

# Reserve bank of india

[Business](#), [Customers](#)



\_\_\_\_\_RESERVE BANK OF INDIA\_\_\_\_\_ www. rbi. org. in RBI/2012-13/50  
 DBOD No. Leg. BC. 21 /09. 07. 006/2012-13 July 2, 2012 Ashadha 11, 1934  
 All Scheduled Commercial Banks (Excluding RRBs) Dear Sir, Master Circular  
 on Customer Service in Banks Please refer to the Master Circular DBOD. No.  
 Leg. BC. 18/09. 07. 006/2011-12 dated July 01, 2011 consolidating many of  
 the important instructions issued by us in the area of customer service up to  
 June 30, 2011. The Master Circular has been suitably updated by  
 incorporating the instructions issued up to June 30, 2012 and has also been  
 placed on the RBI website ([http://www. rbi. org. in](http://www.rbi.org.in)). A copy of the Master  
 Circular is enclosed. 2. It may be noted that the Master Circular consolidates  
 and updates all the instructions contained in the circulars listed in the  
 Appendix to the Master Circular. 3. Banks are also advised to ensure that  
 copies of the circular are available in all their branches so that the customers  
 can peruse the same. Yours faithfully, (Rajesh Verma) Chief General Manager  
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Safety Locker / articles left in safe custody (Para 21. 3) 91 Annex V Uniform Template for lodging of complaints relating to ATM transactions (Para 5. 13) 94 Appendix Appendix - List of Circulars 95 DBOD-Master Circular on Customer Service 2012 - 1 - 1. Introduction Customer service has great significance in the banking industry. The banking system in India today has perhaps the largest outreach for delivery of financial services and is also serving as an important conduit for delivery of financial services. While the coverage has been expanding day by day, the quality and content of dispensation of customer service has come under tremendous pressure mainly owing to the failure to handle the soaring demands and expectations of the customers. The vast network of branches spread over the entire country with millions of customers, a complex variety of products and services offered, the varied institutional framework — all these add to the enormity and complexity of banking operations in India giving rise to complaints for deficiencies in services. This is evidenced by a series of studies conducted by various committees such as the Talwar Committee, Goiporia Committee, Tarapore Committee, etc., to bring in improvement in performance and procedure involved in the dispensation of hassle-free customer service. Reserve Bank, as the regulator of the banking sector, has been actively engaged from the very beginning in the review, examination and evaluation of customer service in banks. It has constantly brought into sharp focus the inadequacy in banking services available to the common person and the need to benchmark the current level of service, review the progress periodically, enhance the timeliness and quality, rationalize the processes taking into account technological developments, and suggest appropriate

incentives to facilitate change on an ongoing basis through instructions/guidelines. Depositors' interest forms the focal point of the regulatory framework for banking in India. There is a widespread feeling that the customer does not get satisfactory service even after demanding it and there has been a total disenfranchisement of the depositor. There is, therefore, a need to reverse this trend and start a process of empowering the depositor. DBOD-Master Circular on Customer Service 2012 - 2 - Broadly, a customer can be defined as a user or a potential user of bank services. So defined, a 'Customer' may include: - a person or entity that maintains an account and/or has a business relationship with the bank; - one on whose behalf the account is maintained (i. e. the beneficial owner); - beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc., as permitted under the law, and - any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

1. 1 General Policy for general management of the branches Banks' systems should be oriented towards providing better customer service and they should periodically study their systems and their impact on customer service. Banks should have a Board approved policy for general management of the branches which may include the following aspects:- (a) providing infrastructure facilities by branches by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, with specific emphasis on pensioners, senior citizens, disabled persons, etc. (b) providing entirely separate enquiry counters at their large / bigger branches

in addition to a regular reception counter. (c) displaying indicator boards at all the counters in English, Hindi as well as in the concerned regional language. Business posters at semi-urban and rural branches of banks should also be in the concerned regional languages. (d) posting roving officials to ensure employees' response to customers and for helping out customers in putting in their transactions. (e) providing customers with booklets consisting of all details of service and facilities available at the bank in Hindi, English and the concerned regional languages. DBOD-Master Circular on Customer Service 2012 - 3 - (f) use of Hindi and regional languages in transacting business by banks with customers, including communications to customers. (g) reviewing and improving upon the existing security system in branches so as to instil confidence amongst the employees and the public. (h) wearing on person an identification badge displaying photo and name thereon by the employees. (i) Periodic change of desk and entrustment of elementary supervisory jobs. (j) Training of staff in line with customer service orientation. Training in Technical areas of banking to the staff at delivery points. Adopting innovative ways of training / delivery ranging from job cards to roving faculty to video conferencing. (k) visit by senior officials from Controlling Offices and Head Office to branches at periodical intervals for on the spot study of the quality of service rendered by the branches. (l) rewarding the best branches from customer service point of view by annual awards/running shield. (m) Customer service audit, Customer surveys. (n) holding Customer relation programmes and periodical meetings to interact with different cross sections of customers for identifying action points to upgrade the customer service with customers. (o) clearly

establishing a New Product and Services Approval Process which should require approval by the Board especially on issues which compromise the rights of the Common Person. (p) appointing Quality Assurance Officers who will ensure that the intent of policy is translated into the content and its eventual translation into proper procedures. 2. Customer Service:

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

DBOD-Master Circular on Customer Service 2012 - 4 - 2. 1 Customer Service Committee of the Board Banks are required to constitute a Customer Service Committee of the Board and include experts and representatives of customers as invitees to enable the bank to formulate policies and assess the compliance thereof internally with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer service provided by the banks. 2. 1.

1 Role of the Customer Service Committee Customer Service Committee of the Board, illustratively, could address the following:- - formulation of a Comprehensive Deposit Policy - issues such as the treatment of death of a depositor for operations of his account - product approval process with a view to suitability and appropriateness - annual survey of depositor satisfaction - tri-ennial audit of such services. Besides, the Committee could also examine any other issues having a bearing on the quality of customer service rendered. 2. 1. 2 Monitoring the implementation of awards under the

Banking Ombudsman Scheme The Committee should also play a more proactive role with regard to complaints / grievances resolved by Banking Ombudsmen of the various States. The Scheme of Banking Ombudsman was introduced with the object of enabling resolution of complaints relating to provision of banking services and resolving disputes between a bank and its constituent through the process of conciliation, mediation and arbitration in respect of deficiencies in customer service. After detailed examination of the complaints / grievances of customers of banks and after perusal of the comments of banks, the Banking Ombudsmen issue their awards in respect of individual complaints DBOD-Master Circular on Customer Service 2012 - 5 - to redress the grievances. Banks should ensure that the Awards of the Banking Ombudsmen are implemented expeditiously and with active involvement of Top Management. Further, with a view to enhancing the effectiveness of the Customer Service Committee, banks should also : a) place all the awards given by the Banking Ombudsman before the Customer Service Committee to enable them to address issues of systemic deficiencies existing in banks, if any, brought out by the awards; and b) place all the awards remaining unimplemented for more than three months with the reasons therefor before the Customer Service Committee to enable the Customer Service Committee to report to the Board such delays in implementation without valid reasons and for initiating necessary remedial action.

2. 1. 3 Board Meeting to Review and Deliberate on Customer Service

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

wherever service quality / skill gaps have been noticed. 2. 2 Standing Committee on Customer Service The Committee on Procedures and Performance Audit of Public Services (CPPAPS) examined the issues relating to the continuance or otherwise of the Ad hoc Committees and observed that there should be a dedicated focal point for customer service in banks, which should have sufficient powers to evaluate the functioning in various departments. The CPPAPS therefore recommended that the Ad hoc Committees should be converted into Standing Committees on Customer Service. On the basis of the above recommendation, banks are required to convert the existing Ad hoc Committees into a Standing Committee on Customer Service. The Ad hoc Committees when converted as a permanent Standing Committee cutting across various departments can serve as the micro level executive committee driving the DBOD-Master Circular on Customer Service 2012 - 6 - implementation process and providing relevant feedback while the Customer Service Committee of the Board would oversee and review / modify the initiatives. Thus the two Committees would be mutually reinforcing with one feeding into the other. The constitution and functions of the Standing Committee may be on the lines indicated below :- i) The Standing Committee may be chaired by the CMD or the ED and include non-officials as its members to enable an independent feedback on the quality of customer service rendered by the bank. ii) The Standing Committee may be entrusted not only with the task of ensuring timely and effective compliance of the RBI instructions on customer service, but also that of receiving the necessary feedback to determine that the action taken by various departments of the bank is in tune with the spirit and intent of

such instructions. iii) The Standing Committee may review the practice and procedures prevalent in the bank and take necessary corrective action, on an ongoing basis as the intent is translated into action only through procedures and practices. iv) A brief report on the performance of the Standing Committee during its tenure indicating, inter alia, the areas reviewed, procedures / practices identified and simplified / introduced may be submitted periodically to the Customer Services Committee of the Board. With the conversion of the Ad hoc Committees into Standing Committees on Customer Service, the Standing Committee will act as the bridge between the various departments of the bank and the Board / Customer Service Committees of the Board.

2. 3 Branch Level Customer Service Committees

Banks were advised to establish Customer Service Committees at branch level. In order to encourage a formal channel of communication between the customers and the bank at the branch level, banks should take necessary steps for strengthening the branch level committees with greater involvement of customers. It is desirable that branch level DBOD-Master Circular on Customer Service 2012 - 7 - committees include their customers too. Further as senior citizens usually form an important constituent in banks, a senior citizen may preferably be included therein. The Branch Level Customer Service Committee may meet at least once a month to study complaints/ suggestions, cases of delay, difficulties faced / reported by customers / members of the Committee and evolve ways and means of improving customer service. The branch level committees may also submit quarterly reports giving inputs / suggestions to the Standing Committee on Customer Service thus enabling the Standing Committee to examine them

and provide relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action. 2. 4 Nodal department/ official for customer service Each bank is expected to have a nodal department / official for customer service in the HO and each controlling office, with whom customers with grievances can approach in the first instance and with whom the Banking Ombudsman and RBI can liaise. 3. Board approved policies on Customer Service Customer service should be projected as a priority objective of banks along with profit, growth and fulfilment of social obligations. Banks should have a board approved policy for the following: 3. 1 Comprehensive Deposit Policy Banks should formulate a transparent and comprehensive policy setting out the rights of the depositors in general and small depositors in particular. The policy would also be required to cover all aspects of operations of deposit accounts, charges leviable and other related issues to facilitate interaction of depositors at branch levels. Such a policy should also be explicit in regard to secrecy and confidentiality of the customers. Providing other facilities by " tying-up" with placement of deposits is clearly a restrictive practice. 3. 2 Cheque Collection Policy Banks should formulate a comprehensive and transparent policy taking into account their technological capabilities, systems and processes adopted for clearing DBOD-Master Circular on Customer Service 2012 - 8 - arrangements and other internal arrangements for collection through correspondents. The policy should cover the following three aspects: - Immediate Credit for local / outstation cheques - Time frame for Collection of Local / Outstation Instruments - Interest payment for delayed collection Broad principles enumerated in paragraph 14. 1 should be



taken into account while formulating the policy. 3.3 Customer Compensation Policy Banks must have a well documented Customer Compensation Policy duly approved by their Boards. They could use the model policy formulated by the Indian Banks' Association (IBA) in this regard in formulating their own policy. Banks policy should, at a minimum, incorporate the following

aspects:- (a) Erroneous Debits arising on fraudulent or other transactions (b) Payment of interest for Delays in collection (c) Payment of interest for delay in issue of duplicate draft (d) Other unauthorised actions of the bank leading to a financial loss to customer 3.4 Customer Grievance Redressal Policy

Banks must have a well documented Customer Grievance Redressal Policy duly approved by their Boards. The Policy should be framed based on the broad principles enumerated in paragraph 16 of this circular. 3.5 Giving

publicity to the policies (i) Banks should ensure that wide publicity is given to the above policies formulated by them by placing them prominently on the web-site and also otherwise widely disseminating the policies such as, displaying them on the notice board in their branches. (ii) The customers should be clearly apprised of the assurances of the bank on the services on these aspects at the time of establishment of the initial relationship be it as a depositor, borrower or otherwise. DBOD-Master Circular on Customer Service 2012 - 9 - (iii) Further, they may also take necessary steps to keep the customers duly informed of the changes in the policies formulated by them from time to time. 4. Financial Inclusion 4.1 Basic banking 'no-frills' account

With a view to achieving the objective of greater financial inclusion, all banks should make available a basic banking 'no-frills' account either with 'nil' or very low minimum balance as well as charges that would make such

accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted, but made known to the customer in advance in a transparent manner. All banks should also give wide publicity to the facility of such a 'no-frills' account including on their web sites indicating the facilities and charges in a transparent manner.

4. 2 IT-enabled Financial Inclusion Though the banks make available a basic banking 'no-frills' account so as to achieve the objective of greater financial inclusion, yet financial inclusion objectives would not be fully met if the banks do not increase the banking outreach to the remote corners of the country. This has to be done with affordable infrastructure and low operational costs with the use of appropriate technology. This would enable banks to lower the transaction costs to make small ticket transactions viable. A few banks have already initiated certain pilot projects in different remote parts of the country utilizing smart cards/mobile technology to extend banking services similar to those dispensed from branches. Banks are, therefore, urged to scale up their financial inclusion efforts by utilizing appropriate technology. Care may be taken to ensure that the solutions developed are: - highly secure, - amenable to audit and - follow widely accepted open standards to allow inter-operability among the different systems adopted by different banks.

DBOD-Master Circular on Customer Service 2012 - 10 - 4. 3 Printed material in trilingual form In order to ensure that banking facilities percolate to the vast sections of the population, banks should make available all printed material used by retail customers including account opening forms, pay-in-slips, passbooks etc., in trilingual form i. e., English, Hindi and the concerned Regional Language.

5. Opening / Operation

of Deposit Accounts

5. 1 Customer Identification Procedure for individual accounts Banks should be generally guided by RBI instructions on KYC / AML for opening of accounts.

5. 1. 1 Intra-bank Deposit Accounts Portability Banks are advised that KYC once done by one branch of the bank should be valid for transfer of the account within the bank as long as full KYC has been done for the concerned account. The customer should be allowed to transfer his account from one branch to another branch without restrictions. In order to comply with KYC requirements of correct address of the person, fresh address proof may be obtained from him / her upon such transfer by the transferee branch. Periodical updation of KYC data would continue to be done by bank as per prescribed periodicity.

5. 2 Savings Bank Rules As many banks are now issuing statement of accounts in lieu of pass books, the Savings Bank Rules must be annexed as a tear-off portion to the account opening form so that the account holder can retain the rules.

5. 3 Photographs of depositors Banks should obtain and keep on record photographs of all depositors/account holders in respect of accounts opened by them subject to the following clarifications: (i) The instructions cover all types of deposits including fixed, recurring, cumulative, etc. DBOD-Master Circular on Customer Service 2012 - 11 - (ii) They apply to all categories of depositors, whether resident or non-resident. Only banks, Local Authorities and Government Departments (excluding public sector undertakings or quasi-Government bodies) will be exempt from the requirement of photographs. (iii) The banks may not insist on photographs in case of accounts of staff members only (Single/Joint). (iv) The banks should obtain photographs of all persons authorised to operate the accounts viz., Savings

Bank and Current Accounts without exception. (v) The banks should also obtain photographs of the 'Pardanishin' women. (vi) The banks may obtain two copies of photographs and obtaining photocopies of driving licence/passport containing photographs in place of photographs would not suffice. (vii) The banks should not ordinarily insist on the presence of account holder for making cash withdrawals in case of 'self' or 'bearer' cheques unless the circumstances so warrant. The banks should pay 'self' or 'bearer' cheques taking usual precautions. (viii) Photographs cannot be a substitute for specimen signatures. (ix) Only one set of photographs need be obtained and separate photographs should not be obtained for each category of deposit. The applications for different types of deposit accounts should be properly referenced. (x) Fresh photographs need not be obtained when an additional account is desired to be opened by the account holder. (xi) In the case of operative accounts, viz. Savings Bank and Current accounts, photographs of persons authorised to operate them should be obtained. In case of other deposits, viz., Fixed, Recurring, Cumulative, etc., photographs of all depositors in whose names the deposit receipt stands may be obtained except in the case of deposits in the name of minors where guardians' photographs should be obtained. DBOD-Master Circular on Customer Service 2012 - 12 - 5. 4 Minimum balance in savings bank accounts At the time of opening the accounts, banks should inform their customers in a transparent manner the requirement of maintaining minimum balance and levying of charges, etc., if the minimum balance is not maintained. Any charge levied subsequently should be transparently made known to all depositors in advance with one month's notice. The banks should inform, at least one

month in advance, the existing account holders of any change in the prescribed minimum balance and the charges that may be levied if the prescribed minimum balance is not maintained.

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

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

### 5.6 Statement of accounts / Pass Books

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

(i) A passbook is a ready reckoner of transactions and is handy and compact and as such, is far more convenient to the small customer than

a statement of account. Use of DBOD-Master Circular on Customer Service 2012 - 13 - statements has some inherent difficulties viz., (a) these need to be filed regularly (b) the opening balance needs to be tallied with closing balance of last statement (c) loss of statements in postal transit is not uncommon and obtaining duplicates thereof involves expense and inconvenience (d) ATM slips during the interregnum between two statements does not provide a satisfactory solution as full record of transactions is not available and (e) there are a large number of small customers who do not have access to computers / internet, etc. As such, non-issuance of pass-books to such small customers would indirectly lead to their financial exclusion. Banks are therefore advised to invariably offer pass book facility to all its savings bank account holders (individuals) and in case the bank offers the facility of sending statement of account and the customer chooses to get statement of account, the banks must issue monthly statement of accounts. The cost of providing such Pass Book or Statements should not be charged to the customer. (ii) It has come to our notice that some banks are not issuing pass books to their savings banks account holders (individuals) and only issue a computer generated account statement even when the customer desires pass book facility. Banks are, therefore, advised to strictly adhere to the extant instructions. 5. 6. 2. Updating passbooks (i) Customers may be made conscious of the need on their part to get the passbooks updated regularly and employees may be exhorted to attach importance to this area. (ii) Wherever pass-books are held back for updating, because of large number of entries, paper tokens indicating the date of its receipt and also the date when it is to be collected should be issued. (iii) It is sometimes

observed that customers submit their passbooks for updation after a very long time. In addition to the instructions printed in the passbook, whenever a passbook is tendered for posting after a long interval of time or after very large number of transactions, a printed slip requesting the depositor to tender it periodically should be given. DBOD-Master Circular on Customer Service 2012 - 14 - 5. 6. 3 Entries in passbooks / statement of accounts (i) Banks should give constant attention to ensure entry of correct and legible particulars in the pass books and statement of accounts. (ii) The banks often show the entries in depositors' passbooks / statements of accounts, as " by clearing" or " by cheque". Further, it is observed that in the case of Electronic Clearing System (ECS) and RBI Electronic Fund Transfer (RBIEFTR), banks generally do not provide any details even though brief particulars of the remittance are provided by the receiving bank. In some cases, computerized entries use codes which just cannot be deciphered. With a view to avoiding inconvenience to depositors, banks should avoid such inscrutable entries in passbooks / statement of accounts and ensure that brief, intelligible particulars are invariably entered in passbooks / statement of account. 5. 6. 4 Maintenance of savings bank pass books: precautions Negligence in taking adequate care in the custody of savings bank pass books facilitates fraudulent withdrawals from the relative accounts. A few precautions in this regard are given below: (i) Branches should accept the pass books and return them against tokens. (ii) Pass books remaining with the branches should be held in the custody of named responsible officials. (iii) While remaining with the branch, pass books should be held under lock and key overnight. 5. 6. 5 Providing monthly statement of accounts (i) Banks

may ensure that they adhere to the monthly periodicity while sending statement of accounts. (ii) The statements of accounts for current account holders may be sent to the depositors in a staggered manner instead of sending by a target date every month. The customers may be informed about staggering of the preparation of these statements. DBOD-Master Circular on Customer Service 2012 - 15 - (iii) Further, banks should advise their Inspecting Officers to carry out sample check at the time of internal inspection of branches to verify whether the statements are being despatched in time.

5. 6. 6 Address / Telephone Number of the Branch in Pass Books / Statement of Accounts In order to improve the quality of service available to customers in branches, it would be useful if the address / telephone number of the branch is mentioned on the passbooks / statement of accounts. Banks are therefore advised to ensure that full address / telephone number of the branch is invariably mentioned in the passbooks / statement of accounts issued to account holders.

5. 6. 7 Printing of MICR code and IFSC code on passbook / statement of account The Magnetic Ink Character Recognition (MICR) code is necessary for all Electronic Clearing Service (ECS — Credit and Debit) transactions and the Indian Financial System Code (IFSC) code is a pre-requisite for National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) transactions. At present this information is made available on the cheque leaf along with the IFSC code of the branch. However, on a review, banks are advised to take necessary steps to provide this information in all passbook / statement of account of their account holders.

5. 7 Issue of Cheque Books

5. 7. 1 Issuing large number of cheque books (issued to Public Sector Banks) Banks may



issue cheque books with larger number of (20/25) leaves if a customer demands the same and also ensure that adequate stocks of such cheque books (20/25 leaves) are maintained with all the branches to meet the requirements of the customers. Banks should take appropriate care while issuing large number of cheque books. It should be done in consultation with the Controlling Office of the bank. DBOD-Master Circular on Customer Service 2012 - 16 - 5. 7. 2 Writing the cheques in any language All cheque forms should be printed in Hindi and English. The customer may, however, write cheques in Hindi, English or in the concerned regional language. 5. 7. 3 Dispatching the cheque book by courier The procedure of disallowing depositors to collect the cheque book at the branch and insisting on dispatching the cheque book by courier after forcibly obtaining a declaration from the depositor that a dispatch by the courier is at depositor's risk is an unfair practice. Banks should refrain from obtaining such undertakings from depositors and ensure that cheque books are delivered over the counters on request to the depositors or his authorized representative. 5. 7. 4 Acceptance of cheques bearing a date as per National Calendar (Saka Samvat) for payment Government of India has accepted Saka Samvat as National Calendar with effect from 22 March 1957 and all Government statutory orders, notifications, Acts of Parliament, etc. bear both the dates i. e., Saka Samvat as well as Gregorian Calendar. An instrument written in Hindi having date as per Saka Samvat calendar is a valid instrument. Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) should, therefore, be accepted by banks for payment, if otherwise in order. Banks can ascertain the Gregorian calendar date corresponding to the

National Saka calendar in order to avoid payment of stale cheques. 5. 8 Term Deposit Account 5. 8. 1 Issue of term deposit receipt Bank should issue term deposit receipt indicating therein full details, such as, date of issue, period of deposit, due date, applicable rate of interest, etc. 5. 8. 2 Transferability of deposit receipts Term deposits should be freely transferable from one office of bank to another. DBOD-Master Circular on Customer Service 2012 - 17 - 5. 8. 3 Disposal of deposits Advance instructions from depositors for disposal of deposits on maturity may be obtained in the application form itself.

Wherever such instructions are not obtained, banks should ensure sending of intimation of impending due date of maturity well in advance to their depositors as a rule in order to extend better customer service. 5. 8. 4

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

5. 8. 5 Payment of interest on fixed deposit — Method of calculation of interest Indian Banks' Association (IBA) Code for Banking Practice has been issued by IBA for uniform adoption by the Member Banks. The Code is intended to promote good banking practices by setting out minimum standards, which Member Banks should follow in their dealings with customers. IBA, for the purpose of calculation of interest on domestic term deposit, has prescribed that on deposits repayable in less than three months or where the terminal quarter is incomplete, interest should be paid proportionately for the actual number of days reckoning the year at 365 days. Some banks are adopting the method of reckoning the year at 366 days in a Leap year and 365 days in other years. While banks are free to adopt their methodology, they should provide information to their depositors

about the manner of calculation of interest appropriately while accepting the deposits and display the same at their branches.

### 5. 8. 6 Premature withdrawal of term deposit

A bank, on request from the depositor, should allow withdrawal of a term deposit before completion of the period of the deposit agreed upon at the time of making the deposit. The bank will have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. The bank should ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. While prematurely closing a deposit, interest on the deposit for the period that it has remained with the bank will be paid at the rate applicable to the period for which the deposit remained with the bank DBOD-Master Circular on Customer Service 2012 - 18 - and not at the contracted rate. No interest is payable, where premature withdrawal of deposits takes place before completion of the minimum period prescribed. However, the bank, at its discretion, may disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families. The bank should, however, notify such depositors of its policy of disallowing premature withdrawal in advance, i. e., at the time of accepting such deposits.

### 5. 8. 6. 1 Repayment of Term/Fixed Deposits in banks:

Some banks insist on the signatures of both the depositors to allow repayment of money in fixed/term deposits, though the deposit account is opened with operating instructions (sometimes called ‘ repayment instructions’), ‘ Either or Survivor’ or ‘ Former or Survivor’. Such insistence on the signatures of both the depositors has the effect of making the mandate given by the depositors redundant. This, in turn, results in unjustified delays and allegations of poor customer service.

It is clarified that if fixed/term deposit accounts are opened with operating instructions ' Either or Survivor', the signatures of both the depositors need not be obtained for payment of the amount of the deposits on maturity.

However, the signatures of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the operating instruction is ' Either or Survivor' and one of the depositors expires before the maturity, no pre-payment of the fixed/term deposit may be allowed without the concurrence of the legal heirs of the deceased joint holder. This, however, would not stand in the way of making payment to the survivor on maturity.

2. In case the mandate is ' Former or Survivor', the ' Former' alone can operate/withdraw the matured amount of the fixed/term deposit, when both the depositors are alive. However, the signature of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the former expires before the maturity of the fixed/term deposit, the ' Survivor' can withdraw the deposit on maturity. Premature withdrawal would however require the consent of both the parties, when both of them are alive, and that of the surviving depositor and the legal heirs of the deceased in case of death of one of the depositors. DBOD-Master Circular on Customer Service 2012 - 19 - 3. If the joint depositors prefer to allow premature withdrawals of fixed/term deposits also in accordance with the mandate of ' Either or Survivor' or ' Former or Survivor', as the case may be, it would be open to banks to do so, provided they have taken a specific joint mandate from the depositors for the said purpose. 5. 8. 7 Renewal of Overdue deposits All aspects concerning renewal of overdue deposits may be decided by individual banks subject to their Board laying down a transparent policy in

this regard and the customers being notified of the terms and conditions of renewal including interest rates, at the time of acceptance of deposit. The policy should be non-discretionary and nondiscriminatory.

5. 8. 8 Addition or deletion of the name/s of joint account holders A bank may, at the request of all the joint account holders, allow the addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint account holder. However, in no case should the amount or duration of the original deposit undergo a change in any manner in case the deposit is a term deposit. A bank may, at its discretion, and at the request of all the joint account holders of a deposit receipt, allow the splitting up of the joint deposit, in the name of each of the joint account holders only, provided that the period and the aggregate amount of the deposit do not undergo any change. Note: NRE deposits should be held jointly with non-residents only. NRO accounts may be held by non-residents jointly with residents.

5. 8. 9 Payment of interest on accounts frozen by banks Banks are at times required to freeze the accounts of customers based on the orders of the enforcement authorities. The issue of payment of interest on such frozen accounts was examined in consultation with Indian Banks' Association and banks are advised to follow the procedure detailed below in the case of Term Deposit Accounts frozen by the enforcement authorities: DBOD-Master Circular on Customer Service 2012 - 20 - (i) A request letter may be obtained from the customer on maturity. While obtaining the request letter from the depositor for renewal, banks should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the

term for renewal, banks may renew the same for a term equal to the original term. (ii) No new receipt is required to be issued. However, suitable note may be made regarding renewal in the deposit ledger. (iii) Renewal of deposit may be advised by registered letter / speed post / courier service to the concerned Government department under advice to the depositor. In the advice to the depositor, the rate of interest at which the deposit is renewed should also be mentioned. (iv) If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal may be done from the date of maturity. If it exceeds 14 days, banks may pay interest for the overdue period as per the policy adopted by them, and keep it in a separate interest free sub-account which should be released when the original fixed deposit is released. Further, with regard to the savings bank accounts frozen by the Enforcement authorities, banks may continue to credit the interest to the account on a regular basis.

5. 9 Acceptance of cash over the counter Some banks have introduced certain products whereby the customers are not allowed to deposit cash over the counters and also have incorporated a clause in the terms and conditions that cash deposits, if any, are required to be done through ATMs. Banking, by definition, means acceptance of deposits of money from the public for the purpose of lending and investment. As such, banks cannot design any product which is not in tune with the basic tenets of banking. Further, incorporating such clauses in the terms and conditions which restrict deposit of cash over the counters also amounts to an unfair practice. DBOD-Master Circular on Customer Service 2012 - 21 - Banks are, therefore, advised to ensure that their branches invariably accept cash over the counters from all their customers who desire to deposit cash at

the counters. Further, they are also advised to refrain from incorporating clauses in the terms and conditions which restrict deposit of cash over the counters. 5. 10 Opening accounts in the name of minors with Mothers as guardians Considerable difficulty was experienced by women customers in opening bank accounts in the names of minors, with mothers as their guardians. Presumably, the banks were reluctant to accept the mother as a guardian of a minor, while father is alive in view of section 6 of the Hindu Minority and Guardianship Act, 1956, which stipulates that the father alone should be deemed to be the guardian in such case. To overcome this legal difficulty and to enable the banks to open freely such accounts in the name of minors under the guardianship of their mothers, it was suggested in some quarters that the above provisions should be suitably amended. While it is true that an amendment of the above Act may overcome the difficulty in the case of Hindus, it would not solve the problem for other communities as minors belonging to Muslim, Christian, Parsi communities would still be left out unless the laws governing these communities are also likewise amended. The legal and practical aspects of the above problem were, therefore, examined in consultation with the Government of India and it was advised that if the idea underlining the demand for allowing mothers to be treated as guardians relates only to the opening of fixed and savings bank accounts, there would seem to be no difficulty in meeting the requirements as, notwithstanding the legal provisions, such accounts could be opened by banks provided they take adequate safeguards in allowing operations in the accounts by ensuring that the minors' accounts opened with mothers as guardians are not allowed to be overdrawn and that they always remain in

credit. In this way, the minors' capacity to enter into contract would not be a subject matter of dispute. If this precaution is taken, the banks' interests would be adequately protected. Banks are advised to instruct their branches to allow minors' accounts (fixed and savings only) with mothers as guardians to be opened, whenever such requests are received by them, subject to the safeguards mentioned above. DBOD-Master Circular on Customer Service 2012 - 22 - The facility of allowing opening of minor's accounts with mothers as guardians may be extended to Recurring Deposit Accounts also subject to precautions mentioned above.

5. 11 Opening of Current Accounts — Need for discipline (i) Keeping in view the importance of credit discipline for reduction in NPA level of banks, banks should, at the time of opening current accounts, insist on a declaration to the effect that the account holder is not enjoying any credit facility with any other bank. Banks should scrupulously ensure that their branches do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) from the banking system without specifically obtaining a No-Objection Certificate from the lending bank(s). Banks should note that non-adherence to the above discipline could be perceived to be abetting the siphoning of funds and such violations which are either reported to RBI or noticed during our inspection would make the concerned banks liable for penalty under Banking Regulation Act, 1949. (ii) Banks may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum waiting period of a fortnight. If a response is received within a fortnight, banks should assess the situation with reference to information provided on the prospective customer by the bank concerned and are not required to solicit a



formal no objection, consistent with true freedom to the customer of banks as well as needed due diligence on the customer by the bank. (iii) In case of a prospective customer who is a corporate or large borrower enjoying credit facilities from more than one bank, the banks should exercise due diligence and inform the consortium leader, if under consortium, and the concerned banks, if under multiple banking arrangement.

### 5. 12 Reconciliation of transactions at ATMs failure - Time limit

Reserve Bank has been receiving a number of complaints from bank customers, regarding debit of accounts even though the ATMs have not disbursed cash for various reasons. More importantly, banks take considerable time in reimbursing the amounts involved in such failed transactions to card holders. In many cases, the time taken is as much as 50 days. The delay of the magnitude indicated above is not justified, as it DBOD-Master Circular on Customer Service 2012 - 23 - results in customers being out of funds for a long time for no fault of theirs. Moreover, this delay can discourage customers from using ATMs. Based on a review of the developments and with a view to further improve the efficiency of operations, it has been decided as under:-

- The time limit for resolution of customer complaints by the issuing banks shall stand reduced from 12 working days to 7 working days from the date of receipt of customer complaint. Accordingly, failure to recredit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ ` 100/- per day by the issuing bank.
- Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction.
- The number of free transactions permitted per month at other bank ATMs to

Savings Bank account holders shall be inclusive of all types of transactions, financial or non-financial. d. All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM System Provider only. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible. This measure is intended to bring down the instances of disputes in payment of compensation between the issuing and acquiring banks. Non-adherence to the provisions contained in para 5. 12 (a) to (d) shall attract penalty as prescribed under the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

5. 13 Lodging of ATM related Complaints

The following information should be displayed prominently at the ATM locations:- (i) Information that complaints should be lodged at the branches where customers maintain accounts to which ATM card is linked; (ii) Telephone numbers of help desk / contact persons of the ATM owning bank to lodge complaint / seek assistance. DBOD-Master Circular on Customer Service 2012 - 24 - (iii) Uniform Template (as given in Annexure V) for lodging of complaints relating to ATM transactions.

5. 14 Transactions at ATM- Procedural Amendment - Pin Validation for Every Successive Transaction

The process flow followed for ATM transactions varies from bank to bank. The type of card readers installed by each ATM vendor also contributes to the variation in the process flow. Security concerns arise in the case of certain type of card readers which facilitate multiple transactions without the need for pin validation for every successive transaction. The possibility of frauds / misuse of cards is very high in a scenario where the card is inserted in such reader slots, the card holder fails to collect the card after the transaction is

completed and the card is misused. This risk can be eliminated to a great extent if for every transaction, the process flow demands pin validation. Hence each bank may ensure that the process flow is modified to provide for the pin validation for every transaction, including balance enquiry facilitated through ATM. Non-adherence to these provisions of this circular shall attract penalty as prescribed under the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

5. 15 Security Issues and Risk mitigation measures- Online alerts to the cardholder for usage of credit/debit cards Banks were mandated to send online alerts to the cardholders for all Card Not Present (CNP) transactions for the value of ` 5000/- and above. Recently, incidents of unauthorized / fraudulent withdrawals at ATMs have come to the notice of RBI. It is, therefore, decided that banks may take steps to put in place a system of online alerts for all types of transactions irrespective of the amount, involving usage of cards at various channels. This measure is expected to encourage further usage of cards at various delivery channels. Banks have been advised to implement this measure latest by June 30, 2011.

DBOD-Master Circular on Customer Service 2012 - 25 - 5. 16 Security Issues and Risk mitigation measures related to Card Not Present (CNP) transactions Banks have been mandated to necessarily put in place additional factor of authentication/validation based on information not visible on the cards for all on-line Card not Present (CNP) transactions in a phased manner, starting with online transactions followed by Interactive Voice Response (IVR), Mail Order Telephone Order(MOTO) and Standing Instructions (SI). In the case of MOTO and SI transactions, it has been stated that in case of customer complaint regarding issues, if any, arising out of transactions effected

without the additional factor of authentication after the stipulated date, the issuer bank has to reimburse the loss to the customer further without demur.

6. Levy of Service Charges

6. 1 Fixing service charges by banks

The practice of IBA fixing the benchmark service charges on behalf of member banks has been done away with and the decision to prescribe service charges has been left to individual banks. While fixing service charges for various types of services like charges for cheque collection, etc., banks should ensure that the charges are reasonable and are not out of line with the average cost of providing these services. Banks should also take care to ensure that customers with low volume of activities are not penalised. Banks should make arrangements for working out charges with prior approval of their Boards of Directors as recommended above and operationalise them in their branches as early as possible.

6. 2 Ensuring Reasonableness of Bank Charges

In order to ensure fair practices in banking services, Reserve Bank of India had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges and to incorporate the same in the Fair Practices Code, the compliance of which would be monitored by the Banking Codes and Standards Board of India (BCSBI). Based on the recommendations of the Group, action required to be taken by DBOD-Master Circular on Customer Service 2012 - 26 - banks is indicated under the column 'action points for banks' in the Annex I to this circular.

6. 3 Home Loans-Levy of foreclosure charges/pre-payment penalty

The Committee on Customer Service in Banks (Chairman: M. Damodaran) had observed that foreclosure charges levied by banks on prepayment of home loans are resented upon by home loan borrowers across the board especially since banks were found to be

hesitant in passing on the benefits of lower interest rates to the existing borrowers in a falling interest rate scenario. As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source. The removal of foreclosure charges/prepayment penalty on home loans will lead to reduction in the discrimination between existing and new borrowers and comp