



भारतीय रिज़र्व बैंक

## RESERVE BANK OF INDIA

www.rbi.org.in

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DBOD No.Leg.BC. 22 /09.07.006/2013-14

July 1, 2013  
Ashadha 10, 1935

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sir,

### Master Circular on Customer Service in Banks

Please refer to the [Master Circular DBOD.No.Leg.BC. 21/09.07.006/2012-13 dated July 02, 2012](#) consolidating many of the important instructions issued by us in the area of customer service up to June 30, 2012. The Master Circular has been suitably updated by incorporating the instructions issued up to June 30, 2013 and has also been placed on the RBI website (<http://www.rbi.org.in>). A copy of the Master Circular is enclosed.

2. It may be noted that the Master Circular consolidates and updates all the instructions contained in the circulars listed in the Appendix to the Master Circular.

3. Banks are also advised to ensure that copies of the circular are available in all their branches so that the customers can peruse the same.

Yours faithfully,

(Rajesh Verma)  
Chief General Manager

## **Master Circular on Customer Service**

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## **1. Introduction**

Customer service has great significance in the banking industry. The banking system in India today has perhaps the largest outreach for delivery of financial services and is also serving as an important conduit for delivery of financial services. While the coverage has been expanding day by day, the quality and content of dispensation of customer service has come under tremendous pressure mainly owing to the failure to handle the soaring demands and expectations of the customers.

The vast network of branches spread over the entire country with millions of customers, a complex variety of products and services offered, the varied institutional framework – all these add to the enormity and complexity of banking operations in India giving rise to complaints for deficiencies in services. This is evidenced by a series of studies conducted by various committees such as the Talwar Committee, Goiporia Committee, Tarapore Committee, etc., to bring in improvement in performance and procedure involved in the dispensation of hassle-free customer service.

Reserve Bank, as the regulator of the banking sector, has been actively engaged from the very beginning in the review, examination and evaluation of customer service in banks. It has constantly brought into sharp focus the inadequacy in banking services available to the common person and the need to benchmark the current level of service, review the progress periodically, enhance the timeliness and quality, rationalize the processes taking into account technological developments, and suggest appropriate incentives to facilitate change on an ongoing basis through instructions/guidelines.

Depositors' interest forms the focal point of the regulatory framework for banking in India. There is a widespread feeling that the customer does not get satisfactory service even after demanding it and there has been a total disenfranchisement of the depositor. There is, therefore, a need to reverse this trend and start a process of empowering the depositor.

Broadly, a customer can be defined as a user or a potential user of bank services. So defined, a 'Customer' may include:

- a person or entity that maintains an account and/or has a business relationship with the bank;
- one on whose behalf the account is maintained (i.e. the beneficial owner);
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc., as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

## **1.1 General**

### **Policy for general management of the branches**

Banks' systems should be oriented towards providing better customer service and they should periodically study their systems and their impact on customer service. Banks should have a Board approved policy for general management of the branches which may include the following aspects:-

- (a) providing infrastructure facilities by branches by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, with specific emphasis on pensioners, senior citizens, disabled persons, etc.
- (b) providing entirely separate enquiry counters at their large / bigger branches in addition to a regular reception counter.
- (c) displaying indicator boards at all the counters in English, Hindi as well as in the concerned regional language. Business posters at semi-urban and rural branches of banks should also be in the concerned regional languages.
- (d) posting roving officials to ensure employees' response to customers and for helping out customers in putting in their transactions.
- (e) providing customers with booklets consisting of all details of service and facilities available at the bank in Hindi, English and the concerned regional languages.

- (f) use of Hindi and regional languages in transacting business by banks with customers, including communications to customers.
- (g) reviewing and improving upon the existing security system in branches so as to instil confidence amongst the employees and the public.
- (h) wearing on person an identification badge displaying photo and name thereon by the employees.
- (i) Periodic change of desk and entrustment of elementary supervisory jobs.
- (j) Training of staff in line with customer service orientation. Training in Technical areas of banking to the staff at delivery points. Adopting innovative ways of training / delivery ranging from job cards to roving faculty to video conferencing.
- (k) visit by senior officials from Controlling Offices and Head Office to branches at periodical intervals for on the spot study of the quality of service rendered by the branches.
- (l) rewarding the best branches from customer service point of view by annual awards/running shield.
- (m) Customer service audit, Customer surveys.
- (n) holding Customer relation programmes and periodical meetings to interact with different cross sections of customers for identifying action points to upgrade the customer service with customers.
- (o) clearly establishing a New Product and Services Approval Process which should require approval by the Board especially on issues which compromise the rights of the Common Person.
- (p) appointing Quality Assurance Officers who will ensure that the intent of policy is translated into the content and its eventual translation into proper procedures.

## **2. Customer Service: Institutional Framework**

### **Need for Board's involvement**

Matters relating to customer service should be deliberated by the Board to ensure that the instructions are implemented meaningfully. Commitment to hassle-free service to the customer at large and the Common Person in particular under the oversight of the Board should be the major responsibility of the Board.

## **2.1 Customer Service Committee of the Board**

Banks are required to constitute a Customer Service Committee of the Board and include experts and representatives of customers as invitees to enable the bank to formulate policies and assess the compliance thereof internally with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer service provided by the banks.

### **2.1.1 Role of the Customer Service Committee**

Customer Service Committee of the Board, illustratively, could address the following:-

- formulation of a Comprehensive Deposit Policy
- issues such as the treatment of death of a depositor for operations of his account
- product approval process with a view to suitability and appropriateness
- annual survey of depositor satisfaction
- tri-ennial audit of such services.

Besides, the Committee could also examine any other issues having a bearing on the quality of customer service rendered.

### **2.1.2 Monitoring the implementation of awards under the Banking Ombudsman Scheme**

The Committee should also play a more pro-active role with regard to complaints / grievances resolved by Banking Ombudsmen of the various States.

The Scheme of Banking Ombudsman was introduced with the object of enabling resolution of complaints relating to provision of banking services and resolving disputes between a bank and its constituent through the process of conciliation, mediation and arbitration in respect of deficiencies in customer service. After detailed examination of the complaints / grievances of customers of banks and after perusal of the comments of banks, the Banking Ombudsmen issue their awards in respect of individual complaints

to redress the grievances. Banks should ensure that the Awards of the Banking Ombudsmen are implemented expeditiously and with active involvement of Top Management.

Further, with a view to enhancing the effectiveness of the Customer Service Committee, banks should also :

a) place all the awards given by the Banking Ombudsman before the Customer Service Committee to enable them to address issues of systemic deficiencies existing in banks, if any, brought out by the awards; and

b) place all the awards remaining unimplemented for more than three months with the reasons therefor before the Customer Service Committee to enable the Customer Service Committee to report to the Board such delays in implementation without valid reasons and for initiating necessary remedial action.

### **2.1.3 Board Meeting to Review and Deliberate on Customer Service**

Banks are advised to review customer service / customer care aspects in the bank and submit a detailed memorandum in this regard to the Board of Directors, once every six months and initiate prompt corrective action wherever service quality / skill gaps have been noticed.

## **2.2 Standing Committee on Customer Service**

The Committee on Procedures and Performance Audit of Public Services (CPPAPS) examined the issues relating to the continuance or otherwise of the Ad hoc Committees and observed that there should be a dedicated focal point for customer service in banks, which should have sufficient powers to evaluate the functioning in various departments. The CPPAPS therefore recommended that the Ad hoc Committees should be converted into Standing Committees on Customer Service.

On the basis of the above recommendation, banks are required to convert the existing Ad hoc Committees into a Standing Committee on Customer Service. The Ad hoc Committees when converted as a permanent Standing Committee cutting across various departments can serve as the micro level executive committee driving the



implementation process and providing relevant feedback while the Customer Service Committee of the Board would oversee and review / modify the initiatives. Thus the two Committees would be mutually reinforcing with one feeding into the other.

The constitution and functions of the Standing Committee may be on the lines indicated below :-

- i) The Standing Committee may be chaired by the CMD or the ED and include non-officials as its members to enable an independent feedback on the quality of customer service rendered by the bank.
- ii) The Standing Committee may be entrusted not only with the task of ensuring timely and effective compliance of the RBI instructions on customer service, but also that of receiving the necessary feedback to determine that the action taken by various departments of the bank is in tune with the spirit and intent of such instructions.
- iii) The Standing Committee may review the practice and procedures prevalent in the bank and take necessary corrective action, on an ongoing basis as the intent is translated into action only through procedures and practices.
- iv) A brief report on the performance of the Standing Committee during its tenure indicating, inter alia, the areas reviewed, procedures / practices identified and simplified / introduced may be submitted periodically to the Customer Services Committee of the Board.

With the conversion of the Ad hoc Committees into Standing Committees on Customer Service, the Standing Committee will act as the bridge between the various departments of the bank and the Board / Customer Service Committees of the Board.

### **2.3 Branch Level Customer Service Committees**

Banks were advised to establish Customer Service Committees at branch level. In order to encourage a formal channel of communication between the customers and the bank at the branch level, banks should 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 constituent in banks, a senior citizen may preferably be included therein. 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.

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.

#### **2.4 Nodal department / official for customer service**

Each bank is expected to have a nodal department / official for customer service in the HO and each controlling office, with whom customers with grievances can approach in the first instance and with whom the Banking Ombudsman and RBI can liaise.

### **3. Board approved policies on Customer Service**

Customer service should be projected as a priority objective of banks along with profit, growth and fulfilment of social obligations. Banks should have a Board approved policy for the following:

#### **3.1 Comprehensive Deposit Policy**

Banks should formulate a transparent and comprehensive policy setting out the rights of the depositors in general and small depositors in particular. The policy would also be required to cover all aspects of operations of deposit accounts, charges leviable and other related issues to facilitate interaction of depositors at branch levels. Such a policy should also be explicit in regard to secrecy and confidentiality of the customers. Providing other facilities by "tying-up" with placement of deposits is clearly a restrictive practice.

#### **3.2 Cheque Collection Policy**

Banks should formulate a comprehensive and transparent policy taking into account their technological capabilities, systems and processes adopted for clearing

arrangements and other internal arrangements for collection through correspondents. The policy should cover the following three aspects:

- **Immediate Credit for Local / Outstation cheques**
- **Time frame for Collection of Local / Outstation Instruments**
- **Interest payment for delayed collection**

Broad principles enumerated in paragraph 14.1 should be taken into account while formulating the policy.

### **3.3 Customer Compensation Policy**

Banks must have a well documented Customer Compensation Policy duly approved by their Boards. They could use the model policy formulated by the Indian Banks' Association (IBA) in this regard in formulating their own policy. Banks policy should, at a minimum, incorporate the following aspects:-

- (a) Erroneous Debits arising on fraudulent or other transactions
- (b) Payment of interest for delays in collection
- (c) Payment of interest for delay in issue of duplicate draft
- (d) Other unauthorised actions of the bank leading to a financial loss to customer

### **3.4 Customer Grievance Redressal Policy**

Banks must have a well documented Customer Grievance Redressal Policy duly approved by their Boards. The Policy should be framed based on the broad principles enumerated in paragraph 16 of this Circular.

### **3.5 Giving publicity to the policies**

(i) Banks should ensure that wide publicity is given to the above policies formulated by them by placing them prominently on the web-site and also otherwise widely disseminating the policies such as, displaying them on the notice board in their branches.

(ii) The customers should be clearly apprised of the assurances of the bank on the services on these aspects at the time of establishment of the initial relationship be it as a depositor, borrower or otherwise.

(iii) Further, they may also take necessary steps to keep the customers duly informed of the changes in the policies formulated by them from time to time.

#### **4. Financial Inclusion**

##### **4.1 Basic Savings Bank Deposit Account (BSBDA)**

In supersession of instructions contained in circular DBOD.No.Leg.BC.44/09.07.005/2005-06 dated November 11, 2005 on Financial Inclusion, banks are advised to offer a 'Basic Savings Bank Deposit Account' which will offer following minimum common facilities to all their customers :

- i. The 'Basic Savings Bank Deposit Account' should be considered a normal banking service available to all.
- ii. This account shall not have the requirement of any minimum balance.
- iii. The services available in the account will include deposit and withdrawal of cash at bank branch as well as ATMs; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques drawn by Central / State Government agencies and departments.
- iv. While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals.
- v. Facility of ATM card or ATM-cum-Debit Card.
- vi. The above facilities will be provided without any charges. Further, no charge will be levied for non-operation / activation of in-operative 'Basic Savings Bank Deposit Account'.
- vii. Banks would be free to evolve other requirements including pricing structure for additional value-added services beyond the stipulated basic minimum

services on reasonable and transparent basis and applied in a non-discriminatory manner.

viii. The 'Basic Savings Bank Deposit Account' would be subject to RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time. If such account is opened on the basis of simplified KYC norms, the account would additionally be treated as a 'Small Account' and would be subject to conditions stipulated for such accounts as indicated in paragraph 2.7 of Master Circular DBOD.AML.BC.No.11/14.01.001/2012-13 dated July 02, 2012 on 'KYC norms / AML standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002'.

ix. Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings bank deposit account in that bank. If a customer has any other existing savings bank deposit account in that bank, he / she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.

x. The existing basic banking 'no-frills' accounts should be converted to 'Basic Savings Bank Deposit Account' as per the instructions contained above.

## **4.2 IT-enabled Financial Inclusion**

Though the banks make available a Basic Savings Bank Deposit Account so as to achieve the objective of greater financial inclusion, yet 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.

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. Care may be taken 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.

#### **4.3 Printed material in trilingual form**

In order to ensure that banking facilities percolate to the vast sections of the population, banks should make available all printed material used by retail customers including account opening forms, pay-in-slips, passbooks, etc., in trilingual form i.e., English, Hindi and the concerned Regional Language.

### **5. Opening / Operation of Deposit Accounts**

#### **5.1 Customer Identification Procedure for individual accounts**

Banks should be generally guided by RBI instructions on KYC / AML for opening of accounts.

##### **5.1.1 Intra-bank Deposit Accounts Portability**

Banks are advised that KYC once done by one branch of the bank should be valid for transfer of the account within the bank as long as full KYC has been done for the concerned account. The customer should be **allowed** to transfer his account from one branch to another branch without insisting on fresh proof of address and on the basis of a self-declaration from the account holder about his / her current address, subject to submitting proof of address within a period of six months. Periodical updation of KYC data would continue to be done by bank as per prescribed periodicity.

#### **5.2 Savings Bank Rules**

As many banks are now issuing statement of accounts in lieu of pass books, the Savings Bank Rules must be annexed as a tear-off portion to the account opening form so that the account holder can retain the rules.

### **5.3 Photographs of depositors**

Banks should obtain and keep on record photographs of all depositors/account holders in respect of accounts opened by them subject to the following clarifications:

- (i) The instructions cover all types of deposits including fixed, recurring, cumulative, etc.
- (ii) They apply to all categories of depositors, whether resident or non-resident. Only banks, Local Authorities and Government Departments (excluding public sector undertakings or quasi-Government bodies) will be exempt from the requirement of photographs.
- (iii) The banks may not insist on photographs in case of accounts of staff members only (Single/Joint).
- (iv) The banks should obtain photographs of all persons authorised to operate the accounts viz., Savings Bank and Current Accounts without exception.
- (v) The banks should also obtain photographs of the 'Pardanishin' women.
- (vi) The banks may obtain two copies of photographs and obtaining photocopies of driving licence/passport containing photographs in place of photographs would not suffice.
- (vii) The banks should not ordinarily insist on the presence of account holder for making cash withdrawals in case of 'self' or 'bearer' cheques unless the circumstances so warrant. The banks should pay 'self' or 'bearer' cheques taking usual precautions.
- (viii) Photographs cannot be a substitute for specimen signatures.
- (ix) Only one set of photographs need be obtained and separate photographs should not be obtained for each category of deposit. The applications for different types of deposit accounts should be properly referenced.
- (x) Fresh photographs need not be obtained when an additional account is desired to be opened by the account holder.

(xi) In the case of operative accounts, viz. Savings Bank and Current accounts, photographs of persons authorised to operate them should be obtained. In case of other deposits, viz., Fixed, Recurring, Cumulative, etc., photographs of all depositors in whose names the deposit receipt stands may be obtained except in the case of deposits in the name of minors where guardians' photographs should be obtained.

#### **5.4 Minimum balance in savings bank accounts**

At the time of opening the accounts, banks should inform their customers in a transparent manner the requirement of maintaining minimum balance and levying of charges, etc., if the minimum balance is not maintained. Any charge levied subsequently should be transparently made known to all depositors in advance with one month's notice. The banks should inform, at least one month in advance, the existing account holders of any change in the prescribed minimum balance and the charges that may be levied if the prescribed minimum balance is not maintained.

#### **5.5 Purchase of Local Cheques, Drafts, etc., during suspension of Clearing**

There may be occasions when Clearing House operations may have to be temporarily suspended for reasons beyond the control of the authorities concerned. Such suspension entails hardship to the constituents of the banks because of their inability to realize promptly the proceeds of cheques, drafts, etc., drawn on the local banks other than those with whom they maintain accounts. Some remedial action has to be taken during such contingencies to minimise, as far as possible, the inconvenience and hardship to banks' constituents as also to maintain good customer service. Thus, whenever clearing is suspended and it is apprehended that the suspension may be prolonged, banks may temporarily accommodate their constituents, both borrowers and depositors, to the extent possible by purchasing the local cheques, drafts, etc., deposited in their accounts for collection, special consideration being shown in respect of cheques drawn by Government departments/companies of good standing and repute, as also demand drafts drawn on local banks. While extending this facility, banks would no doubt take into consideration such factors as creditworthiness, integrity, past dealings and occupation of the constituents, so as to guard themselves against any possibility of such instruments being dishonoured subsequently.



## **5.6 Statement of accounts / Pass Books**

### **5.6.1 Issuance of Passbooks to Savings Bank Account holders (Individuals)**

(i) 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. The cost of providing such Pass Book or Statements should not be charged to the customer.

(ii) It has come to our notice that some banks are not issuing pass books to their savings banks account holders (individuals) and only issue a computer generated account statement even when the customer desires pass book facility. Banks are, therefore, advised to strictly adhere to the extant instructions.

### **5.6.2. Updating passbooks**

(i) Customers may be made conscious of the need on their part to get the pass-books updated regularly and employees may be exhorted to attach importance to this area.

(ii) Wherever pass-books are held back for updating, because of large number of entries, paper tokens indicating the date of its receipt and also the date when it is to be collected should be issued.

(iii) It is sometimes observed that customers submit their passbooks for updation after a very long time. In addition to the instructions printed in the passbook, whenever a passbook is tendered for posting after a long interval of time or after very large number of transactions, a printed slip requesting the depositor to tender it periodically should be given.

### **5.6.3 Entries in passbooks / statement of accounts**

(i) Banks should give constant attention to ensure entry of correct and legible particulars in the pass books and statement of accounts.

(ii) The banks often show the entries in depositors' passbooks / statements of accounts, as "by clearing" or "by cheque". Further, it is observed that in the case of Electronic Clearing System (ECS) and RBI Electronic Fund Transfer (RBIEFT), banks generally do not provide any details even though brief particulars of the remittance are provided by the receiving bank. In some cases, computerized entries use codes which just cannot be deciphered. With a view to avoiding inconvenience to depositors, banks should avoid such inscrutable entries in passbooks / statement of accounts and ensure that brief, intelligible particulars are invariably entered in passbooks / statement of account.

### **5.6.4 Maintenance of savings bank pass books: precautions**

Negligence in taking adequate care in the custody of savings bank pass books facilitates fraudulent withdrawals from the relative accounts. A few precautions in this regard are given below:

(i) Branches should accept the pass books and return them against tokens.

(ii) Pass books remaining with the branches should be held in the custody of named responsible officials.

(iii) While remaining with the branch, pass books should be held under lock and key overnight.

### **5.6.5 Providing monthly statement of accounts**

- (i) Banks may ensure that they adhere to the monthly periodicity while sending statement of accounts.
- (ii) The statements of accounts for current account holders may be sent to the depositors in a staggered manner instead of sending by a target date every month. The customers may be informed about staggering of the preparation of these statements.
- (iii) Further, banks should advise their Inspecting Officers to carry out sample check at the time of internal inspection of branches to verify whether the statements are being despatched in time.

### **5.6.6 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, it would be useful if the address / telephone number of the branch is mentioned on the passbooks / statement of accounts.

Banks are therefore advised to ensure that full address / telephone number of the branch is invariably mentioned in the passbooks / statement of accounts issued to account holders.

### **5.6.7 Printing of MICR code and IFSC code on passbook / statement of account**

The Magnetic Ink Character Recognition (MICR) code is necessary for all Electronic Clearing Service (ECS – Credit and Debit) transactions and the Indian Financial System Code (IFSC) is a pre-requisite for National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) transactions. At present, this information is made available on the cheque leaf along with the IFSC code of the branch. However, on a review, banks are advised to take necessary steps to provide this information in all passbook / statement of account of their account holders.

## **5.7 Issue of Cheque Books**

### **5.7.1 Issuing large number of cheque books (issued to Public Sector Banks)**

Banks may issue cheque books with larger number of (20/25) leaves if a customer demands the same and also ensure that adequate stocks of such cheque books (20/25 leaves) are maintained with all the branches to meet the requirements of the customers.

Banks should take appropriate care while issuing large number of cheque books. It should be done in consultation with the Controlling Office of the bank.

### **5.7.2 Writing the cheques in any language**

All cheque forms should be printed in Hindi and English. The customer may, however, write cheques in Hindi, English or in the concerned regional language.

### **5.7.3 Dispatching the cheque book by courier**

The procedure of disallowing depositors to collect the cheque book at the branch and insisting on dispatching the cheque book by courier after forcibly obtaining a declaration from the depositor that a dispatch by the courier is at depositor's risk is an unfair practice. Banks should refrain from obtaining such undertakings from depositors and ensure that cheque books are delivered over the counters on request to the depositors or his authorized representative.

### **5.7.4 Acceptance of cheques bearing a date as per National Calendar (Saka Samvat) for payment**

Government of India has accepted Saka Samvat as National Calendar with effect from 22 March 1957 and all Government statutory orders, notifications, Acts of Parliament, etc. bear both the dates i.e., Saka Samvat as well as Gregorian Calendar. An instrument written in Hindi having date as per Saka Samvat calendar is a valid instrument. Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) should, therefore, be accepted by banks for payment, if otherwise in order. Banks can ascertain the Gregorian calendar date corresponding to the National Saka calendar in order to avoid payment of stale cheques.

**5.7.5 Issue of Multicity / Payable at All Branches Cheques by CBS enabled Banks:** In order to bring efficiency in the cheque clearing, all CBS enabled banks have been advised to issue only “payable at par” / “multi-city” CTS 2010 Standard cheques to all eligible customers without extra charges with appropriate Board approved risk management procedures based on risk categorization of accounts . Banks have been advised not to charge their savings bank account customers for issuance of CTS-2010 standard cheques when they are issued for the first time.

## **5.8 Term Deposit Account**

### **5.8.1 Issue of term deposit receipt**

Bank should issue term deposit receipt indicating therein full details, such as, date of issue, period of deposit, due date, applicable rate of interest, etc.

### **5.8.2 Transferability of deposit receipts**

Term deposits should be freely transferable from one office of bank to another.

### **5.8.3 Disposal of deposits**

Advance instructions from depositors for disposal of deposits on maturity may be obtained in the application form itself. Wherever such instructions are not obtained, banks should ensure sending of intimation of impending due date of maturity well in advance to their depositors as a rule in order to extend better customer service.

### **5.8.4 Notifying the change in interest rates**

Change in interest rate on deposits should be made known to customers as well as bank branches expeditiously.

### **5.8.5 Payment of interest on fixed deposit – Method of calculation of interest**

Indian Banks' Association (IBA) Code for Banking Practice has been issued by IBA for uniform adoption by the member banks. The Code is intended to promote good banking practices by setting out minimum standards, which member banks should follow in their dealings with customers. IBA, for the purpose of calculation of interest on domestic term

deposit, has prescribed that on deposits repayable in less than three months or where the terminal quarter is incomplete, interest should be paid proportionately for the actual number of days reckoning the year at 365 days. Some banks are adopting the method of reckoning the year at 366 days in a Leap year and 365 days in other years. While banks are free to adopt their methodology, they should provide information to their depositors about the manner of calculation of interest appropriately while accepting the deposits and display the same at their branches.

#### **5.8.6 Premature withdrawal of term deposit**

A bank, on request from the depositor, should allow withdrawal of a term deposit before completion of the period of the deposit agreed upon at the time of making the deposit. The bank will have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. The bank should ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. While prematurely closing a deposit, interest on the deposit for the period that it has remained with the bank will be paid at the rate applicable to the period for which the deposit remained with the bank and not at the contracted rate. No interest is payable, where premature withdrawal of deposits takes place before completion of the minimum period prescribed. With effect from April 1, 2013 banks will have the discretion to disallow premature withdrawal of a term deposit in respect of bulk deposits of ₹1 crore and above of all depositors, including deposits of individuals and HUFs. Bank should, however, notify such depositors of its policy of disallowing premature withdrawal in advance, i.e., at the time of accepting such deposits. A bank on request from a depositor shall allow withdrawal of a Rupee term deposits of less than ₹1 crore, before completion of the period of the deposit agreed upon at the time of making the deposit. Bank will have the freedom to determine its own penal interest rates for premature withdrawal of term deposits. Bank should ensure that the depositors are made aware of the applicable penal rates along with the deposit rates. The revised guidelines are made applicable with effect from April 1, 2013.

**5.8.6.1 Repayment of Term/Fixed Deposits in banks:** Some banks insist on the signatures of both the depositors to allow repayment of money in fixed/term deposits,

though the deposit account is opened with operating instructions (sometimes called 'repayment instructions'), 'Either or Survivor' or 'Former or Survivor'. Such insistence on the signatures of both the depositors has the effect of making the mandate given by the depositors redundant. This, in turn, results in unjustified delays and allegations of poor customer service.

1. It is clarified that if fixed/term deposit accounts are opened with operating instructions 'Either or Survivor', the signatures of both the depositors need not be obtained for payment of the amount of the deposits on maturity. However, the signatures of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the operating instruction is 'Either or Survivor' and one of the depositors expires before the maturity, no pre-payment of the fixed/term deposit may be allowed without the concurrence of the legal heirs of the deceased joint holder. This, however, would not stand in the way of making payment to the survivor on maturity.
2. In case the mandate is 'Former or Survivor', the 'Former' alone can operate/withdraw the matured amount of the fixed/term deposit, when both the depositors are alive. However, the signature of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the former expires before the maturity of the fixed/term deposit, the 'Survivor' can withdraw the deposit on maturity. Premature withdrawal would however require the consent of both the parties, when both of them are alive, and that of the surviving depositor and the legal heirs of the deceased in case of death of one of the depositors.
3. If the joint depositors prefer to allow premature withdrawals of fixed/term deposits also in accordance with the mandate of 'Either or Survivor' or 'Former or Survivor', as the case may be, it would be open to banks to do so, provided they have taken a specific joint mandate from the depositors for the said purpose. In other words, in case of term deposits with "Either or Survivor" or "Former or Survivor" mandate, banks are permitted to allow premature withdrawal of the deposit by the surviving joint depositor on the death of the other, only if, there is a joint mandate from the joint depositors to this effect.

4. It has come to our notice that many of the banks have neither incorporated such a clause in the account opening form nor have they taken adequate measures to make the customers aware of the facility of such mandate, thereby putting the "surviving" deposit account holder(s) to unnecessary inconvenience. Banks are, therefore, advised to invariably incorporate the aforesaid clause in the account opening form and also inform their existing as well as future term deposit holders about the availability of such an option.
5. The joint deposit holders may be permitted to give the mandate either at the time of placing fixed deposit or anytime subsequently during the term / tenure of the deposit. If such a mandate is obtained, banks can allow premature withdrawal of term / fixed deposits by the surviving depositor without seeking the concurrence of the legal heirs of the deceased joint deposit holder. It is also reiterated that such premature withdrawal would not attract any penal charge.

#### **5.8.7 Renewal of Overdue deposits**

All aspects concerning renewal of overdue deposits may be decided by individual banks subject to their Board laying down a transparent policy in this regard and the customers being notified of the terms and conditions of renewal including interest rates, at the time of acceptance of deposit. The policy should be non-discretionary and non-discriminatory.

#### **5.8.8 Addition or deletion of the name/s of joint account holders**

A bank may, at the request of all the joint account holders, allow the addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint account holder. However, in no case should the amount or duration of the original deposit undergo a change in any manner in case the deposit is a term deposit.

A bank may, at its discretion, and at the request of all the joint account holders of a deposit receipt, allow the splitting up of the joint deposit, in the name of each of the joint account holders only, provided that the period and the aggregate amount of the deposit do not undergo any change.



**Note:** NRE deposits should be held jointly with non-residents only. NRO accounts may be held by non-residents jointly with residents.

#### **5.8.9 Payment of interest on accounts frozen by banks**

Banks are at times required to freeze the accounts of customers based on the orders of the enforcement authorities. The issue of payment of interest on such frozen accounts was examined in consultation with Indian Banks' Association and banks are advised to follow the procedure detailed below in the case of Term Deposit Accounts frozen by the enforcement authorities:

(i) A request letter may be obtained from the customer on maturity. While obtaining the request letter from the depositor for renewal, banks should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, banks may renew the same for a term equal to the original term.

(ii) No new receipt is required to be issued. However, suitable note may be made regarding renewal in the deposit ledger.

(iii) Renewal of deposit may be advised by registered letter / speed post / courier service to the concerned Government department under advice to the depositor. In the advice to the depositor, the rate of interest at which the deposit is renewed should also be mentioned.

(iv) If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal may be done from the date of maturity. If it exceeds 14 days, banks may pay interest for the overdue period as per the policy adopted by them, and keep it in a separate interest free sub-account which should be released when the original fixed deposit is released.

Further, with regard to the savings bank accounts frozen by the Enforcement authorities, banks may continue to credit the interest to the account on a regular basis.

#### **5.8.10 Acknowledgement by banks at the time of submission of Form 15-G / 15-H**

Banks are not required to deduct TDS from depositors who submit declaration in Form 15-G/15-H under Income Tax Rules, 1962. However, it has been brought to our notice that despite submission of Form 15-G/15-H by customers, banks are deducting tax at source, at times, causing inconvenience to customers resulting in a number of complaints. Such instances arise because either the forms are misplaced or a track is not kept of forms received in the branches.

The matter has been examined by us in consultation with Indian Banks' Association (IBA). With a view to protect interest of the depositors and for rendering better customer service, banks are advised to give an acknowledgment at the time of receipt of Form 15-G/15-H. This will help in building a system of accountability and customers will not be put to inconvenience due to any omission on part of the banks.

#### **5.9 Acceptance of cash over the counter**

Some banks have introduced certain products whereby the customers are not allowed to deposit cash over the counters and also have incorporated a clause in the terms and conditions that cash deposits, if any, are required to be done through ATMs.

Banking, by definition, means acceptance of deposits of money from the public for the purpose of lending and investment. As such, banks cannot design any product which is not in tune with the basic tenets of banking. Further, incorporating such clauses in the terms and conditions which restrict deposit of cash over the counters also amounts to an unfair practice.

Banks are, therefore, advised to ensure that their branches invariably accept cash over the counters from all their customers who desire to deposit cash at the counters. Further, they are also advised to refrain from incorporating clauses in the terms and conditions which restrict deposit of cash over the counters.

### **5.10 Opening accounts in the name of minors with Mothers as guardians**

Considerable difficulty was experienced by women customers in opening bank accounts in the names of minors, with mothers as their guardians. Presumably, the banks were reluctant to accept the mother as a guardian of a minor, while father is alive in view of section 6 of the Hindu Minority and Guardianship Act, 1956, which stipulates that the father alone should be deemed to be the guardian in such case. To overcome this legal difficulty and to enable the banks to open freely such accounts in the name of minors under the guardianship of their mothers, it was suggested in some quarters that the above provisions should be suitably amended. While it is true that an amendment of the above Act may overcome the difficulty in the case of Hindus, it would not solve the problem for other communities as minors belonging to Muslim, Christian, Parsi communities would still be left out unless the laws governing these communities are also likewise amended.

The legal and practical aspects of the above problem were, therefore, examined in consultation with the Government of India and it was advised that if the idea underlining the demand for allowing mothers to be treated as guardians relates only to the opening of fixed and savings bank accounts, there would seem to be no difficulty in meeting the requirements as, notwithstanding the legal provisions, such accounts could be opened by banks provided they take adequate safeguards in allowing operations in the accounts by ensuring that the minors' accounts opened with mothers as guardians are not allowed to be overdrawn and that they always remain in credit. In this way, the minors' capacity to enter into contract would not be a subject matter of dispute. If this precaution is taken, the banks' interests would be adequately protected.

Banks are advised to instruct their branches to allow minors' accounts (fixed and savings only) with mothers as guardians to be opened, whenever such requests are received by them, subject to the safeguards mentioned above.

The facility of allowing opening of minor's accounts with mothers as guardians may be extended to Recurring Deposit Accounts also subject to precautions mentioned above.

### **5.11 Opening of Current Accounts – Need for discipline**

(i) Keeping in view the importance of credit discipline for reduction in NPA level of banks, banks should, at the time of opening current accounts, insist on a declaration to the effect that the account holder is not enjoying any credit facility with any other bank. Banks should scrupulously ensure that their branches do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) from the banking system without specifically obtaining a No-Objection Certificate from the lending bank(s). Banks should note that non-adherence to the above discipline could be perceived to be abetting the siphoning of funds and such violations which are either reported to RBI or noticed during our inspection would make the concerned banks liable for penalty under Banking Regulation Act, 1949.

(ii) Banks may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum waiting period of a fortnight. If a response is received within a fortnight, banks should assess the situation with reference to information provided on the prospective customer by the bank concerned and are not required to solicit a formal no objection, consistent with true freedom to the customer of banks as well as needed due diligence on the customer by the bank.

(iii) In case of a prospective customer who is a corporate or large borrower enjoying credit facilities from more than one bank, the banks should exercise due diligence and inform the consortium leader, if under consortium, and the concerned banks, if under multiple banking arrangement.

### **5.12 Reconciliation of transactions at ATMs failure - Time limit**

Reserve Bank has been receiving a number of complaints from bank customers, regarding debit of accounts even though the ATMs have not disbursed cash for various reasons. More importantly, banks take considerable time in reimbursing the amounts involved in such failed transactions to card holders. In many cases, the time taken is as much as 50 days. The delay of the magnitude indicated above is not justified, as it results in customers being out of funds for a long time for no fault of theirs. Moreover, this delay can discourage customers from using ATMs.

Based on a review of the developments and with a view to further improve the efficiency of operations, it has been decided as under:-

- a. The time limit for resolution of customer complaints by the issuing banks shall stand reduced from 12 working days to 7 working days from the date of receipt of customer complaint. Accordingly, failure to recredit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ ₹ 100/- per day by the issuing bank.
- b. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction.
- c. The number of free transactions permitted per month at other bank ATMs to Savings Bank account holders shall be **inclusive** of all types of transactions, financial or non-financial.
- d. All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM System Provider **only**. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible. This measure is intended to bring down the instances of disputes in payment of compensation between the issuing and acquiring banks.

Non-adherence to the provisions contained in para 5.12 (a) to (d) shall attract penalty as prescribed under the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

### **5.13 Lodging of ATM related Complaints**

The following information should be displayed prominently at the ATM locations:-

- (i) Information that complaints should be lodged at the branches where customers maintain accounts to which ATM card is linked;
- (ii) Telephone numbers of help desk / contact persons of the ATM owning bank to lodge complaint / seek assistance.
- (iii) Uniform Template (as given in Annexure V) for lodging of complaints relating to ATM transactions.

#### **5.14 Transactions at ATM-Procedural Amendment - Pin Validation for Every Successive Transaction**

The process flow followed for ATM transactions varies from bank to bank. The type of card readers installed by each ATM vendor also contributes to the variation in the process flow. Security concerns arise in the case of certain type of card readers which facilitate multiple transactions without the need for pin validation for every successive transaction. The possibility of frauds / misuse of cards is very high in a scenario where the card is inserted in such reader slots, the card holder fails to collect the card after the transaction is completed and the card is misused. This risk can be eliminated to a great extent if for every transaction, the process flow demands pin validation. Hence each bank may ensure that the process flow is modified to provide for the pin validation for every transaction, including balance enquiry facilitated through ATM.

Non-adherence to these provisions of this circular shall attract penalty as prescribed under the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

#### **5.15 Security Issues and Risk mitigation measures- Online alerts to the cardholder for usage of credit/debit cards**

Banks were mandated to send online alerts to the cardholders for all Card Not Present (CNP) transactions for the value of ₹ 5000/- and above. Recently, incidents of unauthorized / fraudulent withdrawals at ATMs have come to the notice of RBI. It is, therefore, decided that banks may take steps to put in place a system of online alerts for all types of transactions irrespective of the amount, involving usage of cards at various channels. This measure is expected to encourage further usage of cards at various delivery channels. Banks have been advised to implement this measure latest by June 30, 2011. Banks should provide easier methods (like SMS) for the customer to block his card and get a confirmation to that effect after blocking the card.

#### **5.16 Security Issues and Risk mitigation measures related to Card Not Present (CNP) transactions**

Banks have been mandated to necessarily put in place additional factor of authentication/validation based on information not visible on the cards for all on-line Card not Present (CNP) transactions in a phased manner, starting with online

transactions followed by Interactive Voice Response (IVR), Mail Order Telephone Order(MOTO) and Standing Instructions (SI). In the case of MOTO and SI transactions, it has been stated that in case of customer complaint regarding issues, if any, arising out of transactions effected without the additional factor of authentication after the stipulated date, the issuer bank has to reimburse the loss to the customer further without demur.

## **5.17 Securing Electronic Payment Transactions**

The electronic modes of payment like RTGS, NEFT and IMPS have emerged as channel agnostic modes of funds transfer. These have picked up to a large extent through the internet banking channel and hence it is imperative that such delivery channels are also safe and secure. Some of the additional measures that need to be introduced by the banks could be as follows :

- (i) Customer induced options may be provided for fixing a cap on the value / mode of transactions / beneficiaries. In the event of customer wanting to exceed the cap, an additional authorization may be insisted upon.
- (ii) Limit on the number of beneficiaries that may be added in a day per account could be considered.
- (iii) A system of alert may be introduced when a beneficiary is added.
- (iv) Banks may put in place mechanism for velocity check on the number of transactions effected per day / per beneficiary and any suspicious operations should be subjected to alert within the bank and to the customer.
- (v) Introduction of additional factor of authentication (preferably dynamic in nature) for such payment transactions should be considered.
- (vi) The banks may consider implementation of digital signature for large value payments for all customers, to start with for RTGS transactions.
- (vii) Capturing of Internet Protocol (IP) address as an additional validation check should be considered.

## **6. Levy of Service Charges**

### **6.1 Fixing service charges by banks**

The practice of IBA fixing the benchmark service charges on behalf of member banks has been done away with and the decision to prescribe service charges has been left to

individual banks. While fixing service charges for various types of services like charges for cheque collection, etc., banks should ensure that the charges 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 penalised.

Banks should make arrangements for working out charges with prior approval of their Boards of Directors as recommended above and operationalise them in their branches as early as possible.

## **6.2 Ensuring Reasonableness of Bank Charges**

In order to ensure fair practices in banking services, Reserve Bank of India had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges and to incorporate the same in the Fair Practices Code, the compliance of which would be monitored by the Banking Codes and Standards Board of India (BCSBI). Based on the recommendations of the Group, action required to be taken by banks is indicated under the column 'action points for banks' in the **Annex I** to this circular.

## **6.3 Home Loans-Levy of fore-closure charges/pre-payment penalty**

**6.3.1** The Committee on Customer Service in Banks (Chairman: M. Damodaran) had observed that foreclosure charges levied by banks on prepayment of home loans are resented upon by home loan borrowers across the board especially since banks were found to be hesitant in passing on the benefits of lower interest rates to the existing borrowers in a falling interest rate scenario. As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source.

**6.3.2** The removal of foreclosure charges/prepayment penalty on home loans will lead to reduction in the discrimination between existing and new borrowers and competition among banks will result in finer pricing of the floating rate home loans. Though many banks have in the recent past voluntarily abolished pre-payment penalties on floating rate home loans, there is a need to ensure uniformity across the banking system. It has, therefore, been decided that banks will not be permitted to charge foreclosure



charges/pre-payment penalties on home loans on floating interest rate basis, with immediate effect.

6.3.3 As per extant guidelines a fixed rate loan is one where the rate is fixed for entire duration of the loan. Hence, the Dual Rate/Special Rate home loans sanctioned by banks cannot be treated as fixed rate loans. In case of Dual Rate/ Special Rate home loans, the provisions of paragraph 6.3.1 above will be applicable from the date the rate of interest on the loan becomes floating.

#### **6.4 RTGS charges for customers**

Consequent to the levy of service charges for members under RTGS, banks cannot charge their customers for outward RTGS remittances beyond the amounts stipulated below:

<b>RTGS Transaction</b>	<b>Maximum customer charges</b>
Inward Transactions	Free
Outward transactions	
₹ 2 lakh to ₹ 5 lakh	₹ 25 + applicable time varying tariff subject to a maximum of ₹ 30.
Above ₹ 5 lakh	₹ 50 + applicable time varying tariff subject to a maximum of ₹ 55.

### **7. Service at the counters**

#### **7.1 Banking hours / working days of bank branches**

Banks should normally function for public transactions at least for 4 hours on week days and 2 hours on Saturdays in the larger interest of public and trading community. Extension counters, Satellite Offices, one man offices or other special class of branches may remain open for such shorter hours as may be considered necessary.

#### **7.2 Changes in banking hours**

No particular banking hours have been prescribed by law and a bank may fix, after due notice to its customers, whatever business hours are convenient to it i.e., to work in double shifts, to observe weekly holiday on a day other than Sunday or to function on

Sundays in addition to the normal working days, subject to observing normal working hours for public transactions referred to in paragraph above.

In order to safeguard banks' own interest, a bank closing any of its offices on a day other than a public holiday, will have to give due and sufficient notice to all the parties concerned who are or are likely to be affected by such closure. Thus, in all the above cases, it is necessary for a bank to give sufficient notice to the public/its customers of its intention. What is sufficient or due notice is a question of fact, depending on the circumstances of each case. It is also necessary to avoid any infringement of any other relevant local laws such as Shops and Establishment Act, etc.

Further, the provisions, if any, in regard to the banks' obligations, to the staff under the Industrial Awards / Settlements, should be complied with. Clearing House authority of the place should also be consulted in this regard.

The banks' branches in rural areas can fix the business hours (i.e. number of hours, as well as timings) and the weekly holidays to suit local requirements. This may, however, be done subject to the guidelines given above.

### **7.3 Commencement / Extension of working hours**

Commencement of employees' working hours 15 minutes before commencement of business hours could be made operative by banks at branches in metropolitan and urban centres. The banks should implement the recommendation taking into account the provisions of the local Shops and Establishments Act.

The branch managers and other supervising officials should, however, ensure that the members of the staff are available at their respective counters right from the commencement of banking hours and throughout the prescribed business hours so that there may not be any grounds for customers to make complaints.

Banks should ensure that no counter remains unattended during the business hours and uninterrupted service is rendered to the customers. Further, the banks should allocate the work in such a way that no Teller counter is closed during the banking hours at their branches.

All the customers entering the banking hall before the close of business hours should be attended to.

#### **7.4 Extended business hours for non-cash banking transactions**

Banks should extend business hours for banking transactions other than cash, up till one hour before close of the working hours.

The following non-cash transactions should be undertaken by banks during the extended hours, i.e., up to one hour before the close of working hours:

**(a) Non-voucher generating transactions :**

- (i) Issue of pass books/statement of accounts;
- (ii) Issue of cheque books ;
- (iii) Delivery of term deposit receipts/drafts;
- (iv) Acceptance of share application forms;
- (v) Acceptance of clearing cheques;
- (vi) Acceptance of bills for collection.

**(b) Voucher generating transactions:**

- (i) Issue of term deposit receipts;
- (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.

Such non-cash transactions to be done during the extended business hours should be notified adequately for information of the customers.

Banks can have evening counters at the premises of existing branches in urban/metropolitan centres for providing facilities to the public beyond the normal hours of business so as to bring about improvement in customer service. It is necessary that in such cases the transactions conducted during such extended hours of business are

merged with the main accounts of the branch where it is decided to provide the aforesaid facilities.

The concerned banks should give to their constituents due notice about the functions to be undertaken during the extended banking hours through local newspapers, as also by displaying a notice on the notice board at the branch(es) concerned. Further, as and when the hours of business of any of the branches are extended, the concerned clearing house should be informed.

## **8. Guidance to customers and Disclosure of Information**

### **8.1 Assistance/guidance to customers**

All branches, except very small branches should have “Enquiry” or “May I Help You” counters either exclusively or combined with other duties, located near the entry point of the banking hall.

### **8.2 Display of time norms**

Time norms for specialised business transactions should be displayed predominantly in the banking hall.

### **8.3 Display of information by banks – Comprehensive Notice Board**

The display of information by banks in their branches is one of the modes of imparting financial education. This display enables customers to take informed decision regarding products and services of the bank and be aware of their rights as also the obligations of the banks to provide certain essential services. It also disseminates information on public grievance redressal mechanism and enhances the quality of customer service in banks and improves the level of customer satisfaction.

Further, in order to promote transparency in the operations of banks, various instructions have been given by RBI to banks towards display of various key aspects such as service charges, interest rates, services offered, product information, time norms for various banking transactions and grievance redressal mechanism. However, during the course of inspection/visits to bank branches by RBI, it was observed that

many banks were not displaying the required information due to space constraints, lack of standardization of the instructions, etc.

Keeping in view the need for maintaining a good ambience at the branches as also space constraints, an Internal Working Group in RBI revisited all the existing instructions relating to display boards by commercial banks so as to rationalize them. Based on the recommendations of the Working Group, the following instructions were issued to banks:

### **8.3.1 Notice Boards**

The Group felt that rationalization of the existing instructions could be best achieved if the instructions were clubbed on certain categories such as 'customer service information', 'service charges', 'grievance redressal' and 'others'. At the same time, the Group felt that there may not be any need to place detailed information in the Notice Board and only the important aspects or '**indicators**' to the information be placed.

Accordingly, the existing mandatory instructions have been broadly grouped into four categories mentioned above and given in a **Comprehensive Notice Board** which has been formulated by the above Group. The format of the **Comprehensive Notice Board is given in the Annex - II**. The minimum size of the Board may be 2 feet by 2 feet as Board of such a size would facilitate comfortable viewing from a distance of 3 to 5 meters. **Banks are advised to display the information in the Notice Boards of their Branches as per the format given for the Comprehensive Notice Board.**

While displaying the information in the notice board, banks may also adhere to the following principles:

- (a) The notice board may be updated on a periodical basis and the board should indicate the date up to which the board was updated (incorporated in the display board)
- (b) Though the pattern, colour and design of the board is left to the discretion of the banks, yet the display must be simple and readable.
- (c) The language requirements (i.e., bilingual in Hindi speaking states and trilingual in other states) may be taken into account.

- (d) The notice board shall specifically indicate wherever recent changes have been done. For instance, if there is a recent change in the SSI loan products offered by the bank, the information on the SSI loan products may be displayed as 'We offer SSI loans/products ( changed on .....)'.
- (e) The notice board may also indicate a list of items on which detailed information is available in booklet form.

Further, in addition to the above Board, the banks should also display details such as 'Name of the bank / branch, Working Days, Working Hours and Weekly Off-days' outside the branch premises.

### **8.3.2 Booklets/Brochures:**

The detailed information as indicated in Para (E) of Annex II may be made available in various booklets / brochures as decided by the bank. These booklets / brochures may be kept in a separate file / folder in the form of 'replaceable pages' so as to facilitate copying and updation. In this connection, banks may also adhere to the following broad guidelines:

- ❖ The file / folder may be kept at the customer lobby in the branch or at the 'May I Help You' counter or at a place that is frequented by most of the customers.
- ❖ The language requirements (i.e. bilingual in Hindi speaking states and trilingual in other states) may be taken into account.
- ❖ While printing the booklets it may be ensured that the font size is minimum Arial 10 so that the customers are able to easily read the same.
- ❖ Copies of booklets may be made available to the customers on request.

### **8.3.3 Website**

The detailed information as indicated in Para (E) of Annex II may also be made available on the bank's web-site. Banks should adhere to the broad guidelines relating to dating of material, legibility, etc., while placing the same on their websites. In this context, banks are also advised to ensure that the customers are able to easily access the relevant information from the Home Page of the bank's web-sites. Further, there are certain information relating to service charges and fee and grievance redressal that are

to be posted compulsorily on the websites of the bank. Reserve Bank is providing a link to the websites of banks so that customers can also have access to the information through RBI's website.

#### **8.3.4 Other modes of display**

Banks may also consider displaying all the information that has to be given in the booklet form in the touch screen by placing them in the information kiosks. Scroll Bars, Tag Boards are other options available. The above broad guidelines may be adhered to while displaying information using these modes.

#### **8.3.5 Other issues**

Banks are free to decide on their promotional and product information displays. However, the mandatory displays may not be obstructed in anyway. As customer interest and financial education are sought to be achieved by the mandatory display requirements, they should also be given priority over the other display boards. Information relating to Government sponsored schemes as applicable location-wise may be displayed according to their applicability.

#### **8.4 Display of information relating to Interest Rates and Service Charges – Rates at a quick glance**

A format has been devised by Reserve Bank for display of information relating to interest rates and service charges which would enable the customer to obtain the desired information at a quick glance. The format is given in **Annex III**. Banks are advised to display the information as per the format given in Annex III on their web-sites. Banks are however free to modify the format to suit their requirements, without impairing the basic structure or curtailing the scope of disclosures.

Banks may also ensure that only latest updated information in the above format is placed on their web-sites and the same is easily accessible from the Home Page of their web-sites.

#### **8.5 Disclosure of Information by banks in the public domain**

Disclosure of information on products and services on websites is found to be an effective channel for reaching out to customers and the public at large. Such disclosures increase transparency in operations and also help to create awareness among customers about the products and services offered by banks. Some of the details, which could be at the minimum, be made available for public viewing through websites of banks are listed below:-

## **I. Policy / Guidelines**

- (i) Citizen's Charter
- (ii) Deposit Policy
- (iii) Deceased Depositors Policy along with Nomination Rules
- (iv) Cheque Collection Policy
- (v) Fair Practices Code for Lenders
- (vi) Fair Practices Code for Self- Regulation of Credit Card Business
- (vii) Code of Conduct for Direct Selling Agents
- (viii) Code for Collection of Dues and Repossession of Security

## **II. Complaints**

- (i) Grievance Redressal Mechanism
- (ii) Information relating to Banking Ombudsmen
- (iii) Information relating to Customer Service Centres (for Public Sector Banks)

## **III. Opening of Accounts**

- (i) Account Opening Forms
- (ii) Terms and Conditions
- (iii) Service Charges for various types of services – Should cover typical common services including courier charges – What services are available without any charges.
- (iv) Interest rates on Deposits
- (v) Minimum balances – along with corresponding facilities offered.



#### **IV. Loans and Advances**

- (i) Application forms relating to loans and advances
- (ii) Copy of blank agreement to be executed by the borrower
- (iii) Terms and Conditions
- (iv) Processing fee and other charges
- (v) Interest rates on Loans and Advances

#### **V. Branches**

- (i) Details of branches along with addresses and telephone numbers  
(with search engine for queries relating to branch location)
- (ii) Details of ATMs along with addresses

### **9. Operation of Accounts by Old & Incapacitated Persons**

#### **9.1 Facility to sick/old/incapacitated non-pension account holders**

The facilities offered to pension account holders should be extended to the non-pension account holders also who are sick / old / incapacitated and are not willing to open and operate joint accounts.

#### **9.2 Types of sick / old / incapacitated account holders**

The cases of sick / old / incapacitated account holders fall into following categories:

- (a) An account holder who is too ill to sign a cheque / cannot be physically present in the bank to withdraw money from his bank account but can put his/her thumb impression on the cheque/withdrawal form;
- (b) An account holder who is not only unable to be physically present in the bank but is also not even able to put his/her thumb impression on the cheque/withdrawal form due to certain physical incapacity.

#### **9.3 Operational Procedure**

With a view to enabling the old / sick account holders operate their bank accounts, banks may follow the procedure as under:-

(a) Wherever thumb or toe impression of the sick/old/incapacitated account holder is obtained, it should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.

(b) Where the customer cannot even put his / her thumb impression and also would not be able to be physically present in the bank, a mark can be obtained on the cheque / withdrawal form which should be identified by two independent witnesses, one of whom should be a responsible bank official.

(c) The customer may also be asked to indicate to the bank as to who would withdraw the amount from the bank on the basis of cheque / withdrawal form as obtained above and that person should be identified by two independent witnesses. The person who would be actually drawing the money from the bank should be asked to furnish his signature to the bank.

#### **9.4 Opinion of IBA in case of a person who can not sign due to loss of both hands**

Opinion obtained by the Indian Banks' Association from their consultant on the question of opening of a bank account of a person who has lost both his hands and could not sign the cheque / withdrawal form is as under :

“In terms of the General Clauses Act, the term “Sign” with its grammatical variations and cognate expressions, shall with reference to a person who is unable to write his name, include “mark” with its grammatical variations and cognate expressions. The Supreme Court has held in AIR 1950 – Supreme Court, 265 that there must be physical contact between the person who is to sign and the signature can be by means of a mark. This mark can be placed by the person in any manner. It could be the toe impression, as suggested. It can be by means of mark which anybody can put on behalf of the person who has to sign, the mark being put by an instrument which has had a physical contact with the person who has to sign”.

#### **9.5 Need for Bank Branches / ATMs to be made accessible to persons with disabilities**

Banks are advised to take necessary steps **to provide all existing ATMs / future ATMs with ramps** so that wheel chair users / persons with disabilities can easily access them and also make arrangements in such a way that the height of the ATM does not create an impediment in its use by a wheelchair user. **Banks may also take appropriate steps including providing ramps at the entrance of the bank branches** so that the persons with disabilities / wheel chair users can enter the bank branches and conduct business without much difficulty.

## **10. Providing banking facilities to Visually Impaired Persons**

In order to facilitate access to banking facilities by visually challenged persons, banks are advised to offer banking facilities including cheque book facility / operation of ATM / locker, etc., to the visually challenged as they are legally competent to contract.

In the Case No. 2791/2003, the Honourable Court of Chief Commissioner for Persons with Disabilities had passed Orders dated September 5, 2005 which was forwarded by IBA to all the member banks vide their circular letter dated October 20, 2005. In the above Order, the Honorable Court has instructed that banks should offer all the banking facilities including cheque book facility, ATM facility and locker facility to the visually challenged and also assist them in withdrawal of cash.

Further, in Paragraph 14 of the above Order, the Honorable Court has observed that visually impaired persons cannot be denied the facility of cheque book, locker and ATM on the possibility of risk in operating / using the said facility, as the element of risk is involved in case of other customers as well.

**Banks should therefore ensure that all the banking facilities such as cheque book facility including third party cheques, ATM facility, Net banking facility, locker facility, retail loans, credit cards etc., are invariably offered to the visually challenged without any discrimination.**

Banks may also advise their branches to render all possible assistance to the visually challenged for availing the various banking facilities.

### **10.1 Guidelines framed by IBA based on the judgment of**

## **Chief Commissioner for Persons with Disabilities**

Indian Banks' Association has framed operational guidelines for implementation of its member banks on providing banking facilities to persons with disabilities. Banks should adopt / follow the operational guidelines meticulously.

### **10.2 Talking ATMs with Braille keypads to facilitate use by persons with visual impairment**

Banks should **make at least one third of new ATMs installed as talking ATMs with Braille keypads and place them strategically in consultation with other banks to ensure that at least one talking ATM with Braille keypad is generally available in each locality** for catering to needs of visually impaired persons. Banks may also bring the locations of such talking ATMs to the notice of their visually impaired customers.

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

The National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities (the Trust) had stated 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.

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. It may also be noted that the provisions of Mental Health Act, 1987 also allows appointment of Guardian by District Courts.

The matter was examined in consultation with the Indian Banks' Association who concurred with the above views expressed by the Trust. **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.** Banks may also ensure that their branches give proper guidance so that the parents / relatives of the disabled persons do not face any difficulty in this regard.

**11.1 Display of information regarding 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**

In a case which came up before the High Court of Delhi, the Honorable Court had directed that all banks should ensure that their branches display in a conspicuous place (i) essential details about the facilities under the enactment (Mental Disabilities Act); (ii) the fact that the parties can approach the Local Level Committees, for the purpose of issuance of the certificate and that the certificate issued under the Mental Disabilities Act is acceptable; and (iii) the details of the Local Level Committees in that area. The Court had further directed that the information shall be displayed in the local language and English / Hindi (or both). Banks are advised to strictly comply with the above orders of the Court.

**12. Remittance**

**12.1 Remittance of Funds for Value ₹ 50,000/- and above**

Banks should ensure that any remittance of funds by way of demand drafts/mail transfers / telegraphic transfers or any other mode and issue of travellers cheques for value of ₹ 50,000 /- and above is effected only by debit to the customer's account or against cheques or other instruments tendered by the purchaser and not against cash payment . These instructions are extended to retail sale of gold/silver/platinum. In the current scenario, where the integrity of the financial system in general and the banking channels in particular is of paramount importance, breach of these guidelines is a matter of serious regulatory concern in view of the wide ranging ramifications. Any violation of these instructions will be viewed seriously.

## **12.2 Demand Drafts**

### **12.2.1 Issue of Demand Drafts**

Measures seeking to bring down the incidence of frauds perpetrated through bank drafts should be built into the draft form itself. Necessary changes in system and procedures to speed up issue and payment of drafts should be taken.

Banks should ensure that demand drafts of ₹ 20,000/- and above are issued invariably with account payee crossing.

All superscriptions about validity of the demand draft should be provided at the top of the draft form. A draft should be uniformly valid for a period of three months and procedure for revalidation after three months should be simplified.

Banks should ensure that drafts of small amounts are issued by their branches against cash to all customers irrespective of the fact whether they are having accounts with the banks or not. Bank's counter staff should not refuse to accept small denomination notes from the customers (or non customers for issuance of the drafts).

### **12.2.2 Encashment of drafts**

The banks should ensure that drafts drawn on their branches are paid immediately. Payment of draft should not be refused for the only reason that relative advice has not been received.

### **12.2.3 Issue of Duplicate Demand Draft**

Duplicate draft, in lieu of lost draft, up to and including ₹ 5,000/- may be issued to the purchaser on the basis of adequate indemnity and without insistence on seeking non payment advice from drawee office irrespective of the legal position obtaining in this regard.

Banks should 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 were

advised to pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay. The period of fortnight prescribed 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.

Some doubts were raised regarding the term "customer" used above and whether it would include only purchaser / beneficiary or also include any holder of the instrument other than the purchaser or the beneficiary. It is clarified that the above 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 draft endorsed to third parties.

### **12.3 Remittance through electronic mode**

In case of remittance through electronic funds transfer, originating banks should provide the option to the customer to choose between RTGS system and NEFT system at the time of initiation of the funds transfer. The option should be made available to all the customers who may originate remittance either at the branch or through internet or any other means. The funds are to be transferred necessarily through the option chosen by the customer. Further, banks should allow the customers to choose NEFT also as one of the electronic modes of making payment towards loan EMIs / repayments, etc.

#### **12.3.1 Providing Positive Confirmation to the Originator**

All banks should put in place appropriate mechanism to ensure positive confirmation is sent to the remittance originator confirming the successful credit of funds to the beneficiary's account when funds are transferred through NEFT. While it is expected that such confirmation messages are sent as soon as the beneficiary account is credited, it should not exceed beyond end-of –the-day under any circumstance.

#### **12.3.2 Payment of penal interest for delayed credit /refunds of NEFT transactions**

In case of delay in crediting the beneficiary customer's account or in returning the uncredited amount to the remitter in case of NEFT, banks should pay penal interest. Under the extant guidelines, banks are required to pay penal interest at the current RBI

LAF Repo Rate plus two percent for the period of delay / till the date of refund as the case may be to the affected customers suo moto, without waiting for claim from customers.

Under the NEFT Procedural Guidelines, banks are required to establish dedicated Customer Facilitation Centres (CFCs) to handle customer queries/complaints regarding NEFT transactions. The contact details of CFCs are available on websites of banks as well as the website of RBI for easy availability to the customers. Further, banks have to keep the contact details of their CFCs, set up to handle customer queries / complaints regarding NEFT transactions, updated at all times. Changes, if any, should be advised by banks immediately to the National Clearing Cell, Nariman Point, RBI for updating the central directory placed on RBI website. Banks should also ensure that calls made / e-mails sent to CFCs are promptly attended to and sufficient resources are dedicated for the same.

#### **12.3.3 National / Regional Electronic Clearing Service (NECS / RECS) – Extension of service to remaining branches**

With a view to extend both NECS and RECS facility to the customers of all bank branches, the participating banks are advised to make efforts in bringing all their branches under NECS/RECS.

#### **12.3.4. National Electronic Funds Transfer (NEFT) – Requirement of Indian Financial System Code (IFSC) in transactions**

To facilitate electronic modes of remittance and enhancing customer service at branches for NEFT transactions, the participating banks are advised that staff should provide customers with necessary assistance in filling out the details as required in the NEFT application form, including ensuring that beneficiary account details etc. are duly filled in.

#### **12.3.5 National Electronic Funds Transfer (NEFT) System - Rationalisation of customer charges**



**Maximum Customer charges that can be levied by the banks for NEFT transactions are as under:**

Value Band	Maximum Charges (exclusive of service tax)
Amounts up to ₹10,000/-	₹ 2.50/-
Amounts from ₹ 10,001/- to ₹ 1 lakh	₹ 5/-
Amounts above ₹ 1 lakh up to ₹ 2 lakh	₹ 15/-
Amounts above ₹ 2 lakh	₹ 25/-

#### **12.4 Mobile banking transaction limits**

The transaction limit of ₹ 50,000/- per customer per day has been done away with for mobile banking transactions. However, banks may place per transaction limits based on their own risk perception with the approval of its Board.

#### **12.5 Domestic Money Transfer – relaxations**

In order to enable migrant population, who do not have access to formal banking channel for want of proof of identity/address and to give impetus to the process of financial inclusion, banks have been permitted to put in place three schemes for person to person (P2P) fund transfers –

(a) Cash Pay-out scheme which facilitates transfer of funds from the accounts of their customers to beneficiaries not having bank accounts through the use of ATMs, BCs etc. upto ₹ 10,000 per transaction subject to a monthly cap of ₹ 25,000 with full details of the beneficiary

(b) Cash Pay-in scheme where a walk-in / non-account holding customer can transfer funds to a bank account of a beneficiary etc. upto ₹ 5000 per transaction with a monthly cap of ₹ 25,000 with minimum details of the remitter.

(c) Card-to-Card transfers upto ₹ 5000 per transaction subject to a monthly cap of ₹ 25,000.

### 13. Cheque Drop Box Facility

Both the drop box facility and the facility for acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.

Banks should ensure that customers are not compelled to drop the cheques in the drop-box. Further, in the context of customer awareness in this regard, banks should 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 required to be displayed in English, Hindi and the concerned regional language of the State.

Banks are also advised to make absolutely fool proof arrangements accounting for the number of instruments each time the box is opened so that there are no disputes and the customer's interests are not compromised.

### 14. Collection of instruments

#### 14.1 Formulating Cheque Collection Policies

In most countries banks are obliged to develop their own individual policy / procedures relating to collection of cheques and also provide due disclosures to the customers on the bank's obligations and the customers' rights. Due to the technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by a number of banks, it is observed that prescription of a single set of rules may not be appropriate. Hence, efficiencies in collection of proceeds and providing funds to customers in time are best achieved through a spirit of competition among the banks rather than through issuance of guidelines by RBI.

Keeping in view the above, earlier instructions issued regarding immediate credit of local /outstation cheques, time frame for collection of local/outstation instruments and

interest payment for delayed collection have been withdrawn by Reserve Bank leaving it to the individual banks to formulate policies in this regard.

Broadly, the policy should include instructions on the following:

- **Immediate Credit for Local / Outstation cheques**
- **Time frame for Collection of Local / Outstation Instruments**
- **Interest payment for delayed collection**

Banks have been advised to reframe their Cheque Collection Policies to include compensation payable for the delay in the collection of local cheques as well. In case, no rate is specified in the CCP for delay in realisation of local cheques, compensation at savings bank interest rate should be paid for the corresponding period of delay.

#### **14.1.1 Broad Principles**

(i) Banks should formulate a comprehensive and transparent policy covering all the above three aspects, taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents.

(ii) Further, they may also review their existing arrangements and capabilities and work out a scheme for reduction in collection period.

(iii) Adequate care also may be taken to ensure that the interests of the small depositors are fully protected.

(iv) The policy framed in this regard should be integrated with the deposit policy formulated by the bank in line with the IBA's model deposit policy.

(v) The policy should clearly lay down the liability of the banks by way of interest payments due to delays for non-compliance with the standards set by the banks themselves.

(vi) Compensation by way of interest payment, where necessary, should be made without any claim from the customer.

The policy should be placed before the Board of the Bank along with Reserve Bank's earlier instructions as indicated in paragraph 3.2 and the Board's specific approval should be obtained on the reasonableness of the policy and the compliance with the spirit of our guidelines.

#### **14.1.2 Delays in Cheque Clearing - Case No. 82 of 2006 before National Consumer Disputes Redressal Commission**

Banks are advised to comply with the final order on 'timeframe for collection of outstation cheques' passed by the National Consumer Disputes Redressal Commission in case no. 82 of 2006. Further, banks are advised as under:

(i) Banks shall reframe their Cheque Collection Policies (CCPs) covering local and outstation cheque collection as per the timeframe prescribed by the Commission.

(ii) For local cheques, credit and debit shall be given on the same day or at the most the next day of their presentation in clearing. Ideally, in respect of local clearing, banks shall permit usage of the shadow credit afforded to the customer accounts immediately after closure of relative return clearing and in any case withdrawal shall be allowed on the same day or maximum within an hour of commencement of business on the next working day, subject to usual safeguards.

(iii) Timeframe for collection of cheques drawn on State Capitals / major cities / other locations to be 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified in the CCP of the bank, shall be paid. In case the rate is not specified in the CCP, the applicable rate shall be the interest rate on Fixed Deposits for the corresponding maturity. The timeframe for collection specified by the Commission shall be treated as outer limit and credit shall be afforded if the process gets completed earlier.

(iv) Banks shall not decline to accept outstation cheques deposited by its customers for collection.

(v) Banks shall give wide publicity to the CCP by prominently displaying salient features thereof in bold and visible letters on the notice board at their branches.

(vi) A copy of the complete CCP shall be made available by the branch manager, if the customers require so.

#### **14.1.3 Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account**

a) In consonance with the legal requirements and in particular, the intent of the Negotiable Instruments Act, 1881 and with a view to protect the banks being burdened with liabilities arising out of unauthorized collections, and in the interest of the integrity and soundness of the payment and banking systems, and in order to prevent recurrence of deviations observed in the recent past, the Reserve Bank has considered it necessary to prohibit the banks from crediting 'account payee' cheque to the account of any person other than the payee named therein. Accordingly, banks were directed that they 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, bank should ask the drawer / payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction would also apply with respect to the cheque drawn by a bank payable to another bank.

b) In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers' account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realization.

c) With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is further clarified that collecting banks may consider collecting account payee cheques drawn for an amount

not exceeding ₹ 50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, banks should have a clear representation in writing given by the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

d) Banks may note that the above instructions shall also extend to drafts, pay orders and bankers' cheque.

#### **14.1.4 Payment of Cheques/Drafts/Pay Orders/Banker's Cheques**

With effect from April 1, 2012, banks should not make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument. Banks should ensure strict compliance of these directions and notify the holders of such instruments of the change in practice by printing or stamping on the cheque leaves, drafts, pay orders and banker's cheques issued on or after April 1, 2012, by issuing suitable instruction for presentment within the period of three months from the date of the instrument.

#### **14.2 Cheques / Instruments lost in transit / in clearing process / at paying bank's branch**

Banks are advised to follow the following guidelines regarding cheques lost in transit : -

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

(ii) The onus of such loss lies with the collecting banker and not the accountholder.

(iii) The banks should reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

(iv) If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

Banks are advised to incorporate the above guidelines in their Cheque Collection Policies.

### **14.3 Bills for collection**

Bills for collection including bills discounted required to be collected through another bank at the realising centre should be forwarded directly by the forwarding office to the realising office.

#### **14.3.1 Payment of interest for Delays in collection of bills**

The lodger's bank should pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period should be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills of drawees (iii) Remittance of proceeds to the lodger's bank (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from that bank. The banks may suitably revise the format of their payment advices to incorporate the above information.

**14.3.2 Delay in Re-presentation of Technical Return Cheques and Levy of Charges for such Returns:** Banks have been advised to levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. The illustrative, but not exhaustive, list of returns, where the customers are not at fault are indicated in the Annexure VI. In cases where the cheques need to be re-presented without any recourse to the payee, such re-presentation should be made in the

immediate next presentation clearing not later than 24 hours(excluding holidays) with due notification to the customers of such representation through SMS alert, email etc.

## **15. Dishonour of Cheques – Procedure thereof**

### **15.1 Returning dishonoured cheques**

(i) Banks are required to implement the recommendation of the Goiporia Committee that dishonoured instruments are returned / despatched to the customer promptly without delay, in any case within 24 hours.

(ii) Pursuant to the investigation by the Joint Parliamentary Committee (JPC) into the Stock Market Scam, the JPC has recommended (in paragraph 5.214 of its report) that "specific guidelines need to be issued by the Reserve Bank to all banks regarding the procedure to be followed by them in respect of dishonoured cheques from Stock Exchanges." In the light of aforesaid recommendations of the JPC, the extant instructions relating to return of all dishonoured cheques have been reviewed.

(iii) It is understood that banks are already following the appropriate procedure keeping in view the above instructions to deal with the dishonour of cheques. However, it is considered necessary to streamline the procedure to be followed by all banks in this behalf. It is therefore suggested that in addition to the existing instruction in respect of dishonoured instruments for want of funds, banks may follow the additional instructions laid down in paragraph 15.2 below which could cover **all** cheques dishonoured on account of insufficient funds and not only those relating to settlement transactions of Stock Exchanges.

### **15.2 Procedure for return/ despatch of dishonoured cheques**

(i) The paying bank should return dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house in terms of Uniform Regulations And Rules for Bankers' Clearing Houses. The collecting bank on receipt of such dishonoured cheques should despatch it immediately to the payees / holders.



(ii) In relation to cheques presented direct to the paying bank for settlement of transaction by way of transfer between two accounts with that bank, it should return such dishonoured cheques to payees/ holders immediately.

(iii) In case of dishonor / return of cheques, the paying banks should clearly indicate the return reason code on the return memo / objection slip which should also bear the signature / initial of the bank officials as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

### **15.3 Information on dishonoured cheques**

Data in respect of each dishonoured cheque for amount of ₹ 1 crore and above should be made part of bank's MIS on constituents and concerned branches should report such data to their respective controlling office / Head Office.

Data in respect of cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by banks irrespective of the value of such cheques as a part of their MIS relating to broker entities, and be reported to their respective Head Offices / Central Offices.

### **15.4 Dealing with incidents of frequent dishonour of cheques of value ₹ 1 crore and above**

(i) With a view to enforce financial discipline among the customers, banks should introduce a condition for operation of accounts with cheque facility that in the event of dishonour of a cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during the financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, the bank may consider closing current account at its discretion. However, in respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.

(ii) For the purposes of introduction of the condition mentioned at (i) above in relation to operation of the existing accounts, banks may, at the time of issuing new cheque book, issue a letter advising the constituents of the new condition.

(iii) If a cheque is dishonoured for a third time on a particular account of the drawer during the financial year, banks should issue a cautionary advice to the concerned constituent drawing his attention to aforesaid condition and consequential stoppage of cheque facility in the event of cheque being dishonoured on fourth occasion on the same account during the financial year. Similar cautionary advice may be issued if a bank intends to close the account.

#### **15.5 Dealing with frequent dishonour of cheques of value of less than ₹ 1 crore**

Since frequent dishonour of cheques of value of less than ₹ 1 crore is also a matter of concern, it is felt that banks need to take appropriate action in those accounts where such dishonour of cheques occur. Further, it is also felt that though it may not be necessary to extend all the steps laid down in our earlier circular to smaller cheques, banks should have their own approach to deal with recalcitrant customers.

Banks are therefore advised to have a Board approved policy for dealing with frequent dishonour of cheques of value of less than ₹ 1 crore. The policy should also deal with matters relating to frequent dishonour of ECS mandates.

#### **15.6 General**

(i) For the purpose of adducing evidence to prove the fact of dishonour of cheque on behalf of a complainant (i.e., payee / holder of a dishonoured cheque) in any proceeding relating to dishonoured cheque before a court, consumer forum or any other competent authority, banks should extend full co-operation, and should furnish him/her documentary proof of fact of dishonour of cheques.

(ii) Banks should place before their Audit/ Management Committee, every quarter, consolidated data in respect of the matters referred to above.

### **15.7 Framing appropriate procedure for dealing with dishonoured cheques**

Banks are also advised to adopt, with the approval of their respective Boards, appropriate procedure for dealing with dishonoured cheques with inherent preventive measures and checks to prevent any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque for causing delay in or withholding the communication of the fact of dishonour of the cheque to the payee/ holder or the return of such dishonoured cheque to him.

Banks should also lay down requisite internal guidelines for their officers and staff and advise them to adhere to such guidelines and ensure strict compliance thereof to achieve aforesaid object of effective communication and delivery of dishonoured cheque to the payee.

## **16. Dealing with Complaints and Improving Customer Relations**

### **16.1 Complaints/suggestions box**

Complaints/suggestions box should be provided at each office of the bank. Further, at every office of the bank a notice requesting the customers to meet the branch manager may be displayed regarding grievances, if the grievances remain unredressed.

### **16.2 Complaint Book /Register**

Complaint book with perforated copies in each set may be introduced, so designed as to instantly provide an acknowledgement to the customers and an intimation to the Controlling Office.

IBA has, for the sake of uniformity, prepared a format of the complaint book with adequate number of perforated copies, which are so designed that the complainant could be given an acknowledged copy instantly. A copy of the complaint is required to be forwarded to the concerned Controlling Office of the bank along with the remark of the Branch Manager within a time frame. Bank should introduce the complaint book as per the above format for uniformity.

All bank's branches should maintain a separate complaints register in the prescribed format given for entering all the complaints/grievances received by them directly or through their Head Office/Govt. These registers should be maintained irrespective of the fact whether a complaint is received or not in the past.

The complaints registers maintained by branches should be scrutinised by the concerned Regional Manager during his periodical visit to the branches and his observations/comments recorded in the relative visit reports.

Banks having computerized operations may adopt the afore-said format and generate copies electronically.

### **16.3 Complaint Form**

Further, a complaint form, along with the name of the Nodal Officer for complaint redressal, may be provided 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 may 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 may also be given prominently.

### **16.4 Analysis and Disclosure of complaints - Disclosure of complaints / unimplemented awards of Banking Ombudsmen along with Financial Results**

The Committee on Procedures and Performance Audit on Public Services (CPPAPS) had recommended that banks should place a statement before their Boards analyzing the complaints received. CPPAPS had further recommended that the Statement of complaints and its analysis should also be disclosed by banks along with their financial results. Further, a suggestion has been received that unimplemented awards of the Banking Ombudsman should also be disclosed along with financial results.

Banks should place a statement of complaints before their Boards / Customer Service Committees along with an analysis of the complaints received. The complaints should be analyzed (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 along with 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 web-site for information of the general public at the end of each financial year.

## **16.5 Grievance Redressal Mechanism**

Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from its customers / constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of source of the complaints.

Banks are also advised to:

- (i) Ensure that the complaint registers are kept at prominent place in their branches which would make it possible for the customers to enter their complaints.
- (ii) Have a system of acknowledging the complaints, where the complaints are received through letters / forms.
- (iii) Fix a time frame for resolving the complaints received at different levels.
- (iv) Ensure that redressal of complaints emanating from rural areas and those relating to financial assistance to Priority Sector and Government's Poverty Alleviation Programmes also form part of the above process.
- (v) Prominently display at the branches, the names of the officials who can be contacted for redressal of complaints, together with their direct telephone number, fax number, complete address (not Post Box No.) and e-mail address, etc., for proper and timely contact by the customers and for enhancing the effectiveness of the redressal machinery.
- (vi) The names of the officials displayed at the branches who can be contacted for redressal of complaints should also include the name and other details of the concerned Nodal Officer appointed under the Banking Ombudsman Scheme, 2006.
- (vii) Banks should display on their web-sites, the names and other details of the officials at their Head Office / Regional Offices / Zonal Offices who can be contacted for redressal of complaints including the names of the Nodal Officers / Principal Nodal Officers.
- (viii) Further, banks should also display on their web-sites, the names and other details of their CMD / CEO and also Line Functioning Heads for various operations to enable their customers to approach them in case of need, if necessary.

Further, as stated above in Paragraph 16.4, banks are required to disclose the brief details regarding the number of complaints along with their financial results. This statement should include all the complaints received at the Head Office / Controlling Office level as also the complaints received at the branch level. However, where the

complaints are redressed within the next working day, banks need not include the same in the statement of complaints. This is expected to serve as an incentive to the banks and their branches to redress the complaints within the next working day.

Where the complaints are not redressed within one month, the concerned branch / Controlling Office should forward a copy of the same to the concerned Nodal Officer under the Banking Ombudsman Scheme and keep him updated regarding the status of the complaint. This would enable the Nodal Officer to deal with any reference received from the Banking Ombudsman regarding the complaint more effectively. Further, it is also necessary that the customer is made aware of his rights to approach the concerned Banking Ombudsman in case he is not satisfied with the bank's response. As such, in the final letter sent to the customer regarding redressal of the complaint, banks should indicate that the complainant can also approach the concerned Banking Ombudsman. The details of the concerned Banking Ombudsman should also be included in the letter.

Banks should give wide publicity to the grievance redressal machinery through advertisements and also by placing them on their web sites.

#### **16.5.1 Display of Names of Nodal Officers**

With a view to making the Grievance Redressal Mechanism more effective, in addition to the instructions mentioned above, banks are further advised as under:

- i) Ensure that the Principal Nodal Officer appointed under the Banking Ombudsman Scheme is of a sufficiently senior level, not below the rank of a General Manager.
- ii) Contact details including name, complete address, telephone / fax number, email address, etc., of the Principal Nodal Officer needs to be prominently displayed in the portal of the bank preferably on the first page of the web-site so that the aggrieved customer can approach the bank with a sense of satisfaction that she / he has been attended at a senior level.

- iii) Grievance Redressal Mechanism (GRM) should be made simpler even if it is linked to call centre of customer care unit without customers facing hassles of proving identity, account details, etc.
- iv) Adequate and wider publicity are also required to be given by the respective financial services provider.

The name and address of the Principal Nodal Officer may also be forwarded to the Chief General Manager, Customer Service Department, Reserve Bank of India, Central Office, 1<sup>st</sup> Floor, Amar Building, Sir P.M.Road, Mumbai-400 001 ([e-mail](#) ).

#### **16.6 Review of grievances redressal machinery in Public Sector Banks**

Banks should critically examine on an on-going basis as to how Grievances Redressal Machinery is working and whether the same has been found to be effective in achieving improvement in customer service in different areas.

Banks should identify areas in which the number of complaints is large or on the increase and consider constituting special squads to look into complaints on the spot in branches against which there are frequent complaints.

Banks may consider shifting the managers/officers of branches having large number of complaints to other branches/regional offices/departments at Head Offices where contacts with public may be relatively infrequent.

At larger branches and at such of the branches where there are a large number of complaints, the banks may consider appointing Public Relations Officers /Liaison Officers for looking into/mitigating the complaints/grievances of customers expeditiously.

The banks may arrange to include one or two sessions on customer service, public relations etc., in training programmes conducted in their training establishments.

In cases where the contention of the complainant has not been accepted, a complete reply should be given to him to the extent possible.



Grievances/complaints relating to congestions in the banking premises should be examined by the bank's internal inspectors/auditors on a continuing basis and action taken for augmentation of space, whenever necessary, keeping in view the availability of larger accommodation in the same locality at a reasonable rent and other commercial considerations.

## **17. Erroneous Debits arising on fraudulent or other transactions**

### **17.1 Vigilance by banks**

Banks have been advised to adhere to the guidelines and procedures for opening and operating deposit accounts to safeguard against unscrupulous persons opening accounts mainly to use them as conduit for fraudulently encashing payment instruments. However, in view of receipt of continuous complaints of fraudulent encashment by unscrupulous persons opening deposit accounts in the name/s similar to already established concern/s resulting in erroneous and unwanted debit of drawers' accounts, banks should remain vigilant to avoid such lapses and issue necessary instructions to the branches / staff.

### **17.2 Compensating the customer**

Besides in cases of the above kind, banks also do not restore funds promptly to customers even in bona-fide cases but defer action till completion of either departmental action or police interrogation. Therefore, (i) In case of any fraud, if the branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent, the branch should at once acknowledge its liability and pay the just claim, (ii) in cases where banks are at fault, the banks should compensate customers without demur, and (iii) 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 customers (up to a limit) as part of a Board approved customer relations policy.

## **18. Extension of Safe Deposit Locker / Safe Custody Article Facility**

The Committee on Procedures and Performance Audit on Public Services (CPPAPS) had made some recommendations for easy operation of lockers. Reserve Bank has

reviewed all the guidelines issued by the Bank on various issues relating to safe deposit lockers / safe custody articles. The following guidelines supersede all the guidelines issued earlier in this regard.

## **18.1 Allotment of Lockers**

### **18.1.1 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. RBI concurs with the Committee's observations and banks are advised to refrain from such restrictive practices.

### **18.1.2 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.

### **18.1.3 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.

### **18.1.4 Providing a copy of the agreement**

Banks should give a copy of the agreement regarding operation of the locker to the locker-hirer at the time of allotment of the locker.

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

### **18.2.1 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.

#### **18.2.2 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 emphasizes 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.

### **18.3 Embossing identification code**

Banks should 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.

## **19. Nomination Facility**

### **19.1 Legal Provisions**

#### **19.1.1 Provisions in the Banking Regulation Act, 1949**

The Banking Regulation Act, 1949 was amended by Banking Laws (Amendment) Act, 1983 by introducing new Sections 45ZA to 45ZF, which provide, inter alia, for the following matters:

- a. To enable a banking company to make payment to the nominee of a deceased depositor, the amount standing to the credit of the depositor.
- b. To enable a banking company 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 the Reserve Bank.
- c. To enable a banking company 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 the Reserve Bank.

#### **19.1.2 The Banking Companies (Nomination) Rules, 1985**

Since such nomination has to be made in the prescribed manner, the Central Government framed, in consultation with the Reserve Bank of India, the Banking Companies (Nomination) Rules, 1985. These Rules, together with the provision of new Sections 45ZA to 45ZF of the Banking Regulation Act, 1949 regarding nomination facilities were brought into force with effect from 1985.

The Banking Companies (Nomination) Rules, 1985 which are self-explanatory, provide for:-

- (i) Nomination Forms for deposit accounts, articles kept in safe custody and contents of safety lockers.
- (ii) Forms for cancellation and variation of the nominations.

- (iii) Registration of Nominations and cancellation and variation of nominations, and
- (iv) matters related to the above.

### **19.1.3 Nomination facilities in respect of safe deposit locker / safe custody articles**

Sections 45ZC to 45ZF of the Banking Regulation Act, 1949 provide for nomination and release of contents of safety lockers / safe custody article to the nominee and protection against notice of claims of other persons. Banks should be guided 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.

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, the Reserve Bank of India, in pursuance of Sections 45ZC (3) and 45ZE (4) of the Banking Regulation Act, 1949 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, banks may devise their own claim formats or follow the procedure, if any, suggested by the Indian Banks' Association for the purpose.

### **19.1.4 Nomination Facility – Sole Proprietary Concern**

Banks may extend the nomination facility also in respect of deposits held in the name of a sole proprietary concern.

## **19.2 Nomination Facility in Single Deposit Accounts**

Banks should give wide publicity and provide guidance to deposit account holders on the benefits of nomination facility and the survivorship clause. Despite the best efforts in this regard, banks might still be opening single deposit accounts without nomination.

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".

Keeping in view the above, banks should 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.

### **19.3 Acknowledgement of Nomination**

It was observed that some banks do not have the system of acknowledging the receipt of the duly completed form of nomination, cancellation and / or variation of the nomination. Further, in some banks, although there is a system of acknowledgement of nomination as provided in the Savings Bank account opening form, such acknowledgements are actually not given to the customers. In this connection, banks are aware that in terms of Rules 2 (9), 3 (8) and 4 (9) of the Banking Companies Nomination (Rules), 1985, they are required to acknowledge in writing to the depositor(s) / locker hirers (s) the filing of the relevant duly completed Form of nomination, cancellation and / or variation of the nomination.

Banks should therefore strictly comply with the provisions of Banking Regulation Act, 1949 and Banking Companies (Nomination) Rules, 1985 and devise a proper system of acknowledging the receipt of the duly completed form of nomination, cancellation and / or variation of the nomination. Such acknowledgement should be given to all the customers irrespective of whether the same is demanded by the customers.

#### **19.4 Registering the nomination**

In terms of Rules 2 (10), 3 (9) and 4 (10) of the Banking Companies (Nomination) Rules, 1985 banks are required to register in its books the nomination, cancellation and / or variation of the nomination. The banks should accordingly take action to register nominations or changes therein, if any, made by their depositor(s) / hirers.

#### **19.5 Incorporation of the legend “Nomination Registered” in pass book, deposit receipt etc. and indicating the Name of the Nominee in Pass Books / Fixed Deposit Receipts**

When a bank account holder has availed himself of nomination facility, the same may be indicated on the passbook so that, in case of death of the account holder, his relatives can know from the pass book that the nomination facility has been availed of by the deceased depositor and take suitable action. Banks may, therefore, introduce the practice of recording on the face of the passbook the position regarding availment of nomination facility with the legend "Nomination Registered". This may be done in the case of term deposit receipts also.

Further, banks are advised that in addition to the legend “Nomination Registered”, they should also indicate the name of the Nominee in the Pass Books / Statement of Accounts / FDRs, in case the customer is agreeable to the same.

#### **19.6 Separate nomination for savings bank account and pension account**

Nomination facility is available for Savings Bank Account opened for credit of pension. Banking Companies (Nomination) Rules, 1985 are distinct from the Arrears of Pension (Nomination) Rules, 1983 and nomination exercised by the pensioner under the latter rules for receipt of arrears of pension will not be valid for the purpose of deposit accounts held by the pensioners with banks for which a separate nomination is necessary in terms of the Banking Companies (Nomination) Rules, 1985 in case a pensioner desires to avail of nomination facility.

#### **19.7 Nomination Facility – Certain Clarifications**

##### **19.7.1 Nomination facility in respect of deposits**

(i) Nomination facility is intended for individuals including a sole proprietary concern.

(ii) Rules stipulate that nomination shall be made only in favour of individuals. As such, a nominee cannot be an Association, Trust, Society or any other Organisation or any office-bearer thereof in his official capacity. In view thereof any nomination other than in favour of an individual will not be valid.

(iii) There cannot be more than one nominee in respect of a joint deposit account.

(iv) Banks may allow variation/cancellation of a subsisting nomination by all the surviving depositor(s) acting together. This is also applicable to deposits having operating instructions "either or survivor".

(v) In the case of a joint deposit account the nominee's right arises only after the death of all the depositors.

(vi) **Witness in Nomination Forms:** The Banking Companies (Nomination) Rules, 1985 have been framed in exercise of powers conferred by Section 52 read with Sections 45ZA, 45ZC and 45ZE of the Banking Regulation Act, 1949. In this connection, we clarify that for the various Forms (DA1, DA2 and DA3 for Bank Deposits, Forms SC1, SC2 and SC3 for Articles left in Safe Custody, Forms SL1, SL1A, SL2, SL3 and SL3A for Safety Lockers) prescribed under Banking Companies (Nomination) Rules, 1985 only Thumb-impression(s) shall be attested by two witnesses. Signatures of the account holders need not be attested by witnesses.

(vii) **Nomination in case of Joint Deposit Accounts:** It is understood that sometimes the customers opening joint accounts with or without "Either or Survivor" mandate, are dissuaded from exercising the nomination facility. It is clarified that nomination facility is available for joint deposit accounts also. Banks are, therefore, advised to ensure that their branches offer nomination facility to all deposit accounts including joint accounts opened by the customers.

#### **19.7.2 Nomination in Safe Deposit Lockers / Safe Custody Articles**



(i) Nomination facilities are available only in the case of individual depositors and not in respect of persons jointly depositing articles for safe custody.

(ii) Section 45ZE of the Banking Regulation Act, 1949 does not preclude a minor from being a nominee for obtaining delivery of the contents of a locker. However, the responsibility of the banks in such cases is to ensure that when the contents of a locker were sought to be removed on behalf of the minor nominee, the articles were handed over to a person who, in law, was competent to receive the articles on behalf of the minor.

(iii) As regards lockers hired jointly, on the death of any one of the joint hirers, the contents of the locker are only allowed to be removed jointly by the nominees and the survivor(s) after an inventory was taken in the prescribed manner. In such a case, after such removal preceded by an inventory, the nominee and surviving hirer(s) may still keep the entire contents with the same bank, if they so desire, by entering into a fresh contract of hiring a locker.

#### **19.8 Customer Guidance and Publicity Educating Customers on the Benefits of nomination / survivorship clause**

(i) The nomination facility is intended to facilitate expeditious settlement of claims in the accounts of deceased depositors and to minimise hardship caused to the family members on the death of the depositors. The banks should endeavour to drive home to their constituents the benefit of nomination facilities and ensure that the message reaches all the constituents by taking all necessary measures for popularising the nomination facility among their constituents.

(ii) Banks should give wide publicity and provide guidance to deposit account holders 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 account holders, the right to the deposit proceeds does not automatically devolve on the surviving joint deposit account holder, unless there is a survivorship clause.

(iii) In addition to obtaining nomination forms, banks should ensure that account opening form should contain space for nomination also so that the customers could be educated about availability of such facilities.

(iv) Unless the customers prefer 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.

(v) To popularise the nomination facility, publicity may be launched, including printing compatible message on cheque books, pass-book and any other literature reaching the customers as well as launching periodical drives. The methodology which the banks may like to adopt for this purpose may vary. However, one of the banks has devised a small slip indicating the availability of nomination facility and the slip is inserted in the cheque books and pass books and in current account statements. A specimen format of the slip is given below :-

" Nomination facility available for -  
- Deposits  
- Safe Custody  
- Safe Deposit Vault  
Please make use of it.  
For details, please enquire at the Branch"

The availability of the above facility may also be indicated on the cheque/pass books.

## **20. Settlement of claims in respect of deceased depositors – Simplification of procedure**

### **Provisions of the Banking Regulation Act, 1949**

Banks should adhere to the provisions of Sections 45 ZA to 45 ZF of the Banking Regulation Act, 1949 and the Banking Companies (Nomination) Rules, 1985.

#### **20.1 Accounts with survivor/nominee clause**

**20.1.1** In the case of deposit accounts 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 represents a valid discharge of the bank's liability provided :

(a) the bank has exercised due care and caution in establishing the identity of the survivor(s) / nominee and the fact of death of the account holder, through appropriate documentary evidence;

(b) there is no order from the competent court restraining the bank from making the payment from the account of the deceased; and

(c) 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.

**20.1.2** It may be noted that since payment made to the survivor(s) / nominee, 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 and would, therefore, invite serious supervisory disapproval. In such case, therefore, while making payment to the survivor(s) / nominee of the deceased depositor, 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, **irrespective of the amount** standing to the credit of the deceased account holder.

## **20.2 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), banks are required to 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. In this context, banks may, keeping in view

their risk management systems, 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.

### **20.3 Premature Termination of term deposit accounts**

In the case of term deposits, banks are required to 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 may also be specified in the account opening form. Such premature withdrawal would not attract any penal charge.

### **20.4 Treatment of flows in the name of the deceased depositor**

In order to avoid hardship to the survivor(s) / nominee of a deposit account, banks should 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, banks could consider adopting either of the following two approaches:

The bank 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

The bank 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.

### **20.5 Interest payable on the deposit account of deceased depositor**

In the case of a term deposit standing in the name/s of

- (i) a deceased individual depositor, or
- (ii) two or more joint depositors, where one of the depositors has died,

the criterion for payment of interest on matured deposits in the event of death of the depositor in the above cases has been left to the discretion of individual banks subject to their Board laying down a transparent policy in this regard.

In the case of balances lying in current account standing in the name of a deceased individual depositor/sole proprietorship concern, interest should be paid only from 1<sup>st</sup> May, 1983, or from the date of death of the depositor, whichever is later, till the date of repayment to the claimant/s at the rate of interest applicable to savings deposit as on the date of payment.

## **20.6 Time limit for settlement of claims**

Banks should 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.

Banks should report to the Customer Service Committee of the Board, at appropriate intervals, on an ongoing basis, the details of the number of claims received pertaining to deceased depositors / locker-hirers / depositors of safe custody article accounts and those pending beyond the stipulated period, giving reasons therefor.

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

For dealing with the requests from the nominee(s) of the deceased locker-hirer / depositors of the safe-custody articles (where such a nomination had been made) or by the survivor(s) of the deceased (where the locker / safe custody article was accessible under the survivorship clause), for access to the contents of the locker / safe custody article on the death of a locker hirer / depositor of the article, the banks are advised to adopt generally the foregoing approach, *mutatis mutandis*, as indicated for the deposit accounts. Detailed guidelines in this regard are, however, as follows:

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

**21.1.1** 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.

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

(a) Banks 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.

**21.1.3** 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).

## **21.2 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.

## **21.3 Preparing Inventory**

**21.3.1** 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. A copy of the above Notification is shown as **Annex IV** of this Circular.

**21.3.2** 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.

**21.3.3.** 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).

#### **21.4 Simplified operational systems / procedures**

As per the direction of Reserve Bank, the Indian Banks' Association (IBA) has formulated a **Model Operational Procedure (MOP) for settlement of claims of the deceased constituents**, under various circumstances, consistent with the instructions contained in this circular, for adoption by the banks. The banks should, therefore, undertake a comprehensive review of their extant systems and procedures relating to settlement of claims of their deceased constituents (i.e., depositors / locker-hirers / depositors of safe-custody articles) with a view to evolving a simplified policy / procedures for the purpose, with the approval of their Board, taking into account the applicable statutory provisions, foregoing instructions as also the MOP formulated by the IBA.

#### **21.5 Customer guidance and publicity**

Banks should place on their websites the instructions along with 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.

Banks should view these instructions as very critical element for bringing about significant improvement in the quality of customer service provided to survivor(s) / nominee(s) of deceased depositors / locker hirer / depositor of safe custody articles.

### **22. Settlement of claims in respect of missing persons**

Banks are advised to follow the following system in case a claim is received from a nominee / legal heirs for settlement of claim in respect of missing persons :-

The settlement of claims in respect of missing persons would be governed by the provisions of Section 107 / 108 of the Indian Evidence Act, 1872. Section 107 deals with



presumption of continuance and Section 108 deals with presumption of death. 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 / legal heirs have 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 claim in respect of a missing person can be settled on the basis of the same.

Banks are advised to formulate a policy which would enable them to settle the claims of a missing person after considering the legal opinion and taking into account the facts and circumstances of each case. Further, keeping in view the imperative need to avoid inconvenience and undue hardship to the common person, banks are advised that keeping in view their risk management systems, they may fix a threshold limit, up to which claims in respect of missing persons could be settled without insisting on production of any documentation other than (i) FIR and the non-traceable report issued by police authorities and (ii) letter of indemnity.

### **23. Release of other assets of the deceased borrowers to their legal heirs**

Banks had represented that the principle of not obtaining succession certificates etc., could be extended for settlement of claims in respect of other assets of deceased customers including securities held against advances after adjustment thereof. Banks are advised not to insist upon legal representation for release of other assets of deceased customers irrespective of the amount involved.

Banks may, however, call for succession certificates from legal heirs of deceased borrowers in cases where there are disputes and all legal heirs do not join in indemnifying the bank or in certain other exceptional cases where the bank has a reasonable doubt about the genuineness of the claimant/s being the only legal heir/s of the borrower.

### **24. Unclaimed Deposits / Inoperative Accounts in banks**

**24.1** Section 26 of the Banking Regulation Act, 1949 provides, inter alia, that every banking company shall, within 30 days after close of each calendar year submit a return in the prescribed form and manner to the Reserve Bank of India as at the end of each calendar year (i.e., 31st December) of all accounts in India which have not been operated upon for 10 years.

**24.2** In view of the increase in the amount of the unclaimed deposits with banks year after year and the inherent risk associated with such deposits, banks should play a more pro-active role in finding the whereabouts of the account holders whose accounts have remained inoperative. Further several complaints were received in respect of difficulties faced by the customers on account of their accounts having been classified as inoperative. Moreover, there is a feeling that banks are undeservedly enjoying the unclaimed deposits, while paying no interest on it. Keeping these factors in view, the instructions issued by RBI have been reviewed and banks are advised to follow the instructions detailed below while dealing with inoperative accounts:

(i) Banks should make an annual review of accounts in which there are no operations (i.e., no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year. The banks may approach the customers and inform them in writing that there has been no operation in their accounts and ascertain the reasons for the same. In case the non- operation in the account is due to shifting of the customers from the locality, they may be asked to provide the details of the new bank accounts to which the balance in the existing account could be transferred.

(ii) If the letters are returned undelivered, they may immediately be put on enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased.

(iii) In case the whereabouts of the customers are not traceable, banks should consider contacting the persons who had introduced the account holder. They could also consider contacting the employer / or any other person whose details are available with them. They could also consider contacting the account holder telephonically in case his Telephone number / Cell number has been furnished to the bank. In case of Non Resident accounts, the bank may also contact the account holders through e-mail and obtain their confirmation of the details of the account.

(iv) A savings as well as current account should be treated as inoperative / dormant if there are no transactions in the account for over a period of two years.

(v) In case any reply is given by the account holder giving the reasons for not operating the account, banks should continue classifying the same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, banks should classify the same as inoperative account after the expiry of the extended period.

(vi) For the purpose of classifying an account as 'inoperative' both the type of transactions i.e., debit as well as credit transactions induced at the instance of customers as well as third party should be considered. However, the service charges levied by the bank or interest credited by the bank should not be considered.

(vii) There may be instances where the customer has given a mandate for crediting the interest on Fixed Deposit account to the Savings Bank account and there are no other operations in the Savings Bank account. Since the interest on Fixed Deposit account is credited to the Savings Bank accounts as per the mandate of the customer, the same should be treated as a customer induced transaction. As such, the account should be treated as operative account as long as the interest on Fixed Deposit account is credited to the Savings Bank account. The Savings Bank account can be treated as inoperative account only after two years from the date of the last credit entry of the interest on Fixed Deposit account.

(viii) Further, the segregation of the inoperative accounts is from the point of view of reducing risk of frauds etc. However, the customer should not be inconvenienced in any way, just because his account has been rendered inoperative. The classification is there only to bring to the attention of dealing staff, the increased risk in the account. The transaction may be monitored at a higher level both from the point of view of preventing fraud and making a Suspicious Transactions Report. However, the entire process should remain un-noticeable by the customer.

(ix) Operation in such accounts may be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity etc. However, it has to be ensured that the customer is not inconvenienced as a result of extra care taken by the bank.

(x) There should not be any charge for activation of inoperative account.

(xi) Banks are also advised to ensure that the amounts lying in inoperative accounts ledger are properly audited by the internal auditors / statutory auditors of the bank.

(xii) Interest on savings bank accounts should be credited on regular basis whether the account is operative or not. If a Fixed Deposit Receipt matures and proceeds are unpaid, the amount left unclaimed with the bank will attract savings bank rate of interest.

**24.3** Banks may also consider launching a special drive for finding the whereabouts of the customers / legal heirs in respect of existing accounts which have already been transferred to the separate ledger of 'inoperative accounts'.

**24.4 Display list of Inoperative Accounts:** Banks should, in addition to the instructions contained above, play a more pro-active role in finding the whereabouts of the accountholders of unclaimed deposits/ inoperative accounts. Banks are, therefore, advised that they should display the list of unclaimed deposits/inoperative accounts which are inactive / inoperative for ten years or more on their respective websites. The list so displayed on the websites must contain only the names of the account holder(s) and his/her address in respect of unclaimed deposits/inoperative accounts. In case such accounts are not in the name of individuals, the names of individuals authorized to operate the accounts should also be indicated. However, the account number, its type and the name of the branch shall not be disclosed on the bank's website. The list so published by the banks should also provide a **"Find"** option to enable the public to search the list of accounts by name of the account holder.

Banks should also give on the same website, the information on the process of claiming the unclaimed deposit/activating the inoperative account and the necessary forms and

documents for claiming the same. Banks are required to have adequate operational safeguards to ensure that the claimants are genuine.

#### **24.5 Strengthening the Regulatory Framework for Unclaimed Deposits**

With a view to further strengthen the regulatory framework for inoperative accounts and unclaimed deposits, banks are advised to put in place a Board approved policy on classification of unclaimed deposits; grievance redressal mechanism for quick resolution of complaints; record keeping; and periodic review of such accounts. The first periodic review of unclaimed deposits/inoperative accounts should be put up to their respective bank Boards by September 30, 2012.

#### **25. Customer Confidentiality Obligations**

The scope of the secrecy law in India has generally followed the common law principles based on implied contract. The bankers' obligation to maintain secrecy arises out of the contractual relationship between the banker and customer, and as such no information should be divulged to third parties except under circumstances which are well defined. The following exceptions to the said rule are normally accepted:

- (i) Where disclosure is under compulsion of law
- (ii) Where there is duty to the public to disclose
- (iii) Where interest of bank requires disclosure and
- (iv) Where the disclosure is made with the express or implied consent of the customer.

#### **25.1 Collecting Information from customers for cross-selling purposes**

At the time of opening of accounts of the customers, banks collect certain information. While complying with the above requirements, banks also collect a lot of additional personal information.

In this connection, the Committee on Procedures and Performances Audit on Public Services (CPPAPS) observed that the information collected from the customer was being used for cross selling of services of various products by banks, their subsidiaries and affiliates. Sometimes, such information was also provided to other agencies. As

banks are aware, the information provided by the customer for KYC compliance while opening an account is confidential and divulging any details thereof for cross selling or any other purpose would be in breach of customer confidentiality obligations. Banks should treat the information collected from the customer for the purpose of opening of account as confidential and not divulge any details thereof for cross selling or any other purposes. Banks may, therefore, ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard.

Wherever banks desire to collect any information about the customer for a purpose other than KYC requirements, it should not form part of the account opening form. Such information may be collected separately, purely on a voluntary basis, after explaining the objectives to the customer and taking his express approval for the specific uses to which such information could be put. Banks should therefore, instruct all the branches to strictly ensure compliance with their obligations to the customer in this regard.

## **26. Transfer of account from one branch to another**

**26.1** Instructions of a customer for transfer of his account to another office should be carried out immediately on receipt of, and in accordance with, his instructions. It should be ensured that along with the balance of the account, the relative account opening form, specimen signatures, standing instructions, etc., or the master sheets wherever obtained, are also simultaneously transferred, under advice to the customer.

**26.2** The account transfer form with the enclosures may be handed over to the customer in a sealed cover if he so desires for delivery at the transferee office / branch. However, the transferee office should also be separately supplied with a copy of the account transfer letter.

**26.3** When an office receives an enquiry from a customer regarding the receipt of his account on transfer from another office it should take up the matter with the transferor office by electronic means, in case it has not received the balance of the account and/or other related papers even after a reasonable transit time.

## **27. Switching banks by customers**

Banks should ensure that depositors dissatisfied with customer service have the facility to switch banks and thwarting depositors from such switches would invite serious adverse action.

## **28. Co-ordination with officers of Central Board of Direct Taxes**

There is a need for greater co-ordination between the income-tax department and the banking system. As such banks should extend necessary help/co-ordination to tax officials whenever required. Further, banks will have to view with serious concern cases where their staff connive/assist in any manner with offences punishable under the Income Tax Act. In such cases in addition to the normal criminal action, such staff member should also be proceeded against departmentally.

## **29. Declaration of Holiday under the Negotiable Instruments Act, 1881**

In terms of Section 25 of the Negotiable Instruments Act, 1881, the expression "public holiday" includes Sunday and any other day declared by the Central Government by notification in the Official Gazette to be a public holiday. However, this power has been delegated by the Central Government to State Governments vide the Government of India, Ministry of Home Affairs' Notification No. 20-25-56-Pub-I dated 8 June, 1957. While delegating the power to declare public holidays within concerned States under Section 25 of the Negotiable Instruments Act, 1881, the Central Government has stipulated that the delegation is subject to the condition that the Central Government may itself exercise the said function, should it deem fit to do so. This implies that when Central Government itself has notified a day as "public holiday" under Section 25 of the Negotiable Instruments Act, 1881, there is no need for banks to wait for the State Government notification.

## **30. Miscellaneous**

### **30.1 Sunday banking**

In predominantly residential areas banks may keep their branches open for business on Sundays by suitably adjusting the holidays.

Banks should keep rural branches open on weekly market day.

### **30.2 Accepting standing instructions of customers**

Standing instructions should be freely accepted on all current and savings bank accounts. The scope of standing instructions service should be enlarged to include payments on account of taxes, rents, bills, school / college fees, licences, etc.

### **30.3 Clean Overdrafts for small amounts**

Clean overdrafts for small amounts may be permitted at the discretion of branch manager to customers whose dealings have been satisfactory. Banks may work out schemes in this regard.

### **30.4 Rounding off of transactions**

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. Issue prices of cash certificates should also be rounded off in the same manner. However, banks should ensure that cheques/drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them.

## **31. Various Working Groups / Committees on Customer Service in Banks - Implementation of the Recommendations**

In order to keep a watch on the progress achieved by the bank in the implementation of the recommendations of various working groups/Committees on customer service, banks may examine the recommendations which have relevance in the present day banking and continue to implement them. Banks may consider submitting periodically to their Customer Service Committee of the Board a progress report on the steps/ measures taken in that regard.

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

Banks should follow various provisions of the Code of Bank's Commitment to Customers, implementation of which is monitored by the Banking Codes and Standards Board of India (BCSBI).



### **33. Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI Act, 2002)**

The Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), a Government Company licensed under Section 25 of the Companies Act 1956, has been incorporated for the purpose of operating and maintaining the Central Registry under the provisions of the SARFAESI Act, 2002. This Registry has become operational on March 31, 2011.

It may be noted that initially transactions relating to securitization and reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advance granted by banks and financial institutions, as defined under the SARFAESI Act, are to be registered in the Central Registry. The records maintained by the Central Registry will be available for search by any lender or any other person desirous of dealing with the property. Availability of such records would prevent frauds involving multiple lending against the security of same property as well as fraudulent sale of property without disclosing the security interest over such property. It may be noted that under the provisions of Section 23 of the SARFAESI Act, 2002 particulars of any charge creating security interest over property is required to be filed with the Registry within 30 days from the date of creation.

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**Annex I**  
**(See paragraph 6.2)**

**Recommendations of the Working Group to formulate a scheme for ensuring reasonableness of bank charges**

Sl.	Recommendations of the Working Group as accepted by RBI	Action points for banks																				
1.	<p><b>Identification of basic banking services</b></p> <p>Banks have to follow two broad parameters for identifying the basic banking services:</p> <p><b>(A) Nature of transactions</b></p> <p>a. Banking services that are ordinarily availed by individuals in the middle and lower segments, will be the first parameter. These will comprise services related to deposit/loan accounts, remittance services and collection services.</p> <p>b. When the above transactions occur in different delivery channels, for the purpose of pricing, they may be treated on a separate footing.</p> <p><b>(B) Value of transactions</b></p> <p>Low value of transactions with customers/public up to the ceiling as given below will be the second parameter:</p> <p>i. Remittances up to ₹ 10,000/- in each instance</p> <p>ii. Collections below ₹ 10,000/- in each instance</p> <p>(Foreign exchange transactions valued up to \$ 500/-)</p> <p>Based on the two parameters, the Working Group recommends enumeration of the following as the basic banking services:</p> <table><tr><th>Sr.No.</th><th>Service Relating to deposit accounts</th></tr><tr><td>1</td><td>Cheque book facility</td></tr><tr><td>2</td><td>Issue of Pass Book (or Statement)/Issue of Balance Certificate</td></tr><tr><td>3</td><td>Issue of duplicate pass book or statement</td></tr><tr><td>4</td><td>ATM Cards</td></tr><tr><td>5</td><td>Debit cards (electronic cheque)</td></tr><tr><td>6</td><td>Stop payment</td></tr><tr><td>7</td><td>Balance enquiry</td></tr><tr><td>8</td><td>Account closure</td></tr><tr><td>9</td><td>Cheque Return – Inward (cheque received for</td></tr></table>	Sr.No.	Service Relating to deposit accounts	1	Cheque book facility	2	Issue of Pass Book (or Statement)/Issue of Balance Certificate	3	Issue of duplicate pass book or statement	4	ATM Cards	5	Debit cards (electronic cheque)	6	Stop payment	7	Balance enquiry	8	Account closure	9	Cheque Return – Inward (cheque received for	<p>Banks are advised to identify the basic banking services on the basis of broad parameters indicated by the Working Group.</p> <p>The list of services identified by the Working Group is only an indicative one and banks may, at their discretion, include within the category of basic services such additional services as they may consider appropriate.</p>
Sr.No.	Service Relating to deposit accounts																					
1	Cheque book facility																					
2	Issue of Pass Book (or Statement)/Issue of Balance Certificate																					
3	Issue of duplicate pass book or statement																					
4	ATM Cards																					
5	Debit cards (electronic cheque)																					
6	Stop payment																					
7	Balance enquiry																					
8	Account closure																					
9	Cheque Return – Inward (cheque received for																					

	payment)	
10	Signature verification	
	<b>Relating to Loan Accounts</b>	
11	No dues certificate	
	<b>Remittance Facilities (including through other banks) (Rupee or foreign exchange)</b>	
12	Demand Draft- Issue	
13	Demand Draft- Cancellation	
14	Demand Draft- Revalidation	
15	Demand Draft- Duplicate Issuance	
16	Payment Order – Issue	
17	Payment Order – Cancellation	
18	Payment Order – Revalidation	
19	Payment Order – Duplicate Issuance	
20	Telegraphic Transfer – Issue	
21	Telegraphic Transfer-Cancellation	
22	Telegraphic Transfer – Duplicate Issuance	
23	Payment by Electronic Clearing Services (ECS)	
24	Transfer by National Electronic Fund Transfer (NEFT) and Electronic Funds Transfer (EFT)	
	<b>Collection facilities</b>	
25	Collection of Local cheques	
26	Collection of Outstation cheques	
27	Cheque Return-Outward (cheque deposited for collection)	
	<p>The above list is compiled only as a guide and the list may not be treated as exhaustive. Banks, may at their discretion, include within the category of basic services such additional services as they consider appropriate.</p>	
<b>2.</b>	<b>Offering basic banking services outside the scope of bundled products</b> <p>Some of the banks do not levy charges on each individual product or service. Products and services are bundled and offered to a customer as a composite offering. The bank recovers the cost of these operations through net interest income. The bank achieves break-even levels through higher average balances in customer accounts which yield healthy interest margins or by imposing charges for keeping inadequate balances. In so far as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices/charges and towards this, the basic services should be delivered outside the scope of the bundled products.</p>	<p>Banks may implement the recommendations of the Working Group on making available the basic banking services at reasonable prices/charges and towards this, delivering the basic services outside the scope of the bundled products.</p>

3.	<p><b>Principles for ensuring reasonableness in fixing and communicating the service charges</b></p> <ol style="list-style-type: none"> <li>For basic services to individuals, the banks will levy charges at the rates that are lower than the rates applied when the same services are given to non-individuals.</li> <li>For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals.</li> <li>For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason.</li> <li>For the basic services to individuals, the banks will levy services charges ad-valorem only to cover any incremental cost and subject to a cap.</li> <li>Banks will provide to the individual customers upfront and in a timely manner, complete information on the charges applicable to all basic services.</li> <li>Banks will provide advance information to the individual customers about the proposed changes in the service charges.</li> <li>Banks will collect for services given to individuals only such charges which have been notified to the customer.</li> <li>Banks will inform the customers in an appropriate manner recovery of service charges from the account or the transaction.</li> </ol> <p>Banks will without fail inform the customers in all cases when a transaction initiated by the bank itself results in or is likely to lead to a shortfall in the minimum balance required to be maintained.</p>	<p>The principles for ensuring reasonableness in fixing and communicating the service charges, as enunciated by the Working Group, may be adopted/ followed by banks</p>
4.	<p><b>Disclosure and notification of service charges</b></p> <p>It is imperative that the customers are made aware of the service charges upfront and the changes in services charges are implemented only with prior notice to the customers. For changes made in the charges, the notice to customers need not necessarily be to each individual customer, as it would be costly and impractical. The Working Group finds that for proper disclosure, the banks would do well to fully recognize the following needs of the customers and take steps to ensure that these are met:</p> <p><b>A. Disclosure of the service charges:</b></p> <ul style="list-style-type: none"> <li>Banks may <b>consider the option</b> of carrying out a one-time publicity of the service charges so that all customers are made aware of the charges;</li> <li>The need for communicating the service charges to the new customers at the time of beginning of the relationship.</li> </ul>	<p>Banks may take steps to ensure that customers are made aware of the service charges upfront and changes in the service charges are implemented only with the prior notice to the customers.</p>

	<ul style="list-style-type: none"> <li>• The need for displaying the charges in the notice board at the branch and advertising in newspapers, so as to disseminate information to the customers/public, in addition to display on the website as per Reserve Bank instructions.</li> <li>• The need for using appropriate method for communicating the service charges to customers of different profiles.</li> </ul> <p><b>(B) Notifying the changes effected in the charges</b></p> <ul style="list-style-type: none"> <li>• The need for effecting any change in the charges only with prior notification to the customers of at least 30 days.</li> <li>• The need for providing an option to the customer to accept the change and if not accepted, to exit from the relationship with the bank within the above 30 days without any cost.</li> <li>• Banks may consider the option of advertising the changes in newspapers.</li> <li>• The need for including the information regarding the changes in any communication sent to the customer.</li> <li>• The need for displaying prominently in the notice board as well as the website all the changes effected in the preceding 30 days.</li> </ul>	
<b>5.</b>	<p><b>Other recommendations</b></p> <p><b>(i) Deficiencies in the redressal of grievances about service charges</b></p> <p>Deficient grievance redressal in the banks, including a process of prolonged correspondence, always leads to complaints being escalated to the Banking Ombudsman/Reserve Bank of India. Banks are therefore required to have a robust grievance redressal structure and processes, to ensure prompt in-house redressal of all their customer complaints.</p> <p><b>(ii) Financial Education</b></p> <p>The Working Group recommends that full-fledged information on bank products and their implications are to be disclosed to the customers so that the customers can make an informed judgment about their choice of products.</p>	<p>The recommendations of the Working Group relating to redressal of grievances and financial education, as brought out in column 2, may be implemented by banks.</p>

**Format of**  
**Comprehensive Notice Board**

(Updated up to \_\_\_\_\_)

**A. CUSTOMER SERVICE INFORMATION:**

(i) We have separately displayed the key interest rates on deposits & forex rates in the branch.

(ii) Nomination facility is available on all deposit accounts, articles in safe custody and safe deposit vaults.

(iii) We exchange soiled notes and mutilated notes.

(iv) We accept/exchange coins of all denominations.

(v) If a banknote tendered here is found to be counterfeit, we will issue an acknowledgement to the tenderer after stamping the note.

(vi) Please refer to our cheque collection policy for the applicable timeframes for collection of local and outstation cheques.

(vii) For satisfactory accounts, we offer immediate credit of outstation cheque up to ₹ \_\_\_\_\_ (Please refer cheque collection policy).

(viii) Bank's BPLR (Benchmark Prime Lending Rate) & its effective date.

**B. SERVICE CHARGES:**

Sr.No.	Type of Account	Minimum Balance Requirement (₹)	Charges for non-maintenance thereof (₹)
1	Savings Account		
2	No-Frills Account		

**C. GRIEVANCE REDRESSAL:**

(i) If you have any grievances/complaints, please approach:

(ii) If your complaint is unresolved at the branch level, you may approach our Regional/Zonal Manager at: (Address)

(iii) If you are not satisfied with our grievance redressal, you may approach the Banking Ombudsman at: *(Name, address, telephone numbers and email address should be given)*

**D. OTHER SERVICES PROVIDED:**

- i) We accept direct tax collection. (Please quote PAN/TAN on Challan. Do not drop the Challans in the Drop Boxes).
- ii) We open Public Provident Fund accounts.
- iii) The Senior Citizens Savings Scheme, 2004 is operated here.
- iv) Prime Minister's Rozgar Yojana / other schemes sponsored by Government of India and State Government are operated here (if operated by the bank).
- v) We offer SSI loans/products.
- vi) We issue Kisan Credit Cards.
- vii) We open 'Basic Savings Bank Deposit Accounts'.
- viii) Donations for PM's relief fund are accepted here.

**E. INFORMATION AVAILABLE IN BOOKLET FORM  
(Please approach 'MAY I HELP YOU' Counter)**

- (i) All the items mentioned in (A) to (D) above.
- (ii) The Citizen's Charter for Currency Exchange facilities.
- (iii) Time norms for common transactions.
- (iv) Design and security features of all the bank notes.
- (v) Policy documents relating to Cheque Collection, Grievance Redressal Mechanism, Security repossession and Compensation.
- (vi) The complete service charges, including services rendered free of charge.
- (vii) Fair Practices Code/The Code of Bank's Commitment to Customers.

**Information to be provided outside the premises:**

- Name of the Bank / Branch:
- Weekly Holiday on:
- Weekly Branch Non-Banking Day:
- Branch Working Hours:

**Name of the BANK**

**RATES AT A QUICK GLANCE  
AS ON \_\_\_\_\_**

**Deposit Accounts**

NATURE	RATE OF INTEREST		MINIMUM BALANCE		
	NORMAL	SENIOR CITIZEN	Rural	Semi Urban	Urban
ACCOUNT					
1. Savings Bank A/c					
A. Domestic					
a. With cheque book facility					
b. Without cheque book facility					
c. Basic Savings Bank Deposit Account					
B. Non Resident					
a. NRO					
b. NRE					
2. Term Deposits					
A. Domestic		Rate of Interest			
Term Deposits (All Maturities)			Up to & including ₹ 15 Lakhs	For Deposits above ₹15 Lakhs but less than ₹ 1Crore	
B. Non-Resident Accounts					
a. NRO (All Maturities)					
b. NRE (All Maturities)					
	Rate of Interest				
	1 year & above but < 2 years	2 years & above but < 3 years	3 years & above but < 4 years	4 years & above but < 5 years	For 5 years (Maximum)
c. FCNR(B)					
i) USD					
ii) GBP					
iii) EUR					
iv) CAD					
v) AUD					



## LOANS

	RATE OF INTEREST				Processing Charges
<b>LOANS</b>					
<b>1. Housing Loan</b>	Up to ₹ _ lakhs	More than ₹__ lakhs Up to ₹__ lakhs	Above ₹__ lakhs Up to ₹__ lakhs	Above ₹__ lakhs	
<b>Floating Category</b>					
Up to 5 years					
More than 5 Yrs & up to 10 Yrs					
More than 10 Yrs					
<b>Fixed Category</b>					
Up to 5 years					
More than 5 Yrs & up to 10 Yrs					
More than 10 Yrs					
<b>2. Personal Loan</b>					
a) Consumer Durable Loan					
b) Senior Citizen Loan Scheme					
c) Personal Loan Scheme					
d)					
<b>3. Vehicle Loan</b>					
a. Two Wheeler Loans					
b. Three Wheeler Loans					
c. For New Cars					
d. For Old Cars					
<b>4. Educational Loans</b>	Up to ₹4.00 lakhs		₹4.00 lakhs up to ₹20 lakhs		
	Repayable in _ years	Repayable in more than _ years	Repayable in _ years	Repayable in more than _ years	For studies in India =
					For Studies Abroad =

[illegible]



I, Shri/Smt. \_\_\_\_\_ (Nominee / appointed on behalf of minor Nominee) hereby acknowledge receipt of the articles comprised and set out in the above inventory together with a copy of the said inventory.

Shri/Smt. \_\_\_\_\_ (Nominee)      Shri/Smt. \_\_\_\_\_  
Signature \_\_\_\_\_ (Appointed on behalf of minor Nominee)  
Date & Place \_\_\_\_\_      Signature \_\_\_\_\_  
Date & Place \_\_\_\_\_

**Form of Inventory of Contents of  
Safety Locker Hired from Banking Company**

**(Section 45ZE (4) of the Banking Regulation Act, 1949)**

The following inventory of contents of Safety Locker No. \_\_\_\_\_ located in the Safe Deposit Vault of \_\_\_\_\_, \_\_\_\_\_ Branch at \_\_\_\_\_.

\* hired by Shri/Smt. \_\_\_\_\_ deceased in his/her sole name.

\* hired by Shri/Smt. (i) \_\_\_\_\_ (deceased)

(ii) \_\_\_\_\_ Jointly

(iii) \_\_\_\_\_

was taken on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

Sr. No.	Description of Articles in Safety Locker	Other Identifying Particulars, if any

For the purpose of inventory, access to the locker was given to the Nominee/and the surviving hirers

- who produced the key to the locker.
- by breaking open the locker under his/her/their instructions.

The above inventory was taken in the presence of:

1. Shri/Smt. \_\_\_\_\_ (Nominee) \_\_\_\_\_  
Address \_\_\_\_\_ (Signature)

**or**

1. Shri/Smt. \_\_\_\_\_ (Nominee) \_\_\_\_\_  
Address \_\_\_\_\_ (Signature)

and

Shri/Smt. \_\_\_\_\_  
Address \_\_\_\_\_ (Signature)

Shri/Smt. \_\_\_\_\_ Survivors of  
Address \_\_\_\_\_ (Signature) joint hirers

2. Witness(es) with name, address and signature:

\* I, Shri/Smt. \_\_\_\_\_ (Nominee)

\* We, Shri Smt. \_\_\_\_\_ (Nominee), Shri/Smt.  
\_\_\_\_\_ and Shri/Smt. \_\_\_\_\_ the survivors of the joint  
hirers, hereby acknowledge the receipt of the contents of the safety locker comprised in and set out in the  
above inventory together with a copy of the said inventory.

Shri/Smt. \_\_\_\_\_ (Nominee) Shri/Smt. \_\_\_\_\_ (Survivor)  
Signature \_\_\_\_\_ Signature \_\_\_\_\_  
Date & Place \_\_\_\_\_

Shri/Smt. \_\_\_\_\_ (Survivor)  
Signature \_\_\_\_\_  
Date & Place \_\_\_\_\_

(\* Delete whichever is not applicable)

**Annexure V**  
**(See Paragraph 5.13)**

To: The Branch Manager

\_\_\_\_\_ [Name of the Bank]  
 \_\_\_\_\_ [Name of the Branch]\*  
 \_\_\_\_\_ [Name of the City]

1.	<b><u>Customer Information:</u></b>  Name of the Customer : Account No. : Debit Card / ATM Card No. :
2.	<b><u>ATM Information:</u></b>  ATM ID/Location, if ID is not available : Name of the ATM Bank :
3.	<b><u>Nature of the Complaints</u></b>  <b>a) <u>Complaint relating to Cash Withdrawal:</u></b>  <div style="margin-left: 40px;">           Amount requested for withdrawal : [ ₹ ]            Amount actually disbursed at ATM : [ ₹ ]            Amount to the account debited : [ ₹ ]            Date of transaction : [ ] (mm/dd/yy)            Time of transaction : [ ]         </div> <b>b) Card Capture by ATM</b> : [ ]  <b>c) Other complaints</b> :
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">           Date:    /    /         </div> <div style="width: 50%; text-align: right;">           Signature of the Card Holder            Contact Tel/Mobile No.         </div> </div>	

*\*(Name of the bank branch where cardholder account is maintained which is linked to ATM card)*

----- X -----

**Annexure VI**  
(Please see para 14.3.2)

**Illustrative but not Exhaustive List of Objections where Customers are not at Fault**

(Applicable for Instrument and Image-based Cheque Clearing as detailed in Annexure D to Uniform Regulations and Rules for Bankers' Clearing Houses)

<b>Code No.</b>	<b>Reason for Return</b>
33	Instrument mutilated; requires bank's guarantee
35	Clearing House stamp / date required
36	Wrongly delivered / not drawn on us
37	Present in proper zone
38	Instrument contains extraneous matter
39	Image not clear; present again with paper
40	Present with document
41	Item listed twice
42	Paper not received
60	Crossed to two banks
61	Crossing stamp not cancelled
62	Clearing stamp not cancelled
63	Instrument specially crossed to another bank
67	Payee's endorsement irregular / requires collecting bank's confirmation
68	Endorsement by mark / thumb impression requires attestation by Magistrate with seal
70	Advice not received
71	Amount / Name differs on advice
72	Drawee bank's fund with sponsor bank insufficient (applicable to sub-members)
73	Payee's separate discharge to bank required
74	Not payable till 1st proximo
75	Pay order requires counter signature
76	Required information not legible / correct
80	Bank's certificate ambiguous / incomplete / required
81	Draft lost by issuing office; confirmation required from issuing office
82	Bank / Branch blocked
83	Digital Certificate validation failure
84	Other reasons-connectivity failure
87	'Payee's a/c Credited' - Stamp required
92	Bank excluded

## List of Circulars

Sr. No.	Ref. No.	Date	Particulars
1	DBOD.No.Sch.BC.12/C.95- 73	13.02.1973	Purchase of Local Cheques, Drafts, etc. during suspension of Clearing
2	DBOD.No. Clg.BC.72/94	15.09.1975	Banking hours/working days of bank branches
3	DBOD.No.Leg.BC.158/C.90 (H) – 76	29.12.1976	Opening accounts in the name of minors with Mothers as guardians
4	DBOD.No. 40/94-77	20.04.1977	Changes in Banking Hours
5	DBOD.No.Leg.BC.130/C.466 (IV)-78	28.09.1978	Updating passbooks
6	DBOD.No.Com.BC.28/C.408(A )-81	23.02.1981	Maintenance of savings bank pass books : precautions
7	DBOD.BL.BC.19/C-168-83	07.03.1983	Extension of Banking Hours of Branches of Banks
8	DBOD.No.Leg.BC.73/C.466 (IV) /83	25.08.1983	Availability of staff during working hours
9	Annexure – IV to circular DBOD.No.Leg.BC.34/C.233A-85	23.03.1985	Nomination Facility
10	DBOD.No.Leg.BC.38/C.233A-85	29.03.1985	The Banking Companies (Nomination) Rules, 1985
11	DBOD.No.GC.BC-92/C.408A (89-85)	05.08.1985	Review of grievance Redressal Machinery (Issued to Public Sector Banks)
12	DBOD.No.Leg.BC.58.C.233A-86	14.05.1986	Nomination Facility – Certain Clarifications and Separate nomination for savings bank account and pension account
13	DBOD.No.Leg.BC.69/C.466(IV) – 86 (Recommendation Nos. 9,10,11,13,18,28,31,50,51(a), 56,77,143,144,151,153,158,170,171 – Talwar Committee)	16.06.1986	Recommendations of working Group on Customer Service (Talwar Committee) (issued to Public Sector Banks)
14	DBOD.No.BP.BC.18/C.469-87	19.02.1987	Co-ordination with officers of Central Board of Taxes
15	DBOD.No.Leg.BC.10/C.466(IV) -87	23.03.1987	Recommendations of working Group on Customer Service (Talwar Committee) (Issued to Private Sector Banks)
16	DBOD.NO.GC.BC.10/C-408/87	16.07.1987	Review of grievances redressal



			machinery (issued to Public Sector Banks)
17	DBOD.No.Leg.BC.98/C.90(H) (D)-88	25.02 1988	Nomination facility
18	DBOD.No.Leg.BC.66/C.466 (iv)- 89	30.01.1989	Encashment of drafts
19	DBOD.Leg.BC.87C/466(IV) 89	03.03.1989	Issuing cheque books with larger number of leaves (Issued to Public Sector Banks)
20	DBOD.No.Leg.BC.19/C.90(H)-89	08.09.1989	Opening accounts in the name of minors with Mothers as guardians
21	DBOD.No.Leg.BC.28/C.90(H)-89	06.10.1989	Opening accounts in the name of minors with Mothers as guardians
22	DBOD.No.Dir.BC.36/C.347/90	22.10.1990	Rounding off of transactions
23	DBOD.No.Leg.BC.90/C.466 (IV) -91	28.02.1991	Nomination Facility
24	DBOD.No.BC.74/09.07.001/91-92 (Recommendation Nos. 3.1,3.2, 3.4,3.5, 3.7,3.21,3.24,3.26,3.52, 3.53,3.66,3.70,3.77,3.80,3.87, 3.88,3.93,3.96 – Goiporia Committee)	28.01.1992	Committee on Customer Service in Banks – Implementation of recommendations (Goiporia Committee)
25	DBOD.No.BC.135/09.07.007/92-93 (Recommendation No. 3.3 – Goiporia Committee)	27.05.1992	Extension of Business hours
26	DBOD.Leg.BC.13/09.08.001/92	31.07.1992	Acceptance of cheques bearing a date in Hindi as per National Calendar (Saka Samvat) for payment
27	DBOD.No.BC.76/09.07.007/92-93 (Recommendation No. 3.34 – Goiporia Committee)	11.02.1993	Delay in collection of bills
28	DBOD.No.BC.189/09.07.007/93 Recommendation No. 3.67 – (Goiporia Committee)	27.10.1993	Complaint Book / Register
29	DBOD.NO.202/17.04.001/93	06.12.1993	Photographs of Depositors
30	DBOD.No.BC.46/17.04.001/94-95	22.04 1994	Photographs of Depositors
31	DBOD.No.BC.146/09.08.001/94	14.12.1994	Declaration of Holiday under the Negotiable Instruments Act, 1881
32	DBOD.No.BC.14/09.07.007/96	14.02.1996	Photographs of Depositors

33	DBOD. No. BC.15/ 09.08.004 /96-97	28.02.1997	Nomination facility – Sole Proprietary Concern
34	DBOD.Leg.BC.108/09.07.007/ 97-98	25.09.1997	Issuing large number of cheque books
35	DBOD.No.BP.BC.12/21.01.023/ 98	11.02.1998	Confidentiality Obligations
36	DBOD.No. BC.100 /09.07.007/ 98-99	12.10.1998	Operation of Accounts by Old & Incapacitated Persons
37	DBOD.BC.No.59/09.07.007/98-99	28.05.1999	Incorporating the legend “Nomination Registered”
38	DBOD.Dir.BC.86/13.10./99-00	07.09.1999	Fixing service charges by banks
39	DBOD.No.BC.147/09.07.007/9 9-2000	09.03.2000	Issue of duplicate demand draft
40	DBOD.No.Leg.BC.70/09.07.00 7/2000-01	16.01.2001	Disposal of term deposits on maturity
41	DBOD.BC.No.55/09.07.007/20 01-02	01.01.2002	Release of other assets of the deceased clients to their legal heirs
42	DBOD.BC.No.63/09.07.007/20 01-02	04.02.2002	Release of other assets of the deceased clients to their legal heirs
43	DBOD.Leg.BC. 86 / 09.07.007/ 2001-02	08.04.2002	Erroneous Debits arising on fraudulent or other transactions
44	DBOD.Leg.113/09.12.001/2002 -03	26.06.2003	Dishonour of Cheques – Procedure thereof
45	DBOD.No.Leg.BC.74/09.07.00 5/2003-04	10.04.2004	Committee on Procedures and Performance Audit on Public Services -Report No. 3 - Banking Operations; Deposit Accounts and Other Facilities Relating to Individuals (Non-business)
46	DBOD.AML.BC. No.83/14.01.001/ 2003-2004	12.05.2004	Collecting Information from customers
47	DBOD.No.Leg.BC.84/09.07. 005/2003-04	15.05.2004	Opening of Current Accounts by banks - Need for discipline
48	DBOD.No.Leg.1246/09.07.007 (CPPAPS)/2003-04 (Recommendation Nos. 1,3,5,6, 8 – Report No. 3 - Tarapore Committee)	09.06.2004	Recommendations of the CPPAPS
49	<a href="#">DBOD.No.Leg.BC.22/09.07.00 5/2004-05</a>	04.08.2004	Opening of Current Accounts by banks - Need for discipline

50	Governor's D.O. letter	14.08.2004	Customer Service Committee of the Board
51	<a href="#">DBOD.No.Leg.BC.55/09.07.00 5/2004-05</a>	01.11.2004	Immediate Credit for local / outstation cheques, Time frame for Collection of Local / Outstation Instruments, Interest payment for delayed collection – Cheque Collection Policy
52	<a href="#">DBOD.No.Leg.BC.78/09.07.00 5/2004-05</a>	16.04.2005	CPPAPS – Standing Committee on Customer Service
53	<a href="#">DBOD.No.Leg.BC.79/09.07.00 5/2004-05</a>	19.04.2005	Role of Customer Service Committee of the Board – Monitoring the Implementation of Awards under Banking Ombudsman Scheme
54	<a href="#">DBOD.No.Leg.BC.95/09.07.00 5/2004-05</a>	09.06.2005	Settlement of claims in respect of deceased depositors – Simplification of procedure
55	<a href="#">DBOD.No.Leg.BC.52 /09.07.005/ 2005-06</a>	28.12.2005	Financial Inclusion - Printed material in trilingual form
56	<a href="#">DBOD.BP.BC No. 56 / 21.01.001/2005-06</a>	23.01.2006	Collection of account payee cheque – Prohibition on crediting proceeds to third party account
57	<a href="#">CSD.BOS.5/13.33.01/2005-06</a>	20.07.2006	Complaint Form
58	<a href="#">DBOD.No.Leg.BC.28/09.07.00 5/2006-07</a>	01.09.2006	Address/ Tel No. of the branch in Pass book / Statements of Accounts
59	<a href="#">DBOD.No.Leg.BC.32/09.07.00 5/2006-07</a>	04.10.2006	Non Issuance of Pass books to SB Account holders
60	<a href="#">DBOD.No.Leg.BC.42/09.07.00 5/2006-07</a>	10.11.2006	Issue of Duplicate Demand Draft
61	<a href="#">DBOD.No.Leg.BC.49/09.07.00 5/2006-07</a>	18.12.2006	Cheque Drop box facility
62	<a href="#">DBOD.No.Dir.BC. 56 /13.03.00/2006-2007</a>	02.02.2007	Report of the Working Group to formulate a scheme for ensuring reasonableness of bank charges
63	<a href="#">DBOD.No.Leg.BC.60/09.07.00 5/2006-07</a>	22.02.2007	Analysis & Disclosure of Complaints – Unimplemented awards issued by BOs
64	<a href="#">DBOD.No.Leg.BC.75/09.07.00 5/2006-07</a>	05.04.2007	Nomination Facility in Single Deposit Account
65	<a href="#">DBOD.No.Leg.BC.78/09.07.00 5/2006-07</a>	17.04.2007	Extension of Safe Deposit Locker / Safe Custody Article Facility and

			Access to Safe Deposit Locker/ Return of Safe Custody Articles by Banks
66	<a href="#">DBOD.No.Leg.BC.94/09.07.00 5/2006-07</a>	07.05.2007	Annual Policy Statement for 2007-08 – IT enabled Financial Inclusion
67	<a href="#">DBOD.No.Leg.BC.30/09.07.00 5/2007-08</a>	03.09.2007	Branch Level Customer Service Committees
68	<a href="#">DBOD.No.Leg.BC.51/09.07.00 5/2007-08</a>	19.11.2007	Legal Guardianship certificate issued under the National Trust Act, 1999 empowering the disabled persons with autism, cerebral palsy, mental retardation and multiple disabilities
69	<a href="#">DBOD.No.Leg.BC.80/09.07.00 5/2007-08</a>	02.05.2008	Settlement of Claims in respect of missing persons
70	<a href="#">DBOD.No.Leg.BC.81/09.07.00 5/2007-08</a>	02.05.2008	Grievance Redressal Mechanism in Banks
71	<a href="#">DBOD.No.Leg.BC.91/09.07.00 5/2007-08</a>	04.06.2008	Banking Facilities to the visually challenged
72	<a href="#">DBOD.No. Dir. BC. 15/13.03.00 /2008-09</a>	01.07.2008	Master Circular on Interest Rates on Deposits
73	<a href="#">DBOD.No.Leg.BC.33/09.07.00 5/2008-09</a>	22.08.2008	Display of Information by Banks – Comprehensive Notice Board
74	<a href="#">DBOD.No.Leg.BC.34/09.07.00 5/2008-09</a>	22.08.2008	Unclaimed Deposits – Inoperative Accounts in banks
75	<a href="#">DBOD.No.Leg.BC.38/09.07.00 5/2008-09</a>	28.08.2008	Acceptance of Cash over the counter
76	<a href="#">DBOD.No.Leg.BC.42/09.07.00 5/2008-09</a>	12.09.2008	Display of Information relating to Interest rates and Service Charges – Rates at quick glance
77	<a href="#">DBOD.No.Leg.BC.47/09.07.00 5/2008-09</a>	19.09.2008	Payment of Interest on accounts frozen by banks
78	DPSS.CO.(CHD).No.873/03.09 .01/2008-09	24.11.2008	Delay in Cheque Clearing – Case No. 82 of 2006 before the National Consumer Disputes Redressal Commission
79	<a href="#">DPSS.No.1424 /02.10.02/2008- 2009</a>	11.02.2009	Reconciliation of transactions at ATMs failure – Time limit
80	DBOD.No.Leg.BC.114/09.07.0 05/2008-09	09.03.2009	Acknowledgement of Nomination and indicating the name of the nominee in pass books / Fixed Deposit Receipts

81	<a href="#">DBOD.No.Leg.BC.123/09.07.05/2008-09</a>	13.04.2009	Need for bank branches / ATMs to be made accessible to persons with disabilities
82	<a href="#">DPSS.No.101/02.10.02/2009-10</a>	17.07.2009	Reconciliation of Transactions at ATMs Failure -Time Limit
83	<a href="#">DBOD.No.Leg.BC.24/09.07.005/2009-10</a>	21.07.2009	Grievance Redressal Mechanism in banks- Display of names of Nodal Officers appointed under the Banking Ombudsman Scheme, 2006
84	<a href="#">DBOD.No.Leg.BC.30/09.07.005/2009-10</a>	12.08.2009	Payment of interest on accounts frozen by banks
85	<a href="#">DBOD.BP.BC.No.32/21.01.001/2009-10</a>	27.08.2009	Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account
86	DBOD.No.Leg.BC.37/09.07.005/2009-10	2.09.2009	Display of information regarding 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
87	<a href="#">DBOD.No.Leg.BC.59/09.07.005/2009-10</a>	9.11.2009	Dishonour of Cheques- Dealing with incidents of frequent dishonor
88	<a href="#">DPSS.No.1316/02.10.02/2009-10</a>	18.12.2009	Display of information for Lodging of ATM related Complaints
89	DPSS/CO/PD 2018/02.10.002/2009-	19.03.2010	Customer complaints relating to ATM transactions
90	CSD.PRS.No.4(CIR) /20.40.01/2009-10	19.5.2010	Board Meeting to Review and Deliberate on Customer Service
91	<a href="#">DBOD.BP.BC.No.47/21.01.001/2010-11</a>	01.10.2010	Collection of Account Payee Cheque - Prohibition on Crediting Proceeds to Third Party Account
92	DPSS.CO.No.882/02.23.02/2009-10	18.10.2010	Transactions at ATM- Procedural Amendment - Pin Validation for Every Successive Transaction
93	<a href="#">DPSS.CO.PD 2224/02.14.003/2010-2011</a>	29.03.2011	Security Issues and Risk mitigation measures- Online alerts to the cardholder for usage of credit/debit cards
94	<a href="#">DBOD.No.Leg.BC.83/09.07.00</a>	30.03.2011	Banking Companies

	<a href="#"><u>5/2010-11</u></a>		(Nomination) Rules, 1985 – Clarifications
95	<a href="#"><u>DBOD.Leg.No.BC.86/09.08.01 1/2010-11</u></a>	21.04.2011	Setting up of Central Electronic Registry under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002
96	<a href="#"><u>DPSS.PD.No.2632 / 02.10.002 / 2010-2011</u></a>	27.05.2011	Reconciliation of transactions at ATMs failure – Time Limit
97	<a href="#"><u>DPSS.CO.CHD.No. 120 / 03.06.01 / 2011-12</u></a>	25.07.2011	Dishonor / Return of Cheques - Need to Sign / Initial the Cheque Return Memo
98	<a href="#"><u>DBOD.BP.BC.26/ 21.01.001 /2011-12</u></a>	1.08.2011	Misuse of Banking Channels- Issue and payment of Demand Drafts for ₹ 50,000/- and above
99	<a href="#"><u>DPSS.PD.CO.No. 223/02.14.003 /2011-2012</u></a>	04.08.2011	Security Issues and Risk mitigation measures related to Card Not Present (CNP) transactions
100	<a href="#"><u>DPSS (CO) EPPD No. / 274 / 04.03.01 / 2011-12</u></a>	12.08.2011	Discretion to customers for selection between RTGS and NEFT
101	<a href="#"><u>DPSS (CO) RTGS No. 388 / 04.04.002 / 2011-2012</u></a>	05.09.2011	RTGS service charges for members
102	<a href="#"><u>DPSS.PD.CO.No. 62/02.27.019/2011-2012</u></a>	05.10.2011	Domestic Money Transfer – Relaxations
103	<a href="#"><u>DBOD No. Leg BC 46 /09.07.005/2011-12</u></a>	04.11.2011	Repayment of Term/Fixed Deposits in banks
104	<a href="#"><u>DBOD No. Leg.BC 48 /09.07.005/2011-12</u></a>	04.11.2011	Non-Issuance of Passbooks to Savings banks Account holders (individuals)
105	<a href="#"><u>DBOD.AML BC.No.47/14.01.001/2011-12</u></a>	04.11.2011	Payment of Cheques/Drafts/Pay Orders/Banker's Cheques
106	<a href="#"><u>DBOD.BP.BC.49 /21.01.001 /2011-12</u></a>	4.11.2011	Issue of Demand Drafts for ₹ 20000/- and above

107	<a href="#">DBOD.BP.BC.50/21.01.001/2011-12</a>	4.11.2011	Collection of Account Payee Cheques –Prohibition on Crediting Proceeds to Third Party Account
108	<a href="#">DPSS.Co.PD.No. 1098/02.23.02/2011-12</a>	22.12.2011	Mobile Banking Transactions in India – Operative Guidelines for Banks
109	<a href="#">DPSS (CO) EPPD No.1199 / 04.03.01 / 2011-12</a>	05.01.2012	Providing Positive Confirmation to the Originator
110	<a href="#">DPSS (CO) EPPD No. 1204 / 04.03.01/2011-12</a>	05.01.2012	Payment of penal interest for delayed credit/ refund of NEFT transactions.
111	<a href="#">DBOD.No.Leg.BC. 81 /09.07.005/2011-12</a>	07.02.2012	Display list of Inoperative Accounts
112	<a href="#">DBOD.No. Leg.BC. 83 / 09.07.005/2011-12</a>	5.03.2012	Display of Names of Nodal Officers.
113	<a href="#">DBOD.No. Leg.BC. 89/ 09.07.005/2011-12</a>	26.03.2012	Witness in Nomination Forms
114	<a href="#">DPSS (CO) EPPD No.1894 / 04.03.01 / 2011-12</a>	12.04.2012	National Electronic Funds Transfer (NEFT) - Acceptance of NEFT inward for credit to Loan Accounts
115	<a href="#">DPSS(CO) No 1934/04.04.002/2011-2012</a>	20.04.2012	Printing of MICR code and IFSC code on passbook/statement of account
116	<a href="#">DBOD.AML.BC.No.97/14.01.001/2011-12</a>	27.04.2012	Intra-bank Deposit Accounts Portability
117	<a href="#">DBOD. No. Dir. BC. 107/ 13.03.00/2011-12</a>	05.06.2012	Home Loans-Levy of foreclosure charges/pre-payment penalty
118	<a href="#">DBOD.No. Leg.BC. 108/ 09.07.005/2011-12</a>	06.06.2012	Strengthening the Regulatory Framework for Unclaimed Deposits
<b>Circulars issued during July 01, 2012 – June 30, 2013</b>			
119	<a href="#">DPSS CO (EPPD) /98/04.03.01/2012-13</a>	13.07.2012	National Electronic Funds Transfer (NEFT) System - Rationalisation of customer charges



120	Mail box clarification	17.07.2012	Home loans – Levy of Foreclosure Charges /Pre-payment penalty
121	<a href="#">DBOD.No.Leg.BC.35/09.07.00 5/2012-13</a>	10.08.2012	Financial Inclusion - Access to Banking Services Basic Savings Bank Deposit Account
122	<a href="#">DPSS.CO.CHD.No.274 / 03.01.02 / 2012-13</a>	10.08.2012	Issue of Multicity / Payable at All Branches Cheques by CBS enabled Banks
123	<a href="#">DPSS.CO.CHD.No.284/ 03.06.03/2012-13</a>	13.08.2012	Stipulation of Compensation for delay in Clearance of Local Cheques
124	<a href="#">DBOD.No.Leg.BC.37/09.07.00 5/2012-13</a>	16.08.2012	Premature Repayment of Term / Fixed Deposits in Banks with "Either or Survivor" or "Former or Survivor" mandate - Clarification
125	<a href="#">DPSS (CO) EPPD No. 622/04.03.01/2012-13</a>	12.10.2012	National Electronic Funds Transfer (NEFT) – Requirement of Indian Financial System Code (IFSC) in transactions
126	<a href="#">DPSS.CO.EPPD. No. 825/04.03.02/2012-13</a>	21.11.2012	National / Regional Electronic Clearing Service (NECS / RECS) – Extension of service to remaining branches
127	<a href="#">DBOD.No.Dir.BC.74/13.03.00/2 012-13</a>	24.01.2013	Interest Rates on and Premature Withdrawal of Rupee Term Deposits
128	<a href="#">DBOD.AML.BC.No.78 / 14.01.001/2012-13</a>	29.01.2013	AML/KYC/PML Act, 2002 – Shifting of bank accounts to another centre
129	<a href="#">DPSS(CO)PD.No.1462/02.14.0 03/2012-13</a>	28.02.2013	Security and Risk Mitigation Measures for Electronic Payment Transactions
130	<a href="#">DPSS.CO.CHD.No. 1622/ 04.07.05 / 2012-13</a>	18.03.13	Standardization and Enhancement of Security Features in Cheque Forms / Migrating to CTS 2010 Standards
131	<a href="#">DPSS.CO.CHD.No.2030 / 03.06.01 / 2012-2013</a>	07.05.2013	Delay in Re-representation of Technical Return Cheques and Levy of Charges for such Returns
132	<a href="#">DBOD. No. Leg.BC.100/09.07.005/2012-13</a>	31.05.2013	Acknowledgement by banks at the time of submission of Form 15-G/ 15-H



### **Circulars issued by Indian Banks' Association**

<b>Sr. No.</b>	<b>Ref. No.</b>	<b>Date</b>	<b>Particulars</b>
1.	OPR.C/22-09/006	02.01.2004	Cheque Drop Box Facility
2.	CIR/BOD/25-04/2004-05/435	21.03.2005	Savings Bank Rules
3.	OPR/Misc.3/107	06.05.2005	Cheques / Instruments lost in transit / in clearing process at paying bank's branch
4.	RB/CIR/disc/698	24.10.2005	Disclosure of information by banks in the public domain

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