

**MODEL GUIDELINES ON  
CODE OF STANDARDS AND FAIR PRACTICES  
FOR  
SCBS AND DCCBS**

*Prepared By:  
WORKING GROUP  
CONSTITUTED BY NAFSCOB*



**National Federation of State Cooperative Banks Ltd.  
J. K. Chambers, 5th Floor, Plot No. 76  
Sector - 17, Vashi, Navi Mumbai - 400 703  
Phone: 022 - 2789 2741, 2789 2697, 2789 2738  
FAX: 022 - 2789 2604  
E-mail: [nafscob@nafscob.org](mailto:nafscob@nafscob.org)  
Website: <http://www.nafscob.org>**

**NATIONAL FEDERATION OF  
STATE COOPERATIVE BANKS LTD. (NAFSCOB)  
NAVI MUMBAI**

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FOR SCBS AND DCCBS'**

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(KS-NAFSCOB-Code i Contents)

## FOREWORD

There have been major transformations in the Indian financial sector during the last decade. Thanks mainly to the Financial Sector Reforms undertaken by the Government of India and introduction of a number of systems and procedures, innovative financial products and services. Today the Indian financial scenario is becoming globally competent as well as competitive.

The banking sector has also gone a sea change with the introduction of automation, new payment system, expansion of network and efficient services. It is in this direction that the Reserve Bank of India constituted a Committee on Procedures and Performance Audit on Public Services (CPPAPS) based on whose recommendations the Indian Banks' Association (IBA) formulated certain policy guidelines on the rights of depositors, settlement of claims in deceased's account, operation of lockers in the event of the death of the locker hirer etc.

The Reserve Bank of India constituted 'Committee on Legal Aspects of Bank Frauds' in 2001 under the Chairmanship of Dr. L. N. Mitra. One of the important recommendations of the said committee was to develop 'Best Practice Code' to uphold to principles of 'Corporate Governance', by all banks. Subsequently, IBA suggested 'Code of Fair Practices' to all its member banks leading to the commercial banks formulating banks specific Code of Fair Practices. Meanwhile, RBI also listed out Best Practices to be followed by the urban cooperative banks.

National Federation of State Cooperative Banks (NAFSCOB) prepared 'Bench Marking Best Practices' for State Cooperative Banks (SCBs) and their affiliates in 2005. The Board of Directors of NAFSCOB who perused the said document had resolved to initiate necessary steps for evolving 'Code of Best Practices' in all the SCBs and their affiliates. Recently NABARD also desired NAFSCOB to prepare and put in place a model 'Code of Standards and Fair Practices for Cooperative Banks'. The Board of Directors of NAFSCOB in their meeting held at Bangalore on 26.02.2008 constituted a Working Group to prepare a policy document on the subject. The Working Group accordingly has prepared and finalised 'Model Guidelines on Code of Standards and Fair Practices for SCBs and DCCBs' for necessary adoption by all member banks and their affiliates, particularly the DCCBs.

I would like to place on record my appreciation, to all Members and Special Invitee/s of the Working Group for evolving guidelines on 'Code of Standards and Fair Practices for SCBs and DCCBs'. I hope this will be earnestly and voluntarily adopted by the short term cooperative credit institutions to ensure better customer services.



**(DR. BIJENDER SINGH, MLA)**  
**Chairman, NAFSCOB**

(KS-Foreword)

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**Chapter – 1**

**Background**

With the expansion of Banking Network and Banking Services, particularly after the nationalisation of banks, the Reserve Bank of India (RBI) focused on the need for ensuring quality customer services. The RBI in this direction had appointed various committees and took a number of steps to implement the recommendations and suggestions of these committees. The RBI has issued series of guidelines on Customer Services from time to time and urged for setting up of full fledged grievance redressal mechanism in banks.

The RBI constituted a committee on ‘Procedures and Performance Audit on Public Services’ which is popularly known as Tarapore Committee in 2003-04 to examine the efficacy of systems and procedures pertaining to currency management services, exchange control, banking operations and government transactions relating to individual customer of commercial banks. The committee, among others, observed that the interests of mass of depositors are not being served by the existing frame-work of regulations and suggested a plethora of measures to empower the depositors, to introduce transparency in the procedures and improve the customer services. The committee’s observations and recommendations had a far-reaching effect in several spheres of banking and customer services. The introduction/implementation of ‘financial inclusion’, ‘financial education’, the setting up of revamped Banking Ombudsman Scheme by the RBI and establishment of ‘The Banking Codes and Standards Board of India’ (BCSBI) could be broadly attributed to the recommendations of Tarapore Committee.

The Indian Banks Association (IBA) formulated the ‘Ground Rules and Codes of Ethics’ (GRACE) in 1977 for bringing about a standard of ethical behaviour among member banks in certain focal areas of interest to the banking public. The GRACE was replaced by a

more detailed 'Code of Banking Practices' in 1999. The IBA coinciding with implementation of Financial Sector Reforms and other developments brought out more comprehensive guidelines on 'Bankers' Fair Practices Code' in 2004.

'The Banking Codes and Standards Board of India' (BCSBI) was set up on 18<sup>th</sup> February 2006 as a collaborative effort of RBI and the Banking Sector to evolve and promote voluntary codes and standards for banks for providing fair, equitable and transparent services to their customers. The BCSBI which is a society registered under the Societies Registration Act, 1860, is an independent autonomous agency to monitor and ensure that the banking codes and standards, voluntarily adopted by the member banks are adhered to in true spirit by banks in delivering services to customers. The BCSBI has evolved a comprehensive 'Code of Banks Commitments to Customers' in collaboration with member banks covering commitments to banks' customers on various services rendered to them.

In December 2004, Bankers Institute of Rural Development (BIRD), Lucknow in collaboration with NABARD had conducted a national seminar on 'Best Practices in Rural Credit Cooperative Institutions in India' at BIRD, Lucknow, wherein case studies on Best Practices adopted by various SCBs and DCCBs were discussed. In observance of the above developments, NAFSCOB had prepared a document entitled 'Bench Marking Best Practices' which was perused by the Board of Directors of NAFSCOB in their meeting held at New Delhi on 22.03.2005. The Board of Directors in the said meeting had resolved to initiate necessary steps to evolve 'Code of Best Practices' in all the State Cooperative Banks and their affiliates.

Recently, NABARD had desired NAFSCOB to consider evolving guidelines on Codes of 'Standards and Fair Practices Code for SCBs and DCCBs' covering all aspects of banking and other services rendered by the SCBs and DCCBs. The Board of Directors of NAFSCOB in their meeting held at Bangalore on 26.02.2008, constituted a Working Group to formulate an appropriate 'Model Guidelines on Code of Standards and Fair Practices for SCBs and DCCBs'. (The composition of the Working Group and Special Invitees is given in the Annexure). Accordingly, the Working Group has formulated 'Draft Model Guidelines on Code of Standards and Fair Practices for SCBs and DCCBs' for appropriate adoption by the SCBs and DCCBs.

## Chapter – 2

### Citizens' Charter

The SCBs and DCCBs may introduce 'Citizens' Charter' as per the following:

"The .....SCB/DCCB strongly believes that a satisfied customer is the most important factor for growth of its business.

- I. This document called the 'Citizens' Charter of .....SCB/DCCB' provides key information on various facilities/services provided to customers in branches of .....SCB/DCCB. The Citizens' Charter together with Code of Standards and Fair Practices, will thus, ensure high standards of accountability, responsibility and transparency in the bank's dealings with customers. The Charter also provides comprehensive information on bank's grievances redressal mechanism.
- II. This is not a legal document creating rights and liabilities. Loans and advances may also have specific terms and conditions not mentioned in the Charter. However, all terms and conditions will comply with the principles and commitments undertaken by the bank in the Code.
- III. Copies of the 'Citizens' Charter' together with 'Code of Standards and Fair Practices' will be available on request to all our customers at our Head Office, Regional Office/s and branches. We will ensure that all our Board of Directors, Committee Members and Staff Members are aware of the commitments of the banks contained in this document and faithfully implement them.
- IV. The Charter provides essential information in transactions relating to savings, current and fixed deposit account, safe deposit lockers, loans and advances, recovery of loans, grievances redressal, etc. For further details and complete information on the terms and conditions of our various services, visit our Head Office, Regional Office/s, branches or write to us at our Head Office.
- V. Information given in the Charter is updated up to .....(state the date). Information given is subject to change/revision. The bank will endeavour to update the information to changes that are made. However, please contact the nearest branch/Regional Office or the Head Office for the latest changes, if any."

## Chapter – 3

### Draft Model Guidelines on Code of Standards and Fair Practices for SCBs and DCCBs

#### 3.1. Definitions:

##### a. Code

‘Model Guidelines on Code of Standards and Fair Practices for SCBs and DCCBs’ – is a broad policy frame-work developed by the National Federation of State Cooperative Banks (NAFSCOB) for and on behalf of member State Cooperative Banks and their affiliates such as DCCBs and other institutional customers. The member banks/affiliates shall formulate their own bank specific policy/Code on ‘Standards and Fair Practices’.

##### b. Citizens’ Charter

A Charter of undertaking by the respective SCB/DCCB emphasising the need, relevance as well as applicability of the Code.

##### c. Lenders Charter

A Charter of undertaking to be called as ‘Fair Practices Code for Lenders’ to be adopted by each SCB and DCCB.

##### d. ‘You’ and ‘We’

‘You’ denotes the customer and ‘We’ denotes the bank with which the customer deals.

##### e. Banks

SCBs and DCCBs and their branches

##### f. ‘Masculine Gender’ includes ‘Feminine Gender’

##### g. ATM

An ‘Automated Teller Machine’ (ATM) or freestanding machine, in which a customer can use their card to get cash, information and other services.

##### h. Card

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

##### i. Customer

A person who has an account (including a joint account with another person or an account held as an executor, trustee and institutions/individuals who have not been prohibited to open SB Account {as per RBI (DBOD) Manual of Instructions (June 1998 – Para 9.1.3)}, and/or a person who uses the services of the bank, but does not include the accounts of sole traders, partnerships, companies, clubs and societies) or who receives other services from a financial institution.

**j. Out of date (stale) cheque**

A cheque, which has not been paid because the date written on the cheque is too old (normally older than six months)

**k. Password**

A word or an access code which the customer has chosen, to allow him to use a phone or internet banking service. It is also used for identification.

**l. PIN (Personal Identification Number)**

A confidential number, which allows customers to buy things, withdraw cash and use other electronic services offered by the bank.

**m. Security**

A word used to describe valuable items, such as title deeds to property, share certificates, insurance policies and so on, which represent assets used as support for a loan or other liability.

**n. Other security information**

A selection of personal facts and information (in an order which only the customer knows), which is used for identification when using accounts.

**o. Unpaid Cheque**

Unpaid Cheque is a cheque which, after being paid into the account of the person it is written out to, is returned 'unpaid' (bounced) by the financial institution whose customer has issued the cheque.

**p. Member Bank**

Member Bank implies member banks and their affiliates

**3.2 Objectives:**

The 'Model Guidelines on Code of Standards and Fair Practices' for SCBs and DCCBs has been developed with a view to achieving the following objectives:

- a. To facilitate formulation of bank-specific 'Codes of Standards and Fair Practices' to ensure standardised services to customers;
- b. To promote good and healthy banking practices by setting minimum standards which member banks will follow in their dealings with customers;
- c. To foster customer confidence in the banking system; and
- d. To inculcate self-discipline among the member banks and their affiliates with a view to promoting healthy competition and ethical practices in respect of banking services.

### **3.3 Applicability of the Code:**

The ‘Code of Standards and Fair Practices for SCBs and DCCBs’ unless it says otherwise, shall be voluntary in nature, shall apply to all products and services rendered by SCBs and DCCBs whether they are provided across the counter, over the phone, by post or by any other method, will set standards for fair banking practices and provide valuable guidance to the customers in their day to day operations through various services of the bank as listed below:

- a. current, savings and all other deposit accounts
- b. pension, PPF accounts, payment orders, remittances by way of demand drafts, etc.
- c. collection of cheques and safe deposit locker facility
- d. loans and overdrafts
- e. foreign-exchange services
- f. card products including KCC, ATM Cards and Services
- g. third party insurance and investment products offered through the network of branches
- h. operations under All India Mutual Arrangement Scheme (AIMAS)
- i. operations under Inland Mutual Arrangement Scheme (IMAS)
- j. other dealings/products meant for cooperatives/customers.

Further, the codes shall be supplementary to and do not attempt to supplant any relevant legislation, codes, guidelines or rules applicable to banks under the Negotiable Instruments Act, 1881, The Reserve Bank of India Act, 1934, The Banking Regulation Act, 1949, the National Bank for Agriculture and Rural Development Act, 1981, Right to Information (RTI) Act as promulgated by the respective States or any other law in force in India, governing the Banking Law and Practice.

### **3.4. Commitment to Customers:**

Commitments to customers outlined in this Code are applicable under normal operating environment and include:

- a. Respect for cooperative principles, ethics and values;
- b. Act fairly and reasonably in all the dealings with the customer by meeting the commitments and standards in this Code, for the products and services the bank offers, and in the procedures and practices the staff follow making sure that the bank’s products and services meet relevant laws and regulations;
- c. All dealings with the customers will rest on ethical principles of integrity and transparency;
- d. Help the customer to understand as to how the financial products and services operate by giving information about them in plain English and/or the local language explaining their

financial implications and help the customers to choose the appropriate product that meet their needs;

- e. Deal quickly and sympathetically with things that go wrong by correcting mistakes, speedy handling of all complaints, informing how to take the complaint forward if he is still not satisfied, and reversing any bank charges that has been applied due to oversight/ mistake in a reasonable period;

### **3.5. Information on Products and Services:**

#### **3.5.1. Helping the customer to choose products and services, which meets his requirements:**

- a. Before an individual becomes a customer, the bank will provide clear information explaining the key features of banking services and banking products in which the customer is interested.
- b. Give him information on any type of account/facility which the bank provides and may suit his needs.
- c. Inform him what information the bank needs from him to prove his identity, address and to comply with legal and regulatory requirements, and request for any additional information about him and his family to build a database. (Such information can be furnished by the customer only if he wishes and the bank will not compel him to give this information for opening the account).
- d. The bank will tell the customer its channel for offering products and services in more than one way, if any, (for example, printed brochures, over the phone, in the branches, ATM, Internet and so on) and inform him how to find out more about such products.
- e. Once the customer has chosen a type of account or service, the bank will give necessary information on how the particular product/service works/ operates.
- f. When the customer opens a single account or a joint account, the bank will give him information on his rights and responsibilities.
- g. The bank will recommend the customer for availing nomination facility offered on all deposit accounts, articles in safe custody and safe deposit vaults.
- h. The bank will guide the customer on how it deals with the deposits and other assets held with it in the name of a deceased person in the absence of nomination.

### **3.6. Various Types of Accounts:**

#### **3.6.1. Deposit Accounts:**

- a. One of the important functions of a bank is to accept deposits from the public for the purpose of lending. Normally each bank has a Deposit Policy and such policy exists in the form of circulars issued from time to time and instructions as laid down in the Manual of Instructions of the bank. The Deposit Policy is aimed at imparting greater transparency in dealing with individual customers and also to create awareness among the customers of their rights and ultimately it is expected that the customers would get services which they are rightfully entitled to receive from the banks without asking for the same.
- b. Each policy on deposit needs to outline the guiding principles in respect of formulation of various deposit products offered by the bank and terms and conditions governing the operation of the account. The policy document recognizes the rights of depositors and aims at dissemination of information with regard to various aspects of acceptance of deposits from the members of the public, conduct and operations of various deposit accounts, payment of interest on various deposit accounts, closure of deposit accounts, method of disposal of deposits of deceased depositors, etc. for the benefit of customers.
- c. The bank will advise a customer about the relevant terms and conditions governing the operations of the deposit account when the account is opened for the first time.
- d. Normally, changes will be made with prospective effect giving notice of one month.
- e. If the bank has made any change without notice it will notify the change within 30 days. If such change is to customer's disadvantage, the customer may within 60 days and without notice, close his/her account or switch it without having to pay any extra charges or interest.
- f. If bank has made a major change or a lot of minor changes in any one year, the bank will, on request, give the customer a copy of the new terms and conditions or a summary of the changes.
- g. If the customer is not happy about his/her choice of current or savings account (except for term deposit account) within 14 days of making his first payment into the account, bank will help the customer switch to another set of bank accounts or bank will give the customer money back with any interest, it may have earned. Bank will ignore any notice period and any extra charges.
- h. If customer decides to close his/her current/savings account, bank will close the account within five working days of receiving customer's instructions.

- i. If the customer wants to transfer his/her account to another branch of the bank, it will do so. Customer's account at the new branch will be operationalised within two weeks of receiving his/her request, subject to customer complying with the required KYC formalities at the new branch. Bank will intimate the customer as soon as the account is operationalised.
- j. Under the normal circumstances, bank will not close customer's account without giving the customer, at least, 30 days notice. Examples of circumstances, which are not 'normal', include improper conduct of account, etc. In all such cases, the customer will be required to make alternative arrangements for cheques already issued and desist from issuing any fresh cheques on such account.
- k. If the bank plans to close a branch or if the bank shifts the branch, the bank will give to the customers:
  - Notice of 3 months (three months) if there is no other branch of any bank functioning at that centre and inform the customer how the bank will continue to provide banking services to the customer; and
  - Notice of 2 months (two months), if there is a branch of any other bank functioning at that centre.

### **3.6.2. Types of Deposit Accounts:**

Various Deposit Products offered by the banks are assigned different names. The Deposit Products can be categorized broadly into the following types.

- a. **'Demand Deposit'** – 'Demand Deposit' is a deposit received by the Bank which can be withdrawn on demand.
- b. **'Savings Deposit'** - 'Savings Deposit' means a form of demand deposit which is subject to restrictions as to the number of withdrawals as also the amounts of withdrawal permitted by the bank during any specified period.
- c. **'Term Deposit'** - 'Term Deposit' means a deposit received by the bank for a fixed period which can be withdrawn only after the expiry of the fixed period and includes deposits such as Recurring/Reinvestment Plan Certificate/Fixed Deposits with monthly/quarterly interests, etc.
- d. **'Current Account'** - 'Current Account' means a form of demand deposit from which withdrawals are allowed any number of times depending upon the balance in the account

or up to a particular agreed amount under specific facilities, such as overdraft and will also include other deposit accounts other than Savings Deposit and Term Deposits.

### **3.6.3. Account Opening and Operation of Deposit Accounts:**

- a. The bank before opening any deposit account will carry out due diligence as required under "Know Your Customer" (KYC) norms and 'Anti-Money Laundering Measures' issued by NABARD vide Ref. No.NB.DoS.HO.Pol./4730/J.1/2007-08 (Circular No.39/DoS 6/2008 dated March 17, 2008) and/or such other norms/ procedures as laid down by RBI/NABARD from time to time and also other norms/procedures adopted by the bank.
- b. If the decision to open an account of a prospective depositor requires clearance at a higher level, reasons for any delay in opening of the account will be informed to him and the final decision of the bank will be conveyed at the earliest in this regard.
- c. The account opening forms and other material would be provided to the prospective depositor by the bank. The same will contain details of information to be furnished and documents to be produced for verification and/or for record. It is expected of the bank official opening the account, to explain the procedural formalities and provide necessary clarifications sought for by the prospective depositor when he approaches for opening a deposit account.
- d. For deposit products like Savings Bank Account and Current Deposit Account, the bank will normally stipulate certain minimum balances to be maintained as part of terms and conditions governing the operation of such accounts. Failure to maintain minimum balance in the account will attract levy of charges as specified by the bank from time to time. For Savings Bank Account, the Bank may also place restrictions on the number of transactions, cash withdrawals, etc., for a given period of time. Similarly, the bank may specify charges for issue of cheque books, additional statement of accounts, duplicate pass book, folio charges, etc. All such details, regarding terms and conditions for operation of the accounts and schedule of charges for various services provided will be communicated to the prospective depositor while opening the account.
- e. Savings Bank Account can be opened for eligible person/persons and certain organizations/agencies (as advised by the Reserve Bank of India from time to time).
- f. Current Accounts can be opened by Individuals/Partnership firms/Private and Public Limited Companies/HUFs/Specified Associates/Societies/Trusts, etc.

- g. Term Deposit Accounts can be opened by Individuals/Partnership firms/Private and Public Limited Companies/HUFs/Specified Associates/Societies/Trusts, etc.
- h. The due diligence process, while opening a deposit account will involve satisfying about the identity of the person, verification of address, satisfying about his occupation and source of income. Obtaining introduction of the prospective depositor from a person acceptable to the bank and obtaining recent photograph of the person/s opening/ operating the account are part of due diligence process.
- i. In addition to the due diligence requirements, under KYC norms, the bank is required by law to obtain Permanent Account Number (PAN) or General Index Register (GIR) Number or alternatively declaration in Form No. 60 or 61 as specified under the Income Tax Act/Rules.
- j. Deposit accounts can be opened by an individual in his own name (status: known as account in single name) or by more than one individual in their own names (status: known as Joint Account). Savings Bank Account can also be opened in the name of a minor jointly with natural guardian/guardian (Status: known as Minor's Account).
- k. Minors above the age of 12 will also be allowed to open and operate Savings Bank Account, independently.

**l. Operation of Joint Account:**

➤ The Joint Account opened by more than one individual can be operated as per mandate given to the bank by the depositors. The mandate for operating the account can be modified with the consent of all depositors. The Savings Bank Account opened in the name of the minor, jointly with natural guardian /guardian can be operated by natural guardian /guardian only. The joint account holders can give any of the following mandates for the disposal of balance in the above accounts:

- **Either or Survivor:** If the account is held by two individuals say, A & B, the final balance along with interest, if applicable, will be paid to survivor on death of anyone of the account holders.
- **Anyone or Survivor/s:** If the account is held by more than two individuals say, A, B and C, the final balance along with interest, if applicable, will be paid to the survivor on death of any two account holders.
- The above mandate will be applicable or become operational only on/or after the date of maturity of term deposits. This mandate can be modified with the consent of all the account holders.

- m. At the request of the depositor, the bank will register mandate/power of attorney given by him authorising another person to operate the account on his behalf.
- n. The term deposit account holders at the time of placing their deposits can give instructions with regard to closure of deposit account or renewal of deposit for further period on the date of maturity. In the absence of such mandate, the bank will seek instructions from the depositor/s as to the disposal of the deposit by sending intimation before fifteen days (15 days) of the maturity date of term deposit.
- o. Nomination facility needs to be made available on all deposit accounts opened by the individuals. Nomination also needs to be made available to a sole proprietary concern account. Nomination can be made in favour of one individual only. Nomination so made can be cancelled or changed by the account holder/s, any time. While making nomination, cancellation or change thereof, it is required to be witnessed by a third party. Nomination can be modified by the consent of account holder/s. Nomination can be made in favour of a minor also. The nominee, in the event of death of the depositor/s, would receive the balance outstanding in the account as a trustee of legal heirs. The depositor will be informed of the advantages of the nomination facility while opening a deposit account.
- p. A statement of account will have to be provided by the bank to all Savings Bank as well as Current Deposit Account Holders periodically as per terms and conditions of opening of the account. Alternatively, the bank shall issue a Pass Book to these account holders.
- q. The deposit accounts may be transferred to any other branch of the bank at the request of the depositor.

**r. In order to open an account:**

- The applicant will be furnished with a copy of rules and will be required to sign the prescribed form of application to be filled in and the appropriate declaration(s) thereof in respect of accounts in joint names completed by him. The application should be presented at the bank with an initial deposit.
- The applicant should attend the bank personally for completion of the formalities for opening the account.
- Every depositor will be required to furnish to the bank specimen of their signatures for record. The signature must be legible and well formed. All withdrawals, cheques and letters to the bank in connection with the account must be signed strictly in accordance with such specimen.

- Each account is given a distinctive number which will be mentioned in the pass-book supplied to the account holder. This number must be invariably quoted in all pay-in slips/cheques/withdrawals and correspondence with the bank.

**s. Pass-Book:**

- The bank will issue a pass-book for the account opened. The pass-book must be presented for withdrawal other than by cheques. Deposits may be made without production of pass-book, but the pass book should be sent to the bank for completion as soon as possible. When pass-book is returned duly completed, the depositor should examine the entries carefully and draw the bank's attention to any error or omission that might be discovered.
- Pass book should, as far as possible, be collected from the bank by the account holder immediately or on the same day. However, if due to any contingency, the pass book is required to be retained overnight, the branch will issue a receipt in the form of a paper token. The pass book should be collected against this token within a week; otherwise, the same will be delivered to the depositor by registered A.D. post at his/her cost to ensure the safe receipt of the pass book.
- The depositors are advised to keep their pass books in a safe place. The bank shall not be held responsible for any loss or incorrect payment attributable to the neglect of this rule. Any change in the address of the depositor should be immediately intimated to the bank in his/her own interest.
- In case of loss of the pass book, the customer can obtain duplicate pass book paying a service charge as specified by the bank.

**3.6.4. Interest Payment on Deposits:**

- a. Interest shall be paid on Savings Account at the rate specified by the Reserve Bank of India directive or as decided by the bank, from time to time.
- b. Interest @ 3.50% p.a. is presently paid on half-yearly basis, depending on the minimum balance between the 10<sup>th</sup> day and last day of the months, provided it works out to a minimum Re.1/-. Any changes in the rates which are governed by the directives of RBI, are notified through advertisement in the newspaper.
- c. However, term deposit interest rates are decided by the bank within the general guidelines issued by the Reserve Bank of India from time to time.
- d. In terms of the Reserve Bank of India directives, interest shall be calculated at quarterly intervals on term deposits and paid at the rate decided by the bank, depending upon the

period of deposits. In case of monthly deposit scheme, the interest shall be calculated for the quarter and paid monthly at discounted value. The rate of interest on deposits will be prominently displayed in the branch premises. Changes, if any, with regard to the deposit schemes and other related services shall also be communicated upfront and shall be prominently displayed.

- e. The bank has a statutory obligation to deduct tax at source if the total interest paid/payable on all term deposits held by a person exceeds the amount specified (presently it is above Rs.10000/-) under the Income Tax Act. The bank will issue a Tax Deduction at Source Certificate (TDS Certificate) for the amount of tax deducted. The depositor, if entitled to exemption from TDS, can submit declaration in the prescribed format at the beginning of every financial year.

#### **3.6.5. Minors' Accounts:**

- a. A savings bank account in the name of a minor can be opened and the same can be operated by the natural guardian/guardian or by minor himself/herself, if he/she is above the age of 12 years.
- b. On attaining majority, the erstwhile minor should confirm the balance in his/her account and if the account is operated by the natural guardian/guardian, fresh specimen signature of erstwhile minor duly verified by the natural guardian would be obtained and kept on record for all operational purposes.

#### **3.6.6. Account of less Literate/Visually Challenged Person:**

- a. The banks may at its discretion open deposit accounts other than Current Accounts of less literate/visually challenged persons. The account of such person may be opened provided he/she calls on the bank personally along with a witness who is known to both the depositor and the bank. Normally, no cheque book facility is provided for such Savings Bank account. At the time of withdrawal/repayment of deposit amount and/or the interest, the account holder should affix his/her thumb impression or mark in the presence of the authorized officer who should verify the identity of the person. The bank will explain the need for proper care and safe keeping of the passbook, etc. given to the account holder. The bank official shall explain the terms and conditions governing the account to the illiterate and/or blind person.

### **3.6.7. 'Financial Inclusion' and 'No Frills Account':**

- a. The bank will initiate necessary steps for vigorous 'Financial Inclusion' of vast section of population who have not been covered by the banking system, particularly the pensioners, self employed and those employed in the unorganised sector, etc.
- b. The bank will review the existing practices to align themselves with the objective of 'Financial Inclusion' and facilitate banking by opening 'No Frills Account' either with nil or low minimum balances as well as charges that would make such accounts accessible to vast sections of population.
- c. The bank also will take necessary initiatives and develop appropriate IT solutions which are highly secure, amenable to audit and follow widely accepted open standards to allow inter-operability among different systems adopted by different banks.

### **3.6.8. Addition or Deletion of the name/s of Joint Account Holders:**

- a. The banks may at the request of all the joint account holders allow 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.

### **3.6.8. Customer Information:**

- a. The customer information collected from the customers shall not be used for cross selling of services or products by the bank, its subsidiaries and affiliates. If the bank proposes to use such information, it should be strictly with the consent of the account holders.

### **3.6.9. Secrecy of customer's Accounts:**

- a. The bank shall not disclose details/particulars of the customer's account to a third person or party without the expressed or implied consent from the customer. However, there are some exceptions, viz. Disclosure of information under compulsion of law, where there is a duty to public to disclose and where interest of the bank requires disclosure.

### **3.6.10. Premature withdrawal of Term Deposit:**

- a. The bank on request from the depositor shall allow withdrawal of term deposit before completion of the period of the deposit agreed upon at the time of placing the deposit. The bank shall declare their penal interest rates policy for premature withdrawal of term

deposit. The bank shall make depositors aware of all such penal charges along with the interest rate on deposits.

**3.6.11. Premature Renewal of Term Deposit:**

- a. In case, the depositor desires to renew the deposit by seeking premature closure of an existing term deposit account, the bank will permit the renewal at the applicable rate on the date of renewal. While prematurely closing a deposit for the purpose of renewal, interest on the deposit for the period 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.

**3.6.12. Renewal of Overdue Term Deposits:**

- a. When a term deposit is renewed on maturity, on renewed deposit interest rate for the period specified by the depositor as applicable on the date of maturity would be applied. If request for renewal is received after the date of maturity, such overdue deposit will be renewed with effect from the date of maturity at interest rate applicable as on the due date, provided such request is received within 14 days from the date of maturity. In respect of overdue deposits renewed after 14 days from the date of maturity, interest for the overdue period will be paid at the rates decided by the bank from time to time.

**3.6.13. Advances against Deposits:**

- a. The bank may consider request of the depositor/s for loan/overdraft facility against term deposits duly discharged by the depositor/s on execution of necessary security documents. The bank may also consider loan against deposit standing in the name of minor, however, a suitable declaration stating that loan is for the benefit of the minor, has to be furnished by the depositor – applicant.

**3.6.14. Settlement of Dues in Deceased Deposit Account:**

**a. If the depositor has registered nomination with the bank:**

- the balance outstanding in the account of the deceased depositor will be transferred to the account of/paid to the nominee after the bank satisfies about the identity of the nominee, etc.

- the above procedure will be followed even in respect of a joint account where nomination is registered with the bank.
- in a joint deposit account, when one of the joint account holders die, the bank is required to make payment jointly to the legal heirs of the deceased person and the surviving depositor(s). However, if the joint account holders had given mandate for disposal of the balance in the account in the forms such as "either or survivor, former/latter or survivor, anyone of survivors or survivor; etc., the payment will be made as per the mandate to avoid delays in production of legal papers by the heirs of the deceased.
- in the absence of nomination and when there are no disputes among the claimants, the bank will pay the amount outstanding in the account of deceased person against joint application and indemnity by all legal heirs or the person mandated by the legal heirs to receive the payment on their behalf without insisting on legal documents up to the limit approved by the bank's Board. This is to ensure that the common depositors are not put to hardship on account of delays in completing legal formalities.

#### **3.6.15. Interest payable on Term Deposit in Deceased's Account:**

- a. In the event of death of the depositor before the date of maturity of deposit and amount of the deposit is claimed after the date of maturity, the bank shall pay interest at the contracted rate till the date of maturity.
- b. From the date of maturity to the date of payment, the bank shall pay simple interest at the applicable rate obtaining on the date of maturity, for the period for which the deposit remained with the bank beyond the date of maturity as per the bank's policy in this regard.
- c. In the case of death of the depositor after the date of maturity of the deposit, the bank shall pay interest at the savings deposit rate obtaining on the date of maturity, from the date of maturity till the date of payment.

#### **3.6.16. Insurance Cover for Deposits:**

- a. The banks shall opt for insurance cover to deposits under 'Deposit Insurance and Credit Guarantee Corporation of India' (DICGC). The details of the insurance cover in force will be made available to the depositors.

### **3.6.17. Stop Payment Facility:**

- a. The bank will accept stop payment instruction from the depositors in respect of cheques issued by them. Charges, as specified, will be recovered.

### **3.6.18. Dormant Accounts:**

- a. Accounts which are not operated for a period of twelve months (or as may be specified by the bank) are marked dormant accounts and if the same remains un-operated for a period of three years, they are classified as inoperative accounts.
- b. Balance in the Current and Savings Bank Accounts which remain dormant i.e. inoperative for a continuous period of ten years and above will be transferred to a separate dormant/inoperative account status in the interest of the depositor as well as the bank.
- c. A charge at the specified rate per annum will be recovered if the 'inoperative account' has balance less than the specified minimum amount. The depositor will be informed of such charges which the bank will levy on dormant/inoperative accounts.
- d. The depositor can request the bank to activate the account for operating it.

### **3.6.19. Tax Deduction at Source:**

- a. Interest on bank deposits is exempt from income tax up to a limit specified by the Income Tax authorities from time to time. (Presently, if the total interest on deposit, per depositor, per branch, per financial year exceeds Rs.10,000/-, the same is subject to Tax Deduction at Source (TDS) at the rate (presently @ 10.3%) stipulated by the Income Tax Authority).
- b. The depositor may furnish declaration in Form No.15 G/H (as the case may be), preferably at the commencement of the financial year for receiving interest on deposits without deduction of Tax. However, extant instructions do not allow this declaration to be filed if the interest accrued or earned in a financial year is above Rs.50,000/-.
- c. The bank will issue TDS certificate for the tax so deducted.

### **3.6.20. Standing Instructions:**

- a. Standing Instructions for payment of insurance premia, loan instalment, Recurring Deposit instalment, etc. will be accepted in all Saving Bank Accounts. The bank will charge Rs.5/- or a sum as may be decided by the bank, per transaction involving credit to

another account within the same branch towards standing instruction. If the transaction involves an upcountry centre, remittance charges at the prescribed rate and the actual postage shall be recovered additionally.

### **3.6.21. Safe Deposit Locker:**

- a. Wherever the Safe Deposit Locker facility is offered, allotment of safe deposit vault needs to be made subject to availability and compliance with other terms and conditions as laid down by the RBI/NABARD from time to time and attached to the service by the respective bank.
- b. Safe deposit lockers may be hired by an individual (being not a minor) singly or jointly with another individual(s), HUFs, firms, limited companies, associates, societies, trusts, etc.
- c. Within the frame-work of guidelines issued by RBI/NABARD, the banks may formulate suitable rules and regulations with regard to the quantum of rent for hire of locker/s and fix a definite date for payment of such rent by the concerned hirers, to prevent delay/default in payment of rents. The bank will also frame suitable rules for recovery of defaulted locker rent.
- d. Nomination facility needs to be made available to individual(s) holding the lockers singly or jointly.
- e. In respect of lockers held in joint names, up to two nominees can be appointed.
- f. Necessary mandate needs to be obtained from the joint locker holders for access to the lockers in the event of death of one of the holders on the lines similar to those for deposit accounts.
- g. In the absence of nomination or mandate for disposal of contents of lockers, with a view to avoiding hardship to common persons, the bank will release the contents of locker to the legal heirs against indemnity on the lines as applicable to deposit accounts.
- h. RBI/NABARD have issued specific guidelines on issues such as allotment of lockers, security aspects relating to Safe Deposit Lockers, procedures to be adopted with regard to custody of articles to survivors/nominees/legal heirs as well as customer guidance and publicity, which are updated from time to time, which needs to be implemented by all SCBs and DCCBs wherever the facility of Safe Deposit Lockers is given to the customers.

### **3.7. Operation of Accounts:**

#### **3.7.1. Collection Services/Clearing Cycle:**

- a. The bank will inform the customer about the clearing cycle, including when he can withdraw money after lodging collection instruments and when he will start to earn interest.
- b. The bank will give immediate credit to the customer's account for outstation cheques lodged by him and will allow him to draw against such instrument/s under collection as per prevailing RBI guidelines (presently, it is instruments upto Rs.5,000/- tendered by customers operating accounts satisfactorily).
- c. The bank will specify the charges/commission for clearance and collection services.
- d. The bank will pay interest on funds involved, if collection is delayed beyond the normal period as stipulated by the RBI.

#### **3.7.2. Cash Transactions**

- a. Each customer should count notes and ensure correctness before leaving the cash counter.
- b. Each customer should avoid writing anything on the face of the notes and co-operate with the bank by remitting notes in unstapled/unstitched condition as required under the RBI's 'Clean Note Policy'.
- c. Bank will take necessary precautions/install necessary equipments for detection of fake notes.

#### **3.7.3. Cheques issued by the Customer**

- a. The banks will keep original cheques paid from customer's account or copies, for such periods as required by law.
- b. If, within a reasonable period after the entry has been made on the customer's statement, there is a dispute about a cheque paid from the customer's account, the bank will give him the cheque or a copy as evidence.
- c. The bank will inform the customers how it will deal with unpaid cheques and out-of-date (stale) cheques.

- d. While opening Pension Accounts or investing in Relief/RBI\NABARD and other Bonds, the bank will tell the customer about operational guidelines for such accounts/transactions.

**3.7.4. All India Mutual Arrangement Scheme (AIMAS) and Inland Mutual Arrangement Scheme (IMAS):**

- a. The SCBs and DCCBs who are members of AIMAS operated by National Federation of State Cooperative Banks (NAFSCOB) and members of IMAS operated by the respective State Cooperative Banks shall abide by the rules and regulations as well as systems and procedures as laid down in the respective Manuals and/or revised instructions issued from time to time either by NAFSCOB or by the SCB.
- b. The members of AIMAS/IMAS shall make special efforts to enlighten the customers about the remittance and clearing facility under the said schemes within the network of the members of the scheme, within the State and outside the State.
- c. The members of AIMAS will take all necessary steps to ensure that all remittances/clearances/collections outside the State are done through the channel of AIMAS.
- d. Similarly, the members of IMAS within the State will ensure that all remittances/clearances/collection within the State are done through the channel of IMAS.
- e. Each bank will specify charges/commission for services under AIMAS and IMAS.
- f. Each participant bank under AIMAS/IMAS will take adequate steps to reconcile their accounts on regular basis.

**3.7.5. Foreign Exchange Services offered through authorised offices**

- a. The banks which have Foreign Exchange Services will provide details of the service charges, exchange rates and charges that apply to foreign exchange transactions, which the customers are about to make. If this is not possible, the banks will inform him how these will be worked out.
- b. If the customer wants to transfer money abroad, the banks will tell him the modus operandi and will give him a description of the services and details of any commission or charges which he will have to bear.
- c. If money is transferred to the customer account from abroad, the banks will tell him the original amount received and charges, if any. If the sender had paid all charges, the banks will not deduct charges when it pays the money into his account.

- d. The banks will guide the customer about regulatory requirements or conditions relating to foreign exchange services offered by the banks.

#### **3.7.6. Statement of Accounts:**

- a. The bank will give its customers the statement of accounts at regular intervals wherever the pass book is not applicable/issued to help the customer to manage his account and check entries on it.
- b. The bank will normally provide a statement of accounts periodically. The customer can request the bank to provide a statement of accounts more often than is normally available, by paying applicable charges for the service.
- c. The bank will also make necessary arrangements to send a statement of accounts by post or e-mail, if the customer so desires provided the bank has such a facility.

#### **3.7.7. Protecting the Account of Customers:**

- a. The bank will duly inform the customer about what he can do to help protect his accounts.
- b. In the event of the loss of cheque book, pass book, etc, the customer will notifying the same to the bank/branch concerned. On receipt of such communication, the bank will initiate necessary immediate steps to try to prevent the same being misused and take steps to issue fresh cheque book/duplicate pass book, as the case may be.

### **3.8. Loans and Advances:**

#### **3.8.1. Fair Practice Code for Lenders:**

- a. Each SCB and DCCB will formulate a 'Fair Practices Code for Lenders' incorporating the type of schemes/programmes eligible for loans, details of schemes, availability of finance, rate of interests, terms and conditions of such loans, etc.

#### **3.8.2. Applications for loans and their processing:**

- a. At the time of sourcing a loan product, the bank will provide information about the, interest rates applicable, as also the fees/charges, if any, payable for processing, pre-payment options and charges, if any and any other matter which affects the interest of the borrower, so that a meaningful comparison with those of other banks could be made and an informed decision could be taken by the customer.

- b. Normally, all particulars required for processing the loan application will be collected by the bank at the time of application. In case, the bank needs any additional information it will contact the customer immediately.
- c. Acknowledgement will be issued for receipt of all applications.
- d. The bank will convey the credit limit along with the terms and conditions thereof.
- e. The bank will supply authenticated copies of all the loan documents executed by him at bank's cost along with a copy each of all enclosures quoted in the loan document on request.
- f. The bank will not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude the bank from instituting or participating in schemes framed for different sections of the society.
- g. The bank will process any request for transfer of borrowal account, either from the borrower or from a bank/financial institution, in the normal course.
- h. Before the bank lends the customer any money or increase his overdraft, or other borrowing, the bank will assess whether it feels the customer will be able to repay it.
- i. If the bank offers an overdraft, or an increase in the customer's existing overdraft limit, the bank will tell the customer clearly if his overdraft is repayable on demand or otherwise.
- j. The bank will take all necessary steps for insurance cover under DICGC for all loans.
- k. Reasons for rejection of loans will be conveyed/ explained to customer **on demand**.

### **3.8.3. Loan appraisal and terms and conditions:**

- a. Communication of sanction – Sanction of the credit limit will be conveyed to the borrower along with the terms and conditions thereof, for which the borrower's acceptance of the said terms and conditions given with his/her full knowledge will be obtained and kept on record.
- b. Terms and Conditions of sanction – The letter of sanction containing the terms and conditions and other caveats governing credit facilities will be issued to the borrower signed by the authorized official. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement will also be furnished against a request in writing received from the borrower for the same.

#### **3.8.4. Disbursement of loans including changes in terms and conditions:**

- a. Timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanctions will be ensured. Notice will be given in respect of any change in the terms and conditions including interest rates, service charges, etc. For this purpose, a notice on the Notice Board of the bank's branches and offices shall be deemed to be sufficient notice aside of the notices sent individually. Changes in interest rates and charges will be effected only prospectively.

#### **3.8.5. Post-disbursement supervision:**

- a. Post-disbursement Supervision – Post-disbursement supervision shall be constructive with a view to taking care of any 'lender related' genuine difficulty that the borrower may face.
- b. Recall/Accelerated Payment – Decision to recall/accelerate payment or performance under the agreement or seeking additional securities, lenders shall be preceded by notice to borrowers, as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- c. Release of Securities – On receiving payment of loan or realization of loan subject to any legitimate right or lien for any other claim against the borrower, all securities will normally be released to the borrower. Where right of set off is to be exercised, borrowers will be given notice about the same with full particulars about the remaining claims and the documents under which bank is entitled to retain the securities till the relevant claim is settled/paid.

#### **3.8.6. General:**

- a. Non-interference – The bank will not interfere in the affairs of the borrowers except for what is provided in the terms and conditions of the loan sanction documents, unless new information, not earlier disclosed by the borrower, has come to the notice of the bank.
- b. No unfair measures for recovery – In the recovery of loans, the bank will not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
- c. Issue of No-Objection Certificate – In case of receipt of request for transfer of borrowal account, either from the borrower or from a bank, which proposes to take over the account, the consent or otherwise i.e. objection of the bank, if any, will be conveyed within 21 days from the date of receipt of request.

### **3.8.7. Borrowers' Covenants:**

**a. To be entitled to the above provisions of the Fair Practices Code, the borrower agrees that:**

- abide by the assessment of credit application carried out by the bank and shall not expect the use of margin and security stipulations as a substitute for due diligence on credit worthiness of the borrower;
- the limits sanctioned and other terms and conditions are purely at the discretion and subject to modification as may be prescribed by the bank;
- the interest rate stipulated for the limit is as per the existing guidelines. Appropriate interest will be charged taking into account the changes that may be effected by the bank from time to time;
- the sanction of loan does not vest with anyone the right to claim any damages against any reason whatsoever;
- allowing drawings beyond the sanctioned limits, honouring of cheques issued for the purpose other than specifically agreed to in the credit sanction remain at the discretion of the bank;
- the bank does not have an obligation to meet further requirements of the borrower on account of growth in business etc. without proper review of credit limits;
- the bank does not have the obligation to nurse/finance the account in the case of sickness; and,
- in the event of account becoming NPA, full details of the account can be disclosed to public in general and the financial institutions including banking sector, tax, legal and administration authorities by way of print and/or visual media or any other mode of advertising/communication;
- if the principal borrower fails to repay the loan, then the liability of guarantor will be up to the repayment of the whole outstanding and as equal as of it is for the principal borrower, in other words either the guarantor or the borrower could be asked to repay the whole sum or the defaulted sum, at any point of time, if the account becomes default.

### **3.9. Prohibition against opening Savings Bank Accounts:**

**3.9.1.** As per RBI Manual of Instructions (June 1998 - paragraph 9.1.3) brought out by Department of Banking Operations and Development, Reserve Bank of India; the banks are prohibited to open Savings Bank Account in the name of certain bodies/organisations.

### **3.10. Rate of Interest:**

- a. The SCBs and DCCBs shall enable the customer to find out the interest rates on its various banking products by:
  - looking at the notices in branches;
  - referring to the brochures on various banking products;
  - phoning the branches or help-lines;
  - looking into the website ; or
  - enquiring with designated staff.
- b. When an individual becomes a customer, the bank will give him information on the interest rates which apply to various types of accounts, and when the bank will pay interest on relevant deposits or debit interest on loan accounts.
- c. The bank will also inform the customer about its website address, help-line number and the other ways in which customer can find out about changes in the interest rates.
- d. The bank will explain how it applies interest to customer's account/s.
- e. Changes in the interest rates, if any, on the banks products (deposits and advances) will be notified on telephone helpline/banks' Web-site/Notice Board, brochures, etc. within the three working days of such changes.
- f. At the time of opening of the account, the bank will inform the customer about the rate at which the interest is paid on his savings deposit, how it is calculated and its periodicity.

### **3.11. Charges Payable:**

- a. Bank will ensure its obligations with regard to TDS on the interest on deposits as per the prevailing rules and amendments to the same from time to time.
- b. When an individual becomes a customer, the bank will give him upfront details of any charges applicable to the products chosen by him.
- c. The customer can also find out about the charges by enquiring with the staff at the branch where he has an account, phone the office or looking on the banks' website.
- d. If the bank increases any of the charges or introduces a new charge, it will be notified, at least, one month before the revised charges are levied /become due.
- e. The bank will tell the customer about the charges for any other service or product before the same is provided.

- f. The bank will prominently display all types of bank charges in all its branches, publish the same in their various bank product brochures.
- g. There shall not be any hidden charges and scope for the same.
- h. The SCBs and DCCBs shall, as far as possible, arrive at uniform rate for all types of penal charges, in consensus.

### **3.12. Terms and Conditions of Banking Products:**

- a. When an individual becomes a customer or accepts a product for the first time, the bank will give him the relevant terms and conditions for the service he has opted for.
- b. All written terms and conditions will be fair and will set out the customer's rights and responsibilities clearly and in plain language. The bank will only use legal or technical language, where necessary.
- c. Changes in the terms and conditions, if any, (other than interest rates) will be made with prospective effect giving notice of at least, one month. If the changes are to the customer's disadvantage, he may close the account at any time up-to two months from the date of the notice without having to pay any extra charges or interest for doing so.
- d. Changes in the interest rates on deposits and advances will be notified from time to time and displayed in all its branches prominently as well as given due publicity on all such changes.

### **3.13. Recovery Management:**

- a. Ensuring prompt and timely repayment of loans and interest thereon by the borrowers is central to the smooth recycling of bank credit.
- b. The lending capacity of bank is adversely affected due to the banks' inability to recycle its resources or raise additional resources from other sources. Non-recovery of interest on loans affects the banks' profitability.
- c. The SCBs and DCCBs will set up separate 'Recovery Cell' to guide the branch managers, recovery officials in their recovery efforts.
- d. The recovery Cell will have close coordination and full cooperation of the Legal and Arbitration Sections.
- e. The SCBs and DCCBs will take all necessary steps for ensuring quality advances.
- f. Recovery drive will be maintained by the bank through out the year than initiating recovery steps towards the end of the year.

- g. The bank will ensure all necessary legal steps to recover the NPAs and coercive recovery methods will not be resorted to.
- h. The banks will put in place an appropriate Arbitration Process and execution process of awards by the Arbitrators.
- i. The provisions of SARAFESI Act and Debt Recovery Tribunals will be adhered to in the process of recovery of dues and overdues.

#### **3.14. Anti-Money Laundering:**

- a. NABARD vide circular No.39/Dos 6/2008 dated 17 March 2008 advised all SCBs and DCCBs to ensure a proper frame-work on 'Know Your Customer' (KYC) norms and 'Anti-Money Laundering' (AML) measures is put in place with the approval of the Board of Directors and it was also envisaged that all the banks will be fully compliant with the provisions of the said circular.
- b. As per the said circular, the banks were required to lay down a clear Customer Acceptance Policy (CAP) based on the risk categorisation and advise their branches to prepare suitable customer profiles containing information relating to customers identity, social/financial status, nature of business activity, information about his clients business and their location, etc. with due diligence for high risk customers.
- c. As per the said circular, the banks were also required to have an elaborate Customer Identification Procedure (CIP).
- d. As per the PMLA banks are to maintain records of more than rupees ten lakhs, cash transactions integrally connected to each other, counterfeit currency transactions, suspicious transactions, whether or not made in cash.

#### **3.15. Asset Liability Management (ALM):**

- a. Asset-Liability Management (ALM) systems for SCBs are required to be introduced in all the SCBs with effect from 01 August 2008 and the ALM is expected to be introduced in DCCBs in a phased manner.
- b. Under the deregulated interest rate regime, the SCBs and DCCBs are required to determine their own interest rate on their deposits and advances. Similarly, the rate of interest on investments of the banks are also market related. In the long term interest of profitability and viability, the banks are expected to develop a sound risk management system with the ultimate objective of protecting the interest of the depositors and stake holders. Therefore, it is important for the SCBs and DCCBs to introduce effective

Asset-Liability Management (ALM) systems to address the emerging issues particularly liquidity and interest rate risks.

- c. On way to implement ALM, the SCBs are expected to:
- take up a review of the availability of computer infrastructure in the bank;
  - review of availability of suitable manpower for smooth implementation of ALM;
  - designate Nodal Officer for implementing ALM;
  - get the ALM Policy approved by the Board of Management;
  - constitute an 'Asset Liability Committee' (ALCO) consisting of banks senior management including the Chief Executive to decide on the business strategy on the bank;
  - upgrade Management Information System (MIS) of the bank;
  - take necessary steps for capacity building/knowledge management of the Nodal Officer and other staff to be involved in ALM; and
  - take appropriate measures to implement the guidelines/directions issued and/or to be issued with regard to ALM for ensuring profitability/viability of the bank.

### **3.16. Advertising and Marketing:**

- a. The bank will display prominently in its office/branches, its various services and products for the general information of the public.
- b. The bank will make sure that all advertising and promotional materials are brought out in the local language as well as English and such materials are clear, fair, reasonable and not misleading.
- c. The bank will seek customer's specific consent for giving details of his name and address to any third party, including other entities.
- d. The bank would provide the customer with the entire range of financial services products it offers. The bank will also provide information about its affiliates, entities or companies having business tie-up arrangements with it.

### **3.17. Prizes and Gifts:**

- a. Member banks and their affiliates shall not give prizes, gifts, donations, etc., or any direct or indirect benefits in the purchase price or in respect of any other transactions relating to securities, bonds, etc., as consideration or with a view to getting or retaining a deposit and/or advance account.

- b. Promotional schemes duly approved by the Boards of respective banks may, however, be launched within the regulatory framework of the Reserve Bank of India.

### **3.18. Chit Funds and Speculative Ventures:**

- a. Member banks and their affiliates shall not associate themselves with chit fund companies, which conduct lottery, gift schemes, etc., or any other speculative ventures. Member banks and their affiliates shall also not encourage or lend their names to promote speculative ventures of any nature. However, it would be in order for banks to open current accounts, fixed deposits, etc. of such companies in the banks' normal course of business.

### **3.19. Protection:**

- 3.19.1. The banks and its customers shall have the following aspects of protection in terms of their operations and in terms of dealing with each other.

#### **a. Banks:**

- i. Each bank will formulate, bank specific 'Business Continuity Plan' (BCP).
- ii. The banks will treat all personal information of the present and past customer as private and confidential.
- iii. The banks will not reveal transaction details of customers' accounts to a third party, including entities, other than in the following four exceptional cases:
  - If the banks' have to give the information by law
  - If there is a duty towards the public to reveal the information
  - If the banks interest requires it to give the information (for example, to prevent fraud) but will not use this as a reason for giving information about the customer or his accounts (including name and address of the customer) to anyone, including other companies.
  - If the customer asks the bank to reveal the information, or if the banks have the customer's permission to provide such information.
- iv. Wherever the bank has installed CCTV for close surveillance as part of security arrangements, the same will be indicated/displayed for the information of the customer.

**b. Customers:**

- i. The customer should inform the banks about the changes, if any, in his name, address or signature.
- ii. The customer should check his statement of accounts or passbook regularly. If there is an entry, which seems to be wrong, he should bring it to the notice of the bank as soon as possible so that the bank could rectify the same.
- iii. If the bank needs to investigate a transaction on any customer's account he should co-operate with the bank and the police or any other authority, in case if the bank needs to involve them.
- iv. Each customer should be informed to safeguard the cheques, passbook, cards, PINs and other security information to help prevent fraud and protect his account. The customer should be made aware of the following:
  - not to keep cheque book and cards together;
  - not to keep the blank cheque leaves signed;
  - not to allow anyone else to use his card, password or other security information; and
  - not to give his account details, password or other security information to anyone unless the account holder knows who they are and why they need them.
- v. If a cheque is sent through the post by a customer, he should write such cheque with carbon on the reverse to avoid chemical alterations.
- vi. If the cheque is paid into a bank account, name of the account holder should be written (ABC Bank Account – XYZ) and a line should be drawn through unused space on the cheque so that unauthorised person cannot add extra numbers or names.
- vii. If the cheque book, pass book or card is lost, or if someone else knows the individual customer's PIN, the same should be brought to the immediate notice of the bank and the best way to provide such information will usually be by phone or by e-mail, alternatively by a written communication to the bank.
- viii. If a customer wants to cancel a payment or series of payments which has been authorised, he should do the following:
  - Give in writing to stop payment of a cheque or cancel standing instruction given.
  - To cancel a direct debit, one can either tell the originator of the direct debit or tell the bank concerned. However, both the actions are recommended in case of cancellation of payments.
- ix. If a customer acts fraudulently, he will be responsible for all losses on his account.

- x. Unless a customer has acted fraudulently or without reasonable care, his liability for the misuse of his card will be limited as indicated by the bank while issuing the card.

**3.20. Implementation, Monitoring and Grievances Redressal Mechanism:**

- a. The bank would provide due publicity to this Code, inform the share holders in the share holders meeting or otherwise about the Code, upload in the bank's website and make available copies of the Code to the customer on request.
- b. The customers/clientele of SCBs and DCCBs are primarily from rural and semi urban areas and are far from empowered. They are required to be protected by 'Codes of Fair Practices', specifically designed, keeping their profile in view.
- c. The SCBs and DCCBs while adopting 'Codes of Fair Practices' should ensure that the availability of Codes is well publicised. It should also be ensured that the Codes are displayed in the Notice Board of the bank, and other facilities of the bank, prominently.
- d. Each SCB/DCCB shall designate a senior officer as 'Nodal Officer' with adequate staff to implement and monitor the code as well as redress the grievances.
- e. The bank should ensure that the redressal machinery put in place is staffed by appropriately motivated personnel as well as take swift corrective action on the grievances of its customers to establish the credibility of the 'Codes of Fair Practices' adopted by the bank.
- f. The staff of the bank at all levels should appropriately be oriented towards the Codes and ensure that the same is implemented in its letter and spirit.
- g. The Board of Directors/Committee Members of the bank should be appropriately oriented in the 'Codes of Fair Practices' of the bank and should take initiatives for popularising the Code and work towards effective implementation of the same.
- h. If the customer wants to make a complaint, the bank will tell him how to do this and what to do if he is not happy about the outcome. The staff will help the customer with any questions he may have.
- i. Within two weeks of receiving such complaint/s, the bank will send a written acknowledgment.
- j. After examining the matter, the bank will send the customer its final or other response within eight weeks and will inform him how to take his complaint further if he is still not satisfied.
- k. The ideal redressal mechanism of a complaint could be:

- Branch – Branch Manager is the competent authority to address the complaints on performance/grievances with regard to his staff.
- Controlling Office/Regional Office, under whose jurisdiction the branch falls will have to look into any complaints received against the branch and dispose of the same.
- Head Office – Chief Executive/Chairman will dispose of the complaints received against the Controlling Office/Regional Office.

a. In the absence of ‘Banking Ombudsman Scheme’ for SCBs and DCCBs an appropriate Ombudsman Scheme may be devised by RBI/NABARD, in due course, for addressing the grievances appropriately.

**3.21. Information about the Code:**

**a. If the customer has any enquiries about the Code, he may contact the:**

*The Chief Executive and/or the designated Nodal Officer  
designated by the Bank*

*(Give full address)*

*Tel. No.:*

*Fax:*

*Website:*

*Email:*

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(KS-NAFSCOB-Code i)

**NAFSCOB WORKING GROUP ON  
'MODEL GUIDELINES ON  
CODE OF STANDARDS AND FAIR PRACTICES  
FOR SCBS AND DCCBS'**

SL. NO.	NAME	STATUS IN THE WORKING GROUP
1	<b>Shri B. Subrahmanyam</b> Managing Director National Federation of State Cooperative Banks Ltd. J. K. Chambers, 5th Floor, Plot No. 76 Sector - 17, Vashi, Navi Mumbai - 400 703	<b>Chairman</b>
2	<b>Shri R.C.Padia</b> Managing Director The Gujarat State Cooperative Bank Ltd. Sahakar Bhavan Tilak Road Ahmedabad – 380 001	<b>Member</b>
3	<b>Shri Avinash Chandra Ranwah</b> Managing Director The Rajasthan State Cooperative Bank Ltd. D.C. - 1, Lalkothi Shopping Centre Opp. Nehru Balodyan Tonk Road Jaipur – 302 015	<b>Member</b>
4	<b>Shri T.S. Appa Rao IAS</b> Managing Director The Andhra Pradesh State Cooperative Bank Ltd. 4-1-441, Troop Bazar Hyderabad – 500 001	<b>Member</b>
5	<b>Shri S.N. Jayaram, IAS</b> Managing Director The Karnataka State Cooperative Apex Bank Ltd. 'UTHUNGA', No. 1, Pampa Mahakavi Road Chamrajpeth Bangalore – 560 018	<b>Member</b>
6	<b>Shri R.N. Dash, IAS</b> Managing Director The Orissa State Cooperative Bank Ltd. Pandit Jawaharlal Nehru Marg Bhubaneshwar – 751 001	<b>Member</b>
7	<b>Shri Sushil Kumar Mishra</b> Managing Director The Madhya Pradesh Rajya Sahakari Bank Maryadit Multistoreyed Building , T. T. Nagar New Market Bhopal – 462 003	<b>Member</b>

<b>8</b>	<b>Shri P.S. Sidhu</b> Managing Director The Punjab State Cooperative Bank Ltd. SCO No. 175-187, Sector-34-A Chandigarh – 160 022	<b>Member</b>
<b>9</b>	<b>Shri K. Sudhakar</b> Director National Federation of State Cooperative Banks Ltd. J. K. Chambers, 5th Floor, Plot No. 76 Sector - 17, Vashi, Navi Mumbai - 400 703	<b>Member Secretary</b>
	<b>Special Invitees:</b>	
<b>1</b>	<b>Shri B. B. Mohanty</b> Chief General Manager National Bank for Agriculture and Rural Development Department of Supervision C-24, Bandra Kurla Complex Bandra (East) Mumbai-400 051	<b>Special Invitee</b>
<b>2</b>	<b>Shri P. Mohanaiah</b> Chief General Manager National Bank for Agriculture and Rural Development Regional Office, West Bengal Abhilasha, 2 <sup>nd</sup> Floor, 6, Royal Street Kolkata – 700 016	<b>Special Invitee</b>

(KS-NAFSCOB-Code i)