



भारतीय रिज़र्व बैंक

-----RESERVE BANK OF INDIA-----

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October 22, 2014

The Chairmen

All State and District Central Co-operative Banks (StCBs and DCCBs)

Dear Sir,

Customer Service in State/District Central Co-operative Banks (StCBs/DCCBs)

Customer service has great significance in the banking industry. The banking system in India today has tremendous outreach for delivery of financial services. It is expected that the quality of customer service will show commensurate improvement in line with the increasing expectations of the banks' customers.

2. Reserve Bank, as the regulator of State/District Central Co-operative Banks (StCBs/DCCBs) has been actively engaged from the very beginning in the review, examination and evaluation of customer service in StCBs/DCCBs by means of various guidelines issued from time to time to the StCBs/DCCBs. On a review it is felt necessary to issue additional instructions to StCBs/DCCBs on other areas of customer service aligning with those issued to Scheduled Commercial Banks. These guidelines would be required to be complied by StCBs/DCCBs in addition to instructions already issued on Customer Service. The additional guidelines are given in Annex.

3. Please acknowledge receipt to our Regional Offices concerned.

Yours faithfully,

(A. Udgata)

Principal Chief General Manager

ग्रामीण आयोजना और ऋण विभाग, केंद्रीय कार्यालय, 10वीं मंजिल, केंद्रीय कार्यालय बिल्डिंग, शहीद भगत सिंह मार्ग, पो.बा.सं.10014, मुंबई 400 001

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी : रिज़र्व बैंक द्वारा मेल-डक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

Customer Service in State / District Central Cooperative Banks (StCBs / DCCBs)

1. Introduction

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.

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

Systems of State / District Central Cooperative Banks (StCBs / DCCBs) should be oriented towards providing better customer service and they should periodically study their systems and their impact on customer service. StCBs/DCCBs 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) suitable training of staff to inculcate customer service orientation.
- (k) visit by senior officials from 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

StCBs/DCCBs 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 Board Meeting to Review and Deliberate on Customer Service

StCBs/DCCBs are advised to review customer service / customer care aspects in the StCB/DCCB 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) 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 and recommended the setting up Standing Committees on Customer Service. Thus, StCBs/DCCBs are required to constitute a Standing Committee on customer service.

The 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 Chairman or MD or CEO 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.

The Standing Committee will act as the bridge between the various departments of the StCB/DCCB and the Board / Customer Service Committees of the Board.

2.3 Branch Level Customer Service Committees

StCBs/DCCBs are 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, StCBs/DCCBs 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 StCB/DCCB is expected to have a nodal department / official for customer service in the HO with whom customers with grievances can approach in the first instance and RBI / NABARD 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 fulfillment of social obligations. StCBs/DCCBs should have a Board approved policy for the following:

3.1 Comprehensive Deposit Policy

StCBs/DCCBs 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

StCBs/DCCBs 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 10.1 should be taken into account while formulating the policy.

3.3 Customer Compensation Policy

StCBs/DCCBs 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 unauthorized actions of the bank leading to a financial loss to customer

3.4 Customer Grievance Redressal Policy

StCBs/DCCBs 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 12 of this Circular.

3.5 Giving publicity to the policies

- (i) StCBs/DCCBs 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. Opening / Operation of Deposit Accounts

4.1 Intra-bank Deposit Accounts Portability

StCBs/DCCBs 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.

4.2 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.

4.3 Photographs of depositors

StCBs/DCCBs 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) Instructions 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) StCBs/DCCBs may not insist on photographs in case of accounts of staff members only (Single/Joint).

- (iv) StCBs/DCCBs should obtain photographs of all persons authorized to operate the accounts viz., savings bank and current accounts without exception.
- (v) StCBs/DCCBs should also obtain photographs of the 'Pardanishin' women.
- (vi) StCBs/DCCBs may obtain two copies of photographs and obtaining photocopies of driving licence/passport containing photographs in place of photographs would not suffice.
- (vii) StCBs/DCCBs 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.

4.4 Minimum balance in savings bank accounts

At the time of opening the accounts, StCBs/DCCBs 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. StCBs/DCCBs are not permitted to levy penal charges for non-maintenance of minimum balances in any inoperative account.

4.5 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, StCBs/DCCBs 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, StCBs/DCCBs 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.

4.6 Statement of Accounts / Pass Books

4.6.1 Issuance of Passbooks to Savings Bank Account holders (Individuals)

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 the 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 do not provide a satisfactory solution as a 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. Non-issuance of pass-books to such small customers would indirectly lead to their financial exclusion.

StCBs/DCCBs 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.

4.6.2 Updating passbooks

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.

4.6.3 Entries in passbooks / statement of accounts

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

(ii) StCBs/DCCBs 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.

4.6.4 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.

4.6.5 Providing monthly statement of accounts

- (i) StCBs/DCCBs 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, StCBs/DCCBs 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 dispatched in time.

4.7 Issue of Cheque Books

4.7.1 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.

4.7.2 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. StCBs/DCCBs 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.

4.7.3 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 March 22, 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 StCBs/DCCBs for payment, if otherwise in order. StCBs/DCCBs can ascertain the Gregorian calendar date corresponding to the National Saka calendar in order to avoid payment of stale cheques.

4.8 Term Deposit Account

4.8.1 Issue of term deposit receipt

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

4.8.2 Transferability of deposit receipts

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

4.8.3 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, StCBs/DCCBs 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.

4.8.4 Notifying the change in interest rates

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

4.8.5 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. 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 StCBs/DCCBs 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.

4.8.6 Premature withdrawal of term deposit

A StCB/DCCB 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. StCB/DCCB will have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. StCB/DCCB 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.

4.8.6.1 Repayment of Term/Fixed Deposits in StCBs/DCCBs

When a fixed deposit account is opened in the joint names of two depositors on 'Either or Survivor' basis and the said joint depositors already have a savings bank account in their names jointly on 'Either or Survivor' instructions, on maturity of the fixed deposit, proceeds of the matured fixed deposit can be credited to the joint savings bank account already opened in the bank. There is no need for opening a separate savings bank account in the name of the first depositor for crediting the proceeds of the fixed deposit.

4.8.7 Renewal of Overdue deposits

All aspects concerning renewal of overdue deposits may be decided by individual StCBs/DCCBs 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 nondiscretionary and nondiscriminatory.

4.8.8 Addition or deletion of the name/s of joint account holders

A StCB/DCCB 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 StCB/DCCB 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.

4.8.9 Payment of interest on accounts frozen by StCBs/DCCBs

StCBs/DCCBs 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 and StCBs/DCCBs 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, StCBs/DCCBs 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, StCBs/DCCBs may continue to credit the interest to the account on a regular basis.

4.8.10 Acknowledgement by banks at the time of submission of Form 15-G / 15-H

StCBs/DCCBs are not required to deduct TDS from depositors who submit declaration in Form 15-G/15H under Income Tax Rules, 1962. However, it has been brought to our notice that despite submission of Form 15-G/15-H by customers, StCBs/DCCBs 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. With a view to protect interest of the depositors and for rendering better customer service, StCBs/DCCBs 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.

4.9 Acceptance of cash over the counter

Some StCBs/DCCBs 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, StCBs/DCCBs 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.

StCBs/DCCBs 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.

4.10 Opening of Current Accounts – Need for discipline

(i) Keeping in view the importance of credit discipline for reduction in NPA level of banks, StCBs/DCCBs 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. StCBs/DCCBs 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). StCBs/DCCBs 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 the inspection would make the concerned banks liable for penalty under Banking Regulation Act, 1949 (AACS).

(ii) StCBs/DCCBs 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, StCBs/DCCBs 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 StCBs/DCCBs .

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

5. Levy of Service Charges

5.1 Fixing service charges by StCBs/DCCBs

The decision to prescribe service charges has been left to individual StCBs/DCCBs. While fixing service charges for various types of services like charges for cheque collection, etc., StCBs/DCCBs should ensure that the charges are reasonable and are not out of line with the average cost of providing these services.

StCBs/DCCBs should also take care to ensure that customers with low volume of activities are not penalised. StCBs/DCCBs should make arrangements for working out charges with the prior approval of their Boards of Directors as recommended above and operationalise them in their branches as early as possible.

5.2 Uniformity in Intersol Charges

With the introduction of Core Banking Solution (CBS), it is expected that customers of StCBs/DCCBs would be treated uniformly at any sales or service delivery point. It is, however, observed that some StCBs/DCCBs are discriminating against their own customers on the basis of one branch being designated as the 'home' or 'base' branch where charges are not levied for products / services and other branches of the same bank being referred to as 'non-home' branches where charges are levied for the same products / services. The charges generally referred to as 'Intersol' charges, are also not uniform across home /non-home branches. This practice followed by some StCBs/DCCBs is contrary to the spirit of the Reserve Bank's guidelines on reasonableness of bank charges. As 'Intersol' charges are charges levied by the StCBs/DCCBs to cover the cost of extending services to customers by using the CBS / Internet / Intranet platform, the cost should be branch / customer agnostic in-principle. It is clarified that cash handling charges may not be included under intersol charges. STCBs/DCCBs are advised to follow a uniform, fair and transparent pricing policy and not discriminate between their customers at home branch and non-home branches. Accordingly, if a particular service is provided free at home branch, the same should be available free at non home branches also. There should be no discrimination as regards intersol charges between similar transactions done by customers at home branch and those done at non-home branches.

6. Service at the counters

6.1 Banking hours / working days of StCB/DCCB branches

StCBs/DCCBs 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.

6.2 Changes in banking hours

No particular banking hours have been prescribed by law and a StCB/DCCB 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 the paragraph above. In order to safeguard banks' own interest, a StCB/DCCB 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. Guidance to Customers and Disclosure of Information

7.1 Display of information by StCBs/DCCBs – Comprehensive Notice Board

The display of information by StCBs/DCCBs in their branches is one of the modes of imparting financial education. This display enables customers to take an 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 StCBs/DCCBs 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, it was observed that many StCBs/DCCBs were not displaying the required information due to space constraints, lack of standardization of the instructions, etc

7.1.1 Notice Boards

The 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, it is 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. The format of the Comprehensive Notice Board is given in **Annex - I**. The minimum size of the board may be 2 feet by 2 feet as a 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, StCBs/DCCBs 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.
- (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.

7.1.2 Booklets/Brochures:

The detailed information as indicated in Para (D) of Annex I may be made available in various booklets / brochures as decided by the StCB/DCCB. 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, StCBs/DCCBs 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.

7.1.3 Website

The detailed information as indicated in Para (D) of Annex I may also be made available on the web-site of StCB/DCCB. StCBs/DCCBs should adhere to the broad guidelines relating to dating of material, legibility, etc., while placing the same on their websites. In this context, StCBs/DCCBs are also advised to ensure that the customers are able to easily access the relevant information from the Home Page of the web-sites of StCBs/DCCBs. Further, there is certain information relating to service charges and fee and grievance redressal that are to be posted compulsorily on the websites of the StCBs/DCCBs.

7.1.4 Other modes of display

StCBs/DCCBs 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.

7.1.5 Other issues

StCBs/DCCBs 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.

7.2 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 II**. StCBs/DCCBs are advised to display the information as per the format given in Annex II on their websites. Banks are however free to modify the format to suit their requirements, without impairing the basic structure or curtailing the scope of disclosures.

StCBs/DCCBs 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.

7.3 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 StCBs/DCCBs. 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) Code for Collection of Dues and Repossession of Security.

II. Complaints

Grievance Redressal Mechanism

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

8. Remittance

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

StCBs/DCCBs 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. 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.

8.2 Demand Drafts

8.2.1 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.

StCBs/DCCBs 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.

StCBs/DCCBs 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 StCBs/DCCBs or not. Counter staff of StCBs/DCCBs should not refuse to accept small denomination notes from the customers (or non customers for issuance of the drafts).

8.2.2 Encashment of drafts

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

8.2.3 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.

StCBs/DCCBs 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, StCBs/DCCBs are 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 a fortnight prescribed would be applicable only in cases where the request for a duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

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.

9. Cheque Drop Box Facility

StCBs/DCCBs 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.

10. Collection of instruments

10.1 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 StCBs/DCCBs 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

StCBs/DCCBs have been advised to reframe their Cheque Collection Policies (CCP) 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.

10.1.1 Broad Principles

- (i) StCBs/DCCBs 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 StCB/DCCB in line with the model deposit policy of IBA or Association of which it is a member.
- (v) The policy should clearly lay down the liability of the StCBs/DCCBs 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 StCB/DCCB and the Board's specific approval should be obtained on the reasonableness of the policy and the compliance with the spirit of our guidelines.

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

StCBs/DCCBs 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, StCBs/DCCBs are advised as under:

- (i) StCBs/DCCBs 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 outstation 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) StCBs/DCCBs shall not decline to accept outstation cheques deposited by its customers for collection.

(v) StCBs/DCCBs 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.

10.1.3 Payment of Cheques/Drafts/Pay Orders/Banker's Cheques

StCBs/DCCBs 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. StCBs/DCCBs 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.

10.2 Cheques / Instruments lost in transit / in clearing process / at paying bank's branch

StCBs/DCCBs 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 StCB/DCCB should immediately bring the same to the notice of the account holder 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 noncredit of the amount of the lost cheques / instruments.

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

(iii) The StCBs/DCCBs 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.

StCBs/DCCBs are advised to incorporate the above guidelines in their Cheque Collection Policies.

10.3 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 forwarding office to the realising office.

11. Dishonour of Cheques – Procedure thereof

11.1 Returning dishonoured cheques

(i) StCBs/DCCBs 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.

(iii) It is suggested that StCBs/DCCBs may also follow the additional instructions laid down in paragraph 11.2 below which would cover all cheques dishonoured on account of insufficient funds.

11.2 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).

11.3 Information on dishonoured cheques

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

Data in respect of cheques drawn in favour of stock exchanges and dishonoured should be consolidated separately by StCBs/DCCBs 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.

11.4 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, StCBs/DCCBs 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 StCB/DCCB 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, StCBs/DCCBs 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, StCBs/DCCBs 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 StCB/DCCB intends to close the account.

11.5 Dealing with frequent dishonor 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 StCBs/DCCBs 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, StCBs/DCCBs should have their own approach to deal with recalcitrant customers.

StCBs/DCCBs 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.

11.6 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, StCBs/DCCBs should extend full co-operation, and should furnish him/her documentary proof of fact of dishonour of cheques.

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

11.7 Framing appropriate procedure for dealing with dishonoured cheques

StCBs/DCCBs 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.

StCBs/DCCBs 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.

12. Dealing with Complaints and Improving Customer Relations

12.1 Complaints/Suggestions Box

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

12.2 Analysis and Disclosure of complaints - Disclosure of complaints along with Financial Results

StCBs/DCCBs 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, StCBs/DCCBs are also advised to disclose the following brief details along with their financial results:

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

Further, StCBs/DCCBs 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.

12.3 Grievance Redressal Mechanism

StCBs/DCCBs 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.

StCBs/DCCBs 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 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 at the Head Office.
- (vii) StCBs/DCCBs should display on their web-sites, the names and other details of the officials at their Head Office who can be contacted for redressal of complaints including the names of the Nodal Officers.
- (viii) Further, StCBs/DCCBs should also display on their web-sites, the names and other details of their Chairman or MD / CEO and also other Heads for various operations to enable their customers to approach them in case of need, if necessary.

Further, as stated above in paragraph 12.2, StCBs/DCCBs 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 level as also the complaints received at the branch level.

Where the complaints are not redressed within one month, the concerned branch should forward a copy of the same to the concerned Nodal Officer at the Head Office and keep him updated regarding the status of the complaint. StCBs/DCCBs should give wide publicity to the grievance redressal machinery through advertisements and also by placing them on their web sites.

12.4 Review of Grievances Redressal Machinery

StCBs/DCCBs 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.

StCBs/DCCBs 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.

StCBs/DCCBs may consider shifting the managers/officers of branches having large number of complaints to other branches 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 StCBs/DCCBs may consider appointing Public Relations Officers /Liaison Officers for looking into/mitigating the complaints/grievances of customers expeditiously.

The StCBs/DCCBs 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.

13. Erroneous Debits arising on fraudulent or other transactions

13.1 Vigilance by banks

StCBs/DCCBs 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 a 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, StCBs/DCCBs should remain vigilant to avoid such lapses and issue necessary instructions to the branches / staff.

13.2 Compensating the customer

Besides in cases of the above kind, StCBs/DCCBs 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 StCBs/DCCBs are at fault, the banks should compensate customers without demur, and (iii) in cases where neither the StCB/DCCB is at fault nor the customer is at fault but the fault lies elsewhere in the system, then also the StCBs/DCCBs should compensate the customers (up to a limit) as part of a Board approved customer relations policy.

14. Nomination Facility

14.1.1 Provisions in the Banking Regulation Act, 1949 (AACS)

The Banking Regulation Act, 1949 (AACS) 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 co-operative bank to make payment to the nominee of a deceased depositor, the amount standing to the credit of the depositor.
- b. To enable a co-operative bank to return the articles left by a deceased person in its safe custody to his nominee, after making an inventory of the articles in the manner directed by the Reserve Bank.
- c. To enable a co-operative bank to release the contents of a safety locker to the nominee of the hirer of such locker, in the event of the death of the hirer, after making an inventory of the contents of the safety locker in the manner directed by the Reserve Bank.

14.1.2 The Co-operative Banks (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 Co-operative Banks (Nomination) Rules, 1985. These Rules, together with the provisions of new sections 45ZA to 45ZF of the Banking Regulation Act, 1949 (AACS) regarding nomination facilities were brought into force with effect from 1985.

The Co-operative Banks (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.

14.1.3 Nomination facilities in respect of Safe Deposit Locker / 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) Sections 45ZC to 45ZF of the Banking Regulation Act, 1949 (AACS) provide for nomination and release of contents of safety lockers / safe custody articles to the nominee and protection against notice of claims of other persons. StCBs/DCCBs should be guided by the provisions of sections 45ZC to 45ZF of the Banking Regulation Act, 1949 (AACS)

and the Co-operative Banks (Nomination) Rules, 1985 and the relevant provisions of Indian Contract Act and Indian Succession Act.

(iii) 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 (AACS) has specified the formats for the purpose.

(iv) 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, StCBs/DCCBs may devise their own claim formats or follow the procedure, if any, suggested by the Indian Banks' Association or Associations of which they are members for the purpose.

(v) Section 45ZE of the Banking Regulation Act, 1949 (AACS) does not preclude a minor from being a nominee for obtaining delivery of the contents of a locker. However, the responsibility of the StCBs/DCCBs 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.

(vi) 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 StCB/DCCB, if they so desire, by entering into a fresh contract of hiring a locker.

14.1.4 Nomination Facility – Sole Proprietary Concern

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

14.2 Registering the Nomination

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

14.3 Separate Nomination for Savings Bank Account and Pension Account

Nomination facility is available for savings bank account opened for credit of pension. Co-operative Banks (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 StCBs/DCCBs for which a separate nomination is necessary in terms of the Co-operative Banks (Nomination) Rules, 1985 in case a pensioner desires to avail of nomination facility.

14.4 Nomination Facility – Certain Clarifications

14.5 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) StCBs/DCCBs 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 Co-operative Banks (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 (AACS). 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 Co-operative Banks (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. StCBs/DCCBs are, therefore, advised to ensure that their branches offer nomination facility to all deposit accounts including joint accounts opened by the customers.

14.6 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 StCBs/DCCBs 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) StCBs/DCCBs 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, StCBs/DCCBs 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 StCBs/DCCBs 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.

15. Release of other assets of the deceased borrowers to their legal heirs

StCBs/DCCBs 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. StCBs/DCCBs are advised not to insist upon legal representation for release of other assets of deceased customers irrespective of the amount involved. StCBs/DCCBs 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 StCB/DCCB or in certain other exceptional cases where the StCB/DCCB has a reasonable doubt about the genuineness of the claimant/s being the only legal heir/s of the borrower.

16. Unclaimed Deposits / Inoperative Accounts in StCBs/DCCBs

16.1 Section 26 of the Banking Regulation Act, 1949 (AACS) provides, inter alia, that every StCB/DCCB 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.

16.2 Levy of penal charges on non-maintenance of minimum balances in inoperative accounts

Please refer to Part B of the First Bi-monthly Monetary Policy Statement 2014-15 announced on April 1, 2014, proposing certain measures towards consumer protection such as non-levy of penal charges for non-maintenance of minimum balance in any inoperative accounts.

In this connection, StCBs/DCCBs are advised to inform customers regarding the requirement of minimum balance in savings bank account and levy of charges for non-maintenance of the same at the time of opening the account in a transparent manner.

In terms of para 3 of our circular RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 dated August 22, 2012 on "Financial Inclusion- Access to Banking Services - Basic Savings Bank Deposit Accounts" StCBs/DCCBs were advised that no charge should be levied for non-operation/activation of Basic Savings Bank Deposit Accounts (BSBDAs).

It is advised that, henceforth StCBs/DCCBs are not permitted to levy penal charges for non-maintenance of minimum balances in any inoperative account.

16.3 Strengthening the Regulatory Framework for Unclaimed Deposits

With a view to further strengthen the regulatory framework for inoperative accounts and unclaimed deposits, StCBs/DCCBs 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 and such accounts should be put up to their respective Boards of StCBs/DCCBs periodically.

17. 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.

17.1 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.

StCBs/DCCBs 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. StCBs/DCCBs 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 StCBs/DCCBs 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. StCBs/DCCBs should therefore, instruct all the branches to strictly ensure compliance with their obligations to the customer in this regard.

18. Transfer of account from one branch to another

18.1 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.

18.2 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.

18.3 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.

19. Switching banks by customers

StCBs/DCCBs 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.

20. 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 StCBs/DCCBs should extend necessary help/co-ordination to tax officials whenever required. Further, StCBs/DCCBs 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.

21. 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 StCBs/DCCBs to wait for the State Government notification.

22. Miscellaneous

22.1 Sunday banking

In predominantly residential areas StCBs/DCCBs may keep their branches open for business on Sundays by suitably adjusting the holidays. StCBs/DCCBs should keep rural branches open on weekly market day.

22.2 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.

22.3 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. StCBs/DCCBs may work out schemes in this regard.

22.4 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, StCBs/DCCBs should ensure that cheques/drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them.

23. 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, StCBs/DCCBs may examine the recommendations which have relevance in the present day banking and continue to implement them. StCBs/DCCBs may consider submitting periodically to their Customer Service Committee of the Board a progress report on the steps/ measures taken in that regard.

24. Code of Bank's Commitment to Customers

StCBs/DCCBs may consider following various provisions of the Code of Bank's Commitment to Customers, prepared by the Banking Codes and Standards Board of India (BCSBI).

(See paragraph 7.1.1)

Format of Comprehensive Notice Board

(Updated up to _____)

A. Customer Service Information

- (i) We have separately displayed the key interest rates on deposits 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).

B. Service Charges

Sr. No.	Type of Account	Minimum Balance Requirement (₹)	Charges for Non-maintenance thereof (₹)
1.	Savings Account		
2.	Basic Savings Bank Deposit 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 Head Office at : (Address)

D. Information Available in Booklet Form (Please approach 'MAY I HELP YOU' Counter)

- (i) All the items mentioned in (A) to (C) 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.

Information to be provided outside the premises :

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

(See paragraph 7.2)

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					
	Domestic					
	a. With cheque book facility					
	b. Without cheque book facility					
	c. Basic Savings Bank Deposit					
2.	Term Deposits (As Applicable)					
	Domestic	Rate of Interest				
	Term Deposits (All Maturities)	Deposits less than ₹15 Lakhs		Deposits ₹15 Lakhs and above		

Loans						
		Loan Amount	Rate of Interest			
1.	Housing Loan					
2.	Personal Loan					
	a)	Consumer Durable Loan				
	b)	Senior Citizen Loan Scheme				
	c)	Personal Loan Scheme				
	d)					
3.	Vehicle Loan					

	a.	Two Wheeler Loans					
	b.	Three Wheeler Loans					
	c.	For New Cars					
	d.	For Old Cars					
4.	Educational Loans		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 =

Charges						
Fee Based Services						
1.	Lockers					
Type of Locker	Metro / Urban / Semi Urban			Rural		
	1 Yr	2 Yrs	3 Yrs	1 Yr.	2 Yrs	3 Yrs
2.	Drafts / TT / MT					
	Issue					
	Cancellation					
3.	Outstation cheque collection					
4.	NEFT Money Transfer	Inward =		Outward =		
5.	RTGS Money Transfer	Inward =		Outward =		
6.	Cheque return charges	Outward Returns		Inward Returns		
	For Savings Accounts					
	For Current, Overdraft Cash Credit Accounts					
	Dishonour of outstation / local bills & cheques					
7.	Cheque Book Issue					
8.	No Dues Certificate					