

**CUSTOMER SERVICE GUIDELINES  
DURING THE YEAR 2006-07**



**CUSTOMER SERVICE DEPARTMENT  
RESERVE BANK OF INDIA  
CENTRAL OFFICE  
MUMBAI**

## Customer Service Guidelines during the year 2006-07\*

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**Part I: CUSTOMER SERVICE GUIDELINES IN THE YEAR 2006-07**

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## **A. DEPOSIT ACCOUNTS**

### **A.1. Address / Telephone Number of the Branch in Pass Books / Statement of Accounts**

In order to improve the quality of service available to customers in branches, the banks have been advised to ensure that full address / telephone number of the branch is invariably mentioned in the Pass Books / Statement of Accounts issued to account holders.

**Ref: DBOD.No.Leg. BC.28 /09.07.005/2006-07 dated September 1, 2006**

### **A.2. Non-issuance of Passbooks to Savings Bank Account holders (Individuals)**

RBI was receiving representations from customers including senior citizens' associations that many banks have discontinued issuing pass books to Savings Bank Account holders (Individuals). It was also pointed out that this decision of discontinuing the pass book system was taken by the banks unilaterally causing much inconvenience to the account holders. It also came to RBI's notice that these banks are issuing Statement of Account to Savings Bank account holders at quarterly intervals instead of at monthly intervals as stipulated in circular DBOD.No.Leg.BC.74/ 09.07.005/2004-05 dated April 10, 2004.

RBI observed that a passbook is a ready reckoner of transactions and is handy and compact and as such, is far more convenient to the small customer than a statement of account. Use of statements has some inherent difficulties viz. (a) these need to be filed regularly (b) the opening balance needs to be tallied with closing balance of last statement (c) loss of statements in postal transit is not uncommon and obtaining duplicates thereof involves expense and inconvenience (d) ATM slips during the interregnum between two statements does not provide a satisfactory solution as full record of transactions is not available and (e) there are a large number of small customers who do not have access to computers / internet etc. As such, non-issuance of pass-books to such small customers would indirectly lead to their financial exclusion.

Banks are therefore advised to invariably offer pass book facility to all its savings bank account holders (individuals) and in case the bank offers the facility of sending statement of account and the customer chooses to get statement of account, the banks must issue monthly statement of accounts in terms of our circular DBOD.No.Leg.BC.74/ 09.07.005/2004-05 dated April 10, 2004. The cost of providing such Pass Book or Statements should not be charged to the customer.

**Ref: DBOD.No.Leg.BC.32 /09.07.005/2006-07 dated October 4, 2006.**

### **A.3. Customer Service – Issue of Duplicate Demand Draft**

As per the extant instructions (DBOD.No.BC.147/09.07.007/99-2000 dated March 9, 2000), banks are required to issue duplicate Demand Draft to the customer within a fortnight from the receipt of such request. Further, for the delay beyond this stipulated period, banks are required to pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay.

2. Keeping in view the term 'customer' used in the above Circular, some doubts were raised as to whether banks are required to issue duplicate Demand Draft within the period of fortnight only to the purchaser / beneficiary or also to any holder of the instrument other than the purchaser or the beneficiary. In this connection, it is clarified that the period of fortnight prescribed for issue of duplicate Demand Draft would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

**Ref: DBOD.No.Leg.BC.42 /09.07.005/2006-07 dated November 10, 2006**

### **A.4. Cheque Drop Box Facility and the facility for acknowledgement of cheques**

As per the existing instructions (DBOD.No.Leg.BC.74/09.07.005/2003-04 dated April 10, 2004) banks are required that both the drop box facility and the facility for acknowledgement of the cheques at the regular collection counters should be available to customers and no branch should refuse to give an acknowledgement if the customer tenders the cheque at the counters. However, Reserve Bank of India / Banking Ombudsmen have been receiving complaints that many bank branches are not accepting cheques at the counters and are compelling the customers to drop the cheques in the Cheque Drop Box. Banks were therefore advised to strictly adhere to the instructions contained in the above circular and ensure that customers are not compelled to drop the cheques in the drop-box.

Further, the banks are required to make the customer aware of both the options available to him i.e., dropping cheques in the drop-box or tendering them at the counters so that he can take an informed decision in this regard. Banks are therefore advised to invariably display on the cheque drop-box itself that 'Customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips'. The above message is to be displayed in English, Hindi and the concerned regional language of the State.

**Ref: DBOD.No.Leg.BC. 49 /09.07.005/2006-07 dated December 18, 2006**

### **A.5. Rounding off cheques to the nearest rupee**

As per extant instructions (contained in Master Circular DBOD Dir. BC. 6/13.03.00/2006-07 dated July 1, 2006 on 'Interest Rates on Deposits'), banks are required that all transactions, including payment of interest on deposits/charging of interest on advances, should be rounded off to the nearest rupee; i.e., fractions of 50 paise and above shall be rounded off to the next higher rupee and fraction of less than 50 paise shall be

ignored. It was also advised that issue prices of cash certificates should also be rounded off in the same manner. Banks were however, required that cheques issued by clients containing fractions of a rupee should not be rejected or dishonoured.

2. Recently a case involving refusal by a bank to accept a draft drawn in fraction of a rupee lodged for collection to the credit of Government account came up before the High Court of Gujarat, Ahmedabad. The High Court of Gujarat, taking a serious view in the matter, has directed Reserve Bank of India to take appropriate steps in the matter in accordance with law, in the light of the extant instructions referred to in paragraph 1 above and, if required, issue fresh notifications/ notices to all the banks who have issued internal circulars not to receive such cheques, etc., and see that stern action is taken against the persons who refuse to receive the cheques/ drafts, which are drawn in fractions of a rupee. Banks are therefore advised to ensure that cheques/ drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them. Banks are also required to review the practice being followed by them in this regard and take necessary steps, including through issue of internal circulars, etc, to ensure that the concerned staff are well versed with these instructions so that the general public does not suffer. Banks are also required to ensure that appropriate action is taken against members of their staff who are found to have refused to accept cheques/ drafts containing fractions of a rupee. Any bank violating the aforesaid instructions would be liable to be penalised under the provisions of the Banking Regulation Act, 1949.

**Ref: DBOD. Dir. BC. 70/13.01.01/ 2006-07 dated March 30, 2007**

#### **A.6. Nomination Facility in Single Deposit Accounts**

The banks were advised vide Circular DBOD. No. BC.95/09.07.005/2004-05 dated June 9, 2005 on the above subject to give wide publicity and provide guidance to deposit account holders on the benefits of nomination facility and the survivorship clause. It is felt that despite the best efforts in this regard, banks might still be opening single deposit accounts without nomination.

2. In a case which came up before the Allahabad High Court, the Honourable Court has observed that **"it will be most appropriate that the Reserve Bank of India issues guidelines to the effect that no Savings Account or Fixed Deposit in single name be accepted unless name of the nominee is given by the depositors. It will go a long way to serve the purpose of the innocent widows and children, who are dragged on long drawn proceedings in the Court for claiming the amount, which lawfully belongs to them"**

3. Keeping in view the above, banks are advised to generally insist that the person opening a deposit account makes a nomination. In case the person opening an account declines to fill in nomination, the bank should explain the advantages of nomination facility. If the person opening the account still does not want to nominate, the bank should ask him to give a specific letter to the effect that he does not want to make a nomination. In case the person opening the account declines to give such a letter, the bank should record the

fact on the account opening form and proceed with opening of the account if otherwise found eligible. Under no circumstances, a bank should refuse to open an account solely on the ground that the person opening the account refused to nominate. Banks are also advised to follow the procedure outlined above in respect of deposit accounts in the name of Sole Proprietary Concern.

**Ref: DBOD.No.Leg BC. 75 /09.07.005/2006-07 dated April 5, 2007**

#### **A.7. Paper based funds movement to electronic funds transfer**

The Reserve Bank of India has decided not to accept a Study Group's recommendation of levying a charge for paper based transactions. An Internal Study Group on Migration from Paper Based Funds Movement to Electronic Funds Transfer had, among other suggestions, recommended levying a charge for paper based transactions to be borne by the bank customers in a bid to encourage them to move to safer and speedier electronic funds transfer. Incidentally, it may be noted that the Reserve Bank had not accepted similar suggestion received twice in the past.

**Ref: Press Release: 2006-2007/1503**

#### **A.8. Delay in collection of outstation cheques – Need for issuance of Payable at par / Multi-city cheques**

As you are aware, there have been a number of complaints in the recent past from customers and the members of public alike on deficiency in service relating to collection of outstation cheques. Complainants have been indicating that the time taken for collection ranges from 7 days to one month. The average time is as high as 15 days. Publishing the cheque collection and compensation policy has, no doubt, reduced the number of complaints received and brought transparency in service, but the service level as such has not improved. Now that nearly 35,000 bank branches are under Core Banking Solution (CBS), there is an urgent need for leveraging this CBS technology and bring improvements in cheque collection service.

2. A few banks with core banking solution have started providing "payable at par"/ "Multi-city" cheque issuance facility to select customers as a value added service. The cheque books issued to such customers are slightly different. The cheque leaves bear the narration "payable at par at all branches" and the MICR code line of the cheques have transaction codes 29 (Current A/c), 30 (Savings Bank A/c) and 31 (Cash Credit A/c) to facilitate processing of such cheques as local cheques at the MICR cheque processing centres. CBS is used for signature verification and balance verification. For the purpose of funding the transactions, RTGS and NEFT are used effectively.



3. It is suggested that such services should be made available by all the banks and should be made available to all the eligible and requesting customers. While designating a branch as CBS branch, it should be ensured that such branches are equipped to process these "payable at par"/ "Multi-city cheques". If the banking system offers this service in a big way, it would not only help banks provide better customer service and minimize complaints, but also help reducing the transaction cost in payment services in the long run.

## **B. SERVICE CHARGES**

### **B.1. Display of Bank Charges:**

The banks are required to display and update, on their websites, the details of certain service charges. They are also required to place service charges and fees on the homepage of their websites at a prominent place under the title of 'Service Charges and Fees' so as to facilitate easy access to the bank customers. A weblink to the websites of the banks has been provided in the RBI website to enable the bank customers to know the service charges and fees prevailing in the banks for various services.

**Ref: RPCD.BOS.81/13.33.01/2005-06 dated May 16, 2006 and CSD.BOS. 5/13.33.01/2006-07 dated July 20, 2007.**

### **B.2. The report of the Working Group to formulate a Scheme for ensuring Reasonableness of Bank Charges.**

The practice of Indian Banks' Association fixing the benchmark service charges on behalf of the member banks was discontinued in 1999 and the decision to prescribe service charges was left to the discretion of the boards of individual banks. Banks were then advised that they should ensure that the charges were reasonable and not out of line with the average cost of providing the services and that the customers with low volume of activities were not penalised. However, the Reserve Bank has continued to receive representations from the public regarding unreasonable and non-transparent service charges. The plethora of complaints received indicated that the issue of fairness in fixing the service charges by the banks needed to be examined.

Accordingly, as announced in the Annual Policy Statement 2006-07, the Reserve Bank constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges, and to incorporate it in the Fair Practices Code, the compliance of which would be monitored by the Banking Codes and Standards Board of India (BCSBI). The Working Group examined various issues, such as, basic banking/financial services to be rendered to individual customers, the methodology adopted by banks for fixing the charges and the reasonableness of such charges. It also examined the possibility of making suitable additions in this regard to the Fair Practices Code and also the measures needed for monitoring compliance by the Banking Codes and Standards Board of India.

The Working Group has enumerated twenty-seven services related to deposit accounts, loan accounts, remittance facilities and cheque collection as basic banking services and has defined low value transactions for cheque collection and remittance upto Rs. 10,000 in each case and upto \$500 for forex transactions. The Working Group has concluded that the reasonableness of service charges of banks cannot be tested on the basis of cost as, in general, banks were not using cost to fix their charges. The cost as a pricing methodology is confined only to a small number of banks that do not represent a significant share of the banking business. A few banks that use 'cost' tend to offer 'bundled' products (accounts with add-on services) that require a higher level of average minimum balance maintenance in the account and this methodology implies an element of financial exclusion (though not by design). The Working Group has, accordingly, recommended that the Reserve Bank may take suitable steps to determine and evaluate the costs to banks for providing basic services.

The Working Group has indicated broad principles of reasonableness for bank charges. For basic charges rendered to individuals, banks will levy charges ad valorem subject to a cap. It has recommended fixing of lower rates for individuals as compared to non-individual entities, lower rates for special categories of individuals such as senior citizens, rural customers, pensioners and the like.

The Working Group has also recommended banks should provide to individual customers complete information on all charges applicable to basic services and any proposed changes in charges in a timely manner. Banks may be required to inform the customers in an appropriate manner recovery of service charges. Banks may also be required to inform customers in all cases when a transaction initiated by the bank itself results in or likely to lead to a shortfall in the minimum balance required to be maintained.

As regards monitoring of compliance to the Code by banks, the Working Group has recommended that BCSBI may collect from the member banks details of complaints relating to the service charges. The Working Group also suggests that BCSBI may track the changes in the levels of the service charges to identify any abnormal increases. BCSBI may look to feedback from consumer organisations and customer surveys to identify areas of significant non-compliance.

RBI has prescribed instructions in this regard vide circular DBOD.No.Dir.BC. 56 /13.03.00/2006-2007 dated February 2, 2007

**Ref: Press Release: 2006-2007/381**

## **C. LENDING**

### **C.1. Guidelines on Fair Practices Code for Lenders**

The following modifications were done to the Fair Practice Code for Lenders issued vide Circular DBOD. Leg. No.BC. 104 /09.07.007/2002-03 dated May 5, 2003 to banks and FIs.

- a) In terms of Para 2 (i) (a) of the above Circular, banks / FIs were advised that loan application forms in respect of priority sector advances up to Rs.2.00 lakhs should be comprehensive and should include information about the fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower. With a view to achieving greater transparency and in the light of experience gained, it has been decided that the above instructions will be applicable to all loan applications in respect of all categories of loans irrespective of the amount of loan sought by the borrower. Banks / FIs are advised to work out a transparent policy in this regard with the approval of their Board.
  
- b) Further, in terms of Para 2 (i) (d) of the above Circular dated May 5, 2003, banks / FIs were advised that in the case of small borrowers seeking loans up to Rs. 2 lakhs the lenders should convey in writing, within stipulated time, the main reason/reasons which, in the opinion of the bank / FI have led to rejection of the loan applications. On a review, it has been decided that in case of all categories of loans irrespective of any threshold limits, including credit card applications, banks / FIs should convey in writing the main reason / reasons which, in the opinion of the bank / FI have led to rejection of the loan applications.

**Ref: DBOD.No.Leg.BC.65 /09.07.005/2006-07 dated March 6, 2007**

### **C.2. Complaints about excessive interest charged by banks**

In terms of Master Circular DBOD. Dir.BC.5/ 13.03.00/ 2006-07 dated July 1, 2006, the banks are required to have an objective and transparent policy approved by their Boards for the purpose of fixing interest rates on loans and advances. In the case of short-term advances granted to small and marginal farmers, Reserve Bank has also advised banks (vide paragraph 10.2 of master circular referred to above) to ensure that interest applied does not exceed principal amount.

2. However, the Reserve Bank and Banking Ombudsman offices have been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances. It will be appreciated that though interest rates have been deregulated, rates of interest beyond a certain level may be seen to be usurious and can neither be sustainable nor be conforming to normal banking practice.

3. Boards of banks are, therefore, advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances. In laying down such principles and procedures in respect of small value loans, particularly, personal loans and such other loans of similar nature, banks may take into account, inter-alia, the following broad guidelines:

- ❖ An appropriate prior-approval process should be prescribed for sanctioning such loans, which should take into account, among others, the cash flows of the prospective borrower.
- ❖ Interest rates charged by banks, inter-alia, should incorporate risk premium as considered reasonable and justified having regard to the internal rating of the borrower. Further, in considering the question of risk, the presence or absence of security and the value thereof should be taken into account.
- ❖ The total cost to the borrower, including interest and all other charges levied on a loan, should be justifiable having regard to the total cost incurred by the bank in extending the loan, which is sought to be defrayed and the extent of return that could be reasonably expected from the transaction.
- ❖ An appropriate ceiling may be fixed on the interest, including processing and other charges that could be levied on such loans, which may be suitably publicised.

**Ref: DBOD No. Dir.BC.93/ 13.03.00/2006-07 dated May 7, 2007**

## **D. GRIEVANCE REDRESSAL**

### **D. 1. Availability of complaint form and nodal officers**

The banks are required to place a complaint form, along with the name of the nodal officer for complaint redressal, in the homepage itself to facilitate complaint submission by customers. The complaint form should also indicate that the first point for redressal of complaints is the bank itself and that complainants may approach the Banking Ombudsman only if the complaint is not resolved at the bank level within a month. Similar information is to be displayed in the boards put up in all the bank branches to indicate the name and address of the Banking Ombudsman. In addition, the name, address and telephone numbers of the controlling authority of the bank to whom complaints can be addressed is to be given prominently.

**Ref: CSD.BOS.No.5/13.33.01/2006-07 dated July 20, 2006.**

**D.2. Analysis and Disclosure of complaints -  
Disclosure of complaints / unimplemented awards of  
Banking Ombudsmen alongwith Financial Results**

The banks have been advised, in the light of enhancing the effectiveness of the grievance redressal mechanism, to place a statement of complaints before their Boards / Customer Service Committees alongwith an analysis of the complaints received. The complaints should be analysed (i) to identify customer service areas in which the complaints are frequently received; (ii) to identify frequent sources of complaint; (iii) to identify systemic deficiencies; and (iv) for initiating appropriate action to make the grievance redressal mechanism more effective.

Further, banks are also advised to disclose the following brief details alongwith their financial results:

**A. Customer Complaints**

(a)	No. of complaints pending at the beginning of the year
(b)	No. of complaints received during the year
(c)	No. of complaints redressed during the year
(d)	No. of complaints pending at the end of the year

**B. Awards passed by the Banking Ombudsman**

(a)	No. of unimplemented Awards at the beginning of the year
(b)	No. of Awards passed by the Banking Ombudsmen during the year
(c)	No. of Awards implemented during the year
(d)	No. of unimplemented Awards at the end of the year

Further, banks are also advised to place the detailed statement of complaints and its analysis on their website for information of the general public at the end of each financial year.

**Ref: DBOD.No.Leg BC. 60 /09.07.005/2006-07 dated February 22, 2007**

## **E. CURRENCY NOTES AND COINS**

### **E.1. Obtain coins near your home or place of work: RBI arranges with banks**

The Reserve Bank of India, from time to time makes special arrangements to issue coins in exchange from branches of commercial banks to help members of public in obtaining coins near their residence or place of work. The initiative is being undertaken in collaboration with banks.

**Ref: Press Release: 2006-2007/1270**

### **E.2. Clean Note Policy - Stapling of Note Packets**

All State Co-operative Banks/District Central Co-operative Banks were advised the following:

- a) banks should do away with stapling of any note packets and instead secure them with paper bands,
- b) banks should sort notes into re-issuables and non-issuables, and issue only clean notes to public. Soiled notes in unstapled condition may be tendered at the Reserve Bank in inward remittances through Currency Chests; and,
- c) banks should forthwith stop writing of any kind on watermark window of bank notes.

**Ref: RPCD.CO.RF.BC No.43/ 07.38.03/2006-07 January 31, 2007**

### **E.3. Acceptance of Small Denomination Notes and Coins**

A case involving refusal by a bank to accept demand draft involving fraction of a rupee came up before the Honourable High Court of Gujarat, Ahmedabad. The High Court of Gujarat, taking a serious view of the matter, has directed that appropriate steps may be taken in the matter as also regarding non-acceptance of small denomination notes / coins by banks in accordance with law, in the light of the extant instructions and, if required, issue fresh notifications to all the banks. The banks are therefore, advised to ensure that none of their branches/staff refuse to accept lower denomination notes and / or coins and to issue strict instructions to all branches that the staff concerned should in no case refuse to accept small denomination notes and coins tendered at the counters. The banks are also required to ensure that all the staff members are made fully conversant with the instructions in this regard and also comply strictly with the same. Stern action will be taken in the event of refusal / non-compliance by any staff member.

**Ref: DCM(NE)No. 7488 /08.07.18/2006-07 dated April 25, 2007**

## **F. SAVINGS SCHEMES OF GOVERNMENT**

### **F.1. Payment of half-yearly interest / principal of Relief / Savings Bonds to investors at a place of their choice.**

Agency Banks normally pay half-yearly interest and redemption value on maturity of the Relief / Savings Bonds by Interest Warrants / Payment Orders payable at the centre where the investment is held. However, with a view to further improving the customer service to outstation investors of the Relief / Savings Bonds, it has now been decided that in cases where the payment of principal / interest on the Relief / Savings bonds is to be made payable at a centre other than the one at which the investment is held, the banks should either issue a Demand Draft, free of cost, or an 'at par' cheque payable at all their branches. The facility has been incorporated in the forms to the effect that these modes of payments are also available to the customers.

**Ref: DGBA.CDD. No.H-3253/13.01.299/2006-07 dated August 24, 2006.**

## **F.2. Senior Citizens Savings Scheme, 2004 – Frequently Asked Questions (FAQs)**

Frequently Asked Questions on the 'Senior Citizens Savings Scheme, 2004 –' has been prepared and circulated among designated branches in question and answer format in bilingual form.

**Ref: DGBA.CDD. No. H- 7479 / 15.15.001 / 2006-07 dated November 9, 2006**

## **F.3. Senior Citizens Savings Scheme, 2004 -**

### **Clarification in respect of rate of interest in death cases.**

Government of India, Ministry of Finance has, further, clarified that in cases where the depositor under Senior Citizens Savings Scheme, 2004 (SCSS) framed by Government of India, Ministry of Finance, vide Notification G.S.R. 490 (E) dated August 2, 2004, has expired before the maturity of the deposits and the nominee / legal heir approach the banker for closure of the deposit account, the nominee / legal heir in such cases is entitled to the benefit of Saving Bank rate of interest for the period commencing the date of death of the depositor to the date of closure of the account under SCSS, 2004.

**Ref: DGBA.CDD. H-15824/15.15.001/2006-07 dated April 30, 2007**

## **F.4. Senior Citizens Savings Scheme, 2004-**

### **Opening of multiple account in a calendar month in the same deposit office**

As you are aware, in terms of sub rule (2) of Rule 3 of Senior Citizens Savings Scheme, 2004 a depositor may operate more than one account under the rules subject to the condition that the deposits in all accounts taken together shall not exceed the maximum limit specified under Rule 4. However, as per the proviso to the said Rule more than one account cannot be opened in the same deposit office during a calendar month. In this connection, you may note that Government of India vide their Notification GSR----(E) dated May 24, 2007 (Annex - I) have since amended the Scheme and omitted the said proviso to the sub- rule (2) of Rule 3.

2. Further, Government of India vide their letter No.F.15/ 3/ 2006/ NS-II dated May 16, 2007 have also decided to allow, under Rule 14 of the Scheme, regularization of multiple accounts opened by depositors in the same account office, in the same calendar month due to ignorance, by merging all the accounts into the first account, subject to the condition, that deposits under the merged accounts (or discontinued accounts) shall not earn any interest for the intervening period, i.e., for the period from the opening of first account to the date of opening of second / subsequent irregular account which stands merged into the first account. Please note that the merger as well as consolidated amount of deposit in the account shall also be subject to other terms and conditions of the scheme.

Dated June 8, 2007



## **F.5 Public Provident Fund Scheme, 1968 (PPF) - Settlement of PPF Claims of Subscribers, who go missing**

Government of India (GOI) has been receiving several references seeking guidance on the settlement of PPF claims in respect of subscribers, **who go missing**.

2. Government of India has, vide their Office Memorandum No. 7/7/2005-NS.II dated August 6, 2007, since advised that the PPF accounts of subscribers who go missing will be settled as per the provisions contained in Section 107/108 of the Indian Evidence Act, 1872. A copy of the said Memorandum dated August 6, 2007 indicating details of procedure to be followed in this regard is enclosed herewith for information and guidance.

### **OFFICE MEMORANDUM**

Sub: **Settlement of PPF Claims of Subscribers, who go missing**

The undersigned is directed to say that several references were being received by this Ministry, seeking guidance on the settlement of PPF claims of subscribers, who go missing, as there is no specific provision in the PPF Act/Scheme to deal with such cases.

2. The matter has been examined in consultation with Ministry of Law & Justice (Department of Legal Affairs). In the absence of any specific provision under the PPF Act/Scheme regarding settlement of accounts of missing subscribers, such accounts are advised to be settled as per the provisions of Section 107/108 of the Indian Evidence Act, 1872.

3. Section 107 of the Indian Evidence Act, 1872 deals with presumption of continuance of life whereas Section 108 deals with presumption of death. Section 108 of the Indian Evidence Act read as under:-

'Provided that when the question is whether a man is alive or dead and it is proved that he has not been heard for seven years of those who would naturally have heard of him if he is alive, the burden of providing that he is alive, is shifted to the person who affirm it.'

4. As per the provisions of Section 108 of the Indian Evidence Act, presumption of death can be raised only after a lapse of seven years from the date of his/her being reported missing. As such, the nominee of a missing subscriber has to raise an express presumption of death of the subscriber under Section 107/108 of the Indian Evidence Act before a competent court. If the court presumes that he/she is dead, then, the nominee will be entitled for settlement of outstanding amount of the PPF Account of the missing subscriber in his/her favour.

5. Department of Posts and RBI may issue guidelines for settlement of claims of missing subscribers accordingly.

Dated: August 30, 2007

## **G. OTHERS**

### **G.1. Formation of Customer Service Department, RBI**

The Reserve Bank of India has been taking measures, on an ongoing basis, for protection of customers' rights, enhancing the quality of customer service and strengthening grievance redressal mechanism in banks and in the Reserve Bank of India. These activities were so far being undertaken by different departments of the Reserve Bank of India. In order to bring together all activities relating to customer service in banks and Reserve Bank of India in a single department, the Reserve Bank of India has constituted a new department called 'Customer Service Department (CSD)' from July 1, 2006.

Constitution of a new department for customer service outlines the importance the bank is giving for customer service. The functions of the Customer Service Department would include:

- (i) Dissemination of instructions/information relating to customer service and grievance redressal by banks and Reserve Bank of India.
- (ii) Overseeing the grievance redressal mechanism in respect of services rendered by various RBI offices/departments.
- (iii) Administering the Banking Ombudsman (BO) Scheme.
- (iv) Acting as a nodal department for the Banking Codes and Standards Board of India (BCSBI).
- (v) Ensuring redressal of complaints received directly by RBI on customer service in banks.
- (vi) Liaison between banks, Indian Banks Association, BCSBI, BO offices and RBI regulatory departments on matters relating to customer services and grievance redressal.

**Ref: RBI Press Release: 2006-2007/1**

### **G.2. Section 23 of Banking Regulation Act, 1949 – Doorstep Banking**

In terms of circular DBOD.No.BL.BC.86/22.01.001/2004-2005 dated April 30, 2005 on the above subject, banks were required to formulate a scheme with the approval of their Boards, for providing services at the premises of a customer and submit it to Reserve Bank for approval.

2. In order to ensure transparency in respect of the rights and obligations of customers, uniformity in approach and to clearly delineate the risks involved, it has been decided to lay down general principles and broad parameters to be followed by banks while offering "doorstep" services to their customers. Accordingly, banks may prepare a scheme for offering "doorstep" banking services to their customers, with the approval of their Boards, in accordance with the guidelines given below:

## **1. Services to be offered**

Banks can offer the following banking services to their customers at their doorstep: -

### **(a) Corporate Customers/ Government Departments/ PSUs etc.**

- (i) Pick up of cash
- (ii) Pick up of instruments
- (iii) Delivery of cash against cheques received at the counter
- (iv) Delivery of demand drafts

### **(b) Individual Customers/Natural persons:**

- (i) Pick up of cash
- (ii) Pick up of instruments
- (iii) Delivery of demand drafts

## **2. Modalities of Delivery**

- (a) Through own employees
- (b) Through Agents

Where banks engage the services of Agents for delivery of services, it should be ensured that the policy approved by the Board lays down the broad principles for selection of Agents and payment of fee/commission etc. Banks may refer to the guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks issued vide our circular DBOD No.BP.40/21.04.158/2006-2007 dated November 3, 2006 and ensure that the principles enumerated therein are complied with while offering Doorstep Banking services.

## **3. Delivery process**

- (i) Cash collected from the customer should be acknowledged by issuing a receipt on behalf of the bank;
- (ii) Cash collected from the customer should be credited to the customer's account on the same day or next working day, depending on the time of collection;
- (iii) The customer should be informed of the date of credit by issuing a suitable advice.
- (iv) Delivery of demand draft should be done by debit to the account on the basis of requisition in writing/ cheque received and not against cash or instruments collected at the doorstep;

(v) Cash delivery services may be offered to the corporate clients/PSUs/departments of Central and State Governments against receipt of cheque only at the branch and not against telephonic request. No such facility, however, shall be made available to individual customers;

#### **4. Risk Management**

It may be ensured that the agreement entered into with the customer does not entail any legal or financial liability on the bank for failure to offer doorstep services under circumstances beyond its control. The services should be seen as a mere extension of banking services offered at the branch and the liability of the bank should be the same as if the transactions were conducted at the branch. The agreement should not provide any right to the customer to claim the services at his doorstep.

#### **5. Transparency**

Charges, if any, to be levied on the customer for doorstep services should be incorporated in the policy approved by the Board and should form part of the agreement entered into with the customer. The charges should be prominently indicated on brochures offering doorstep services.

#### **6. Other conditions**

(i) Doorstep services should be offered to only those customers in whose case proper KYC procedures, as laid down in our circular DBOD.No.AML. BC.58/14.01.001/2004-05 dated November 29, 2004 and subsequent circulars on the subject have been followed;

(ii) The services should be offered at either the residence or office of the customer, the address of which should be clearly and explicitly mentioned in the agreement.

(iii) The agreement/ contract with the customer shall clearly specify that the bank will be responsible for the acts of omission and commission of its 'agent'.

(iv) The "Scheme" should not be restricted to any particular client/customer or class of customers.

(v) Banks may keep in view the restrictions imposed by Section 10 (1) (b) (ii) (b) of the Banking Regulation Act, 1949, while making payments for the services outsourced.

#### **7. Redressal of Grievance**

a) Banks should constitute an appropriate Grievance Redressal Machinery internally for redressing complaints about services rendered by its 'agents'. The name and telephone number of the designated Grievance Redressal officer of the 'bank' should be made available to the customers including on the bank's website. The designated officer should ensure that genuine grievances of customers are redressed promptly.

b) If a customer feels that his complaint has not been satisfactorily addressed, he will have the option to approach the Office of the concerned Banking Ombudsman for redressal of his grievance/s.

3. Banks are also required to take suitable steps to educate their "Agents" to enable them to detect forged and mutilated notes so as to avoid frauds and disputes with the customers.

4. Banks are further advised to take into account the various risks that may arise on account of offering doorstep banking services to customers directly or through agents and take effective steps to manage the same. Banks may specifically consider prescribing cash limits for their agents and customers in this regard.

5. The operation of the scheme may also be reviewed by the Boards of banks on a half-yearly basis, during the first year of its operation and subsequently on an annual basis.

**Ref: DBOD.No.BL.BC. 59/22.01.010/2006-2007 dated February 21, 2007**

**G.3. Extension of Safe Deposit Locker / Safe Custody Article Facility and Access to Safe Deposit Lockers / Return of Safe Custody Articles by banks.**

The guidelines on the captioned subject are as under:

**1. Allotment of Lockers**

**1.1 Linking of Allotment of Lockers to placement of Fixed Deposits**

The Committee on Procedures and Performance Audit of Public Services (CPPAPS) observed that linking the lockers facility with placement of fixed or any other deposit beyond what is specifically permitted is a restrictive practice and should be prohibited forthwith. We concur with the Committee's observations and advise banks to refrain from such restrictive practices.

**1.2 Fixed Deposit as Security for Lockers**

Banks may face situations where the locker-hirer neither operates the locker nor pays rent. To ensure prompt payment of locker rent, banks may at the time of allotment, obtain a Fixed Deposit which would cover 3 years rent and the charges for breaking open the locker in case of an eventuality. However, banks should not insist on such Fixed Deposit from the existing locker-hirers.

### **1.3 Wait List of Lockers**

Branches should maintain a wait list for the purpose of allotment of lockers and ensure transparency in allotment of lockers. All applications received for allotment of locker should be acknowledged and given a wait list number.

1.4 Banks are also advised to give a copy of the agreement regarding operation of the locker to the locker-hirer at the time of allotment of the locker.

## **2. Security aspects relating to Safe Deposit Lockers**

### **2.1 Operations of Safe Deposit Vaults/Lockers**

Banks should exercise due care and necessary precaution for the protection of the lockers provided to the customer. Banks should review the systems in force for operation of safe deposit vaults / locker at their branches on an on-going basis and take necessary steps. The security procedures should be well-documented and the concerned staff should be properly trained in the procedure. The internal auditors should ensure that the procedures are strictly adhered to.

### **2.2 Customer due diligence for allotment of lockers / Measures relating to lockers which have remained unoperated**

In a recent incident, explosives and weapons were found in a locker in a bank branch. This emphasises that banks should be aware of the risks involved in renting safe deposit lockers. In this connection, banks should take following measures:

- (i) Banks should carry out customer due diligence for both new and existing customers at least to the levels prescribed for customers classified as medium risk. If the customer is classified in a higher risk category, customer due diligence as per KYC norms applicable to such higher risk category should be carried out.
- (ii) Where the lockers have remained unoperated for more than three years for medium risk category or one year for a higher risk category, banks should immediately contact the locker-hirer and advise him to either operate the locker or surrender it. This exercise should be carried out even if the locker hirer is paying the rent regularly. Further, banks should ask the locker hirer to give in writing, the reasons why he / she did not operate the locker. In case the locker-hirer has some genuine reasons as in the case of NRIs or persons who are out of town due to a transferable job etc., banks may allow the locker hirer to continue with the locker. In case the locker-hirer does not respond nor operate the locker, banks should consider opening the lockers after giving due notice to him. In this context, banks should incorporate a clause in the locker agreement that in case the locker remains unoperated for more than one year, the bank would have the right to cancel the allotment of the locker and open the locker, even if the rent is paid regularly.

- (iii) Banks should have clear procedure drawn up in consultation with their legal advisers for breaking open the lockers and taking stock of inventory.

### **3. Access to the safe deposit lockers / return of safe custody articles to Survivor(s) / Nominee(s) / Legal heir(s)**

3.1 We invite a reference to our Circular DBOD.No.Leg. BC.95/2004-05 dated June 9, 2005 wherein we had advised banks to deal with the issue of handing over the proceeds of deposit accounts. A similar procedure should be adopted for return of contents of lockers / safe custody articles to Survivor / Nominee / Legal Heirs.

#### **3.2 Access to the safe deposit lockers/return of safe custody articles (with survivor/nominee clause)**

If the sole locker hirer nominates a person banks should give to such nominee access of the locker and liberty to remove the contents of the locker in the event of the death of the sole locker hirer. In case the locker was hired jointly with the instructions to operate it under joint signatures, and the locker hirer(s) nominates person(s), in the event of death of any of the locker hirers, the bank should give access of the locker and the liberty to remove the contents jointly to the survivor(s) and the nominee(s). In case the locker was hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given over to 'either or survivor', 'anyone or survivor' or 'former or survivor' or according to any other survivorship clause, banks should follow the mandate in the event of the death of one or more of the locker-hirers.

However, banks should take the following precautions before handing over the contents:

- a) Bank should exercise due care and caution in establishing the identity of the survivor(s) / nominee(s) and the fact of death of the locker hirer by obtaining appropriate documentary evidence;
- b) Banks should make diligent effort to find out if there is any order from a competent court restraining the bank from giving access to the locker of the deceased; and
- c) Banks should make it clear to the survivor(s) / nominee(s) that access to locker / safe custody articles is given to them only as a trustee of the legal heirs of the deceased locker hirer i.e., such access given to him shall not affect the right or claim which any person may have against the survivor(s) / nominee(s) to whom the access is given.

Similar procedure should be followed for return of articles placed in the safe custody of the bank. Banks should note that the facility of nomination is not available in case of deposit of safe custody articles by more than one person.

3.3 Banks should note that since the access given to the survivor(s) / nominee(s), subject to the foregoing conditions, would constitute a full discharge of the bank's liability, insistence on production of legal representation is superfluous and unwarranted and only serves to cause entirely avoidable inconvenience to the survivor(s) / nominee(s) and would, therefore, invite serious supervisory disapproval. In such case, therefore, while giving access to the survivor(s) / nominee(s) of the deceased locker hirer / depositor of the safe custody articles, the banks should desist from insisting on production of succession certificate, letter of administration or probate, etc., or obtain any bond of indemnity or surety from the survivor(s)/nominee(s).

**3.4 Access to the safe deposit lockers / return of safe custody articles (without survivor/nominee clause)**

There is an imperative need to avoid inconvenience and undue hardship to legal heir(s) of the locker hirer(s). In case where the deceased locker hirer had not made any nomination or where the joint hirers had not given any mandate that the access may be given to one or more of the survivors by a clear survivorship clause, banks are advised to adopt a customer-friendly procedure drawn up in consultation with their legal advisers for giving access to legal heir(s) / legal representative of the deceased locker hirer. Similar procedure should be followed for the articles under safe custody of the bank.

3.5 Banks are advised to be guided also by the provisions of Sections 45 ZC to 45 ZF of the Banking Regulation Act, 1949 and the Banking Companies (Nomination) Rules, 1985 and the relevant provisions of Indian Contract Act and Indian Succession Act.

3.6 Banks should prepare an inventory before returning articles left in safe custody / before permitting removal of the contents of a safe deposit locker as advised in terms of Notification DBOD.NO.Leg.BC.38/C.233A-85 dated March 29, 1985. The inventory shall be in the appropriate Forms set out as enclosed to the above Notification or as near thereto as circumstances require.

3.7 Further, in case the nominee(s) / survivor(s) / legal heir(s) wishes to continue with the locker, banks may enter into a fresh contract with nominee(s) / survivor(s) / legal heir(s) and also adhere to KYC norms in respect of the nominee(s) / legal heir(s). Banks are not required to open sealed/closed packets left with them for safe custody or found in locker while releasing them to the nominee(s) and surviving locker hirers / depositor of safe custody article.



### **3.8 Simplified operational systems / procedures**

The Indian Banks' Association (IBA) has already formulated a Model Operational Procedure (MOP) for settlement of claims of the deceased depositors, under various circumstances. We have advised IBA to formulate a similar Model Operational Procedure for giving access to lockers / return of safe custody articles under various circumstances. We also advise banks to undertake a comprehensive review of their extant systems and procedures relating to settlement of claims of their deceased constituents (locker-hirers / depositors of safe-custody articles) with a view to evolving a simplified policy / procedures for the purpose. The review should be made with the approval of their Board and take into account the applicable statutory provisions, foregoing instructions as also the MOP to be formulated by the IBA.

## **4. Customer Guidance and Publicity**

### **4.1 Benefits of nomination / survivorship clause**

Banks should give wide publicity and provide guidance to locker-hirers / depositors of safe custody articles on the benefits of the nomination facility and the survivorship clause. Illustratively, it should be highlighted in the publicity material that in the event of the death of one of the joint locker-hirer / depositor of safe custody articles, the right to the contents of the locker or the articles under safe custody does not automatically devolve on the surviving joint locker-hirer / depositor of safe custody articles, unless there is a survivorship clause.

4.2 Banks should place on their websites the instructions alongwith the policies / procedures put in place for giving access of the locker / safe custody articles to the nominee(s) / survivor(s) / Legal Heir(s) of the deceased locker hirer / depositor of the safe custody articles. Further, a printed copy of the same should also be given to the nominee(s) / survivor(s) / Legal Heir(s) whenever a claim is received from them.

5. We also advise the banks to ensure that identification Code of the bank / branch is embossed on all the locker keys with a view to facilitate Authorities in identifying the ownership of the locker keys.

**Ref: DBOD.No.Leg.BC.78 /09.07.005/2006-07 dated April 17, 2007**

#### **G.4. IT-enabled Financial Inclusion**

As per Circular DBOD.No.Leg.BC.44/09.07.005/2005-06 dated November 11, 2005, the banks have made available a basic banking 'no-frills' account so as to achieve the objective of greater financial inclusion. The efforts of banks have enabled the common person to open bank accounts. However, financial inclusion objectives would not be fully met if the banks do not increase the banking outreach to the remote corners of the country. This has to be done with affordable infrastructure and low operational costs with the use of appropriate technology. This would enable banks to lower the transaction costs to make small ticket transactions viable.

2. A few banks have already initiated certain pilot projects in different remote parts of the country utilizing smart cards/mobile technology to extend banking services similar to those dispensed from branches. Banks are, therefore, urged to scale up their financial inclusion efforts by utilizing appropriate technology.

3. The banks are required to take care to ensure that the solutions developed are highly secure, amenable to audit and follow widely accepted open standards to allow inter-operability among the different systems adopted by different banks.

**Ref: DBOD.No.Leg.BC./94 /09.07.005/2006-07 dated May 07, 2007**

#### **G.5. Fair practices code – Lenders Liability**

DBOD had issued vide Circular DBOD. Leg. No.BC. 104 /09.07.007/2002-03 dated May 5, 2003 guidelines to banks / FIs for framing the Fair Practices Code for Lenders.

In terms of Para 2 (ii) (c) of the above Circular, banks / FIs were advised that terms and conditions and other caveats governing credit facilities given by banks/ financial institutions arrived at after negotiation by lending institution and the borrower should be reduced in writing and duly certified by the authorised official. Banks / FIs were further advised that a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement should be furnished to the borrower.

3. It was however understood that some banks were furnishing a copy of the loan agreement only on request made by the borrowers. In this connection, the banks were advised that not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the bank and the borrower with regard to the terms and conditions on which the loan is granted.

4. Banks / FIs were therefore advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

#### **G.6. Committee on Customer Service in Reserve Bank**

Reserve Bank has set up a Committee, comprising external members, to look into the customer services in Reserve Bank. The terms and conditions of the Committee are as under:

- a) To evaluate the efforts for improving public services to common persons undertaken by the Bank, either directly or through banks, since adoption of CPPAPS recommendation and to advise the Bank on improving the quality of such services.
- b) To review existing policies and procedures with a view to their rationalization, keeping in view the technological and other developments since CPPAPS recommendation.
- c) To interact with various fora/associations concerned with customers' interest to the extent it impinges on the services provided by the Reserve Bank.
- d) To tender advice on any other issue relevant to the Committee's work as also any specific issues referred to it by the Reserve Bank.

The Committee would be required to submit an interim report within six months from the date of its functioning and the final report within one year. The Committee, which will be chaired by Shri H. Prabhakar Rao (Controller General of Accounts (Retd)), shall be based in Bangalore and the secretarial services to the Committee shall be provided by RBI, Bangalore.

#### **G.7. Legal Guardianship Certificate issued under the National Trust Act, 1999 empowering the disabled persons with autism, cerebral palsy, mental retardation and multiple disabilities**

We have been advised by the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities (the Trust) that a question has been raised as to whether the banks and the banking sector can accept the guardianship certificates in regard to persons with disabilities issued by the Local Level Committees set up under the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.

2. The Trust has mentioned that the above Act was specifically passed by the Parliament in order to provide for appointment of legal guardians for persons with disability that is covered under the said Act. The above Act provides for appointment of legal guardians for persons with disability by the Local Level Committees set up under the Act. The Trust has opined that a legal guardian so appointed can open and operate the bank account as long as he remains the legal guardian.

3. The matter has been examined in consultation with the Indian Banks' Association. They have concurred with the above views expressed by the Trust. It may also be noted that the provisions of Mental Health Act, 1987 also allows appointment of Guardian by District Courts.

4. Banks are therefore advised to rely upon the Guardianship Certificate issued either by the District Court under Mental Health Act or by the Local Level Committees under the above Act for the purposes of opening / operating bank accounts.

5. Banks may also ensure that their branches give proper guidance so that the parents / relatives of the disabled persons do not face any difficulties in this regard.

#### **G. 8: Recovery Agents engaged by banks – Draft guidelines**

There has been a rise in the number of litigations against banks and adverse publicity in the recent past for engaging recovery agents. The consequent likely implications for reputation risk not only for the bank concerned but also for the banking sector as a whole has necessitated a review of the policy, practice and procedure involved in engagement of recovery agents by banks in India. In this backdrop, the Reserve Bank proposes to issue the following operational guidelines for adoption by all commercial banks. A reference to 'agent' in these guidelines would include agencies engaged by the bank and their agents / employees, as well as the bank's own employees.

#### **Engagement of Recovery Agents**

2. Banks are advised to take into account the following specific aspects while engaging recovery agents:

(i) Banks should have a due diligence process in place for engagement of recovery agents, which should be so structured to cover, among others, individuals involved in the recovery process.

(ii) To ensure due notice and appropriate authorization by the banks, they should inform the borrower the details of recovery agents engaged for the purpose, while forwarding default cases to the recovery agents. The details should include their telephone numbers etc. The recovery agents should call the borrowers only from telephone numbers notified to the borrower.

(iii) Each bank should have a mechanism whereby the borrowers' grievances with regard to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower while advising the details of the recovery agent as at item (ii) above.

## **Methods followed by Recovery Agents**

(iv) It is understood that some banks set very stiff recovery targets or offer high incentives to recovery agents. These have, in turn, induced the recovery agents to use intimidatory and questionable methods for recovery of dues. Banks are, therefore, advised to ensure that the contracts with the recovery agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

(v) A reference is invited to para 2 (v) (c) of Circular DBOD.Leg.No.BC.104/ 09.07.007 /2002-03 dated May 5, 2003 regarding Guidelines on Fair Practices Code for Lenders and para 6.3 of the Master Circular DBOD.FSD.BC.17/ 24.01.11/2007-08 dated July 2, 2007 on Credit Card Operations. In terms of these guidelines, banks were advised that in the matter of recovery of loans, (a) the lenders should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. (b) the banks should ensure that agents engaged by them for debt collection refrain from action/s that could damage the integrity and reputation of the bank (c) their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude into the privacy of the borrowers'/ credit card holders' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

(vi) A reference is also invited to paragraph 6 of the 'Code of Bank's Commitment to Customers' (BCSBI Code) whereby banks are required to strictly abide by the codes pertaining to collection of dues.

## **Training for Recovery Agents**

(vii) In terms of Para 5.7.1 of our Circular DBOD.NO.BP. 40/ 21.04.158/ 2006-07 dated November 3, 2006, on guidelines on managing risks and code of conduct in outsourcing of financial services by banks, banks were advised that they should ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of customer information etc.

(viii) Reserve Bank has requested the Indian Banks' Association to formulate, in consultation with Indian Institute of Banking and Finance (IIBF), a certificate course for Direct Sales Agents / Direct Marketing Agents / Recovery Agents with minimum 100 hours of training. Once the above course is introduced by IIBF, banks should ensure that over a period of one year all their Recovery Agents undergo the above training and obtain the certificate from the above institute. Further, the service providers engaged by banks should also employ only such personnel who have undergone the above training and obtained the certificate from the IIBF.

### **Taking possession of property mortgaged / hypothecated to banks**

(ix) In a recent case which came up before the Honourable Supreme Court, the Honourable Court observed that we are governed by rule of law in the country and the recovery of loans or seizure of vehicles could be done only through legal means. In this connection it may be mentioned that the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and the Security Interest (Enforcement) Rules, 2002 framed thereunder have laid down well defined procedures not only for enforcing security interest but also for auctioning the movable and immovable property after enforcing the security interest. It is, therefore, desirable that banks rely only on legal remedies available under the relevant statutes which allow the banks to enforce the security interest without intervention of the Courts.

(x) Where banks have incorporated a re-possession clause in the contract with the borrower and rely on such re-possession clause for enforcing their rights, they should ensure that such repossession clause is legally valid, is clearly brought to the notice of the borrower at the time of execution of the contract, and the contract contains terms and conditions regarding (a) notice period to be given to the customers before taking possession (b) the procedure which the bank would follow for taking possession of the property and (c) the procedure which the bank would follow for sale / auction of property. This is expected to ensure that there is adequate upfront transparency and the bank is effectively addressing its legal and reputation risks.

### **Use of forum of Lok Adalats**

(xi) The Honourable Supreme Court also observed that loans, personal loans, credit card loans and housing loans with less than Rs.10 lakh can be referred to Lok Adalats. In this connection, banks' attention is invited to Circular DBOD.No.Leg.BC.21/09.06.002/2004-05 dated August 3, 2004 wherein they were advised to use the forum of Lok Adalats organized by Civil Courts for recovery of loans. Banks are advised that they should preferably use the forum of Lok Adalats for recovery of personal loans, credit card loans or housing loans with less than Rs.10 lakh as suggested by the Honourable Supreme Court.

3. Banks, as principals, are responsible for the actions of their agents. Hence, they should ensure that their agents engaged for recovery of their dues should strictly adhere to the above guidelines and instructions, including the BCSBI Code, while engaged in the process of recovery of dues.

4. Complaints received by Reserve Bank regarding violation of the above guidelines and adoption of abusive practices followed by banks' recovery agents would be viewed seriously. Reserve Bank may consider imposing a ban on a bank from engaging recovery agents in a particular area, either jurisdictional or functional, for a limited period. In case of persistent breach of above guidelines, Reserve Bank may consider extending the period of ban or the area of ban. Similar supervisory action could be attracted when the High

Courts or the Supreme Court pass strictures or impose penalties against any bank or its Directors/ Officers/ agents with regard to policy, practice and procedure related to the recovery process.

(Dated: November 30, 2007)

## **G.9 DO NOT CALL REGISTRY**

**November 26, 2007**

### **Unsolicited Commercial Communications - National Do Not Call Registry**

It is an emerging practice in India to engage agents/outsource business operations for the purpose of soliciting or promoting any commercial transactions using telecommunication mode. There is a need to protect the right to privacy of the members of public and to curb the complaints relating to unsolicited commercial communications being received by customers/non-customers, as part of best business practices.

2. Telecom Regulatory Authority of India (TRAI) has framed the Telecom Unsolicited Commercial Communications (UCC) Regulations for curbing UCC. The regulation envisages that all the telecom service providers would set up a mechanism to receive requests from subscribers who do not want to receive UCC and for this purpose will maintain and operate a Private Do Not Call List. The Private Do Not Call List will include telephone numbers and other details of all such subscribers. The telephone numbers and area code from this Private Do Not Call List will be updated online by the operators to a National Do Not Call Registry (NDNC) which will be maintained by National Informatics Centre (NIC) and thus the NDNC will have the telephone numbers of all the subscribers all over India who have opted not to receive any UCC. Telemarketers will have to register in the NDNC Registry. The telemarketers would submit online the calling list to the NDNC Registry where the list will be modified/scrubbed by excluding the numbers listed in the registry and the modified/scrubbed list will be online transferred back to the telemarketers for making calls.

3. Further, the Department of Telecommunications (DoT) has issued relevant guidelines for telemarketers alongwith the registration procedure on June 6, 2007 (copy enclosed). These guidelines have made it mandatory for telemarketers to register themselves with DoT or any other agency authorized by DoT and also specified that the telemarketers shall comply with the Guidelines and Orders/Directions issued by DoT and Orders/Directions/Regulations issued by Telecom Regulatory Authority of India (TRAI) on Unsolicited Commercial Communications(UCC). The detailed procedure in this regard is also available on TRAI's website ([www.trai.gov.in](http://www.trai.gov.in)). TRAI have also clarified that banks/their Call Centres, while registering themselves as Telemarketers, will be required to give the details of the telephone numbers used for telemarketing. The instructions would be equally applicable to NBFCs

4. Keeping in view the fact that the guidelines for 'telemarketers' issued by Department of Telecommunication (DoT), Government of India, defines a 'telemarketer' as any person/legal entity engaged in the activity of telemarketing (transmission of any message, through telecommunication service, for the purpose of soliciting or promoting any commercial transaction in relation to goods, investments or services), it is evident that in addition to NBFCs, their agents, who make solicitation calls, are also required to be registered as Telemarketers with DoT.

5. NBFCs are therefore; advised

(i) not to engage Telemarketers (DSAs/DMAs) who do not have any valid registration certificate from DoT, Govt of India, as telemarketers; (ii) to furnish the list of Telemarketers (DSAs/DMAs) engaged by them along with the registered telephone numbers being used by them for making telemarketing calls to TRAI; and

(iii) to ensure that all agents presently engaged by them register themselves with DoT as telemarketers .

## **PRESS NOTE**

6th June, 2007

### **REGISTRATION OF TELEMARKETER**

It has been constant endeavour of the Government to usher in policy decisions that could facilitate better telecommunications facilities to the people as per National Telecom Policy 1999.

In line with the above policy, Govt. have today announced the guidelines for registration of Telemarketers which will enable curbing of unsolicited commercial calls in the country by putting in place a mechanism for reducing the unsolicited commercial communication. The salient points of the guidelines are as follows:

1. Access Service providers shall accept the application from a Telemarketer in the prescribed proforma alongwith registration processing fee of Rs. 1000/- per telemarketing centre.
2. The applications shall be acknowledged on receipt. The acknowledgement shall be treated as provisional registration valid for providing service by Telemarketer (unless instructed otherwise by the service provider/ DoT / TRAI). This provisional registration shall be valid for a period of three months.
3. Subsequently a registration shall be issued by DoT to the Telemarketer which shall be valid for 10 years.
4. Any person providing telemarketing service, without any registration now, should also register themselves in a manner prescribed for Telemarketer latest by 31st August 2007.
5. After 31st August, 2007, the service providers shall not provide/discontinue to provide telecom resources to the persons providing Telemarketing services without registration.
6. National Informatics Centre (NIC) has been authorized to set up a National Do Not Call (NDNC) registry. The Telephone users who do not want unsolicited commercial calls can register with NDNC registry.
7. The Telemarketers shall scrupulously follow the orders / directions / regulations issued by DoT / TRAI on the unsolicited commercial communication including scrubbing of the list of the subscribers to be called for telemarketing purpose through the National Do Not Call (NDNC) registry of National Informatics Centre (NIC).
8. Detailed guidelines for registration of 'Telemarketer' are available on the DoT's website [www.dot.gov.in](http://www.dot.gov.in) also.

#### **Guidelines for Telemarketer**

Any person or legal entity engaging in the activity of telemarketing is required to register itself and comply with the following guidelines:-

##### **1. Definitions ( In this part, unless the context otherwise requires) :-**

- (i) 'Telemarketing' - Transmission of any message through telecommunication services for the purpose of soliciting or promoting any commercial transaction in relation to goods, investment or services.
- (ii) 'Telemarketer' - Person/ legal entity engaged in the activity of telemarketing.
- (iii) 'Telemarketing Centre' - The telemarketing facility at a location in India used by the Telemarketer for providing the telemarketing services.
- (iv) 'Telecom Resource' - Telecom facilities provided by licensed telecom service provider.
- (v) 'Remote Location' – A point of presence from where Telemarketer collects and carries the non voice traffic relating to telemarketing activities.



## **2. General:**

- (i) Telemarketer shall apply for registration to the Department of Telecommunications (DOT) or any other agency authorized by DoT.
- (ii) Telemarketer can have multiple registrations.
- (iii) Each Telemarketing Centre shall be registered separately location-wise.
- (iv) Processing fee of Rs. 1000/- payable per Telemarketing Centre
- (v) The validity of the registration shall be 10 years and renewable.
- (vi) Telemarketer shall inform DoT of any change in the information furnished within 15 days.

## **3. Technical Conditions for Operation of Telemarketer Centre**

- (i) The Telemarketer shall obtain the Telecom Resources from a Licensed Telecom Service Providers only.
- (ii) Telemarketer is permitted to have both way (incoming/outgoing) PSTN connectivity for Telemarketing activities.
- (iii) Telemarketer may have connectivity through leased lines/Internet/VPN for non voice applications to a remote location { clients /National Do Not Call registry (NDNC)}
- (iv) The Telemarketer shall not misuse the Telecom Resources for any other activity and shall be responsible for the same.
- (v) Telemarketer shall ensure complete separation between PSTN lines used for the purpose and any other Telecom resource being used in the same premises.
- (vi) Interconnection between Telemarketing Centres is not permitted.

## **4. Compliance to Directions/Orders:**

The Telemarketer shall comply with:

- (i) Guidelines for Telemarketer
- (ii) Orders/Directions issued by DoT
- (iii) Orders/Directions/Regulations issued by TRAI on Unsolicited Commercial Communication (UCC)

## **5. Restrictions on 'Transfer of Registration**

The Telemarketer shall not, without the prior written consent of DoT, either directly or indirectly, assign or transfer this Registration in any manner whatsoever to a third party or enter into any agreement for sub-leasing and/or partnership relating to any subject matter of the Registration to any third party either in whole or in part i.e. no sub-leasing/partnership/third party interest shall be created.

## **6. Requirement to furnish information:**

The Telemarketer shall furnish to DoT, on demand in the manner and as per the time frames such documents, accounts, estimates, returns, reports or other information in accordance with the rules/orders as may be prescribed from time to time.

## **7. Security Conditions:**

(i) The Telemarketer shall make available on demand to the person authorized by DOT, full access to their equipments for technical scrutiny and for inspection, which can be visual inspection or an operational inspection.

(ii) The Telemarketer will ensure that their equipment installations should not become a safety hazard and is not in contravention of any statute, rule or regulation and public policy.

(iii) The Telemarketer shall be required to provide the call data records of all the specified calls handled by the system at specified periodicity, as and when required by the security agencies.

(iv) Wherever considered appropriate, DoT may conduct any inquiry either suo-moto or on complaint to determine whether there has been any breach in compliance of the guidelines for Registration by the Telemarketer and upon such inquiry the Telemarketer shall extend all reasonable facilities without any hindrance.

## **8. Prohibition of certain Activities by the Telemarketer.**

(i) The Telemarketer shall not engage on the strength of this Registration in the provision of any Service other than telemarketing and/ or requiring separate Licence / permission.

(ii) The Telemarketer shall take necessary measures to prevent objectionable, obscene, unauthorized or any other content, messages or communications infringing copyright, intellectual property etc., in any form, consistent with the established laws of the country. Once specific instances of such infringement are reported to the Telemarketer by the enforcement agencies, the Telemarketer shall ensure that the carriage of such material is prevented immediately.

(iii) Telemarketer will not infringe on the jurisdiction of Licensed Telecom Service Providers and they shall neither provide switched telephony nor use telecom resources as Public Call Office (PCO).

## **9. Suspension, Surrender or Termination of Registration**

(i) The Department of Telecommunications, Ministry of Communications & Information Technology reserves the right to suspend the operation of this Registration at any time, if, in the opinion of DoT, it is necessary or expedient to do so in public interest or in the interest of the security of the State or for the proper conduct of the TELEGRAPH. If situation so warrant, it shall not be necessary for DoT to issue a notice for seeking comments of the Telemarketer for this purpose and the decision of DoT shall be final and binding.

(ii) Telemarketer may surrender the Registration, by giving 30 days notice to DoT.

(iii) Registration may be terminated for any failure to comply with the guidelines for Registration of Telemarketer.

## **PROCEDURE FOR REGISTRATION OF TELEMARKETER**

1. Applicant shall approach the access service provider for getting the provisional registration for Telemarketing along with the application form (TM-1).
2. Acknowledgement for the application shall be issued by the service provider which shall be treated as provisional registration for the Telemarketer for a period of three months. The provisional registration will authorize the Telemarketer to do Telemarketing activities during this period unless otherwise directed/instructed by the DOT/service provider.
3. Subsequently, a registration to the Telemarketer, valid for ten years, shall be issued by DOT.
4. Telemarketer shall make arrangements to get the calling list scrubbed by National Do Not Call (NDNC) Registry of NIC as per procedure laid down for the purpose.
5. Telemarketer shall be responsible for arranging resources for data connectivity to NDNC/Clients remote locations.

### **Unsolicited Commercial Communications - National Do Not Call Registry**

Please refer to paragraph 5 of our circular [DBOD.FSD.BC.19/24.01.011/2007-08](#) dated July 3, 2007 wherein banks were advised (i) not to engage Telemarketers (DSAs/DMA) who do not have any valid registration certificate from DoT, Govt of India, as telemarketers, (ii) to furnish the list of Telemarketers (DSAs/DMA) engaged by them along with the registered telephone numbers being used by them for making telemarketing calls to IBA to enable IBA to forward the same to TRAI and (iii) to ensure that all Telemarketers (DSAs/DMA) presently engaged by them register themselves with DoT as telemarketers .

2. On a review of the matter and also keeping in view the fact that the guidelines for 'telemarketers' issued by Department of Telecommunication(DoT), Govt. of India, defines a 'telemarketer' as any person/legal entity engaged in the activity of telemarketing (transmission of any message, through telecommunication service, for the purpose of soliciting or promoting any commercial transaction in relation to goods, investments or services), it has been decided, in consultation with TRAI, that in addition to DSAs/DMA, banks/their Call Centres, who make solicitation calls, are also required to be registered as Telemarketers with DoT. TRAI have also clarified that banks/their Call Centres, while registering themselves as Telemarketers, will be required to give the details of the telephone numbers used for telemarketing.
3. Incidentally, TRAI have advised us that the pace of registration of DSAs/DMA engaged by banks with DoT is very slow. Banks are therefore advised to ensure that all DSAs/DMA engaged by them register themselves with DoT as telemarketers at the earliest.

## **G.10. Branch Level Customer Service Committees**

In terms of recommendation no. 172 of the Working Group on Customer Service in Banks (Talwar Committee), banks were advised to establish customer service committees at branch level. Further, in terms of recommendation no. 3.68 of the Committee on Customer Service in Banks (Goiporia Committee), banks were advised to rejuvenate the branch level customer service committees. It is however understood that such Committees are either non-existent or in a dormant state.

2. In order to encourage a formal channel of communication between the customers and the bank at the branch level, banks are advised to take necessary steps for strengthening the branch level committees with greater involvement of customers. It is desirable that branch level committees include their customers too. Further as senior citizens usually form an important constituency in banks, a senior citizen may preferably be included therein.

3. The branch level committees may also submit quarterly reports giving inputs / suggestions to the Standing Committee on Customer Service thus enabling the Standing Committee to examine them and provide relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action. The Branch Level Customer Service Committee may meet at least once a month to study complaints/ suggestions, cases of delay, difficulties faced / reported by customers / members of the Committee and evolve ways and means of improving customer service.

## **Part II**

### **Code of Bank's Commitment to Customers**

July 1, 2006

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## **Introduction**

This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with individual **customers**. It provides protection to you and explains how banks are expected to deal with you for your day-to-day operations.

In the Code, '**you**' denotes the customer and '**we**', the bank the customer deals with.

### *1.1 Objectives of the Code*

The Code has been developed to

- a. promote good and fair banking practices by setting minimum standards in dealing with you;
- b. increase transparency so that you can have a better understanding of what you can reasonably expect of the services;
- c. encourage market forces, through competition, to achieve higher operating standards;
- d. promote a fair and cordial relationship between you and your bank;
- e. foster confidence in the banking system.

The standards of the Code are covered by the key commitments in Section 2.

### *1.2 Application of Code*

Unless it says otherwise, all parts of this Code apply to all the products and services listed below, whether they are provided by branches or subsidiaries across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method. However, all products discussed here may or may not be offered by all banks.

- a. **Current accounts**, savings account, term deposits, recurring deposit, PPF accounts and all other **deposit accounts**.
- b. Payment services such as pension, payment orders, remittances by way of Demand Drafts and wire transfers.
- c. Banking services related to Government transactions.
- d. **Demat accounts, equity, government bonds**.
- e. Indian currency notes exchange facility.
- f. Collection of cheques, safe custody services, safe deposit locker facility
- g. Loans and overdrafts.
- h. Foreign exchange services including money changing.
- i. Third party insurance and investment products sold through our branches.
- j. **Card** products including credit cards, debits cards, **ATM** cards and services (including credit cards offered by our subsidiaries/companies promoted by us).

The meanings of (key) words in bold black have been given in the Glossary.

## **2 Key Commitments**

### **2.1 Our key commitments to you**

#### ***2.1.1 To Act Fairly And Reasonably In All Our Dealings With You By:***

Providing minimum banking facilities of receipt and payment of cash/ cheques at the bank's counter.

Meeting the commitments and standards in this Code, for the products and services we offer, and in the procedures and practices our staff follow.

Making sure our products and services meet relevant laws and regulations in letter and spirit.

Ensuring that our dealings with you rest on ethical principles of integrity and transparency.

Operating secure and reliable banking and payment systems.

#### ***2.1.2 To Help You To Understand How Our Financial Products And Services Work By:***

Giving you information about them in any one or more of the following languages: Hindi, English or the appropriate local language.

Ensuring that our advertising and promotional literature is clear and not misleading.

Ensuring that you are given clear information about our products and services, the terms and conditions and the interest rates/service charges, which apply to them.

Giving you information on what are the benefits to you, how you can avail of the benefits, what are their financial implications and whom you can contact for addressing your queries and how.

#### ***2.1.3 To Help You Use Your Account Or Service By:***

Providing you regular appropriate updates.

Keeping you informed about changes in the interest rates, charges or terms and conditions.

#### ***2.1.4 To Deal Quickly And Sympathetically With Things That Go Wrong By:***

Correcting mistakes promptly and cancelling any bank charges that we apply due to our mistake.

Handling your complaints promptly.

Telling you how to take your complaint forward if you are still not satisfied (see para No. 7).

Providing suitable alternative avenues to alleviate problems arising out of technological failures.

#### ***2.1.5 To Treat All Your Personal Information as Private and Confidential***

We will treat all your personal information as private and confidential subject to matters mentioned in para number 5 below.

#### ***2.1.6 To Publicise the Code, We will***



- a. *provide you( existing customer) with a copy of the Code*
- b. *provide you ( new customer) with a copy of the Code when you open your account;*
- c. *make this Code available on request either over the counter or by electronic communication or mail;*
- d. *make available this Code at every branch and on our website; and*
- e. *ensure that our staff are trained to provide relevant information about the Code and to put the Code into practice.*

#### 2.1.7 To adopt and practice a Non - Discrimination Policy

We will not discriminate on the basis of age, race, gender, marital status, religion or disability.

### **3 Information**

You can get information on interest rates, common fees and charges through any one of the following:

Looking at the notices in our branches ;  
 Phoning our branches or help-lines;  
 Looking on our website;  
 Asking our designated staff/help desk ;or  
 Referring to the service guide/**Tariff Schedule**.

#### 3.1 Before You Become a Customer we will:

- a. give you clear information explaining the key features of the services and products you tell us you are interested in;
- b. give you information on any type of products and services which we offer and that may suit your needs;
- c. tell you if we offer products and services in more than one way [for example, through **ATMs**, on the Internet, over the phone, in branches and so on] and tell you how to find out more about them;
- d. tell you what information we need from you to prove your identity and address, for us to comply with legal, regulatory and internal policy requirements.

#### 3.2 When You Become a Customer, we will:

- a. give you more information on the key features of the product, including applicable interest rates/ fees and charges;
- b. give you extra information on your rights and responsibilities especially regarding availing of nomination facility offered on all **deposit accounts**, articles in safe custody and safe deposit vaults;
- c. automatically register your name under 'Do Not Call ' Service. We will not inform/extend to you through telephone calls/SMSs/ emails any new product /service unless and until you inform us in writing that you consent to avail of this information/ service.

### 3.3 Interest Rates

We will give you information on the interest rates which apply to your accounts, both deposit and loan. when we will pay interest on your deposits, or charge interest on your loan accounts. how we apply interest to your account and method of calculation of interest.

Changes in interest rates

We will inform you when we change interest rates on our products.

### 3.4 Tariff Schedule

#### *Fees & Charges*

- a. We will display in our branches :
  - i) a notice about the Tariff Schedule and that you can ask to see this free of cost ;
  - ii) a list of services which are rendered free of charge.
  - iii) A notice incorporating charges leviable for non maintenance of minimum balances in the savings bank account, collection of outstation cheques, issue of Demand Draft and cheques books, account statement , account closure and charges for deposit/withdrawal at ATM locations .
- b. We will give you details in our Tariff Schedule of any charges applicable to the products and services chosen by you.
- c. We will also provide you information about the penalties liable in case of non-observance/violation of any of the terms and conditions governing the product/ services chosen by you.

#### *Changes in Fees & Charges*

If we increase any of these charges or introduce a new charge, it will be notified one month prior to the revised charges being levied / becoming effective.

### 3.5 Terms and Conditions

When you become a customer or avail of a product/ service for the first time, we will advise you the relevant terms and conditions for the service you have asked us to provide.

All terms and conditions will be fair and will set out respective rights especially with regard to nomination facility and liabilities & obligations clearly and as far as possible in plain and simple language.

#### *Changes to Terms and Conditions*

When you become a customer, we will tell you of changes to terms and conditions through any of the following channels :-

- Account statements/ Pass book
- ATMS
- Notice Board at each branch
- Internet, including email and website
- Newspaper

Normally, changes will be made with prospective effect giving notice of one month.

If we have made any change without notice we will notify the change within 30 days. If such change is to your disadvantage, you may within 60 days and without notice close your account or switch it without having to pay any extra charges or interest.

If we have made a major change or a lot of minor changes in any one year, we will, on request give you a copy of the new terms and conditions or a summary of the changes.

#### **4 Advertising, Marketing and Sales**

We will make sure that all advertising and promotional material is clear, and not misleading.

In any advertising in any media and promotional literature that draws attention to a banking service or product and includes a reference to an interest rate, we will also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.

If we avail of the services of third parties for providing support services, we will require that such third parties handle your personal information (if any available to such third parties) with the same degree of confidentiality and security as we would.

We may, from time to time, communicate to you various features of our products availed by you. Information about our other products or promotional offers in respect of our products/services, will be conveyed to you only if you have given your consent to receive such information/ service either by mail or by registering for the same on our website or on our phone banking/customer service number.

We have prescribed a code of conduct for our Direct Selling Agencies (DSAs) whose services we may avail to market our products/ services which amongst other matters requires them to identify themselves when they approach you for selling our products personally or through phone.

In the event of receipt of any complaint from you that our representative/courier or DSA has engaged in any improper conduct or acted in violation of this Code, we shall take appropriate steps to investigate and to handle the complaint and to make good the loss.

#### **5 Privacy and Confidentiality**

We will treat all your personal information as private and confidential [even when you are no longer a customer], and shall be guided by the following principles and policies. We will not reveal information or data relating to your accounts, whether provided by you or otherwise, to anyone, including other companies entities in our group, other than in the following exceptional cases:

- a. If we have to give the information by law
- b. If there is a duty towards the public to reveal the information
- c. If our interests require us to give the information (for example, to prevent fraud) but we will not use this as a reason for giving information about you or your accounts [including your name and address] to anyone else, including other companies in our group, for marketing purposes
- d. If you ask us to reveal the information, or if we have your permission
- e. If we are asked to give a banker's reference about you, we will need your written permission before we give it.
- f. We, will explain to you the extent of your rights under the existing legal framework for accessing the personal records that we hold about you

- g. We will not use your personal information for marketing purposes by anyone including ourselves unless you specifically authorize us to do so.

### **5.1 Credit Reference Agencies**

When you open your account, we will tell you when we may pass your account details to credit reference agencies and the checks we may make with them.

We may give information to credit reference agencies about the personal debts you owe us if:

- You have fallen behind with your payments;
- The amount owed is not in dispute; and
- You have not made proposals we are satisfied with for repaying your debt, following our formal demand

In these cases, we will intimate you in writing that we plan to give information about the debts you owe us to credit reference agencies. At the same time, we will explain to you the role of credit reference agencies and the effect the information they provide can have on your ability to get credit.

We may give credit reference agencies other information about the day-to-day running of your account if you have given us your permission to do so.

We will provide you with a copy of the information that we have given to the credit reference agencies about you, or provide their leaflets that explain how credit referencing works.

## **6 Collection of Dues**

Whenever we give loans, we will explain to you the repayment process by way of amount, tenure and periodicity of repayment. However if you do not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding you by sending you notice or by making personal visits and/ or repossession of **security** if any.

Our collection policy is built on courtesy, fair treatment and persuasion. We believe in fostering customer confidence and long-term relationship. Our staff or any person authorized to represent us in collection of dues or/and security repossession will identify himself/herself and display the authority letter issued by us and upon request display(ing) to you his/ her identity card issued by the bank or under authority of the bank. We will provide you with all the information regarding dues and will endeavor to give sufficient notice for payment of dues.

All the members of the staff or any person authorised to represent our bank in collection or/and security repossession would follow the guidelines set out below:

You would be contacted ordinarily at the place of your choice and in the absence of any specified place at the place of your residence and if unavailable at your residence, at the place of business/occupation.

Identity and authority to represent would be made known to you at the first instance.

Your privacy would be respected.

Interaction with you would be in a civil manner

Normally our representatives will contact you between 0700 hrs and 1900 hrs, unless the special circumstances of your business or occupation require otherwise.

Your requests to avoid calls at a particular time or at a particular place would be honored as far as possible.

Time and number of calls and contents of conversation would be documented.

All assistance would be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.

During visits to your place for dues collection, decency and decorum would be maintained.

Inappropriate occasions such as bereavement in the family or such other calamitous occasions would be avoided for making calls/visits to collect dues.

#### 6.1 *Security Repossession Policy Statement.*

We will follow a security repossession policy in consonance with the law. A copy of the policy will be made available on request.

### **7 Complaints, Grievances and Feedback**

#### 7.1 *Internal Procedures*

If you want to make a complaint, we will tell you

- i) How to do this
- ii) Where a complaint can be made
- iii) How a complaint should be made
- iv) When to expect a reply
- v) Whom to approach for redressal
- vi) What to do if you are not happy about the outcome.
- vii) Our staff will help you with any questions you have.

When you become a customer, we will tell you where to find details of our procedure for handling complaints fairly and quickly.

If your complaint has been received in writing, we will endeavour to send you an acknowledgement/ response within a week. If your complaint is relayed over phone at our designated telephone helpdesk or customer service number we shall provide you a complaint reference number and keep you informed of the progress within a reasonable period of time.

After examining the matter, we will send you our final response or explain why we need more time to respond and shall endeavour to do so within six weeks of receipt of your complaint and will tell you how to take your complaint further if you are still not satisfied.

#### 7.2 *Banking Ombudsman Service*

- a. We will display on our website and in all our branches a notice explaining that we are covered by the **Banking Ombudsman** Scheme, 2006 of the Reserve Bank of India. Copy will be made available on request at a nominal charge.
- b. Within 30 days of lodging a complaint with us, if you do not get a satisfactory response from us and you wish to pursue other avenues for redressal of grievances, you may approach Banking Ombudsman

appointed by Reserve Bank of India under Banking Ombudsman Scheme, 2006. Salient features of the Banking Ombudsman Scheme are displayed in the branch notice boards and the scheme itself is displayed on our website. Our staff would explain the procedure in this regard.

## **8. Products and Services**

### *8.1 Deposit Accounts*

You may open different type of accounts with us such as, **savings** accounts, **term** deposits, **current** accounts including '**No Frills**' Account etc with us. You may open such accounts in the following styles

- Single
- Joint
- Joint (Either or Survivor)
- Joint (Former or Survivor)
- Joint (Latter or Survivor)
- Or in any other style

The above may be opened by you with or without nomination facility. We will explain the implications of the foregoing accounts as also the nomination facilities at the time of opening of the account.

We will also inform you about liquid deposit facility, sweep account and similar types of products offered by us and their implications and procedures involved, at the time of opening of account.

### *Account Opening and Operation of Deposit Accounts*

Before opening any deposit account, we will carry out due diligence as required under "Know Your Customer" (KYC) guidelines of the bank ;

ask you to submit or provide necessary documents or proofs to do so;

obtain only such information to meet with our KYC ,Anti Money Laundering or any other statutory requirements . In case any additional information is asked for, it will be sought separately and we will specify the objective of obtaining such additional information. Providing such information will be voluntary;

provide the account opening forms and other material to you. The same will contain details of essential information required to be furnished and documents to be produced for verification and/or for record for meeting the KYC requirements;

explain the procedural formalities and provide necessary clarifications sought by you while opening a deposit account;

at the time of opening of the account, make available to you the details of the insurance cover in force under the insurance scheme, subject to certain limits and conditions offered by the Deposit Insurance and Credit Guarantee Corporation of India (DICGC);

### *Changing your account*

- a. If you are not happy about your choice of current or savings account (except for term deposit account) within 14 days of making your first payment into the account , we will help you switch to another of our accounts or we will give your money back with any interest it may have earned. We will ignore any notice period and any extra charges.
- b. If you decide to close your current/savings account we will close your account within five working days of receiving your instructions.

- c. If you want to transfer your account to another branch of our bank we will do so. Your account at the new branch will be operationalised within two weeks of receiving your request, subject to your complying with the required KYC formalities at the new branch. We will intimate you as soon as the account is operationalised. The new branch will be provided with information on your standing instructions/direct debits if any.
- d. We will cancel any bank charges you would have to pay as a result of any mistake or unnecessary delay by us when you transfer your current account to or from us.

### 8.1.1 Savings/Current Accounts

When you open a Deposit Account, we will

- a. inform you about number of transactions, cash withdrawals, etc., that can be done free of charge within a given period;
- b. inform you about the kind of charges, if any, in case of exceeding such limits. Details of the charges will be included in the Tariff Schedule;
- c. inform you of the rate at which interest is paid on your savings deposits, how it is calculated and its periodicity.

#### *Minimum balance*

The minimum balance to be maintained in the Saving Bank account will be displayed in our branches.

For deposit products like Savings Bank Account and Current Account or any other type of Deposit Account, we will inform you

- a. about minimum balances to be maintained as part of terms and conditions governing operation of such accounts;
- b. about charges which will be levied in case of failure to maintain minimum balance in the account by you. Details of the charges will be included in the Tariff Schedule.

#### *Charges*

Specific charges for issue of cheque books, additional/duplicate statement of accounts, duplicate pass book, copies of paid cheques, folio charges, debit **card, ATM** card, verification of signature, return of cheque for insufficient balance, change in mandate or style of account etc., will be included in our Tariff Schedule. Concessions or relief given (such as perpetual waiver of renewal fee on lifetime credit cards) will not be withdrawn during the original validity period of the concession/relief.

#### *Statements*

To help you manage your account and check entries in it, we will provide you with a monthly statement of account, unless this is not appropriate for the type of account you have [like an account where you have a passbook].

You can ask us to provide you with account statements more often than is normally available on your type of account, at a charge. This charge will be indicated in the Tariff Schedule.

You will be able to see your last few transactions at the counter. You will also be able to see the transactions on ATM or through your Internet account wherever such facilities are available with us.

We will also send you statement of accounts by e-mail, or through our secure Internet banking service, if you so desire, provided we have such facility with us.

### 8.1.2 *Term Deposits*

#### *Premature Withdrawal of Term Deposit*

We will

- a. inform you the procedure for withdrawal of term deposit before maturity;
- b. disclose the interest rates policy for premature withdrawal of term deposit.

#### *Renewal of Overdue Term Deposits*

We will tell you the interest rate applicable in case you renew the deposits after the date of maturity.

#### *Advances against Deposits*

We will explain facility of loan/overdraft available against term deposits.

### 8.1.3 *'No Frills' Account*

We will make available a basic banking '**No Frills**' Account either with 'nil' or very low minimum balances. The charges applicable for various services/ products in such an account will be indicated in a separate Tariff Schedule. The nature and number of transactions in such accounts may be restricted, which will be made known to you at the time of opening of the account in a transparent manner.

### 8.1.4 *Accounts of Minors*

We will tell you if enquired how a minor can open a Deposit Account and how it can be operated.

### 8.1.5 *Special Accounts*

We will make our best efforts to make it easy and convenient for our special customers like senior citizens, physically challenged persons and illiterate persons to bank with us. This will include making convenient policies, products and services for such applicants and **customers**.

We will inform the procedure for opening of the account and other terms and conditions to blind /other physically challenged persons provided he/she calls on the Bank personally along with a witness who is known to both such person and the bank.

Normally no cheque book facility is provided to illiterate persons and blind persons. However, to meet periodic repayment of retail loans, utility bills etc. we will consider issuing of cheque book with safeguards to protect your interest.

### 8.1.6 *Dormant/ Inoperative Accounts*

We will

- a. tell you when you open your account, what period of inoperation of the account would render your account being classified as **dormant/ inoperative** account. You will also be informed three months before your account is classified as dormant, inoperative or treated as unclaimed account and the consequences including the charges for reactivation thereof as per the Tariff Schedule;
- b. tell you the procedure to be followed if you want to activate the account .



### *8.1.7 Closing Your Account*

Under normal circumstances, we will not close your account without giving you at least 30 days notice. Examples of circumstances, which are not 'normal', include improper conduct of account etc. In all such cases, you will be required to make alternate arrangements for cheques already issued by you and desist from issuing any fresh cheques on such account.

## *8.2 Clearing Cycle / Collection Services*

We will

tell you about the clearing cycle for local instruments and the outstation instruments including details such as when you can withdraw money after lodging collection instruments and when you will be entitled to earn delayed interest as per our **Cheque Collection Policy**.

provide details, if we offer immediate credit for outstation cheques, including the applicable terms and conditions, such as the limit up to which instruments tendered by you can be credited, operating accounts satisfactorily, etc.

proceed as per our cheque collection policy and provide all assistance for you to obtain a duplicate cheque/instrument in case a cheque instrument tendered by you is lost in transit.

give the above information when you open your account and whenever you ask us. If there is any change in our policy, the revised policy will be displayed on our website and at all our branches.

## *8.3 Cash Transactions*

We will accept cheques/ cash and dispense cash at counters wherever your account is maintained. We will exchange soiled/mutilated notes and/ or small coins at such of our branches as per RBI Directives.

For transactions above a specified amount we may require you to furnish your **PAN Number**.

### *8.3.1 Direct debits and standing instructions*

We will

at the time of opening the account tell you how direct debits/standing instructions work and how you may record/cancel them and the charges connected with them. Charges will be levied as per the Tariff Schedule as amended from time to time;

act upon mandates given by you for direct debits [say Electronic Clearing Service ( ECS)] and other standing instructions. In case of any delay or failure in executing the mandate resulting in financial loss or additional cost, we will compensate as per the compensation policy of the bank. If the mandate cannot be executed due to insufficient balance in your account, we will levy charges as per the Tariff Schedule as amended from time to time;

send a remittance advice to the recipient of the remittance at the time of making the remittance in case of Electronic Clearing Service (ECS) when we act as an agent of the remitter;

refund your account with interest as soon as it is determined that it is unauthorisedly/erroneously debited from your account under a direct debit and compensate you as per the compensation policy of the bank;

#### 8.4 Stop Payment Facility

We will

accept stop payment instruction from you in respect of cheques issued by you. Immediately on receipt of your instructions we will give acknowledgement and take action provided these cheques have not already been cleared by us.

levy charges, if any, and the same will be included in the Tariff Schedule as amended from time to time.

In case a cheque has been paid after stop payment instructions are acknowledged, we will reimburse and compensate you as per the compensation policy of the bank.

#### 8.5 Cheques / Debit instructions issued by you

We will

- a. keep original cheques/debit instructions paid from your account or copies or images of the same, for such periods as required by law;
- b. give you the cheque /debit instruction or a copy thereof as evidence as long as records are available with us. If there is a dispute about a cheque paid/debit instructions from your account, in case the request is made within a period of one year, no charge will be levied and beyond a period of one year charges will be levied as per the Tariff Schedule;
- c. tell you how we will deal with **unpaid cheques** and **out-of-date [stale] cheques**. We will charge for the cheques returned unpaid for want of balance in the account. The details of charges to be levied will be included in the Tariff Schedule as amended from time to time.

#### 8.6 Branch closure/ shifting

If we plan to close our branch or if we move our branch, we will give you

- a. notice of three months if there is no other branch of any bank functioning at your centre and inform you how we will continue to provide banking services to you;
- b. notice of two months , if there is a branch of any other bank functioning at your centre.

#### 8.7 Settlement of claims in respect of Deceased Account holders

8.7.1 We will follow a simplified procedure for settlement of accounts of deceased accounts holders.

*a. Accounts with survivor/nominee clause*

In case of a deposit account of a deceased depositor where the depositor had utilized the nomination facility and made a valid nomination or where the account was opened with the survivorship clause ("either or survivor", or "anyone or survivor", or "former or survivor" or "latter or survivor"), the payment of the balance in the deposit account to the survivor(s)/nominee of a deceased deposit account holder will be made provided

- i) the identity of the survivor(s)/nominee(s) and the fact of the death of the account holder, is established through appropriate documentary evidence;
- ii) there is no order from the competent court restraining the bank from making the payment from the account of the deceased; and
- iii) it has been made clear to the survivor(s) / nominee that he would be receiving the payment from the bank as a trustee of the legal heirs of the deceased depositor, i.e., such payment to

him shall not affect the right or claim which any person may have against the survivor(s) / nominee to whom the payment is made.

The payment made to the survivor(s) / nominee, subject to the foregoing conditions, would constitute a full discharge of the bank's liability. In such cases, payment to the survivor(s) / nominee of the deceased depositors will be made without insisting on production of succession certificate, letter of administration or probate, etc., or obtaining any bond of indemnity or surety from the survivor(s)/nominee, irrespective of the amount standing to the credit of the deceased account holder.

*b. Accounts without the survivor/nominee clause*

In case where the deceased depositor had not made any nomination or for the accounts other than those styled as "either or survivor" (such as single or jointly operated accounts), we will adopt a simplified procedure for repayment to legal heir(s) of the depositor keeping in view the imperative need to avoid inconvenience and undue hardship to the common person. Keeping in view our risk management systems, we will fix a minimum threshold limit, for the balance in the account of the deceased depositors, up to which claims in respect of the deceased depositors could be settled without insisting on production of any documentation other than a letter of indemnity.

*c. Premature Termination of term deposit accounts*

In the case of term deposits, we will incorporate a clause in the account opening form itself to the effect that in the event of the death of the depositor, premature termination of term deposits would be allowed. The conditions subject to which such premature withdrawal would be permitted would also be specified in the account opening form. Such premature withdrawal would not attract any penal charge.

*d. Treatment of flows in the name of the deceased depositor*

In order to avoid hardship to the survivor(s) / nominee of a deposit account, we will obtain appropriate agreement / authorization from the survivor(s) / nominee with regard to the treatment of pipeline flows in the name of the deceased account holder. In this regard, we will consider adopting either of the following two approaches:

- i) We could be authorized by the survivor(s) / nominee of a \_\_\_\_\_ deceased account holder to open an account styled as 'Estate of Shri \_\_\_\_\_, the Deceased' where all the pipeline flows in the name of the deceased account holder could be allowed to be credited, provided no withdrawals are made.

OR

- ii) We could be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark "Account holder deceased" and to intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument or through ECS transfer in the name of the appropriate beneficiary.

*8.7.2 Time limit for settlement of claims*

We will endeavor to settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee(s) within a period not exceeding 15 days from the date of receipt of the claim subject to the production of proof of death of the depositor and suitable identification of the claim(s), to the bank's satisfaction.

## 8.8 *Safe Deposit Lockers*

We will give you the complete details of the rules and the procedures applicable for the safe deposit lockers and also safe deposit of valuables, in case we offer the service.

## 8.9 *Foreign Exchange Services*

- a. When you buy or sell foreign exchange, we will give you information on the services, details of the exchange rate and other charges which apply to foreign exchange transactions. If this is not possible, we will tell you how these will be worked out.
- b. If you want to transfer money abroad, we will tell you how to do this and will give you:  
A description of the services and how to use them;

Details of when the money you have sent abroad should get there and the reasons for delays, if any.

The exchange rate applied when converting to the foreign currency (if this is not possible at the time of the transaction, we will let you know later what the rate is);

Details of any commission or charges, which you will have to pay and a warning that the person receiving the money may also, have to pay the foreign bank's charges.

We will tell you if the information provided by you for making a payment abroad is adequate or not. In case of any discrepancies or incomplete documentation, we will advise you immediately and assist you to rectify/complete the same.

If money is transferred to your bank account from abroad, we will tell you the original amount received and charges if any levied. If the sender has agreed to pay all charges, we will not take any charges when we pay the money into your account.

We will guide you about regulatory requirements or conditions relating to foreign exchange services offered by us as and when requested by you.

In case of delay beyond the day when the amount is due for credit, you will be compensated (a) for any loss on account of interest for due period beyond the due date and (b) also for adverse movement of forex rate as per the compensation policy of the bank.

All certificates required to be issued under regulatory/statutory instructions will be issued free of charge.

## 8.10 *Remittances within India*

If you want to remit money within India we will inform you how to effect and will

- a. give description of services and how to use them;
- b. suggest to you the best way to send the money to suit your needs;
- c. disclose the details of all charges including commission that you will have to pay for the service as per the Tariff Schedule as amended from time to time.

In case of any delay we will compensate you as per the compensation policy of the bank for the loss/additional expenses incurred by you.

### 8.11 Lending

Before we lend you any money or increase your overdraft, credit card limit or other borrowing, we will assess whether you will be able to repay it.

If we cannot help you, we will communicate in writing the reason(s) for rejection where the amount of loan applied for does not exceed Rupees Two Lakhs. If you want us to accept a guarantee or other security from someone for your liabilities, we may ask you for your permission to give confidential information about your finances to the person giving the guarantee or other security, or to their legal adviser. We will also:

- a. encourage them to take independent legal advice to make sure that they understand their commitment and the possible consequences of their decision( where appropriate, the documents we ask them to sign will contain this recommendation as a clear and obvious notice);
- b. tell them that by giving the guarantee or other security they may become liable instead of, or as well as, you; and
- c. tell them what their liability will be .

#### 8.11.1 Loan Products

Applications for loans and their processing

- a. At the time of sourcing a loan product, we will provide information about the, interest rates applicable, as also the fees/charges, if any, payable for processing, pre-payment options and charges if any and any other matter which affects the interest of the borrower, so that a meaningful comparison with those of other banks can be made and informed decision can be taken by you.
- b. Normally all particulars required for processing the loan application will be collected by us at the time of application. In case we need any additional information we will contact you immediately.
- c. We will convey you the credit limit along with the terms and conditions thereof.
- d. We will supply authenticated copies of all the loan documents executed by you at our cost along with a copy each of all enclosures quoted in the loan document on request;
- e. We will not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude us from instituting or participating in schemes framed for different sections of the society.
- f. We will process request for transfer of borrowal account, either from the borrower or from a bank/financial institution, in the normal course.

### 8.12 Guarantee

When you are considering to be a guarantor to a loan, we will tell you about

- a. your liability as guarantor;
- b. the amount of liability you will be committing yourself to the bank;
- c. circumstances in which we will call on you to pay up your liability;
- d. whether we have recourse to your other monies in the bank if you fail to pay up as a guarantor;

- e. whether your liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- f. time and circumstances in which your liabilities as a guarantor will be discharged as also the manner in which we will notify you about this

We will keep you informed of any material adverse change/s in the financial position of the borrower to whom you stand as a guarantor.

### *8.13 General Information*

We will:

- a. Give you information explaining the key features of our loan and credit card products including applicable fees and charges while communicating the sanction of the loan/credit card
- b. Advise you what information/documentation we need from you to enable you to apply. We will also, advise you what documentation we need from you with respect to your identity, address, employment etc., and any other document that may be stipulated by statutory authorities (e.g. PAN details), in order to comply with legal and regulatory requirements
- c. Verify the details mentioned by you in the credit card application by contacting you at your residence and / or on business telephone numbers and / or physically visiting your residence and/or business addresses through agencies appointed by us for this purpose, if deemed necessary by us.
- d. If we offer you an overdraft, or an increase in your existing overdraft limit, we will tell you if your overdraft is repayable on demand or otherwise. We will, if required also advise about the method of calculation of overdrawn amount thereof and also the computation of interest on overdue loan amount .

### *8.14 Credit card*

#### *8.14.1 General information*

- a. While you apply for **card**, we will explain the relevant terms and conditions such as fees and interest charges, billing and payment, method of computation of overdues renewal and termination procedures, and any other information that you may require to operate the card.
- b. We will advise you of our targeted turn around time while you are availing / applying for a product / service.
- c. We will send a service guide/member booklet giving detailed terms and conditions, losses on your account that you may be liable if your card is lost / misused and other relevant information with respect to usage of your card along with your first card.
- d. If you do not recognize a transaction, which appears on your card statement, we will give you more details if you ask us. In cases, where we do not accept your contention we will give you evidence that you had authorized the transaction, in question.

#### 8.14.2 Issuance of Credit Card / PIN

- a. We will dispatch your credit card /PIN only to the mailing address mentioned by you or to the alternate address provided by you (if we are unable to deliver at the mailing address) through courier / post. Alternatively, if you desire we shall deliver your credit card/PIN at our branches after due identification.
- b. We may also issue deactivated (not ready to use) credit card if we consider your profile appropriate for issuing credit card and such deactivated card will become active only after you take steps for activation as required and subject to such other conditions as may be specified.
- c. We will extend a loan/credit facility/enhance credit limit on your card only with your consent.
- d. PIN (personal identification number) whenever allotted, will be sent to you separately at your mailing address.

#### 8.14.3 Credit card statements

- a. To help you manage your credit card account and check details of purchases/cash drawings using the credit card, we will offer you free of cost a facility to receive credit card transaction details either via monthly **mail** and if you so desire, also through the internet. Credit card statement will be dispatched on a predetermined date of every month free of cost at your mailing address.
- b. In the event of non-receipt of this information, we expect you to get in touch with us so that we can arrange to resend the details to enable you to make the payment and highlight exception, if any in a timely manner.
- c. We will let you know / notify changes in schedule of fees and charges and terms and conditions. Normally, changes (other than interest rates and those which are a result of regulatory requirements) will be made with prospective effect giving notice of at least one month. The changes will be notified along with the monthly statement of account or copy thereof.

### 9 Protecting Your Accounts

#### 9.1 Secure and Reliable Banking and Payment Systems

We will co-operate as an industry so that you enjoy secure and reliable banking and **payment systems** you can trust. We will install CCTV for close surveillance as part of security arrangements.

#### 9.2 Keeping Us Up To Date

Please make sure you let us know as soon as possible when you change your:

- a. Name;
- b. Address;
- c. Phone number; or
- d. E-mail address (if this is how we communicate with you).

### 9.3 Checking Your Account

- a. We recommend that you check your statement or passbook regularly. If there is an entry, which seems to be wrong, you should tell us as soon as possible so that we can investigate the same. Regular checks on direct debits and standing orders will help you be sure the money is going where you want it to.
- b. If we need to investigate a transaction on your account, you should co-operate with us and with the police/ other investigative agencies if we need to involve them.

### 9.4 Taking Care

The care of your cheques, passbook, cards, PINs and **other security information** by you, is essential to help prevent fraud and protect your accounts. Please make sure that you follow the advice given below:

#### a. Do not

- i) keep your cheque book and cards together;
- ii) keep the blank cheque leaves signed;
- iii) allow anyone else to use your card, PIN, **password** or other security information;
- iv) write down or record your PIN, password or other security information;
- v) give your account details password or other security information to anyone.

#### b. Always

- i) write clearly the name of the person you are paying the cheque to, if you send cheque through the post, it will help to prevent fraud. We will recommend that you write such cheques for instance with carbon paper on the reverse to avoid chemical alterations;
- ii) choose your new PIN carefully ,if you change your PIN ;
- iii) memorize your PIN, password and other security information, and destroy the written communication if any of the same as soon as you receive it;
- iv) take reasonable steps to keep your card safe in your personal custody and your PIN, password and other security information secret at all times;
- v) keep your card receipts safe and dispose them off carefully
- vi) write on the cheque the name of the account holder [ABC Bank Account - XYZ], if you are paying a cheque into a bank account .You should draw a line through unused space on the cheque so unauthorized person cannot add extra numbers or names.

c. We will advise you what you can do to protect your card/ cheque book from misuse

d. In the event your cheque book, passbook or ATM/Debit card has been lost or stolen, or that someone else knows your PIN or other security information, we will, on your notifying us, take immediate steps to try to prevent these from being misused.

e. It is essential that you tell us as soon as you can if you suspect or discover that your cheque book, passbook, card has been lost or stolen or



someone else knows your PIN, password or other security information.

- f. You could tell us about the loss by phone at our 24 hour toll free number given to you and send us a written confirmation to that effect immediately. Alternatively, you may advise us by email to the address we have given you for this purpose.
- g. You may be liable for misuses until the time that we have been notified.

### 9.5 *Internet Banking*

Online banking is safe and convenient as long as you take a number of simple precautions. Please make sure you follow the advice given below:

- a. Visit our Internet banking site directly. Avoid accessing the site through a link from another site or an email and verify the domain name displayed to avoid spoof websites.
- b. Ignore any e-mail asking for your password or PIN and inform us of the same for us to investigate the same. Neither the police nor we will ever contact you to ask you to reveal your online banking or payment card PINs, or your password information.
- c. We advise you not to use cyber cafés /shared PCs to access our Internet banking site.
- d. We advise you to update your PC with latest anti-virus and spy ware software regularly. You may install security programmes to protect against hackers, virus attacks or malicious 'Trojan Horse' programmes. A suitable firewall installed in a computer to protect your PC and its contents from outsiders on the Internet is recommended.
- e. Disable the 'File and Printing Sharing' feature on your operating system.
- f. Log off your PC when not in use.
- g. Do not store your ID/PIN in the Internet Explorer Browser.
- h. Check your account and transaction history regularly.
- i. Follow our advice – our websites are usually a good place to get help and guidance on how to stay safe online.

### 9.6 *Cancelling Payments*

If you want to cancel a payment or series of payments you have authorised, you should do the following:

- a. To stop payment of a cheque or cancel standing instruction given, or a direct debit you must tell us in writing.
- b. To cancel a direct debit, you inform us. We recommend that you inform the **originator** of the direct debit also.
- c. It may not be possible to cancel payments if you do not give notice of your decision to cancel.
- d. Cancellation of credit card payments will be subject to other terms and conditions as may be stipulated.

## 9.7 *Liability for Losses*

- a. If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, and this causes losses, you may be responsible for them.
- b. Unless you have acted fraudulently or without reasonable care, your liability for the misuse of your card will be limited to the amount stipulated in the terms and conditions governing the issue of the card.
- c. You may be liable for misuses on account of loss of your PIN or compromise of your password or of other secured information until the time that we have been notified and we have taken steps to prevent misuse.

## **10 MONITORING**

The Banking Codes and Standards Board of India whose directors include members of the Governing Council monitor the Code. The contact details are as follows:

**The Banking Codes and Standards Board of India  
Reserve Bank of India Building,  
C-7 , 4th floor , Bandra Kurla Complex,  
Mumbai-400051**

**Telephone: 022-26573716 ; Fax: 022- 26573719** Email: [ceo.bcsbi@rbi.org.in](mailto:ceo.bcsbi@rbi.org.in) ; Website: [www.bcsbi.org.in](http://www.bcsbi.org.in)

## 11. **Getting Help**

If you have any enquiries about the Code, you should contact us at our designated telephone helpdesk or customer service number or contact the Indian Banks' Association at the following address.

**Indian Banks' Association  
Stadium House, Block II & III  
Veer Nariman Road, Mumbai 400 020  
Tel. No. 022-22844999 Fax: 022-22835638  
Email: [ibastadium@vsnl.net](mailto:ibastadium@vsnl.net) Website: [www.iba.org.in](http://www.iba.org.in)**

Or, contact the Banking Codes and Standards Board of India at the address above.

11.1 We will have notices in all our branches and on our website explaining that copies of the Code are available and how you can get one and that we will make a copy available to you on request.

## 12 **Review of the Code**

This Code will be reviewed within a period of three years. The review will be undertaken in a transparent manner.

These definitions explain the meaning of words and terms used in the Code. They are not precise legal or technical definitions.

**ATM**

An automated teller machine [ATM] is a machine in which a customer can use their card along with PIN to get cash, information and other services.

**Banking Ombudsman**

An independent dispute resolution authority set up by the Reserve Bank to deal with disputes that individuals and small business have with their banks.

**Card**

A general term for any plastic card, which a customer may use to pay for goods and services or to withdraw cash. In this Code, it includes debit, credit, or ATM cards.

**Credit Card**

A Credit Card is a plastic card with a credit facility, which allows you to pay for goods and services or to withdraw cash

**Cheque Collection Policy**

Cheque Collection Policy refers to the policy followed by a bank in respect of the various local cheques and outstation instruments deposited with the bank for credit to an account . The policy inter-alia deals with

- cheque purchase requests
- time frame for credit of cheques
- payment of interest in case of delay in collection of cheques
- instant credit of local and outstation cheques
- cheques instruments lost in transit and charges for such collection

**Customer**

A person who has an account [including a joint account with another person or an account held as an executor or trustee or as a Karta of an HUF, but not including the accounts of sole traders/ proprietorships , partnerships, companies, clubs and societies] or who avails of other products/ services from a bank.

**Current Account**

A form of demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount.

**Deceased Account**

A Deceased account is a deposit account in which case either the single account holder has deceased or in case of joint accounts one or more of joint account holders has/have deceased

**Demat Account**

A Demat account refers to dematerialised account and is an account in which the stocks of investors are held in electronic form.

**Deposit Accounts:**

"**Savings deposits**" means a form of demand deposit which is subject to restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the Bank during any specified period;

"**Term deposit**" means a deposit received by the Bank for a fixed period withdrawable only after the expiry of the fixed period and includes deposits such as Recurring / Double Benefit Deposits / Short Deposits / Fixed Deposits /Monthly Income Certificate /Quarterly Income Certificate etc.

"**Notice Deposit**" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice;

**Dormant / Inoperative Account**

A dormant/inoperative account is a savings bank or current account which is not operated upon for a period specified by the bank.

**Equity**

Equity means a part of capital of a corporate entity which is represented by the shares of the company whether in physical or in dematerialised form.

**Electronic Clearing System**

The Electronic Clearing System (ECS) is an online transmission system which permits the electronic transmission of payment information by the banks / branches to the Automated Clearing House (ACH) via a communication network.

**Guarantee**

A promise given by a person

**Government Bond**

Government bond means a security, created and issued, by the Government for the purpose of raising a public loan.

**Mail**

A letter in a physical or electronic form.

**'No Frills' Account**

'No Frills' account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low. Services available to such account is limited.

**Nomination facility**

The nomination facility enables the bank to :  
make payment to the nominee of a deceased depositor, of the amount standing to the credit of the depositor,  
return to the nominee, the articles left by a deceased person in the bank's safe custody,  
release to the nominee of the hirer, the contents of a safety locker, in the event of the death of the hirer.

**Originator**

An organization, which collects payments from a customer's account in line with customer's instructions.

**Other security information**

A selection of personal facts and information [in an order which the customer knows], which may be used for identification when using accounts.

**Out-of-date [stale] cheque**

A cheque, which has not been paid because the date written on the cheque is of a date exceeding six months from the time of its presentation.

**PAN Number**

The Permanent Account Number is an all India unique Number having ten alphanumeric Characters allotted by the Income Tax Department, Government of India. It is issued in the form of a laminated card. It is permanent and will not change with change of address of the assessee or change of Assessing Officer.

**Password**

A word or numbers or a combination or an access Code, which the customer has chosen, to allow them to use a phone or Internet banking service. It is also used for identification.

**Payment and Settlement Systems**

Payments and Settlement Systems mean financial system creating the means for transferring money between suppliers and user of funds usually by exchanging debits or credits among financial institutions.

**PIN [personal identification number]**

A confidential number, use of which along with a card allows customers to pay for articles/ services, withdraw cash and use other electronic services offered by the bank.

**Security**

Represents assets used as support for a loan or other liability.

**Senior Citizen**

Senior Citizen is a person of over sixty years of age.

**Tariff Schedule**

The charges levied by a bank on the products and services offered by it to its customers

**Unpaid Cheque**

This is a cheque, which is returned 'unpaid' [bounced] by the bank.

## MASTER CIRCULARS

- ❖ **Master Circular on Customer Service – UCBs**
- ❖ **Master Circular on Credit Card Operations of banks**
- ❖ **Master Circular - Interest Rates on Advances**

**RBI/2007-2008/81**

UBD.BPD.(PCB).MC.No.8/09.39.000/2007-08

July 4 , 2007

Chief Executive Officers of  
All Primary (Urban) Co-operative Banks

Dear Sir,

### **Master Circular on Customer Service - UCBs**

Please refer to our Master Circular UBD.BPD.(PCB).MC No. 5/ 09.39.00/2006-07 dated July 6, 2006 on the captioned subject (available at RBI website [www.rbi.org.in](http://www.rbi.org.in)). The enclosed Master Circular consolidates and updates all the instructions/guidelines on the subject up to June 30, 2007.

Yours faithfully,

**(N.S.Vishwanathan)**  
Chief General Manager-in-Charge

## Master Circular on Customer Service

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## Master Circular on Customer Service

### 1. Introduction

The quality of customer service in primary (urban) co-operative banks has to be high as they are established primarily to fill the existing gaps in banking and credit needs in urban and semi urban areas. Meeting the legitimate aspirations of its customers will enable the bank to maintain its image, create confidence and attract funds comparatively at low cost in a competitive environment. Ensuring improvement in the customer service rendered by the banks has been the constant endeavour of RBI. RBI had set up in 1990 a Committee headed by Shri M.N.Goiporia, the then Chairman of SBI. The Committee had made various recommendations to ensure improvement in the customer service in the banks. In addition, RBI has also issued various guidelines on the subject in general and on specific aspects relating to immediate credit for the outstation instruments sent for collection, payment of interest for delay in collection of instrument, adherence of time schedule in such matters as payment to customers, issue of DDs/TTs, issue of cheque books, etc. The instructions issued in this regard based on Goiporia Committee recommendations, Committee on Procedures and Performance Audit on Public Services (CPPAPS), etc are summarised below:-

### 2. Service at the Counters

#### 7.1.1.1.1 2.1 Business and working hours

The employees are expected to be at their seats at the commencement of the business hours and attend to all the customers who are in the branch prior to the close of business hours. In practice, however, in many branches of banks, employees take their own time to open the counters and also do not attend to customers who are in the queue at the close of business hours. Some banks with a view to ensuring that the service to customers is made available exactly at the commencement of business hours fix the working hours of the staff 15 minutes before the start of business hours. This arrangement can be made by all the banks at their branches in metropolitan and urban centres.

2.2 There are complaints that counters are closed at the end business hours, without disposing of customers. Banks may issue instructions that all customers who enter the banking hall before the close of business hours may be attended to.

2.3 **Extension of business hours for non-cash transactions:** Staff at the counters may undertake the following transactions during the extended business hours (branches to indicate the timings)

(a) non-voucher generating transactions:

- (i) issue of passbook/staff of accounts
- (ii) issue of cheque book
- (iii) delivery of term deposit receipts/drafts
- (iv) acceptance of share application form; and
- (v) acceptance of clearing cheques/bills for collection

(b) voucher generating transactions:

- (i) issue of term deposit receipts (TDR)
- (ii) acceptance of cheques for locker rent due;
- (iii) issue of travellers cheques
- (iv) issue of gift cheques
- (v) acceptance of individual cheques for transfer credit

## **2.4 Uninterrupted Service**

Banks may devise appropriate procedures to ensure that no counter remains unattended during the business hours and uninterrupted service is rendered to the customers by making adequate relief arrangements as may be necessary.

## **2.5 Guidance to Customers**

All branches, except very small ones, should have "Enquiry" or "May I help you" counters. Such counters may exclusively attend to enquiries or may be combined with other functions depending upon the requirement. As far as possible, such counters should be near the entry point to the banking hall.

## **3. Deposit and other Accounts**

### **3.1 Nomination facilities**

Banks may get the account opening forms amended to incorporate a space to mention the name and address of the nominee and statutorily prescribed nomination forms may be obtained and preserved with the account opening forms. Availability of nomination facility needs to be widely publicised by printing compatible messages on cheque books/pass books and any other literature reaching the customers.

Nomination should be a rule (rather than an exception) and banks should endeavor to cover all accounts, existing as well as new, under nomination, exception being the ones where the customer himself would prefer not to nominate; this fact may be recorded rather than left to the conjecture of non-compliance

3.2 Nomination facilities are available not only for deposit accounts but also for safe custody articles and safe deposit lockers. As nomination facility for deposit accounts is more known to the customers, compared to the one available for safe custody articles and safe deposit lockers, publicising availability of the facility for these two services also may be effectively done.

### **3.3 Savings bank passbooks/ statement of accounts**

(a) Banks should ensure that full address / telephone number of the branch is invariably mentioned in the Pass Book / Statement of Accounts issued to account holders.

(b) Banks should invariably offer passbook facility to all their savings bank account-holders (individuals). The cost of providing such passbooks should not be recovered from the customers.

(c) Banks may devise controls to ensure that the passbooks are updated on an ongoing basis, and complete and correct particulars are written in a legible hand

(d) Customers also need to be educated to submit the passbooks regularly for updating

(e) Banks may take the following steps to provide customer satisfaction in these areas:

(i) Customer education drives may be launched to bring home the advantages of getting the passbooks updated regularly / periodically.

(ii) Employees may be exhorted to attach importance to this area to provide customer satisfaction.

(f) As a rule, passbooks may be updated immediately on submission. If updating is not possible immediately due to a large number of entries, then paper tokens be issued for collection of passbooks on the next day.

### **3.4 Term deposits**

(a) Banks have made considerable innovations in the area of term deposits. Various innovative schemes have been introduced to suit customer requirements. However, customer awareness of the different schemes and facilities thereunder is actually lacking. Banks should therefore ensure that various term deposit schemes are made known to the customers through proper publicity and advice. The customers need also be informed specifically of the provision of monthly interest on term deposits at a discounted rate and the facility of safe custody of term deposit receipts.

(b) Term deposit application forms may be so devised as to contain a direction for disposal of deposits on maturity. In those cases where the customer does not indicate the course of action by the bank on maturity of deposits, banks may as a rule send intimation of impending due date of the deposit well in advance.

### **3.5 Advisory Services on deposit schemes**

There is room for providing customer satisfaction by assisting customers in taking proper decisions for investment in various deposit schemes having regard to their particular needs and expectations. The banks should provide assistance/guidance to customers in the area of investment of funds in the various deposit schemes vis-à-vis the requirement of the customers.

### **3.6 Brochures/pamphlets for guidance of customers**

Banks may make available to the customers brochures/ pamphlets in regional language/Hindi /English giving details of various schemes available and terms and conditions thereof. Such brochures may also contain, among others, do's and don'ts for smooth handling of day-to-day banking transactions, e.g. updating of passbooks, preferably in the leaner weeks of the month, say, third/fourth week, advantages of maintaining joint accounts and nomination, keeping the term deposit receipts in safe custody with the banks with instructions for disposal on maturity etc

## **4.Safe Deposit Lockers**

Banks should provide more and more lockers, especially in residential areas, while keeping in view the commercial viability.

The Committee on Procedures and Performance Audit on Public Services (CPPAPS) had made some recommendations for easy operation of lockers. Accordingly, UCBs may adhere to the following guidelines:-

### **4.1. Allotment and operation of Lockers**

#### **4.1.1 Linking of Allotment of Lockers to placement of Fixed Deposits**

UCBs should not link the provisions of lockers facility with placement of fixed or any other deposit beyond what is specifically permitted.

#### **4.1.2 Fixed Deposit as Security for Lockers**

Banks may obtain a Fixed Deposit which would cover 3 year's rent and the charges for breaking open the locker in case of an eventuality. However, banks should not insist on such Fixed Deposit from the existing locker-hirers.

#### **4.1.3 Wait List of Lockers**

Branches should maintain a wait list for the purpose of allotment of lockers and ensure transparency in allotment of lockers. All applications received for allotment of locker should be acknowledged and given a wait list number.

#### **4.1.4 Security aspects relating to Safe Deposit Lockers**

##### **(a) Operations of Safe Deposit Vaults/Lockers**

Banks should exercise due care and necessary precaution for the protection of the lockers provided to the customer.

##### **(b) Customer due diligence for allotment of lockers**

(i) Banks should carry out customer due diligence for both new and existing customers at least to the levels prescribed for customers classified as medium risk. If the customer is classified in a higher risk category, customer due diligence as per KYC norms applicable to such higher risk category should be carried out.

(ii) Where the lockers have remained unoperated for more than three years for medium risk category or one year for a higher risk category, banks should immediately contact the locker-hirer and advise him to either operate the locker or surrender it. This exercise should be carried out even if the locker hirer is paying the rent regularly. Further, the bank should ask the locker hirer to give in writing, the reasons why he / she did not operate the locker. In case the locker-hirer has some genuine reasons as in the case of NRIs or persons who are out of town due to a transferable job etc., banks may allow the locker hirer to continue with the locker. In case the locker-hirer does not respond nor operate the locker, banks should consider opening the lockers after giving due notice to him. In this context, banks should incorporate a clause in the locker agreement that in case the locker remains unoperated for more than one year, the bank would have the right to cancel the allotment of the locker and open the locker, even if the rent is paid regularly.

(iii) Banks should have clear procedure drawn up in consultation with their legal advisers for breaking open the lockers and taking stock of inventory.

#### **4.1.5 Access to the safe deposit lockers / return of safe custody articles to Survivor(s) / Nominee(s) / Legal heir(s)**

Instructions were laid down vide circular UBD. BPD. Cir. No.4/13.01.00/2005-06 dated July 14, 2005 for handing over the proceeds of deposit accounts. A similar procedure should be adopted for return of contents of lockers / safe custody articles to Survivor / Nominee / Legal Heirs.

#### **4.1.6 Access to the safe deposit lockers / return of safe custody articles (with survivor/nominee clause)**

If the sole locker hirer nominates a person banks should give to such nominee access of the locker and liberty to remove the contents of the locker in the event of the death of the sole locker hirer. In case the locker was hired jointly with the instructions to operate it under joint signatures, and the locker hirer(s) nominates person(s), in the event of death of any of the locker hirers, the bank should give access of the locker and the liberty to remove the contents jointly to the survivor(s) and the nominee(s). In case the locker was hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given over to 'either or survivor', 'anyone or survivor' or 'former or survivor' or according to any other survivorship clause, banks should follow the mandate in the event of the death of one or more of the locker-hirers. However, banks should take the following precautions before handing over the contents:

#### **4.1.7 Access to the safe deposit lockers / return of safe custody articles (without survivor/nominee clause)**

There is an imperative need to avoid inconvenience and undue hardship to legal heir(s) of the locker hirer(s). In case where the deceased locker hirer had not made any nomination or where the joint hirers had not given any mandate that the access may be given to one or more of the survivors by a clear survivorship clause, banks are advised to adopt a customer-friendly procedure drawn up in consultation with their legal advisers for giving access to legal heir(s) / legal representative of the deceased locker hirer. Similar procedure should be followed for the articles under safe custody of the bank.

4.1.8 Banks are advised to be guided also by the provisions of Sections 45 ZC to 45 ZF of the Banking Regulation Act, 1949 (AACs) and the Co-operative Banks (Nomination) Rules, 1985 and the relevant provisions of Indian Contract Act and Indian Succession Act.

**4.1.9 Banks should prepare an inventory before returning articles left in safe custody / before permitting removal of the contents of a safe deposit locker in terms of Notification UBD.BR.767/B.1-84/85 dated March 29, 1985. The inventory shall be in the appropriate Forms set out as enclosed to the Notification or as near thereto as circumstances require. A copy of the Notification is shown as Annex III.**

#### **4.2 Customer Guidance and Publicity**

##### **4.2.1 Benefits of nomination / survivorship clause**

Banks should give wide publicity and provide guidance to locker-hirers / depositors of safe custody articles on the benefits of the nomination facility and the survivorship clause.

#### **5. Dishonoured instruments**

Banks may ensure that dishonoured instrument is returned/despached to the customer promptly without delay on the same day but in any case within 24 hours.

#### **6. Reimbursement of interest by paying bank**

While in terms of extant instructions, interest for delayed credit is to be paid and borne by collecting bank alone, it is a fact that on many occasions delay in collection of cheques takes place due to the neglect on the part of the paying bank. It is only fair that when such delays can be attributed to the paying bank, it compensates the collecting bank by reimbursing the amount. For this purpose, delay beyond two days on the part of paying bank in despatching the proceeds to the collecting bank may be treated as delay attributable to that bank. Responsibility for payment of interest to the lodger of the cheque, however, should continue to remain that of the collecting bank.

##### **7.1.1.1.2 7. Identity badges**

Each employee may wear on his person, identity badge with photograph and name prominently displayed on it. Besides giving an official touch, it will create a better rapport with the customers.

#### **8. Job enrichment**

Much of the indifference and casual approach towards customer service can be attributed to job monotony and the work environment. In order to promote greater involvement of employees in their work and to prevent alienation, job enrichment in the form of periodic change of department and allocation of jobs carrying higher responsibilities is necessary. Elementary checking functions such as authentication of pass books/ issuance of receipts for cheques deposited for credit to the customers' accounts etc., would not only make useful contribution towards customer service but also would give a boost to the morale and self image of the employees.

## **9. Training**

It is essential to align the training programmes to the needs in various areas with an eye on customer service. The employees should be trained to develop the right kind of attitude towards customer service, and empathy towards customer needs and expectations. Training programmes may be so devised as to bring about positive attitudinal changes compatible to customer orientation.

## **10. Induction training**

Training to new recruits should be a precursor to other follow - up training programmes. All new recruits, i.e. clerks/officers should be necessarily exposed to induction programme immediately after recruitment. A co-ordinated approach amongst banks is required in this regard.

## **11. Reward and recognition**

Good work must be rewarded. The system of reward/recognition should be such that it puts an indifferent employee to a considerable disadvantage - psychologically and even financially. Only if the reward scheme is objectively enunciated, employees will be motivated to perform better. Indifferent and casual approach to work (customer service) should not go unnoticed, giving such employees wrong signals. It is but proper that disservice to customers is treated as delinquency. Banks should evolve a fair system whereby employees are gauged or rated in the area of customer service and good work is rewarded. Any system that is evolved should necessarily be objective and no room should be left to subjectivity of any kind. Any reward/recognition scheme of incentive will need to be tailored, with an eye on the ultimate goal of customer service.

## **12. Systems and procedures**

Systems and procedures are necessary to assist banks in functioning in an effective and efficient manner and to ensure safety of customer's money. Banks may keep their systems and procedures in trim, by a continuous process of introduction of new procedures that may be required and by doing away with unwanted ones.

## **13. Customer service audit**

Various facets of service to the customers need review and introduction of more avenues has to be identified. Banks may subject themselves to an audit approach towards their customer service points at grassroot levels and also at policy prescription and macro levels in the matter of extension of customer service.

## **14. Complaint book**

A Complaint cum Suggestion Box may be kept in the bank premises at a prominent place. Every bank branch may also maintain a Complaint Book with adequate number of perforated copies in each set, so designed as to instantly provide the complainant with an acknowledged copy of the complaint.

## **15. Inspection / Audit reports**

The internal inspectors/auditors including audit firms engaged for the purpose during the course of their inspection/audit of branches should examine the various customer service aspects including the efficacy of the complaints handling and grievance redressal machinery; and based on their observations, record the improvements and deficiencies in various areas.

## **16. Complaint prone employees**

Placement of employees in customer contact slots should be on a selective basis. By imaginative and innovative approaches, enough number of employees can be brought-up by training. Cases of deliberate recalcitrance and disregard of customer service spirit should be taken note of and kept in concerned employees' service records apart from taking other action against such employees.

## **17. Periodical visits by senior officials**

Senior officials while visiting the branches should also give priority to the customer service aspects. It will be great advantage if senior official counter checks the actual "branch atmosphere" by having in hand a report on customer service submitted by the branch.

## **18. Infrastructure provision**

Banks may bestow attention to providing adequate space, proper furniture, drinking water facilities, clean environment, (which include keeping the walls free of posters) etc, in their premises to enable conduct of banking transactions smoothly and more comfortably.

## **19. Customer education**

Customer education both in regard to rights and responsibilities in dealing with banks should be viewed as a fundamental issue in any attempt to improve customer service. Customer should be made aware not only of the various schemes and services offered by banks, but also about the formalities, procedures, legal requirements and limitations in the matter of providing services by the banks, through a proper mix of advertisements, literature, interface, seminars, etc. Banks should involve their employees in all customer education programmes.

## **20. Security arrangements**

In view of the incidents involving terrorists/dacoits, banks should review and improve upon the existing security system in branches so as to instill confidence amongst the employees and the public. Regular drill/ training to the security staff should be ensured.

## **21. 1 Fair Practices Code - Display of Bank/ Service Charges**

21.1 Banks have the freedom to prescribe service charges with the approval of their Boards. However, while fixing service charges, for various types of services like charges for cheque collection, etc., they should ensure that they are reasonable and are not out of line with the average cost of providing these services. Banks should also take care to ensure that customers with low volume of activities are not penalized.

In order to ensure transparency in banking services, scheduled co-operative banks should display and update, on their web-site, the details of various service charges in the prescribed format depending on the products offered. Further, all UCBs, including scheduled UCBs, should also display at their offices/ branches the service charges relating to the following services in the local languages:

### **A. Services rendered free of charge**

### **B.Others**

- i) Minimum balances to be maintained in the SB account
- ii) Charges leviable for non-maintenance of minimum balance in SB account
- iii) Charges for collection of outstation cheques
- iv) Charges for issue of Demand Draft
- v) Charges for issue of cheques books, if any
- vi) Charges for account statement
- vii) Charges for account closure, if any
- viii) Charges for deposit/withdrawal at ATM locations, if any



## **21.2 Display of time norms**

Time norms for specified business transactions should be displayed prominently in the banking hall so that it attracts the customers' attention as well as that of the employees for adherence.

## **22. Collection of account payee cheques – Prohibition on crediting proceeds to third party account**

UCBs should not collect 'account payee' cheques for any person other than the payee constituent. Where the drawer/ payee instructs the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the 'account payee' cheque, banks should ask the drawer/ payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction will also apply with respect to the cheque drawn by a bank payable to another bank.

## **23. Facilities at Extension Counters by PCBs**

UCBs are allowed to undertake following limited transactions at the Extension Counters:

- i) Deposit / withdrawal transactions,
- ii) Issue and encashment of drafts and mail transfers,
- iii) Issue and encashment of travellers' cheques,
- iv) Collection of bills,
- v) Advances against fixed deposits of their customers (within the sanctioning power of the concerned official at the Extension Counter) and
- vi) Disbursement of other loans (only for individuals) sanctioned by the Head Office/ base branch up to the limit of Rs. 10.00 lakh only.

## **24. Provision of Note Counting Machines on counters**

Primary (Urban) Co-operative Banks should install dual display note counting machines at the payment counters of their branches for the use of their customers towards building confidence in the minds of the public to accept note packets secured with paper bands.

## **25. Immediate Credit of Local/Outstation Cheques**

### **25.1 Local / Outstation Cheques upto Rs. 5,000**

All primary (urban) co-operative banks should afford immediate credit for all outstation cheques upto the value of Rs. 5,000 tendered by individual account holders, provided they are satisfied about proper conduct of the accounts. These arrangements should be scrupulously followed. The banks may recover usual collection charges in respect of outstation cheques. The banks should not wait for customers' requests for the facility but should, as a matter of normal course, provide this service. However, in respect of local cheques, the banks may extend the facility of affording immediate credit upto Rs. 5,000 to customers who wish to avail of the facility and are prepared to bear charges for the same.

In case the cheques are returned unpaid, the bank can recover normal rate of interest at the Minimum Lending Rate for the period it is out of funds. For this purpose, banks may consider introducing pay-in-slips superimposing a notice to the effect that in the event of dishonour of the cheque, customer will be subject to payment of normal rate of interest for the period till the bank was out of funds.

Scheduled UCBs may afford immediate credit for all local/outstation cheques upto the value of Rs. 7,500 tendered by individual account holders provided they are satisfied about proper conduct of the accounts and subject to compliance with other conditions mentioned above.

## **25.2 Other Outstation Cheques upto Rs. 10,000**

In the four metropolitan centres having MICR cheque clearing system, proceeds of a cheque drawn on a bank located at any of the other three metropolitan centres and presented for collection on any day in a week should be credited latest on the same day in the following week (for example, Monday to next Monday). Such a facility should be extended to the customers even if the collection advices are not received from the drawee centres.

25.3 In respect of State Capital centres and at other centres with more than 100 bank offices, credit to the customer's account should be given within 10 days with full freedom to the customer to withdraw the amounts. This facility should also be extended to the customers, even if the collection advices are not received from the drawee centres.

25.4 Further, there should be no additional charge for such time bound collection/payment schedules. In case the cheques are returned unpaid, the banks could charge interest at the commercial rate on the overdrawn amounts from the date of allowing the withdrawal till the amounts are reimbursed.

25.5 In order to limit the risks involved, the facility of giving credit to the accounts for outstation cheques may be extended to satisfactorily operated accounts upto a maximum amount of Rs. 10,000. Where more than one cheque and/or cheques of the value of more than Rs. 10,000 are deposited for collection in a day or on subsequent days, withdrawal as per above instructions may be allowed upto a maximum of Rs. 10,000/- so that at any point of time, the collecting bank will have an exposure for amount not exceeding Rs. 10,000 against any individual customer. It may, however, be mentioned that in respect of instruments of the value of more than Rs.10, 000, it should be ensured that these are collected with least delay and the branches take prompt action for their despatch and realisation.

## **25.6 Local Cheques**

The customers' accounts in the normal course should be credited and they should be allowed use of funds latest on the third working day from the date of acceptance of the cheques at the counters.

## **25.7 Implementation and Accountability**

In order to ensure that the above time schedule is scrupulously followed by the branches, there needs to be a clear-cut staff accountability for the delay. For this purpose, special register may be introduced to record the delayed collections for necessary action.

25.8 Further, it should be ensured that where delays occur, the account holders are paid penal interest without their making requests therefor. Necessary instructions may be issued to the branches with a view to ensuring strict compliance of these instructions for automatic credit of interest in respect of delayed collection of outstation cheques so as to avoid any room for representations/ complaints from public.

## **25.9 Payment of Interest for Delay in collection of Outstation Cheques / Instruments**

25.9.1 In all cases of delay in collection of outstation cheques and other instruments, the banks are required to pay interest at saving bank rate for delayed collection of outstation cheques/instruments drawn either on their own outstation branches or on outstation branches of other (drawee) banks and sent for collection, if the proceeds are not realised/credited to the customers' accounts or the unpaid instruments are not returned to customers within a period of 14 days from the date of their lodgement.

25.9.2 If the delay in collection of outstation cheques/instruments is beyond 10 days in the case of cheques lodged at and drawn on State Head Quarters except the State Capitals of North Eastern Region and Sikkim and beyond 14 days in all other cases, banks should pay interest at rate as applicable for appropriate tenure of fixed deposit for the period of delay. Further, banks should also pay penal interest at the rate of 2 per cent above fixed deposit rate for abnormal delay caused by the branch in collection of outstation instruments.

25.9.3 Interest payable should be paid/ credited to all types of accounts of the customers without the customers having to claim it. Such interest may, however, be paid only when the amount is Rs. 5 or more.

25.9.4 Senior Officials while visiting branches should make it a point to check implementation of the above instructions.

25.9.5 However, where the proceeds of instruments are to be credited to the cash credit, overdraft or loan accounts, with a view to compensating such customers equitably, the banks should pay interest at the Minimum Lending Rate stipulated by the banks, from time to time, for the period of delay in collection of outstation instruments beyond the normal period indicated above. Since the proceeds of outstation instruments are for credit to borrowal accounts, loss of interest to them for the delayed remittance is at the rate stipulated by the banks for such accounts.

#### **25.9.6 Additional Measures for Quicker Collection of Outstation Instruments**

Primary (urban) co-operative banks should initiate the following additional measures to reduce the time taken for realisation of cheques:

25.9.7 Cheques drawn on MICR centres should invariably be presented through National Clearing Cell.

25.9.8 Extensive use should be made of modern telecommunication technology for networking service branches in important centres and between service branches and other branches within a particular centre.

25.9.9 The concept of Quick/Fast collection service for collection of outstation instruments should be streamlined.

25.9.10 Separate registers should be maintained for local cheques and outstation cheques to enable the branch managers to exercise better supervision and remedial measures should be initiated to speed up the collection of outstation instruments.

25.9.11 With a view to closely monitoring the implementation of these instructions, Internal Inspection Teams may be advised to verify these aspects during Inspection of the branches, as this is a singular feature having a direct bearing on rendering improved customer service.

25.9.12 It is also necessary to make customers aware of the above facilities. The banks may, therefore, make arrangements to display information about the facilities available at the branches, for customers' knowledge.

### **26. Other instructions**

#### **26.1 Issue of Cheque Books**

Banks should ensure that their cheque books are printed with due care and the perforation in the cheque leaves as also binding of cheque books are upto the mark so as to avoid any inconvenience to the customers.

#### **26.2 Cheque Drop Facility and the Facility for Acknowledgement of cheques**

While the cheque drop facility may be made available to the customers, the facility for acknowledgement of cheques at the regular collection counters should not be denied to them. No branch should refuse to give an acknowledgement on cheques being tendered by customers at their counters. Further, customers should be made aware of both options available to them i.e., dropping cheques in the drop box or tendering them at the counters so that they can take an informed decision in this regard.

### **26.3 Term Deposit Maturity Intimation in Advance**

26.3.1 Banks are required to include in the term deposit application form, a direction for payment of deposits on maturity.

26.3.1 In addition to the above, the banks should also ensure to send, as a rule, an intimation for maturity dates of term deposits well in advance to their depositors in order to extend better customer service.

### **26.4 Maintenance of Complaint Book**

In terms of recommendation 3.67 of the Goiporia Committee, banks are required to maintain a Complaint Book with adequate number of perforated copies so as to instantly provide the complainant with an acknowledgement copy. A format of complaint book with adequate number of perforated copies prepared by the Indian Bank Association is given at Annexure II. Banks should take appropriate steps to introduce the same for ensuring uniformity at all offices of the banks.

### **26.5 Periodical Review and Monitoring**

26.5.1 With a view to constantly upgrading the quality of customer satisfaction and also identifying more avenues for customer service, banks need to undertake periodical evaluation of the position in regard to the extent of actual implementation at the grass root level of the various recommendations of the Committee.

26.5.2 Banks also need to evolve an appropriate monitoring system in respect of 15 core recommendations. The banks are free to include more items for such monitoring and evaluation by their Board of Directors.

26.5.3 Banks should introduce a system of periodical evaluation on customer service on half yearly basis, as at the end of June and December, with a view to ensuring their implementation at all offices of the bank as also upgrading the quality of services to achieve higher satisfaction among the bank's customers.

### **26.6 Issue of Duplicate Demand Draft**

#### **26.6.1 Issue of Duplicate Demand Draft without receipt of Non- Payment Advice**

The duplicate draft amounting to Rs.5,000/- or less, may be issued on the basis of adequate indemnity and without obtaining Non-Payment Advice (NPA) from the drawee branch.

#### **26.6.2. Fixation of time-frame for issue of duplicate draft**

UCBs should ensure that a duplicate draft is issued within a fortnight from the receipt of such requests. For delay in issuing duplicate draft beyond the above-stipulated period, they should pay interest at rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay. These instructions would be applicable only in cases where the request for duplicate Demand Draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

26.6.3 Senior Officials while visiting branches, should make it a point to check implementation of the above instructions.

### **26.7 Statutory provisions for Nomination Facility**

The Banking Regulation Act 1949 (AACS) has been amended by incorporating among others, new sections 45ZA to 45ZF, which provide, inter alia, for the following matters:

(a) to enable a co-operative bank to make payment to the nominee of a deceased depositor, of the amount standing to the credit of the depositor

(b) to enable a co-operative bank to return the articles left by a deceased person in its safe custody to his nominee, after making an inventory of the articles in the manner directed by Reserve Bank

(c) to enable a co-operative bank to release the contents of a safety locker to the nominee of the hirer of such locker, in the event of the death of the hirer after making an inventory of the contents of the safety locker in the manner directed by Reserve Bank.

#### **26.7.1 Nomination Rules:**

Since such nomination has to be made in the prescribed manner, the Central Government has framed Co-operative Banks (Nomination) Rules, 1985 in consultation with the RBI. These Rules, together with the provisions of new Sections 45ZA to 45ZF, of BR Act (AACS) regarding nomination facilities have been brought into force with effect from 29th March 1985.

The Co-operative Banks (Nomination) Rules, 1985, provide for :

- (i) Nomination forms for deposit accounts, articles kept in safe custody and the contents of safety lockers.
- (ii) Forms of cancellation and variation of the nomination.
- (iii) Registration of nominations and cancellation and variation of nominations.
- (iv) Matters related to the above

#### **26.7.2 Nomination of articles in safe custody :**

In the matter of returning articles left in safe custody by the deceased depositor to the nominee or allowing the nominee/s to have access to the locker and permitting him/them to remove the contents of the locker, RBI, in pursuance of Sections 45ZC(3) and 45ZE(4) of BR Act (AACS), has specified the formats for the purpose. In order to ensure that the amount of deposits, articles left in safe custody and contents of lockers are returned to the genuine nominee, as also to verify the proof of death, co-operative banks may devise their own claim formats of follow the procedure, if any, suggested for the purpose either by their own Federation/Association or by the IBA.

#### **26.7.3 Registration of nomination in banks' books:**

In terms of Rules 2(10), 3(9) and 4(10) a co-operative bank is required to register in its books the nomination, cancellation and/or variation of the nomination. The co-operative banks should accordingly take action to register nominations or changes therein, if any, made by their depositor(s)/hirer(s) of lockers. GOI has issued the notification bringing into force the provisions relating to nomination facilities, from 29th March 1985. Co-operative banks should therefore, ensure that the nomination facilities are made available to their customers.

#### **26.7.4 Incorporation of legend Nominations Registered in pass book, deposit receipt etc. :**

Primary (urban) co-operative banks should incorporate the legend "Nominations Registered" on every pass book or deposit receipt so as to enable the relatives to know the availment of the nomination facility by the deceased depositor.

#### **27. Monitoring system of implementation of Goiporia Committee Recommendations:**

The banks need to evolve an appropriate monitoring system for evaluating the position in regard to the extent of actual implementation at the grass root level of the various recommendations of the Goiporia Committee. In particular, the banks should pay special attention to the core recommendations as per Annex I.

## **28. Customer Service – Redressal of Grievances**

In the case of fraudulent encashment of third party instruments by unscrupulous persons, by opening deposit accounts in the name/s similar to already established concern/s resulting in erroneous and unwanted debit of drawers' accounts, it is advised that in cases where banks are at fault, the banks should compensate the customers without demur; and (ii) in cases where neither the bank is at fault nor the customer is at fault but the fault lies elsewhere in the system, then also the banks should compensate the customer (up to a limit) as part of a Board approved customer relations policy.

## **29. Rounding off cheques to the nearest rupee**

Banks are advised to ensure that cheques / drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them. Banks may also review the practice being followed by them in this regard and take necessary steps, including through issue of internal circulars, etc, to ensure that the concerned staff are well versed with these instructions so that the general public does not suffer. Banks may also ensure that appropriate action is taken against members of their staff who are found to have refused to accept cheques / drafts containing fractions of a rupee.

**Master Circular on Customer Service  
15 Core Recommendations of the  
Goiporia Committee on Customer Service**

*[Vide para 27]*

Sr. No.	Recommendation No.	Recommendation
1.	3.1	Commencement of employees' working hours 15 minutes before commencement of business hours can be made operative by banks at branches in metropolitan and urban centres.
2.	3.2	All the customers who enter the banking hall before the close of business hours should be attended to.
3.	3.3	Staff at the counters should undertake the following transactions during the extended business hours (branches to indicate the timings)
		a) Non-Voucher generating transactions
		1) Issue of pass book/statement of accounts.
		2) Issue of cheques book.
		3) Delivery of term deposit receipts/draft.
		4) Acceptance of share application form
		5) Acceptance of clearing cheques /bills for collection
		b) Voucher generating transaction
		1) Issue of term deposit receipts (TDR)
		2) Acceptance of cheques for locker rent due
		3) Issue of traveler cheques.
		4) Issue of gift cheques.
		5) Acceptance of individual cheques for transfer credit.
4.	3.4	To ensure that no counter remains unattended during the business hours and uninterrupted service is rendered to the customers.
5.	3.5	All branches, except, very small branches, should have 'Enquiry' or 'May I help you? Counter, either exclusively or combined with other duties, located near the entry point of the banking hall.
6.	3.13	In addition to obtaining nomination form, banks may provide for mentioning name and address of the nominee in the account opening form. Publicity about nomination facility is needed, including printing compatible message on cheque book, pass book and any other literature reaching the customer as well as launching periodical drives to popularise the facility.

7.	3.14	Unless the customer prefers not to nominate, (this may be recorded, without giving scope for conjecture of non-compliance) nomination should be a rule, to cover all other existing and new accounts.
8.	3.17	Issuance of statements of accounts and updating of pass books with correct and legible particulars should attract bank's constant attention.
9.	3.26	Trilingual brochures and pamphlets should be actively promoted, containing myriad customer-useful information.
10.	3.32	Facility of instant credit of outstation cheques may be raised to Rs. 5,000 (from Rs. 2,500). A separate type of pay-in-slip may be evolved for availing of this facility.
11.	3.33	Delay in collection of outstation cheques may be compensated by paying interest at 2% p.a. above savings bank rate, if such interest payable is Rs. 5/- or more. However, if the proceeds are to be credited to the borrowal accounts, like cash credit/over-draft/loan, etc. banks have to pay at the minimum lending rate that will be stipulated by RBI from time to time.
12.	3.36	Dishonoured instruments may be returned/dispatched to the customer within 24 hours.
13.	3.67	Complaint book with perforated copies in each set may be introduced, so designed as to instantly provide an acknowledgement to the customer and an intimation to the controlling office.
14.	3.80	Infrastructure facilities at branches should be upgraded by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, etc.
15.	3.96	Time norms for specialised business transactions should be displayed predominantly in the banking hall.



**Appendix I**

**Master Circular on Customer Service**

**A. List of circulars consolidated in the Master Circular**

<b>No</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1	UBD. CO. BPD. No. 47/12.05.001/2006-07	21.06.2007	Extension of Safe Deposit Locker / Safe Custody Article Facility and Access to Safe Deposit Lockers / Return of Safe Custody Articles by banks
2	UBD. CO. BPD. No. 34/12.05.001/2006-07	17.04.2007	Rounding off cheques to the nearest rupee
3	UBD. PCB Cir.No. 25/09.39.000/2006-07	28.12.2006	Cheque Drop Box Facility and the Facility for Acknowledgement of Cheques – UCBs
4	UBD. CO. BPD. PCB. No. 23/12.05.001/2006-07	13.12.2006	Customer Service
5	UBD. CO. (PCB). Cir. No.15/09.39.000/2006-07	16.10.2006	Customer Service – Non-issuance of passbooks to Savings Bank Account –holders (individuals) – UCBs
6	UBD.CO.BPD.Cir.No.12/12/09.39.000/2006-07	06.10.2006	Address /Telephone Number of the Branch in Pass Books / Statement of Accounts – UCBs
7	UBD (PCB) Cir. No.54/ 09.39.000/05-06	26-05-2006	Display of Bank/ Service Charges
8	UBD No.LS.(PCB) No. 49/07.01.000/2005-06	28-04-2006	Facilities at Extension Counters
9	UBD BPD Cir. No.35/ 09.73.000/2005-06	09-03-2006	Provision of Note Counting Machines on the counters
10	UBD BPD.Cir. No.30/ 4.01.062/2005-06	30-01-2006	Collection of account payee cheque- Prohibition on crediting proceeds to third party account
11	UBDNo.BPD.PCB.Cir. 20 /09.39.00/2004-05	24-09-2004	Customer Service
12	UBD.DS.PCB.Cir 26/13.01.00/2002	20.11.2002	Levy of Service Charges by UCBs
13	UBD.BSD.I (PCB)No.45/ 12.05.00/2001-02	30-05-2002	Customer service – Reversal of transactions
14	UBD.BSD.I/PCB.No.45/ 12.05.00/ 2001-02	30-05-2002	Reversal of Erroneous Debits arising on fraudulent or other transactions
15	UBD.No.PCB.DS.34/13.01.00/2000-01	08-03-2001	Customer Service - Disposal of Deposits on Maturity - Intimation to Impending Due Date of the Deposit in Advance to Customers/Deposits
16	UBD.No.DS.7/13.05.00/1999-2000	23-06-2000	Customer Service - Immediate Credit of Outstation and Local Cheques - Enhancement of Ceiling
17	UBD.No.DS.PCB.CIR.38/13.01.00/ 1999-2000	14-06-2000	Customer Service - Issue of Cheque Books
18	UBD.No.PCB.CIR.21/13.05.00/1999-2000	17-01-2000	Customer Service - Collection of Outstation Cheques
19	UBD.No.DS.PCB.Cir.40/13.05.00/97-98	11-02-1998	Customer Service - Collection of outstation instruments

20	UBD.No.DS.PCB.Cir.54/13.05.00/96-97	26-05-1997	Customer Service – Collection of local cheques
21	UBD.No.DS.(PCB)CIR.66/13.05.00/ 94-95	30-06-1995	Customer Service Collection of Outstation/Local cheques
22	UBD.No.(SUC)DC.165/13.05.00/93-94	30-04-1994	Customer Service – Implementation of recommendations of the Goiporia Committee
23	UBD.No.POT.65/09.39.00/93-94	07-03-1994	Committee on Customer Service in banks - Implementation of recommendations of the Goiporia Committee-Maintenance of complaint book
24	UBD.No.(PCB)DC.11/ (13.05.00)/93-94	25-08-1993	Customer Service – Implementation of Recommendations of the Goiporia Committee
25	UBD.No.(SUC)DC.131/(13.05.00)/93-94	25-08-1993	Customer Service – Implementation of recommendations of the Goiporia Committee
26	UBD.No.POT.26/UB.38/92-93	16-06-1993	Committee on Customer service in banks Implementation of recommendations
27	UBD(PCB) 45/DC(VII)-91/92	29-01-1992	Customers Service – Payment of Interest at Savings Bank Rate for the Delay in Collection of Outstation Cheques
28	UBD.No.POT.19/UB.38-92/93	06-10-1992	Committee on Customer Service in banks - Implementation of recommendations
29	UBD.(UCB)1/DC-R-1-89/90	17-01-1990	Customers Service - Payment of Interest for Delay in Collection of Outstation Instruments
30	UBD.DC.21/R.1-89/90	15-09-1989	Customers Service - Payment of Interest at Savings Bank Rate for the Delay in Collection of Outstation Cheques
31	UBD.No.(DC)51/R.1-86/87	28-01-1987	Customers Service - Immediate Credit of Outstation Cheque up to Rs. 2500/-
32	DBOD.No.UBD.RBL.1555/J-82/83	16-05-1983	Extension of banking hours of branches of banks

## **Master Circular on Credit Card Operations of banks**







**RBI/2007-2008/32**  
**DBOD.FSD.BC.17 / 24.01.011/ 2007-08**

July 2, 2007  
Aashadha 11, 1929 (Saka)

All Scheduled Commercial Banks /NBFCs  
(Excluding RRBs)

Dear Sir

**Master Circular on Credit Card Operations of banks**

Please refer to the Master Circular No. DBOD.FSD.BC.10/24.01.011/2006-07 dated July 1, 2006 on credit card operations of banks consolidating the instructions/guidelines issued to banks till June 30, 2006. The Master Circular has been suitably updated by incorporating instructions issued upto June 30, 2007. The Master Circular has also been put on the RBI website (<http://www.rbi.org.in>). All the credit card issuing banks/NBFCs should adhere to these guidelines strictly.

Yours faithfully

**(P.Vijaya Bhaskar)**  
Chief General Manager

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**Fraud control**

**Right to impose penalty**

## **Annex**

### **Master Circular on Credit Card Operations of banks**

#### **Purpose**

To provide a framework of rules/regulations/standards/practices to the credit card issuing banks/NBFCs for their credit card business and ensure that these are in alignment with the best customer practices. Banks should adopt adequate safeguards and implement the following guidelines in order to ensure that their credit card operations are run on sound, prudent and profitable lines.

#### **Classification**

A statutory guideline issued by the RBI

#### **Previous guidelines consolidated**

This Master Circular updates the instructions contained in the previous Master Circular No.DBOD.FSD.BC.10/24.01.011/2006-07 dated July 1, 2006.

#### **Scope of Application**

To all scheduled commercial banks (excluding RRBs) / NBFCs that engage in credit card business directly or through their subsidiaries or affiliated companies controlled by them

#### **Structure**

1.0 Introduction

1.1 Background

1.2 Basic features of credit cards

1.3 Types of credit cards

1.4 Fair Practices Code

2. Issue of cards

3. Interest rates and other charges

4. Wrongful billing

5. Use of DSAs/ DMAs and other agents

6. Protection of customers rights

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7. Redressal of Grievances

8. Internal control and monitoring systems

9. Fraud Control

10. Right to impose penalty

## **Annex**

### **1.0 Introduction**

#### **1.1 Background**

1.1.1 This circular is aimed at providing general guidance to banks/NBFCs on their credit card operations, and the systems and controls expected of them in managing their credit card business. It also sets out the best practices that they should aim to



achieve.

1.1.2 Experience has shown that the quality of banks' credit card portfolios mirrors the economic environment in which they operate. Very often, there is a strong correlation between an economic downturn and deterioration in the quality of such portfolios. The deterioration may become even more serious if banks have relaxed their credit underwriting criteria and risk management standards as a result of intense competition in the market. It is therefore important for banks to maintain prudent policies and practices for managing the risks of their credit card business which are relevant to the market environment that they operate in.

1.1.3 To facilitate a better understanding of the credit card operations, the basic features of credit cards and their associated operations are highlighted in the sub-sections below.

## **1.2 Basic features of credit cards**

1.2.1 The term "credit card" usually/generally refers to a plastic card assigned to a cardholder, usually with a credit limit, that can be used to purchase goods and services on credit or obtain cash advances.

1.2.2 Credit cards allow cardholders to pay for purchases made over a period of time, and to carry a balance from one billing cycle to the next. Credit card purchases normally become payable after a free credit period, during which no interest or finance charge is imposed. Interest is charged on the unpaid balance after the payment is due. Cardholders may pay the entire amount due and save on the interest that would otherwise be charged. Alternatively, they have the option of paying any amount, as long as it is higher than the minimum amount due, and carrying forward the balance.

1.2.3 A credit card scheme typically involves the following parties:

- Cardholders - persons who are authorized to use credit cards for the payment of goods and services;
- Card issuers - institutions which issue credit cards;
- Merchants - entities which agree to accept credit cards for payment of goods and services;
- Merchant acquirers – Banks/NBFCs which enter into agreements with merchants to process their credit card transactions; and
- Credit card associations - organisations that license card issuers to issue credit cards under their trademark, e.g. Visa and MasterCard, and provide settlement services for their members (i.e. card issuers and merchant acquirers).

1.2.4 Credit card schemes normally operate at an international level too, meaning that cardholders belonging to card issuers in one country can make purchases at the place of business of merchants in another country.

1.2.5 The focus of this circular is on the operations, risks and controls associated with credit card schemes of which banks (or their subsidiaries or affiliated companies under their control) are either the card issuer or the merchant acquirer.

## **1.3 Types of credit cards**

1.3.1 Credit cards can be broadly categorised into two types:

General purpose cards and private label cards: The former are issued under the trademark of credit card associations (VISA and Mastercard) and accepted by many merchants while the latter are only accepted by specific retailers (e.g. a departmental store).

Banks in India can undertake credit card business either departmentally or through a subsidiary company set up for the purpose. They can also undertake domestic credit card business by entering into tie-up arrangement with one of the banks already having arrangements for issue of credit cards. Prior approval of the Reserve Bank is not necessary for banks desirous of undertaking credit card business either independently or in tie-up arrangement with other card issuing banks. Banks can do so with the approval of their Boards. However, only banks with networth of Rs.100 crore and above should undertake credit card business. Banks desirous of setting up separate subsidiaries for undertaking credit card business would, however, require prior approval of the Reserve Bank. Banks should adopt adequate safeguards and implement the guidelines enunciated in this circular in order to ensure that their credit card operations are run on sound, prudent and profitable lines

1.3.2 Most of the card issuing banks in India offer general purpose credit cards. These cards are normally categorised by banks as

platinum, gold or classic to differentiate the services offered on each card and the income eligibility criteria. Banks may, at the request of a cardholder, issue a supplementary card (also referred to as 'add-on cards') to another individual who is usually an immediate family member of the cardholder.

1.3.3 It is quite common for banks to partner with business corporations or non-profit making organisations (e.g. charitable or professional bodies) to issue co-branded cards. However they need to undertake due diligence on the non-bank entity to protect themselves against the reputation risk to which they are exposed to in such an arrangement.

1.3.4 Banks may also issue corporate credit cards to the employees of their corporate customers.

1.3.5 The types of credit cards mentioned above are illustrative and not exhaustive. Banks may, from time to time, introduce new credit card products to satisfy customer needs and cater to the changes in market conditions.

## 1.4 Fair Practices Code

Each bank must have a well documented policy and a Fair Practices Code for credit card operations. In March 2005, the IBA has released a Fair Practices Code for credit card operations, which should be adopted by banks. The banks' Fair Practices Code should, at a minimum, incorporate the relevant guidelines contained in this Master Circular. Banks/NBFCs should also widely disseminate the contents of this Master Circular, including through their websites.

## 2. Issue of cards

a. Banks/NBFCs should independently assess the credit risk while issuing cards to persons, especially to students and others with no independent financial means. Add-on cards i.e. those that are subsidiary to the principal card, may be issued with the clear understanding that the liability will be that of the principal cardholder.

b. As holding several credit cards enhances the total credit available to any consumer, banks/NBFCs should assess the credit limit for a credit card customer having regard to the limits enjoyed by the cardholder from other banks on the basis of self declaration/ credit information.

c. The card issuing banks/NBFCs would be solely responsible for fulfillment of all KYC requirements, even where DSAs / DMAs or other agents solicit business on their behalf.

d. While issuing cards, the terms and conditions for issue and usage of a credit card should be mentioned in clear and simple language (preferably in English, Hindi and the local language) comprehensible to a card user. The Most Important Terms and Conditions (MITCs) termed as standard set of conditions, as given in the Annex, should be highlighted and advertised/ sent separately to the prospective customer/ customers at all the stages i.e. during marketing, at the time of application, at the acceptance stage (welcome kit) and in important subsequent communications.

## 3. Interest rates and other charges

Credit card dues are in the nature of non-priority sector personal loans and as such banks are free to determine the rate of interest on credit card dues without reference to their BPLR and regardless of the size. Further, the banks/NBFCs have to adhere to the following guidelines relating to interest rates and other charges on credit cards

a. Card issuers should ensure that there is no delay in dispatching bills and the customer has sufficient number of days (at least one fortnight) for making payment before the interest starts getting charged.

b. Card issuers should quote annualized percentage rates (APR) on card products (separately for retail purchase and for cash advance, if different). The method of calculation of APR should be given with a couple of examples for better comprehension. The APR charged and the annual fee should be shown with equal prominence. The late payment charges, including the method of calculation of such charges and the number of days, should be prominently indicated. The manner in which the outstanding unpaid amount will be included for calculation of interest should also be specifically shown with prominence in all monthly statements. Even where the minimum amount indicated to keep the card valid has been paid, it should be indicated in bold letters that the interest will be charged on the amount due after the due date of payment. These aspects may be shown in the Welcome Kit in addition to being shown in the monthly statement. *A legend/notice to the effect that ' Making only the minimum payment every month would result in the repayment stretching over ----- years with consequent interest payment on your outstanding balance' should be prominently displayed in all the monthly statements so as to caution the customers about the pitfalls in paying only the*

*minimum amount due.*

c. The banks /NBFCs should not levy any charge that was not explicitly indicated to the credit card holder at the time of issue of the card and getting his / her consent. However, this would not be applicable to charges like service taxes, etc. which may subsequently be levied by the Government or any other statutory authority.

d. The terms and conditions for payment of credit card dues, including the minimum payment due, should be stipulated so as to ensure that there is no negative amortization.

e. Changes in charges (other than interest) may be made only with prospective effect giving notice of at least one month. If a credit card holder desires to surrender his credit card on account of any change in credit card charges to his disadvantage, he may be permitted to do so without the bank levying any extra charge for such closure.

#### **4. Wrongful billing**

a. The card issuing bank/NBFC should ensure that wrong bills are not raised and issued to customers. In case, a customer protests any bill, the bank/NBFC should provide explanation and, if necessary, documentary evidence to the customer within a maximum period of sixty days with a spirit to amicably redress the grievances.

b. In order to obviate frequent complaints of delayed billing, the credit card issuing bank/NBFC may consider providing bills and statements of accounts online, with suitable security built therefor.

#### **5. Use of DSAs / DMAs and other agents**

a. When banks /NBFCs outsource the various credit card operations, they have to be extremely careful that the appointment of such service providers does not compromise with the quality of the customer service and the banks'/NBFCs' ability to manage credit, liquidity and operational risks. In the choice of the service provider, the banks/NBFCs have to be guided by the need to ensure confidentiality of the customer's records, respect customer privacy, and adhere to fair practices in debt collection.

b. The Code of Conduct for Direct Sales Agents (DSAs) formulated by the Indian Banks' Association (IBA) could be used by banks/NBFCs in formulating their own codes for the purpose. The banks should ensure that the DSAs engaged by them for marketing their credit card products scrupulously adhere to the banks'/NBFCs' own Code of Conduct for credit card operations which should be displayed on the individual bank/NBFC's website and be available easily to any credit card holder.

c. The bank/NBFC should have a system of random checks and mystery shopping to ensure that their agents have been properly briefed and trained in order to handle with care and caution their responsibilities, particularly in the aspects included in these guidelines like soliciting customers, hours for calling, privacy of customer information, conveying the correct terms and conditions of the product on offer, etc.

#### **6. Protection of Customer Rights**

Customer's rights in relation to credit card operations primarily relate to personal privacy, clarity relating to rights and obligations, preservation of customer records, maintaining confidentiality of customer information and fair practices in debt collection. The card issuing bank/NBFC would be responsible as the principal for all acts of omission or commission of their agents (DSAs / DMAs and recovery agents).

##### **6.1 Right to privacy**

a. Unsolicited cards should not be issued. In case, an unsolicited card is issued and activated without the consent of the recipient and the latter is billed for the same, the card issuing bank shall not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed.

b. Unsolicited loans or other credit facilities should not be offered to the credit card customers. In case, an unsolicited credit facility is extended without the consent of the recipient and the latter objects to the same, the credit sanctioning bank/NBFC shall not only withdraw the credit limit, but also be liable to pay such penalty as may be considered appropriate.

c. The card issuing bank/NBFC should not unilaterally upgrade credit cards and enhance credit limits. Prior consent of the borrower should invariably be taken whenever there are any change/s in terms and conditions.

- d. The card issuing bank/NBFC should maintain a Do Not Call Registry (DNCR) containing the phone numbers (both cell phones and land phones) of customers as well as non-customers (non-constituents) who have informed the bank/NBFC that they do not wish to receive unsolicited calls / SMS for marketing of its credit card products. Since the DNCR would have been already set up by the banks, they should give wide publicity to the arrangement.
- e. The intimation for including an individual's telephone number in the Do Not Call Registry (DNCR) should be facilitated through a website maintained by the bank/NBFC or on the basis of a letter received from such a person addressed to the bank/NBFC.
- f. The card issuing bank /NBFC should introduce a system whereby the DSAs/ DMAs as well as its Call Centers have to first submit to the bank/NBFC a list of numbers they intend to call for marketing purposes. The bank/NBFC should then refer to the Do Not Call Registry (DNCR) and only those numbers which do not figure in the Registry should be cleared for calling.
- g. The numbers cleared by the card issuing bank/NBFC for calling should only be accessed. The bank/NBFC would be held responsible if a Do Not Call Number (DNCN) is called on by its DSAs / DMAs or Call Centre/s.
- h. The card issuing bank/NBFC should ensure that the Do Not Call Registry (DNCR) numbers are not passed on to any unauthorised person/s or misused in any manner.
- i. Banks/NBFCs/ their agents should not resort to invasion of privacy viz., persistently bothering the card holders at odd hours, violation of 'do not call' code etc.

## **6.2 Customer confidentiality**

- a. The card issuing bank/NBFC should not reveal any information relating to customers obtained at the time of opening the account or issuing the credit card to any other person or organization without obtaining their specific consent, as regards the purpose/s for which the information will be used and the organizations with whom the information will be shared. Banks/NBFCs should satisfy themselves, based on specific legal advice, that the information being sought from them is not of such nature as will violate the provisions of the laws relating to secrecy in the transactions. Banks/NBFCs would be solely responsible for the correctness or otherwise of the data provided for the purpose.
- b. In case of providing information relating to credit history / repayment record of the card holder to a credit information company (specifically authorized by RBI), the bank/NBFC may explicitly bring to the notice of the customer that such information is being provided in terms of the Credit Information Companies (Regulation) Act, 2005.
- c. Before reporting default status of a credit card holder to the Credit Information Bureau of India Ltd. (CIBIL) or any other credit information Company authorized by RBI, banks/NBFCs should ensure that they adhere to a procedure, duly approved by their Board, including issuing of sufficient notice to such card holder about the intention to report him/ her as defaulter to the Credit Information Company. The procedure should also cover the notice period for such reporting as also the period within which such report will be withdrawn in the event the customer settles his dues after having been reported as defaulter. Banks /NBFCs should be particularly careful in the case of cards where there are pending disputes. The disclosure/ release of information, particularly about the default, should be made only after the dispute is settled as far as possible. In all cases, a well laid down procedure should be transparently followed. These procedures should also be transparently made known as part of MITCs.
- d. The disclosure to the DSAs / recovery agents should also be limited to the extent that will enable them to discharge their duties. Personal information provided by the card holder but not required for recovery purposes should not be released by the card issuing bank/NBFC. The card issuing bank /NBFCs should ensure that the DSAs / DMAs do not transfer or misuse any customer information during marketing of credit card products.

## **6.3 Fair Practices in debt collection**

- (a) In the matter of recovery of dues, banks should ensure that they, as also their agents, adhere to the extant instructions on Fair Practice Code for lenders (circular DBOD. Leg. No. BC. 104 /09.07.007 / 2002-03 dated May 5, 2003) as also IBA's Code for Collection of dues and repossession of security. In case banks have their own code for collection of dues, they should, at the minimum, incorporate all the terms of IBA's Code.

(b) In particular, in regard to appointment of third party agencies for debt collection, it is essential that such agents refrain from action that could damage the integrity and reputation of the bank/NBFC and that they observe strict customer confidentiality. All letters issued by recovery agents must contain the name and address of a responsible senior officer of the card issuing bank whom the customer can contact at his location.

(c) Banks /NBFCs / their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the credit card holders' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

## **7. Redressal of Grievances**

a. Generally, a time limit of sixty (60) days may be given to the customers for preferring their complaints / grievances.

b. The card issuing bank /NBFC should constitute Grievance Redressal machinery within the bank/NBFC and give wide publicity about it through electronic and print media. The name and contact number of designated grievance redressal officer of the bank /NBFC should be mentioned on the credit card bills. The designated officer should ensure that genuine grievances of credit card subscribers are redressed promptly without involving delay.

c. The grievance redressal procedure of the bank/NBFC and the time frame fixed for responding to the complaints should be placed on the bank's website. The name, designation, address and contact number of important executives as well as the Grievance Redressal Officer of the bank/NBFC may be displayed on the website. There should be a system of acknowledging customers' complaints for follow up, such as complaint number / docket number, even if the complaints are received on phone.

d. If a complainant does not get satisfactory response from the bank/NBFC which is a subsidiary of a bank within a maximum period of thirty (30) days from the date of his lodging the complaint, he will have the option to approach the Office of the concerned Banking Ombudsman for redressal of his grievance/s. The bank/NBFC which is a subsidiary of a bank shall be liable to compensate the complainant for the loss of his time, expenses, financial loss as well as for the harassment and mental anguish suffered by him for the fault of the bank and where the grievance has not been redressed in time.

## **8. Internal control and monitoring systems**

With a view to ensuring that the quality of customer service is ensured on an on-going basis in banks/NBFCs, the Standing Committee on Customer Service in each bank/NBFC should review on a monthly basis the credit card operations including reports of defaulters to the CIBIL, credit card related complaints and take measures to improve the services and ensure the orderly growth in the credit card operations. Banks should put up detailed quarterly analysis of credit card related complaints to their Top Management. Card issuing banks should have in place a suitable monitoring mechanism to randomly check the genuineness of merchant transactions.

## **9. Fraud Control**

Banks/NBFCs should set up internal control systems to combat frauds and actively participate in fraud prevention committees/ task forces which formulate laws to prevent frauds and take proactive fraud control and enforcement measures.

## **10. Right to impose penalty**

Reserve Bank of India reserves the right to impose any penalty on a bank/NBFC under the provisions of the Banking Regulation Act, 1949/the Reserve Bank of India Act, 1934, respectively for violation of any of these guidelines.

**Annex**

### **1. Most Important Terms and Conditions (MITCs)**

#### **(a) Fees and Charges**

- i) Joining fees for primary card holder and for add-on card holder
- ii) Annual membership fees for primary and add-on card holder
- iii) Cash advance fee

- iv) Service charges levied for certain transactions
- v) Interest free (grace) period - *illustrated with examples*
- vi) Finance charges for both revolving credit and cash advances
- vii) Overdue interest charges - to be given on monthly & annualised basis
- viii) Charges in case of default

**(b) Drawal limits**

- i) Credit limit
- ii) Available credit limit
- iii) Cash withdrawal limit

**(c) Billing**

- i) Billing statements—periodicity and mode of sending
- ii) Minimum amount payable
- iii) Method of payment
- iv) Billing disputes resolution
- v) Contact particulars of 24 hour call centers of card issuer
- vi) Grievances redressal escalation—contact particulars of officers to be contacted
- vii) Complete postal address of card issuing bank
- viii) Toll free number for customer care services

**(d) Default and circumstances**

- i) Procedure including notice period for reporting a card holder as defaulter
- ii) Procedure for withdrawal of default report and the period within which would be withdrawn after settlement of dues
- iii) Recovery procedure in case of default
- iv) Recovery of dues in case of death/ permanent incapacitation of cardholder
- v) Available insurance cover for card holder and date of activation of policy

**(e) Termination / revocation of card membership**

- i) Procedure for surrender of card by card holder - due notice

**(f) Loss/theft/misuse of card**

- i) Procedure to be followed in case of loss/ theft/ misuse of card-mode of intimation to card issuer
- ii) Liability of card holder in case of (i) above

**(g) Disclosure**

- i) Type of information relating to card holder to be disclosed with and without approval of card holder

**2. Disclosure of MITCs - Items to be disclosed in stages :**

- i) During marketing - Item no: a
- ii) At application - Item nos: *all items from a to g*
- iii) Welcome Kit - Item nos: all items from a to g
- iv) On billing - Item nos: a, b and c,
- v) On an ongoing basis, any change of the terms and conditions

**Note :**

- (i) The font size of MITC should be minimum Arial-12
- (ii) The normal terms and conditions communicated by the card issuer to the card holder at different stages will continue as hitherto.

**Master Circular - Interest Rates on Advances**

**RBI/2007-2008/40**  
**DBOD. No.Dir. BC. 6/13.03.00/2007- 08**

July 2, 2007  
Aashadha 11, 1929(Saka)

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sir,

Master Circular - Interest Rates on Advances

Please refer to the Master Circular DBOD.No.Dir.BC.5/13.03.00/2006-07 dated July 1, 2006 consolidating instructions / guidelines issued to banks till June 30, 2006 on matters relating to Interest Rates on Advances. The Master Circular has been suitably updated by incorporating instructions issued up to June 30, 2007 and has also been placed on the RBI website (<http://www.rbi.org.in>).

Yours faithfully,

(P. Vijaya Bhaskar)  
Chief General Manager

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## **MASTER CIRCULAR ON INTEREST RATES ON ADVANCES**

### **Purpose**

To consolidate the directives on interest rates on advances issued by Reserve Bank of India from time to time.

### **Classification**

A statutory directive issued by the Reserve Bank in exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949.

### **Previous instructions consolidated**

This Master Circular consolidates the instructions on the above subject contained in the circulars listed in **Annex 3**.

### **Scope of Application**

To all Scheduled Commercial Banks, excluding Regional Rural Banks.

### **Structure**

#### **1. Introduction**

#### **2. Guidelines**

- 2.1 General
- 2.2 Benchmark Prime Lending Rate (BPLR) and Spreads
- 2.3 Determination of Benchmark Prime Lending Rate (BPLR)
- 2.4 Freedom to fix Lending Rates
- 2.5. Floating Rate of Interest on Loans
- 2.6. Levying of penal rates of interest
- 2.7. Enabling clause in loan agreement



- 2.8. Withdrawals against uncleared effects
- 2.9. Loans under consortium arrangement
- 2.10. Charging of interest at monthly rests
- 2.11. Zero percent Interest Finance Schemes for Consumer Durables
- 2.12. Excessive interest charged by banks

### **3. Annex**

#### **1. Introduction**

1.1. Reserve Bank of India began prescribing the minimum rate of interest on advances granted by Scheduled Commercial Banks with effect from October 1, 1960. Effective March 2, 1968, in place of minimum lending rate, the maximum lending rate to be charged by banks was introduced, which was rescinded with effect from January 21, 1970, when the prescription of minimum lending rate was reintroduced. The ceiling rate on advances to be charged by banks was again introduced effective March 15, 1976, and banks were also advised, for the first time, to charge interest on advances at periodic intervals, that is, at quarterly rests. In the following period, various sector-specific, programme-specific and purpose-specific interest rates were introduced.

1.2. Given the prevailing structure of lending rates of Scheduled Commercial Banks, as it had evolved over time, characterised by an excessive proliferation of rates, in September, 1990, a new structure of lending rates linking interest rates to the size of loan was prescribed which significantly reduced the multiplicity and complexity of interest rates. In the case of the Differential Rate of Interest Scheme under which credit was provided at a rate of 4.0 per cent per annum, and Export Credit, which was subject to an entirely different regime of lending rates supplemented by interest rate subsidies, the existing lending rate structure was continued.

1.3. An objective of financial sector reform has been to ensure that the financial repression inherent in administered interest rates is removed. Accordingly, in the context of granting greater functional autonomy to banks, effective October 18, 1994, it was decided to free the lending rates of scheduled commercial banks for credit limits of over Rs. 2 lakh; for loans up to Rs. 2 lakh, it was decided that it was necessary to continue to protect these borrowers by prescribing the lending rates. For credit limits of over Rs.2 lakh, the prescription of minimum lending rate was abolished and banks were given the freedom to fix the lending rates for such credit limits. Banks are now required to obtain the approval of their respective Boards for the Benchmark Prime Lending Rate (BPLR), which would be the reference rate for credit limits of over Rs.2 lakh. Each bank's BPLR has to be declared and be made uniformly applicable at all branches.

#### **2. Guidelines**

##### **2.1. General**

2.1.1. Banks should charge interest on loans / advances / cash credits / overdrafts or any other financial accommodation granted / provided / renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by Reserve Bank of India from time to time.

2.1.2. The interest at the specified rates should be charged at monthly rests (subject to the conditions laid down in paragraph 2.10) and rounded off to the nearest rupee.

2.1.3. Banks should club term loans and working capital advances together for the purpose of determining the size of the loan and the applicable rate of interest.

2.1.4. The schedule of rates of interest as per the current directive in force is given in **Annex 1**.

##### **2.2 Benchmark Prime Lending Rate (BPLR) and Spreads**

2.2.1. With effect from October 18, 1994, RBI has deregulated the interest rates on advances above Rs.2 lakh and the rates of interest on such advances are determined by the banks themselves subject to BPLR and Spread guidelines. For credit limits up to Rs.2 lakh, banks should charge interest not exceeding their BPLR. Keeping in view the international practice and to provide operational flexibility to commercial banks in deciding their lending rates, banks can offer loans at below BPLR to exporters or other creditworthy borrowers, including public enterprises, on the basis of a transparent and objective policy approved by their respective Boards. Banks will continue to declare the maximum spread of interest rates over BPLR.

2.2.2. Given the prevailing credit market in India and the need to continue with concessionality for small borrowers, the practice of treating BPLR as the ceiling for loans up to Rs. 2 lakh will continue.

2.2.3. Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of loans for purchase of consumer durables, loans to individuals against shares and debentures / bonds, other non-priority sector personal loans, etc. as per details given in paragraph 2.4.

2.2.4. BPLR will be made uniformly applicable at all branches of a bank.

### **2.3. Determination of Benchmark Prime Lending Rate (BPLR)**

2.3.1. In order to enhance transparency in banks' pricing of their loan products as also to ensure that the BPLR truly reflects the actual costs, banks should be guided by the following considerations while determining their Benchmark PLR:

a) Banks should take into account their (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning / capital charge and profit margin, while arriving at the benchmark PLR. Banks should announce a Benchmark PLR with the approval of their Boards.

b) The Benchmark PLR will be the ceiling rate for credit limit up to Rs.2 lakh.

c) All other lending rates can be determined with reference to the Benchmark PLR arrived at as above by taking into account term premia and / or risk premia.

Detailed guidelines on operational aspects of Benchmark PLR have been issued by IBA on November 25, 2003.

2.3.2. In the interest of customer protection and to have greater degree of transparency in regard to actual interest rates charged to borrowers, banks should continue to provide information on maximum and minimum interest rates charged together with the Benchmark PLR.

### **2.4. Freedom to fix Lending Rates**

2.4.1. Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans:

- i. Loans for purchase of consumer durables;
- ii. Loans to individuals against shares and debentures / bonds;
- iii. Other non-priority sector personal loans including credit card dues;
- iv. Advances / overdrafts against domestic / NRE / FCNR (B) deposits with the bank, provided that the deposit/s stands / stand either in the name(s) of the borrower himself / borrowers themselves, or in the names of the borrower jointly with another person;
- v. Finance granted to intermediary agencies including housing finance intermediary agencies (list at **Annex 2**) for on-lending to ultimate beneficiaries and agencies providing input support.;
- vi. Discounting of Bills;
- vii. Loans / Advances / Cash Credit / Overdrafts against commodities subject to Selective Credit Control;
- viii. To a co-operative bank or to any other banking institution;
- ix. To its own employees;
- x) Loans covered by refinance schemes of term lending institutions.

### **2.5. Floating Rate of Interest on Loans**

2.5.1. Banks have the freedom to offer all categories of loans on fixed or floating rates, subject to conformity to their Asset-Liability Management (ALM) guidelines. In order to ensure transparency, banks should use only external or market-based rupee benchmark interest rates for pricing of their floating rate loan products. The methodology of computing the floating rates should be objective, transparent and mutually acceptable to counter parties. Banks should not offer floating rate loans linked to their own internal benchmarks or any other derived rate based on the underlying. This methodology should be adopted for all new loans. In the case of existing loans of longer / fixed tenure, banks should reset the floating rates according to the above method at the time of review or renewal of loan accounts, after obtaining the consent of the concerned borrower/s.

### **2.6. Levying of penal rates of interest**

2.6.1. Since the Boards of the banks have been empowered to decide the BPLR as also the spread over BPLR, banks are

permitted (with effect from October 10, 2000), to formulate a transparent policy for charging penal interest with the approval of their Board of Directors. However, in the case of loans to borrowers under priority sector, no penal interest should be charged for loans up to Rs.25,000. Penal interest can be levied for reasons such as default in repayment, non-submission of financial statements, etc. However, the policy on penal interest should be governed by well-accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

## **2.7.Enabling clause in loan agreement**

2.7.1.Banks should invariably incorporate the following proviso in the loan agreements in the case of all advances, including term loans, thereby enabling banks to charge the applicable interest rate in conformity with the directives issued by RBI from time to time.

'Provided that the interest payable by the borrower shall be subject to the changes in interest rates made by the Reserve Bank from time to time.'

2.7.2. Since banks are bound by the Reserve Bank's directive on interest rates on loans and advances, which are issued under Sections 21 and 35A of the Banking Regulation Act, 1949, banks are obliged to give effect to any revision of interest rates whether upwards or downwards, on all the existing advances from the date that the directives / revised interest rate (change in BPLR and Spread) come into force, unless the directives specifically provide otherwise.

2.7.3. Paragraphs 2.7.1 and 2.7.2 will not be applicable in case of Fixed Rate Loans.

## **2.8.Withdrawals against uncleared effects**

2.8.1. Where withdrawals are allowed against cheques sent for clearing, i.e. uncleared effects (e.g. uncleared local or outstation cheques) which are in the nature of unsecured advances, banks should charge interest on such drawals as per the directive on interest rate on advances.

2.8.2. The above instruction will not apply to the facility afforded to depositors for immediate credits in respect of cheques sent for collection, as a measure of customer service.

## **2.9.Loans under consortium arrangement**

2.9.1. Banks need not charge a uniform rate of interest even under a consortium arrangement. Each member bank should charge rate of interest on the portion of the credit limits extended by it to the borrower subject to its BPLR.

## **2.10.Charging of interest at monthly rests**

2.10.1. Banks were required to switch-over to the system of charging interest at monthly rests with effect from April 1, 2002. While switching over to the new system, banks were required to ensure that the effective rate does not go up merely on account of the switch-over to the system of charging / compounding interest at monthly rests and increase the burden on the borrowers.

### **Illustratively**

If a bank is charging in a borrower's account an interest rate of 12 percent with quarterly rests, the effective rate is 12.55 percent. If the bank charges in the same account an interest rate of 12 percent at monthly rests, the effective rate comes to 12.68 percent. Banks should, therefore, adjust the 12 percent interest rate charged to the borrower in such a way that the effective interest rate to the borrower does not exceed 12.55 percent, as hitherto. Thus, in the above example, banks should charge interest at 11.88 percent (and not 12 percent). If this is done, the effective rate, even after compounding at monthly rests will be 12.55 percent.

2.10.2. Application of interest on monthly rests shall be restricted to all running accounts, e.g. Cash Credit, Overdraft, Export Packing Credit Accounts, etc. At the time of changing over to monthly rests, banks may obtain consent letter / supplemental agreement from the borrowers for the purpose of documentation.

2.10.3. Interest at monthly rests shall be applied in case of all new and existing term loans and other loans of longer / fixed tenor. In the case of existing loans of longer / fixed tenor, banks shall move over to application of interest at monthly rests at the time of review of terms and conditions or renewal of such loan accounts or after obtaining consent from the borrower.

2.10.4. Instructions on charging interest at monthly rests shall not be applicable to agricultural advances and banks shall continue to follow the existing practice of charging / compounding of interest on agricultural advances linked to crop seasons. As indicated in circular RPCD.No.PLFS.BC.129/ 05.02.27/97-98 dated June 29, 1998, banks should charge interest on agricultural advances for long duration crops at annual rests. As regards other agricultural advances in respect of short duration crop and allied agricultural activities such as dairy, fishery, piggery, poultry, bee-keeping, etc., banks should take into consideration due dates fixed on the basis of fluidity with borrowers and harvesting / marketing season while charging interest and compounding the same if the loan / instalment becomes overdue. Further, banks should ensure that the total interest debited to an account should not exceed the principal amount in respect of short term advances granted to small and marginal farmers.

## **2.11.Zero percent Interest Finance Schemes for Consumer Durables**

2.11.1. Banks should refrain from offering low / zero percent interest rates on consumer durable advances to borrowers through adjustment of discount available from manufacturers / dealers of consumer goods, since such loan schemes lack transparency in operations and distort pricing mechanism of loan products. These products do not also give a clear picture to the customers regarding the applicable interest rates. Banks should also not promote such schemes by releasing advertisement in different newspapers and media indicating that they are promoting / financing consumers under such schemes. They should also refrain from linking their names in any form / manner with any incentive-based advertisement where clarity regarding interest rate is absent.

## **2.12. Excessive interest charged by banks**

2.12.1. Though interest rates have been deregulated, charging of interest beyond a certain level is seen to be usurious and can neither be sustainable nor be conforming to normal banking practice. Boards of banks have, therefore, been advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances. In laying down such principles and procedures in respect of small value loans, particularly, personal loans and such other loans of similar nature, banks should take into account, inter-alia, the following broad guidelines:

- An appropriate prior-approval process should be prescribed for sanctioning such loans, which should take into account, among others, the cash flows of the prospective borrower.
- Interest rates charged by banks, inter-alia, should incorporate risk premium as considered reasonable and justified having regard to the internal rating of the borrower. Further, in considering the question of risk, the presence or absence of security and the value thereof should be taken into account.
- The total cost to the borrower, including interest and all other charges levied on a loan, should be justifiable having regard to the total cost incurred by the bank in extending the loan, which is sought to be defrayed and the extent of return that could be reasonably expected from the transaction.
- An appropriate ceiling should be fixed on the interest, including processing and other charges that are levied on such loans, which should be suitably publicised.

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**Annex 1**

### **Interest Rate Structure for all Rupee Advances including Terms Loans of Commercial Banks**

**Rate of Interest (Per cent per annum)**

1.

(a)

Up to and inclusive of Rs.2 lakh

Not exceeding Benchmark Prime Lending Rate (BPLR)

(b)

Over Rs.2 lakh

Banks are free to determine rates of interest subject to BPLR and spread guidelines. Banks may, however, offer loans at below BPLR to exporters or other creditworthy borrowers including public enterprises based on a transparent and objective policy approved by their Boards.

## **2 Export Credit**

Applicable for the period up to October 31, 2007

### **Pre-shipment Credit**

(a) Up to 180 days

Not exceeding BPLR minus 2.5 percentage points

(b) Against incentives receivable from Government covered by ECGC Guarantee (up to 90 days)

Not exceeding BPLR minus 2.5 percentage points

### **Post-shipment Credit**

(a) On demand bills for transit period (as specified by FEDAI )

Not exceeding BPLR minus 2.5 percentage points

(b) Usance Bills

(for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)

(i) Up to 90 days

Not exceeding BPLR minus 2.5 percentage points

(ii) Up to 365 days for eligible exporters under the Gold Card Scheme

Not exceeding BPLR minus 2.5 percentage points

(c) Against incentives receivable from Government (covered by ECGC Guarantee) up to 90 days

Not exceeding BPLR minus 2.5 percentage points

(d) Against undrawn balances (up to 90 days)

Not exceeding BPLR minus 2.5 percentage points

(e) Against retention money (for supplies portion only) payable within one year from the date of shipment (up to 90 days)

Not exceeding BPLR minus 2.5 percentage points

Note

1. Since these are ceiling rates, banks are free to charge any rate below the ceiling rates.

2. Interest rates for the above-mentioned categories of export credit beyond the tenors as prescribed above are deregulated and banks are free to decide the rate of interest, keeping in view the BPLR and spread guidelines.

### 3. Education Loan Scheme

Up to Rs. 4 lakh

Not exceeding BPLR

Above R. 4 lakh

BPLR + 1%

#### Note:

1. The interest to be debited quarterly/ half yearly on simple basis during the Repayment holiday/ Moratorium period.

2. Penal interest @2% be charged for loans above Rs. 2 lakh for the overdue amount and overdue period.

4. DRI Advances 4.0%

**5. Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans:**

(a) Loans for purchase of consumer durables

(b) Loans to individuals against shares and debentures / bonds

(c) Other non-priority sector personal loans including credit card dues

(d) Advances / overdrafts against domestic / NRE / FCNR (B) deposits with the bank, provided that the deposit/s stands / stand either in the name(s) of the borrower himself / borrowers themselves, or in the names of the borrower jointly with another person

(e) Finance granted to intermediary agencies (excluding those of housing) for on-lending to ultimate beneficiaries and agencies providing input support.

(f) Finance granted to housing finance intermediary agencies for on-lending to ultimate beneficiaries.

(g) Discounting of Bills

(h) Loans / Advances / Cash Credit / Overdrafts against commodities subject to Selective Credit Control.

6. Loans covered by participation in refinancing schemes of term lending institutions

Free to charge interest rates as per stipulations of the refinancing agencies without reference to BPLR

**Note:** Intermediary agencies are indicated in Annex 2.

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### An Illustrative list of Intermediary Agencies

1. State sponsored organisations for on-lending to weaker sections. Weaker sections include –

- i) Small and marginal farmers with landholdings of 5 acres and less, and landless labourers, tenant farmers and share-croppers;
- ii) Artisans, village and cottage industries where individual credit requirements do not exceed Rs. 50,000/-;
- iii) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY);
- iv) Scheduled Castes and Scheduled Tribes;
- v) Beneficiaries of Differential Rate of Interest (DRI) scheme;
- vi) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY);
- vii) Beneficiaries under scheme of Liberation and Rehabilitation of Scavengers (SLRS);
- viii) Advances to Self-Help Groups (SHGs);
- ix) Loans to distressed poor to repay their debt to informal sector, against appropriate collateral or group security;

Loans granted under (i) to (viii) above to persons from minority communities as may be notified by Government of India from time to time.

In states, where one of the minority communities notified is, in fact, in majority, item (ix) will cover only the other notified minorities. These States/Union Territories are Jammu and Kashmir, Punjab, Sikkim, Mizoram, Nagaland and Lakshadweep.

2. Distributors of agricultural inputs / implements.

3. State Financial Corporations (SFCs) / State Industrial Development Corporations (SIDCs) to the extent they provide credit to weaker sections.

4. National Small Industries Corporation (NSIC).

5. Khadi and Village Industries Commission (KVIC).

6. Agencies involved in assisting the decentralised sector.

7. State sponsored organisations for on-lending to the weaker sections.

8. Housing and Urban Development Corporation Ltd. (HUDCO).

9. Housing Finance Companies approved by National Housing Bank (NHB) for refinance.

10. State sponsored organisations for SCs / STs (for purchase and supply of inputs to and / or marketing of output of the beneficiaries of these organisations).

11. Micro Finance Institutions / Non-Government Organisations (NGOs) on-lending to SHGs.

### List of directives/circulars/instructions which have been consolidated in the Master Circular on 'Interest Rates on Advances'

Sr. No.

Reference Number

Date

1.

DBOD. Dir. BC. 93/13.03.00/2006-07

07.05.2007

2.

RPCD.No.Plan.BC.10856/04.09.01/2006-07

18.05.2007

3.

RPCD.No.Plan.BC.84/04.09.01/2006-07

30.04.2007

4.

DBOD.Dir (Exp.).BC.No.79/04.02.01/2006-07

17.04.2007

5.

DBOD.Dir.BC. 5/13.03.00/2006-07

01.07.2006