely different in respect of the same account and should be as per the company's banking board resolution.
- ◆ The signature(s) of the user(s) who issue a COS instruction will be the signature(s) printed on that cheque.
- ◆ When a cheque issued under COS is presented for payment, the Bank will verify the printed signature(s) on that cheque against the 'account mandate'.
- ◆ It follows that it is most important that the customer ensures that the Users who are authorised to issue COS Instructions under the 'E-Channel Mandate' match with the 'Account Mandate' or else those cheques will not be honoured.
- ◆ As a customer can add its account(s) to the E-Channel profile of another customer within the same group of companies, it follows that a COS instruction relating to the account of one customer can be sent through the E-Channel set up by another customer. The above reminders equally apply to and are especially important in such circumstances.
- ◆ Where a Customer's instruction includes the forwarding or delivery (whether by hand, by post or otherwise) of a Paper Instrument, the Bank shall not be held liable or responsible for any loss, damages, costs or expenses that the Customer or other persons including a Payee of the Paper Instrument, may suffer or incur as a result of the loss

of, alteration, amendment or damage to the Paper Instrument after it has left the Bank's control or any delay in the delivery of the Paper Instrument.

- ◆ In the absence of manifest error, the Bank's accounts and records (or those of our agents) regarding COS shall be conclusive evidence of the matters to which they relate including but without limitation to the following: (a) the Customer's instructions; (b) any amendment to, replacement of, or cancellation of the Customer's instructions; (c) the time at which the Customer's instructions were received by the Bank; and (d) the time at which the related transactions were effected.

## Automated Clearing House (ACH) – Debit

### What is Automated Clearing House – Debit

Automated Clearing House – Debit or 'ACH-Debit' is a 'pull-based' mechanism for receivables, for collections of periodic and repetitive payments by pre-authorised 'direct debit' to the Payors' account(s)

### Definitions

**NPCI:** The National Payments Corporation of India.

**ACH Mandate:** An ACH Mandate is a form to be filled by Payor for subscribing to the ACH Debit facility, issued by NPCI from time to time. This mandate form captures details of the Payor account from which the collections can be pulled, along with other information such as amount, frequency etc. An ACH Mandate can be provided by the Payor both in physical paper form ('Physical Mandates') as well as in electronic form ('E-Mandate').

**E-Mandate:** An ACH Mandate in the digital/electronic form is called as E-Mandate. This shall cover the API eMandate (i.e. through Netbanking, Debit Card and Aadhaar OTP variants) and eSign (through Aadhaar based i.e. OTP and Bio-metric variants) as well as any other new variant introduced by NPCI from time to time.

**ACH Debit File:** Customer shall send instructions file (containing transaction details) to pull funds from the Payor's accounts basis format and transmission mode agreed with the Bank from time to time.

### Operational Information

- ◆ The Bank shall be entitled to debit the Customer's Account for the transaction amount returned unpaid and the interest will be recovered at Bank's prevalent MCLR (for one-month tenor) plus 400 bps per annum for the period the Bank is out of funds in case provisional credit has been provided to the Customer against an ACH Mandate transaction.
- ◆ In case the Bank does not receive any communication regarding the status (i.e. realisation/return) of ACH Debit transaction within 2 days and where a provisional credit has been provided to the Customer, then the Bank at its sole discretion may consider this as dishonour of ACH Mandate and debit the Customer Account for the respective ACH Debit transaction(s) and recover interest at Bank's prevalent MCLR (for one-month tenor) plus 400 bps per annum for the period Bank is out of funds.
- ◆ Customer shall be solely responsible for the authority provided by Payor, and ensuring the accuracy of transaction records and preliminary validation of data as well as issuance of status confirmation to the Payor.
- ◆ In the event the ACH Mandates are processed by the Bank basis the scanned images received from the Customer, the Customer agrees:
- ◆ to maintain the original copies of the ACH Mandates in their custody and produce the same when required by the Bank or any regulatory/local authorities.
- ◆ in case the original ACH Mandates are agreed to be stored by the Bank, the Customer agrees to ensure that original ACH Mandates will be delivered to the Bank as per the agreed timeline and will seek a confirmation from the Bank in this regard.
- ◆ In case the original ACH Mandates stored at the Customers end are misplaced, damaged or lost in transit, the Bank shall not be held responsible for any losses, claims or penalty in relation to the same.
- ◆ In case the original ACH Mandates are required to be stored in the Bank, upon receipt of the same, the Bank will verify the scanned copy of the mandate images with original ACH Mandates. In the event of discrepancies between the original ACH Mandates and the scanned copy of the mandate image, the Bank shall cancel the mandate processed on ACH and process the original ACH Mandates as a fresh mandate. The Bank will not be liable for any loss whatsoever that may be incurred by the Customer on account of such mandate discrepancies.
- ◆ In case of any claims from the Payor's bank or the Payor, the Customer undertakes to refund the amount credited to the Customer Account under the ACH Debit service and authorises the Bank to debit Customer Account towards the refund to the Payor/Payor's bank. In case of non-availability of balance in the Customer Account, the Customer undertakes to refund the amount immediately by way of funding the Customer Account.

- ◆ The Customer undertakes:
- ◆ to ensure that the ACH Debit File will not contain any cases for which Payor(s) have either withdrawn the ACH Mandate or the ACH Mandate has expired.
- ◆ that the amounts provided in the ACH Debit File are within the agreed limits provided by the Payor(s).
- ◆ that the ACH Debit File will be provided for execution/settlement only as per the date stipulated by the Payor(s).
- ◆ to abide by the mandate and transaction sharing procedure as prescribed by the Bank from time to time.
- ◆ to avail the ACH services (Digital initiatives rolled out by NPCI from time to time), the Customer agrees that they will need to get into separate contractual arrangements with either the Banks empanelled Third Party or any other Third Party/Fintech of their choice.