

# **USEFUL DETAILS FOR BANK CUSTOMERS IN INDIA**

Here are some useful details for bank customers in India regarding documents commonly used, some main customer-centric policies and common abbreviations used in the banking sector in India:

## **Commonly Used Documents in Banks:**

Banks in India use various documents for different purposes. Here are some of the key ones you might encounter:

**For Account Opening and Know Your Customer (KYC):** Banks are required to verify the identity and address of their customers to prevent fraud and money laundering. The following Officially Valid Documents (OVDs) are commonly accepted:

- **Proof of Identity:**
  - Aadhaar Card
  - Passport
  - Voter's Identity Card
  - Driving License
  - PAN Card
  - NREGA Job Card
  - Letter issued by the National Population Register containing details of name and address.
  - Identity card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions.
  - Letter issued by a gazetted officer, with a duly attested photograph of the person.
- **Proof of Address:** (Any one of the above OVDs can serve as address proof if it contains the current address. If not, you can submit one of the following):
  - Utility bills (electricity, telephone, gas, water bill - not older than two months)

- **Property or Municipal tax receipt**
- **Bank account statement or passbook with the latest transactions**
- **Ration card**
- **Rental agreement**
- **Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Leave and license agreements with such employers allotting official accommodation. (Customers need to submit an updated OVD with the current address within three months of submitting this letter).**
- **For Minors:**
  - **If the minor is below 10 years of age, the ID proof of the person who will operate the account needs to be submitted.**
  - **If the minor can operate the account independently, the standard KYC procedure applies.**
- **For Non-Resident Indians (NRIs):**
  - **Passport and Residence Visa copies, duly attested by specific authorities like Foreign offices, Notary Public, Indian Embassy, or officers of correspondent banks.**

#### **Account Related Documents:**

- **Account Opening Form:** This is the primary document you fill out to open a new bank account.
- **Cheque Book:** A booklet of pre-printed cheques for making payments.
- **Passbook/Account Statement:** A record of all transactions in your account. Increasingly, banks provide e-statements.
- **Debit Card Application Form:** To request a debit card linked to your account.
- **Fixed Deposit (FD) Receipt/Certificate:** Proof of your investment in a fixed deposit.

- **Recurring Deposit (RD) Application/Statement:** Details of your recurring deposit installments and interest earned.
- **Loan Application Forms:** For various types of loans (home, personal, vehicle, etc.).
- **KYC Updation Form:** Banks periodically require customers to update their KYC details.
- **Nomination Form:** To nominate a person who will receive the funds in your account in case of your demise.

#### **Transaction Related Documents:**

- **Cheques:** Written orders to your bank to pay a specific amount to a specific person or entity.
- **Pay-in Slips:** Used to deposit cash or cheques into your account.
- **Withdrawal Forms:** Used to withdraw cash from your account.
- **Demand Draft (DD)/Pay Order Application:** To request a DD or pay order.
- **NEFT/RTGS/IMPS Transfer Forms:** For transferring funds electronically to other bank accounts.

#### **Main Policies of Banks for Customers:**

The Reserve Bank of India (RBI) has laid down several guidelines and policies to protect the interests of bank customers. Some of the main policies and customer rights include:

- **Charter of Customer Rights:** Based on global best practices, the RBI has outlined five basic rights of bank customers:
  - **Right to Fair Treatment:** Banks should treat all customers fairly and without discrimination based on gender, age, religion, caste, or physical ability. They should promote good and fair banking practices.
  - **Right to Transparency, Fair and Honest Dealing:** Banks must ensure that contracts and agreements are transparent, easily understood, and communicated clearly. They should fully disclose product prices, associated risks, terms and conditions, and the responsibilities of both the bank and the customer. Customers should not be subjected to unfair business or marketing practices or misleading representations.

- **Right to Suitability:** Banks should offer products appropriate to the customer's needs, based on an assessment of their financial situation and understanding.
  - **Right to Privacy:** Customers' personal information should be kept confidential unless the customer has given specific consent, or disclosure is required by law or for a mandated business purpose (which should be communicated upfront). Customers have the right to protection from intrusive communications.
  - **Right to Grievance Redress and Compensation:** Customers have the right to hold the bank accountable for its products and services and to have a clear and easy way to address grievances. Banks should also have a policy for compensating customers for mistakes, lapses in conduct, or delays in performance.
- **Know Your Customer (KYC) and Anti-Money Laundering (AML) Policies:** These policies are crucial for preventing financial crimes. Banks are mandated to:
  - Establish the identity and address of customers.
  - Monitor transactions to detect suspicious activity.
  - Periodically update customer KYC records.
- **Depositor Protection:**
  - **Deposit Insurance:** The Deposit Insurance and Credit Guarantee Corporation (DICGC), an RBI subsidiary, insures deposits up to ₹5 lakh per depositor per bank for both principal and interest.
  - **Policy on Depositors' Rights:** Banks have policies outlining the rights of depositors, including information about deposit schemes, interest rates, and procedures for claiming deposits.
- **Grievance Redressal Mechanism:** Banks are required to have a robust system for addressing customer complaints. This includes:
  - Internal grievance redressal mechanisms within the bank.
  - The Banking Ombudsman Scheme, an independent forum for resolving complaints against banks. The Reserve Bank Integrated Ombudsman Scheme 2021 integrates the erstwhile Ombudsman Schemes into a single scheme.

- Enhanced disclosures on complaints and a framework for strengthening internal grievance redressal.
- **Fair Lending Practices:** Banks should adhere to fair practices when providing loans, including transparent terms, reasonable interest rates, and fair recovery practices. The Indian Banks' Association (IBA) has formulated a "Code of Fair Practices for Lenders."
- **Cheque Collection Policy:** Banks have policies regarding the collection of local and outstation cheques, including timelines for collection and compensation for delays.
- **Policy for Inoperative Accounts:** Banks have procedures for handling accounts that have not seen any transactions for a long period. Customers have the right to know the process for reactivating such accounts.
- **Service Charges:** Banks must clearly display and communicate all service charges applicable to various products and services. Any changes in charges must be communicated to customers in advance.
- **ATM and Electronic Transactions:** Banks have policies regarding failed ATM transactions, fraudulent online transactions, and the process for resolving disputes related to electronic payments. The RBI has guidelines on limiting customer liability in unauthorized electronic banking transactions and turnaround time for failed transactions.

## **Abbreviations Used in The Banking Sector:**

**Here are some common abbreviations used in the banking sector in India that customers should be familiar with:**

### **Account & Customer Related:**

- **KYC:** Know Your Customer. This refers to the process banks use to verify the identity and address of their customers. It's mandatory for account opening and periodic updates.
- **PAN:** Permanent Account Number. A ten-digit alphanumeric identifier issued by the Income Tax Department of India. It's often required for financial transactions, including opening bank accounts.

- **Aadhaar:** A 12-digit unique identification number issued to all Indian residents based on their biometric and demographic data. It's widely used as proof of identity and address.
- **NRI:** Non-Resident Indian. An Indian citizen who resides outside India for more than 182 days during the preceding financial year. Banks offer specific account types for NRIs.
- **PIO:** Person of Indian Origin. A person who or whose any of their ancestors was an Indian citizen but who is currently a citizen of another country (excluding Pakistan, Bangladesh, Afghanistan, Bhutan, Sri Lanka, and Nepal). PIOs also have specific banking options.
- **CIF:** Customer Information File. A digital file that holds all the information related to a bank's customer, including personal details, account information, and relationships with the bank.
- **Nominee:** A person nominated by the account holder who can claim the funds in the account in the event of the account holder's demise.
- **DOB:** Date of Birth.
- **POA:** Power of Attorney. A legal document authorizes another person to act on one's behalf in financial matters.

#### **Transaction & Payment Related:**

- **ATM:** Automated Teller Machine. A machine that allows customers to perform basic banking transactions like cash withdrawal and balance inquiry without visiting a branch.
- **PIN:** Personal Identification Number. A secret numerical code used to access ATMs and sometimes for other banking services.
- **OTP:** One-Time Password. A temporary, unique password sent to a registered mobile number or email for verifying online transactions.
- **NEFT:** National Electronic Funds Transfer. A nationwide electronic funds transfer system that operates on a deferred net settlement basis.
- **RTGS:** Real Time Gross Settlement. An electronic funds transfer system where the transfer of funds takes place on an individual transaction basis without netting. It's typically used for high-value transactions.

- **IMPS: Immediate Payment Service.** A real-time service for transferring funds instantly between banks using mobile numbers and MMID or account number and IFSC.
- **UPI: Unified Payments Interface.** A real-time payment system that facilitates inter-bank peer-to-peer (P2P) and person-to-merchant (P2M) transactions through a single mobile application.
- **ECS: Electronic Clearing Service.** A mode of electronic funds transfer for repetitive and bulk transactions like salary payments, dividend distribution, and loan EMI deductions.
- **EMI: Equated Monthly Installment.** A fixed payment amount made by a borrower to a lender at a specified date each calendar month. Commonly associated with loans.
- **POS: Point of Sale.** A terminal used by merchants to accept payments via debit/credit cards.
- **DD: Demand Draft.** A negotiable instrument issued by a bank instructing another bank to pay a specific amount to a named payee.
- **MICR: Magnetic Ink Character Recognition.** A character-recognition technology used mainly by the banking industry to ease the processing and clearance of cheques and other documents. The MICR code is printed at the bottom of cheques.
- **IFSC: Indian Financial System Code.** An eleven-digit alphanumeric code that uniquely identifies a bank branch participating in any RBI-regulated fund transfer system.
- **SWIFT: Society for Worldwide Interbank Financial Telecommunication.** An international network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized, and reliable environment. Often relevant for international transfers.

#### **Loan & Investment Related:**

- **FD: Fixed Deposit.** A type of term deposit where a fixed sum of money is invested for a fixed period at a specified rate of interest.
- **RD: Recurring Deposit.** A type of term deposit where a fixed amount is deposited regularly (e.g., monthly) for a fixed period.

- **ROI:** Rate of Interest. The percentage charged by a lender to a borrower for the use of assets.
- **APR:** Annual Percentage Rate. The annual rate charged for borrowing or earned through an investment, expressed as a percentage that represents the actual yearly cost of funds over the term of a loan.
- **NPA:** Non-Performing Asset. A loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
- **SARFAESI Act:** Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. An Indian law that allows banks and other financial institutions to auction properties when borrowers fail to repay their loans.

#### **General Banking Terms:**

- **RBI:** Reserve Bank of India. The central bank of India.
- **PSU Bank:** Public Sector Undertaking Bank. A bank where the majority stake is held by the Government of India.
- **NBFC:** Non-Banking Financial Company. A company engaged in the business of loans and advances, acquisition of shares, stock, bonds, debentures, securities issued by Government or local authority or other marketable securities of a like nature.
- **CAGR:** Compounded Annual Growth Rate. The mean annual growth rate of an investment over a specified period longer than one year, assuming profits are reinvested.
- **KYC:** Know Your Customer. Understanding and complying with KYC requirements is crucial for all banking customers.