

GENERAL BANKING

RBI ACT – 1934

Important Provisions

- **Reserve Bank of India** was formed by the legislative act of Reserve Bank of India Act, 1934.
- Established on April 1, 1935
- The Central Office of the Reserve Bank was initially established in Kolkata but was permanently moved to Mumbai in 1937.
- Meant to provide a framework for the supervision of banking firms in India.
- “**Scheduled Banks**” mentioned in the 2nd Schedule of the Act. Schedules Bank means a Bank included in 2nd Schedule.
- Sec 2 (e) Scheduled banks are banks with paid up capital and reserves at-least Rs.5 Lakhs and above.
- **Section 7** - Central government can legislate the functioning of the RBI through the RBI board, and the RBI is not an autonomous body.
- **Section 17-** Section 17 of the Act defines the manner in which the RBI can conduct business:
 - Accept deposits from the central and state governments without interest.
 - Purchase, sale and discount bills of exchange/Promissory notes.
 - Purchase foreign exchange from banks and sell it to them.
 - Provide loans to banks and state financial corporations.
 - Provide advances to the central government and state governments.
 - Buy or sell Government Securities.
 - Deal in derivatives, repo and reverse repo.
- **Section 18** - Emergency loans to banks.
- **Section 18(1)(3)** - short term loans against any other securities which the RBI may consider sufficient.
- **Section 19-** Business which RBI may not conduct.
- **Section 20 and 21** of RBI Act to transact the banking business of the Central Government.
- **Section 22 of RBI Act - RBI has the sole right to issue and management of currency.**
- Printing of currency notes, are handled by the Security Printing and Minting Corporation of India Limited, (SPMCIL) and The Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) in their different printing presses setup at Nasik, Devas, Mysore and Salboni.
- Nasik & Devas- GOI
- Mysore & Salboni- RBI
- SPMCIL has mints for coin production at Mumbai, Noida, Hyderabad and Kolkata (all GOI).
- **Section 24** - Maximum denomination of a currency note can be ₹10,000.
- **Section 26** - Legal tender character of Indian bank notes.

- **Section 28** - Rules regarding the exchange of damaged and imperfect notes.
- **Section 29**- Bank note shall be exempted from stamp duty.
- **Section 31** – Only GOI and RBI can issue and accept promissory notes that are payable to bearer on demand. However, Cheques that are payable on demand, can be issued by anyone.
- **Section 42** - Every scheduled Bank is required to keep, certain percentage of their demand, and, time liabilities, as cash balances, with the Reserve Bank of India, from time to time, known as **Cash Reserve Ratio (CRR)**.
- Presently CRR is 4%.
- The non-scheduled banks are required to maintain the cash reserve as per **Section 18 of the Banking Regulation Act**.
- **Section 43**- RBI to publish every fortnight a statement showing aggregate assets and liabilities of all SCBs.
- **Section 45 A to F**- Empowers RBI to collect credit information.
- **Section 45 H- 45T**- Regulations relating to non-banking finance companies.
- **Section 48**- Exemption to RBI from paying income tax.
- **Section 49**- Announce and publish Bank rate.

BANKING REGULATION ACT 1949

Important Provisions

- **Section: 5a** Approved Securities, means securities authorised by Central Govt. under clause (b) of section 20 of Indian Trust Act, 1882 or securities in which a trustee may invest under clause (a), (b),(bb) or (d) of section 20 of Indian Trust Act, 1882
- **Section: 5b** Banking: Banking means accepting for the purpose of lending or investment of deposits of money from public, repayable on demand or otherwise, and withdrawable by cheque, draft order or otherwise.
- **Section : 5c** Banking Company
- **Section : 5e** Transact Banking Business in India
- **Section : 5f** Demand and Time Liabilities
- **Section : 5n** Secured loan or advances
- **Section : 6-1** Banking business
- **Section : 6-2** Restriction on business
- **Section : 7** Use of Word ‘Banking’
- **Section : 8** Restrictions on business of trading of goods except realization of securities held by it
- **Section : 9** Immovable property- prohibition for Bank
- Banking Regulation Act, 1949 was amended by the Indian Parliament in 2020 with the passage of Banking Regulation (Amendment) Act, 2020. The amended Act is applicable to Rural Co-operative Banks from 01 April 2021.
 - i. As per the amended Section 9 of the BR Act, 1949- ‘Disposal of non-banking assets’ mandates that no banking company shall hold any immovable property howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the acquisition thereof. Provided that the banking

company may, within the period of seven years as aforesaid deal or trade in any such property for the purpose of facilitating the disposal thereof. Further, the RBI may in any particular case extend the aforesaid period of seven years by such period not exceeding five years where it is satisfied that such extension would be in the interests of the depositors of the banking company.

- **Section : 10** Management (period of office for Chairman & Directors)
- **Section: 11&12** paid up capital, reserves and rules: In case of banking company incorporated outside India, the paid-up capital and reserve shall not be less than Rs 15 lakhs. If it has a place of business in Mumbai or Kolkata or both, then it is Rs 20 lakhs. The company shall keep this amount with the RBI in the form of cash or in the form of unencumbered approved securities an amount, which shall not be less than this minimum amount. Further an amount at the rate of 20% of its profit for a year in respect of business transacted through its Indian Branches shall also be kept with the RBI in the form of cash or in the form of unencumbered approved securities. The Central Govt may, on the basis of the recommendations of the RBI, give exemption having regard to the adequacy of the amount already deposited.
- **Section : 13** Commissions/ Brokerage
- **Section : 14/14A** Prohibits a banking company from creating a charge upon any unpaid capital of a company
- **Section : 15** Prohibits payment of dividend by any bank until all of its capitalized expenses have been completely written off
- **Section: 17-1** To create reserve fund and 20% of the profit should be transferred to this fund before any dividend is declared.
- **Section: 18** Cash reserve for non-scheduled banks.
- **Section: 19** Permits banks to form subsidiary company for certain purposes
- **Section: 19-2** No banking company shall hold shares in any company, 30% of its own paid up share capital + reserves or 30% of the paid-up share capital of the company whichever is less.
- **Section: 20** Banks cannot grant loan against security of their own shares
- **Section: 21** Control over advances by RBI: The RBI may, in the interest of the public or depositors, determine the policy in relation to advances. This may pertain to banking companies in general or a particular banking company. The RBI may give directions with regard to:
 - i. The purpose for which advance may be or may not be made;
 - ii. Margin to be maintained on secured advances;
 - iii. The maximum advance and guarantee that may be given
 - iv. The rate of interest and other terms and conditions of advances
- **Section: 21A** Rate of Interest: Rate of interest charged by banks are not subject to scrutiny by courts on ground of being excessive.
- **Section: 22** Licensing of banking companies: A Company cannot carry on banking business unless it holds the license issued by RBI. Before granting license, the following conditions are to be satisfied.
- The company will be in a position to pay its present and future claims of depositors.

- The affairs of the company will not be conducted in a manner detrimental to the interest of the depositors.
- The company has adequate capital structure and earning prospects.
- Public interest will be served by grant of license.
 - i. Cancellation of license to carry on banking business by Govt. of India/ RBI will also come under Section 22.
 - ii. Under provisions of the amendment bill, 2005 Multi-state Co-operative Societies doing banking business will also come under the control of RB Act as also RBI. Under 36AAA RBI can super cede the Board for a period up to 5 years.
 - iii. In case of a company incorporated outside India, it should be satisfied that the carrying on of banking business by such company in India will be in the public interest and that the Government or law of the country does not discriminate in any way against the company registered in India and the company complies with all the provisions of the Act applicable to banking companies incorporated outside India.
- **Section: 23** Branch Licensing: Without the prior permission of the RBI, a banking company shall not open a new place of business in India. Similarly the location of the existing place of business shall not also be changed. However, change of location within the same city, town or village does not require the permission of the RBI. A temporary place of business may be opened in the same city, town or village, without the permission of the RBI, for a period not exceeding one month on the occasion of exhibition etc. provided the bank has already a place of business in that place.
Through Amendment Bill 2006, Section 56, permission to open Bank Branches in SEZ is also conferred to RBI.
- **Section: 24** Statutory Liquidity Ratio, at present SLR is 18%. A scheduled bank shall maintain in India in cash or in gold or in unencumbered approved securities, an amount which shall not, at the close of any business day, be less than 25% (since removed) but not exceeding 40% of its demand and time liabilities in India, as on the last Friday of the second preceding fortnight. In order to comply with this section, every banking company shall submit a return to the RBI, within 20 days from the end of the month to which it relates, a monthly return showing particulars of its assets and its demand and time liabilities in India at the close of business on each alternative Friday during the month. In case of any shortfall, penal interest at the rate of bank rate + 3% will be levied. If the default continues further, the penal interest will be bank rate + 5%.
- **Section: 26** Unclaimed deposits: Within 30 days of close of each calendar year, every banking company shall submit a return of all accounts in India, which have not been operated for a period of 10 years. In case of fixed deposits, the period will be reckoned from the date of maturity.
- **Section 26 A:** Depositor Education and Awareness Fund (DEAF) established to create awareness among the public.
- **Section: 29** Every bank has to publish its balance sheet as on last working day of March every year on the Form A and P&L account on Form B, of 3rd Schedule of this Act.
- **Section: 30-I** Audit – Balance sheet is to be got audited from qualified auditors.
- **Section: 31** Submit balance sheet and auditor's report

- **Section: 35** Inspection of Bank: The RBI may at any time conduct inspection of any banking company. The Central Government can also direct the RBI to conduct inspection. Annual Financial Inspection of RBI comes under this.
- **Section: 35A** Powers to give directions in public interest or in the interest of banking policy.
- **Section: 36** RBI can terminate any Chairman or any employee of a bank where it considers desirable to do so.
- **Section: 45** RBI has powers to apply to Central Govt. for Suspension of business by a banking company and prepare a scheme of reconstitution or amalgamation.
- **Section: 45Y** Preservation of Records: The Central Government may, after consultation with the RBI, make rules specifying the period for which a banking company shall preserve its books, accounts and other documents and also the different instruments paid by it.
- **Section: 45ZA-ZF** Nomination facilities for Deposit, SDL and Safe deposit of article
- **Section: 45Z** Return, the paid instruments: Return the paid instruments to a customer by keeping a true copy .Customers obtaining original instruments have to undertake to preserve instruments as prescribed by central Govt.
- **Section: 47A** RBI can impose penalty for various kinds of violations
- **Section: 49A** Other than a banking company/RBI/SBI, no person can accept deposits of money withdrawable by cheque.
- **Section: 52 Central Govt.** can make rules for all matter.

NEGOTIABLE INSTRUMENTS ACT- 1881

Important Provisions

The NI Act states in its preamble that it seeks to define the law relating to promissory note, bill of exchange and cheques. NI Act came into force W.E.F March 01, 1882. This act is applicable to entire India. The term negotiable instrument is not defined in the Act. Section 13 says that Promissory Notes, Bills of Exchange and Cheques are negotiable instruments.

Common Features: The common features of negotiable instruments are as follows:

- A negotiable instrument can be transferred by delivery or by endorsement and delivery, depending on whether it is payable to the bearer or order. Transferability of the instrument may be restricted by the maker or holder by crossing it as 'Account Payee.'
- A negotiable instrument confers an absolute and valid title on the transferee who takes it in 'good faith, for value, and without notice of the defect in the title of the transferor.
- The holder of negotiable instrument can sue in his own name and can recover the amount of the instrument from the party liable to pay thereon as there is a right of action attached to the instrument itself.

Under Transfer of Property Act Sec 137, the documents of title to goods are negotiable which include Bill of Lading, Dock Warrant, GRs approved by IBA, Railway Receipts, Warehouse Receipts, Wharfinger Certificates. These are also the document of title of goods under sales of goods act not under the NI Act.

Negotiability means transfer of the instrument to any person so as to constitute him the holder to transfer without restriction with the transferee taking the instrument for value and in good faith getting better and absolute title despite any defect in the title of the transferor.

Section 4: Promissory note: "A Promissory Note is an instrument in writing (not being a bank note or a currency note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

A promissory note that is dependent on contingency would tantamount to being an uncertain undertaking and hence cannot be treated as a promissory note.

Essential elements of a promissory note are:-

- It must be in writing;
- There must be express promise to pay;
- The promise must be unconditional;
- It must be signed by the maker of the note;
- The payee must be certain;
- The amount payable must be certain;
- The promise should be to pay money only and not anything other than money;
- The amount may be payable on demand or after a certain time;
- The promissory note cannot be made payable to bearer on demand. Section 31 of the RBI Act prohibits issue of such a Promissory note except by the RBI or Central Government.

Section 5: Bill of exchange: "A bill exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument."

Elements of a bill of exchange are as follows:

- Bill of exchange is used in business and trade involving the seller and buyer of goods/ services sold on credit terms.
- It has three parties - drawer (seller), drawee (buyer) and payee (beneficiary).
- Instead of paying cash, the drawee (buyer) undertakes to pay to the payee, or to his order, a specified sum on demand (i.e. demand bill on presentment of the bill), or on a specified future date (i.e. usance bill after acceptance).
- The drawee of a bill is not liable until he accepts the bill, indicating thereby his assent to the drawer's order to pay.
- Demand bill is payable immediately on presentment to the drawee.
- Usance bill is presented twice to the drawee - first for acceptance, and thereafter for payment on the due date.
- The date of payment must be certain or ascertainable. Demand bill is payable on demand or immediately on presentment. Usance bill is payable after specified period or at a future date. Usance bills attract stamp duty and they need to be accepted by the drawee/ s to legally –bind him/them for payment.

The essential elements of a bill of exchange are:-

- It must be in writing;
- It must contain an order to pay;

- The order must be unconditional;
- The parties must be certain;
- The sum payable must be certain;
- It must contain an order to pay money.

Section 6, Cheque: "A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.

A cheque has three parties. The drawer is the account holder signing the cheque; drawee is always the bank branch where the account holder maintains his account and the payee is the beneficiary who will receive the amount mentioned in the cheque.

The cheque has to be signed in ink by the account holder or his authorized agent (through mandate or power of attorney) as per the specimen Printed signatures on dividend/ interest warrants cheques that are issued by companies in bulk, are also acceptable.

A cheque has to be dated, as the date constitutes a material element of a cheque.

A holder of an undated cheque may fill in the date while presenting it for payment.

A post-dated cheque cannot be paid before its due date.

An ante-dated cheque (i. e. date prior to the presentment) is payable within three months from the date specified on the cheque.

A banker can pay a cheque written only in words. If the amount is written only in figures, the bank generally returns it.

A demand draft is a negotiable instrument and is always drawn, payable to order. A demand draft resembles a bill of exchange; the only difference being that in the former, the drawer (bank) and the drawee (bank) are same.

The essential elements of a cheque are

- A cheque is a kind of bill of exchange;
- It is always drawn on a specified banker, which means the drawee of a cheque can be a banker;
- It is always payable on demand; and
- Cheque includes electronic image of a truncated cheque and a cheque in an electronic form.

Presumptions in N I Act.

- Negotiation is for consideration
- It bears the date on which it was made or drawn
- It was accepted within a reasonable time after its date and before maturity
- Every transfer of NIs was made before maturity
- Endorsements appearing of NI were made in the order in which they appear thereon
- It was duly stamped and stamp duly cancelled when the N I stand lost
- Holder is holder in due course

Section 7 Drawer, drawee- The maker of a bill of exchange or cheque is called the “drawer”; the person thereby directed to pay is called the “drawee”.

“Payee”. —The person named in the instrument, to whom or to whose order the money is by the instrument directed to be paid, is called the “payee”.

Section 8 Holder: The “holder” of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto.

Section 9 Holder in due course: “Holder in due course” means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or endorsee thereof, if one payable to order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Section 10 Payment in due course- “Payment in due course” means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned.

Section 11 “Inland instrument”- A promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in, India shall be deemed to be an inland instrument.

Section 12 “Foreign instrument”- Any such instrument not so drawn, made or made payable shall be deemed to be a foreign instrument.

Section 13- “negotiable instrument” means a promissory note, bill of exchange or cheque payable either to order or to bearer.

It does not contain words prohibiting transfer or indicating an intention that it shall not be transferable.

It is payable to bearer which is expressed to be so payable or on which the only or last endorsement is an endorsement in blank.

Where a promissory note, bill of exchange or cheque, either originally or by endorsement, is expressed to be payable to the order of a specified person, and not to him or his order, it is nevertheless payable to him or his order at his option.

A negotiable instrument may be made payable to two or more payees jointly, or it may be made payable in the alternative to one of two, or one or some of several payees.

Section 14 Negotiation- When a promissory note, bill of exchange or cheque is transferred to any person, so as to constitute the person the holder thereof, the instrument is said to be negotiated.

Section 15 Endorsement.—When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to indorse the same, and is called the “endorser”.

Section 16 Endorsement in blank and in full- “Endorsee” If the endorser signs his name only, the endorsement is said to be “in blank”, and if he adds a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person, the endorsement is said to be “in full”, and the person so specified is called the “endorsee” of the instrument.

Section 17 Ambiguous instruments.—Where an instrument may be construed either as a promissory note or bill of exchange, the holder may at his election treat it as either and the instrument shall be hence forward treated accordingly.

Section 18 Where amount is stated differently in figures and words- If the amount undertaken or ordered to be paid is stated differently in figures and in words, the amount stated in words shall be the amount undertaken or ordered to be paid.

Section 20 Inchoate stamped instruments- Where one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments then in force, and either wholly blank or having written thereon an incomplete negotiable instrument, he thereby

gives prima facie authority to the holder thereof to make or complete, as the case may be, upon it a negotiable instrument, for any amount specified therein and not exceeding the amount covered by the stamp. The person so signing shall be liable upon such instrument, in the capacity in which he signed the same, to any holder in due course for such amount.

Section 26 A minor may draw, indorse, deliver and negotiate such instruments so as to bind all parties except himself.

Section 31 Liability of drawee of cheque- The drawee of a cheque having sufficient funds of the drawer in his hands properly applicable to the payment of such cheque must pay the cheque when duly required so to do, and, in default of such payment, must compensate the drawer for any loss or damage caused by such default.

Section 58: Instrument obtained by unlawful means/ consideration- no title passes.

Section 85 Protection to paying banker:

- If the banker pays a crossed cheque in due course, he is protected even though the amount of the cheque does not reach the hands of the true owner.
- A banker making payment of crossed cheque, ignoring the crossing will lose statutory protection. Such payment is not payment in due course.
- If a banker pays a cheque crossed generally over the counter or a cheque crossed specially, otherwise than to a banker, he will be liable to the true owner of the cheque for any loss sustained by him.

Section 123 General Crossing

Section 124 Special Crossing

There are two types of crossing namely general crossing and special crossing.

- When a cheque bears across its face two transverse parallel lines it amounts to general crossing. The word “and Company” or any abbreviation of it may or may not appear between the parallel lines. The general crossing may or may not contain the word “not negotiable”.
- If a cheque is crossed generally, the drawee bank can pay the cheque only through a banker.
- When a cheque bears on its face, the name of a banker, it shall be deemed to be a special crossing and is crossed to that bank. In such a case the cheque can be paid only to the bank to which it is crossed. The two transverse parallel lines are not necessary for a special crossing. This means that a specially crossed cheque has to be routed through an account with the named bank.
- A bearer cheque crossed Account Payee, in effect, is not a bearer cheque. It is payable to the payee only through a bank.
- Who may cross a cheque
- A cheque may be crossed even after issue.
- If a cheque is uncrossed, the holder may cross it generally or specially
- If a cheque is crossed generally, the holder may cross it specially
- If a cheque is crossed generally or specially, the holder may add the words ‘Not Negotiable’.
- If a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, as his agent for collection.

Section 131 of the Act provides protection to a collecting banker. The banker will be protected even if the title of the person for whom the cheque is collected is defective. However, the following conditions are to be fulfilled to avail the protection.

- The collecting banker should have acted in good faith and without negligence.

- The cheque should have been crossed before it comes in to the hands of the collecting bank.
- The collecting banker has received the payment for a customer and not in his own account.

Section 131-A: Protection to collecting banker for crossed DD

Section 138: Drawer's liability for cheque returned unpaid for insufficient funds.

Section 140: Drawer cannot plead that he did not expect the cheque to be dishonored.

BCSBI (BANKING CODES AND STANDARDS BOARD OF INDIA)

Important Provisions

The Banking Codes and Standards Board of India is an independent banking industry watchdog that protects consumers of banking services in India. The board oversees compliance with the "Code of Bank's Commitment to Customers"

This is a Code of Customer Rights, which sets minimum standards of banking practices member banks have to follow while they deal with individual customers. It provides protection to customers and explains how banks are expected to deal with customers in their day-to-day operations.

BCSBI has evolved two sets of Codes –

- Code of Bank's Commitment to Customers and
- Code of Bank's Commitment to Micro and Small Enterprises.

These Codes have been adopted by member banks of BCSBI which include scheduled commercial banks, urban cooperative banks and regional rural banks.

BCSBI by its design and mandate is not a grievance redressal forum. However, BCSBI looks at complaints with a view to identifying systemic deficiencies, if any, in terms of gaps in policies, procedures and practices at the banks and initiates action for their rectification.

Back Ground

In November 2003, Reserve Bank of India (RBI) constituted the Committee on Procedures and Performance Audit of Public Services under the Chairmanship of Shri S.S.Tarapore (former Deputy Governor) to address the issues relating to availability of adequate banking services to the common person. The mandate to the Committee included identification of factors that inhibited the attainment of best customer services and suggesting steps to improve the quality of banking services to individual customers.

The Committee felt that in an effort to continuously upgrade the package of services that banks offered to their customers, there was a need for benchmarking of such services. After an in-depth study at the grassroots level, the Committee concluded that there was an institutional gap for measuring the performance of banks against a bench mark reflecting the best practices (Code and Standards). Therefore, the Committee recommended setting up of the Banking Codes and Standards Board of India (BCSBI). BCSBI was set up to ensure that the common person as a consumer of financial services from the banking Industry is in no way at a disadvantageous position and really gets what he/she has been promised.

The Scheme of Banking Ombudsman, which has been functioning for quite some time, does not look into systemic issues with a view to enforcing a prescribed quality of service. Ideally, such a function should be performed by a Self-Regulatory Organisation (SRO) but in view of the

existing framework of the banking sector in India, it was felt that an independent, autonomous Board will be best suited for the function. Therefore, Dr. Y.V. Reddy, Governor, Reserve Bank of India, in his Monetary Policy Statement (April 2005) announced setting up of the Banking Codes and Standards Board of India in order to ensure that a comprehensive code of conduct for fair treatment of customers was evolved and adhered to.

The Banking Codes and Standards Board of India was registered as a society under the Societies Registration Act, 1860 in February 2006. It functions as an independent and autonomous body. Membership of BCSBI is voluntary and open to scheduled banks. Initially the membership of BCSBI was open to scheduled commercial banks and has now been extended to include Regional Rural Banks and select Urban Co-operative Banks.

The general superintendence, direction and control of the affairs and funds of the Society is vested in the Governing Council (constituted by RBI) consisting of members drawn from different disciplines such as banking, economics, service etc. The first Governing Council relinquished office in December 2011 after which a new Governing Council was constituted.

The main objectives of the BCSBI are

- To plan, evolve, prepare, develop, promote and publish comprehensive Codes and Standards for banks, for providing for fair treatment to their customers.
- To function as an independent and autonomous body to monitor, and to ensure that the Codes and Standards adopted by banks are adhered to, in letter and spirit, while delivering services to their customers.

BCSBI has in collaboration with the Indian Banks' Association (IBA), evolved two codes - Code of Bank's Commitment to Customers and the Code of Bank's Commitment to Micro and Small Enterprises - which set minimum standards of banking practices for member banks to follow when they are dealing with individual customers and micro and small enterprises. These Codes are subject to periodical review and revision. The central objective of these Codes is promoting good banking practices, setting minimum standards, increasing transparency, achieving higher operating standards and above all, promoting a cordial banker customer relationship which would foster confidence of the common man in the banking system. The Codes lay great emphasis on transparency and providing full information to the customer before a product or service is sold to him. The Codes are not only commitments of banks to their customers but also in a sense a Charter of Rights for the common person. By setting the minimum standards of customer service, the Codes make the customer aware of he can expect each bank to deal with his / her day-to-day requirements.

BCSBI monitors the implementation of the Codes through the following methods:

- Obtains from member banks an Annual Statement of Compliance (ASC)
- Visits branches to find out the status of ground-level implementation of Codes
- Studies complaints received from customers and orders / awards issued by Banking Ombudsmen/ Appellate Authority to find out whether there is any system-wide deficiency.
- Organizes an annual Conference with Principal Code Compliance Officers of the Member banks to discuss implementation issues.

BCSBI, Other Functions:

- Undertakes campaigns and initiatives to spread awareness of the Codes amongst customers and banks
- Provides faculty support to training establishments of banks.

- Participates in on-location workshops held by / for member banks to increase coverage
- Associates with customer awareness programmes conducted by Banking Ombudsmen
- Provides credit counselling services in Mumbai
- publishes quarterly newsletter entitled 'Customer Matters', containing matters of interest to customers

BCSBI is not a forum for redressal of individual grievances. BCSBI, however, examines each complaint to identify any systemic issue that may exist and takes up the matter with the respective bank to ensure that systems and procedures are suitably amended so that such complaints do not recur.

Objectives of the Code

The Code has been developed to:

- Promote good and fair banking practices by setting minimum standards in our dealings with customer;
- Increase transparency so that customer can have a better understanding of what customer can reasonably expect from us;
- Encourage market forces, through competition, to achieve higher operating standards;
- Promote a fair and cordial relationship between customer and their bank;
- Foster confidence in the banking system.

Application of the Code

This Code applies to all the products and services listed below, whether they are provided by our branches or agents acting on our behalf, whether across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

- Current accounts, savings accounts, term deposits, recurring deposits, PPF accounts and all other deposit accounts;
- Payment services such as pension, payment orders, remittances by way of Demand Drafts, wire transfers and all electronic transactions e.g., RTGS, NEFT;
- Banking services related to Government transactions;
- Demat Accounts, Equity and Government Bonds;
- Indian currency notes/coins exchange facility;
- Collection of cheques, safe custody services, safe deposit locker facility;
- Loans, overdrafts and guarantees;
- Foreign exchange services including money changing;
- Third party insurance and investment products marketed through our branches and / or our authorised representatives or agents;
- Card products including credit cards, debits cards, ATM cards, smart cards and services (including credit cards offered by our subsidiaries/companies promoted by us).

Our Key Commitments to customers

- To act fairly and reasonably in all our dealings with you
- To help you to understand how our financial products and services work
- To help you use your account or service
- To deal quickly and sympathetically with things that goes wrong
- To treat all your personal information as private and confidential
- To publicize the Code.
- To adopt and practice a non- discrimination policy.

Time Schedule under BCSBI Code for key time commitments:

- Closure of account on customer's request- 3 days
- Transfer of account to other branch- operationalize at the new branch- 3 days
- Acknowledgment of complaint if hand delivered- Immediately
- Redressal of customer complaint (maximum)- 30 days
- Closure of account by bank notice & any change in minimum balance- 30 days
- Settlement of Deceased claim case 15 days
- Change in fee/ charges- notice period 1 month
- Closure/ shifting of branch– Notice: Where no other bank has branch- 2 months
: Where other bank has a branch- 1 month
- Change in credit card terms- 1 month
- Loan Recovery - time to visit customers in the normal course 7 am to 7 pm.

Time schedule stipulated by Ministry of finance for redressal of complaints-

Kind of complaints	Stipulated by MOF	Adopted by banks
General complaints	30 days	21 days
Complaints forwarded by RBI/ MOF/ MPs/ VVIPs	21 days	15 days
Complaints from PM's office	15 days	7 days

The Banking Codes and Standards Board of India was registered as a Society under the Societies Registration Act, 1860 and approved as a trust under the Maharashtra Public Trusts Act, 1950. For the purpose of dissolution, BCSBI had to follow the procedure laid down in the Societies Registration Act, according to which member banks physically present have to pass a resolution to that effect. Accordingly, the member banks in a Special General Body Meeting passed resolutions on 28th September 2021 to approve the dissolution of BCSBI. Accordingly, the necessary documents are now being submitted to the statutory authorities for the dissolution/de-registration of BCSBI.

BCSBI is now under dissolution and has stopped its operations.