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# STATE BANK OF PATIALA

## Best Practices Code (BPC)

### Part I

## Best Practices Code for Branch Operations

### 1.0 Know Your Customer (KYC)

<b>1.1 'Know Your Customer' (KYC) principle</b>	The first step to prevent frauds is to ensure that the Bank enters into a relationship with the right type of customers. To ensure this, it is necessary to implement "Know Your Customer (KYC) principles in their true spirit.
<b>1.2 "Know Your Customer" (KYC) guidelines for new accounts</b>	Customer identification should include an introductory reference from an existing account holder/ a person known to the bank or be on the basis of specified documents provided by the customer like a passport, driving license etc.
<b>1.3 "Know Your Customer" procedures for existing customers</b>	It is expected that due diligence and appropriate KYC norms would have been adopted at the time of opening of accounts in respect of existing customers. However, in case of any omission, the necessary KYC procedures for customer identification should be got completed at the earliest.
<b>1.4 Ceiling and monitoring of cash transactions</b>	<p>(i) Branches should issue traveller's cheques, demand drafts, Banker's cheques and telegraphic transfers for Rs.50,000 and above only by debit to customers' accounts or against cheques. These should not be issued against payment in cash. Further, the non-customer applicants for above transactions should furnish their PAN on the application forms every time.</p> <p>(ii) Cash withdrawals and Deposits for Rs.10 lakhs and above in all accounts should be closely scrutinised and recorded.</p>

	<p>(iii) Branches are required to report all cash deposits and withdrawals of Rs.10 lakhs and above as well as transactions of a suspicious nature with full details in their fortnightly statements to their controlling offices. Controlling offices are also required to inform their Head offices about such transactions.</p> <p>(iv) Terrorism Finance</p> <p>Branches should not open accounts in the names of terrorist/-banned organisations, the names of which are circulated by the RBI from time to time.</p>
<b>1.5 Internal Audit / Inspection</b>	<p>(i) An independent evaluation of the controls for identifying high value transactions should be carried out on a regular basis by the internal auditor.</p> <p>(ii) Concurrent/internal auditors should specifically scrutinize and comment on the effectiveness of the measures taken by branches in adoption of KYC norms and steps towards prevention of money laundering.</p>
<b>1.6 Identification and Reporting of Suspicious Transactions</b>	<p>Branches should report transactions of a suspicious nature to the appropriate law enforcement authorities designated under the relevant laws governing such activities through their controllers. Operations in such accounts should be frozen if directed by such authority and the matter reported to the controlling office.</p>
<b>1.7 Adherence to Foreign Contribution Regulation Act (FCRA), 1976</b>	<p>While opening new accounts of foreign organisations, branches should obtain from them a certificate to the effect that they are registered with the Govt. of India to adhere to Foreign contributions Regulation Act (FCRA), 1976.</p>

## 2.0 Cash Department

<b>2.1 Strong Room</b>	Branches should ensure that the activities in the strong room are not visible to public.
	Strong room should be constructed as per RBI specifications. Fitness Certificate from the competent authority should be obtained at prescribed intervals.
	Time lock device should be used.
	Electric connection should be controlled from outside.
	The Security alarm system should be tested periodically.
	Armed guards should guard the strong room of chest branches round the clock.
	Strong room should be kept free from dampness/termites.
	Branches should adhere to any ceiling prescribed by RBI for retaining cash in the strong room.
<b>2.2 Keys</b>	Main Keys of the branch (e.g. keys of the strong room, safe deposit vault etc.) should be in the possession of identified and duly authorised official. Unauthorised officials/ employees should not be permitted to handle them.
<b>2.3 Custody of Currency Notes</b>	Notes should be stored in separate receptacles denomination wise. However, for daily requirement, one receptacle may be identified for keeping notes of all denominations to avoid operations in all receptacles daily.
	No portion of the chest should lie dormant for a long time. Contents must be kept in circulation.
	Issuable, non-issuable and mutilated notes should be sorted and kept separately.
<b>2.4 Procedure</b>	Cash should always be kept locked .At commencement of business; Joint Custodians should withdraw sufficient cash for the day's requirement from the chest and enter the particulars in the vault register under the signature of the joint custodians. Similarly at the time of depositing into the chest, particulars have to be entered in the vault register under the signatures of both the joint custodians.
	After withdrawal from the chest, no cash will remain in the custody of the cash officer. He should distribute the cash amongst designated staff as per their estimated requirement. Each designated staff at the time of receiving the cash will verify that the packets are intact and will count the number of packets and all loose notes. He will acknowledge receipt of cash in Cash Delivery and Receipt book.

	<p>During the day if any designated staff accumulates cash beyond the stipulated limit, he should hand it over to the Cash Officer/Head Cashier against acknowledgement in the Cash Delivery and Receipt Book.</p> <p>Cash receipt/ delivery amongst designated staff should be done only when instructed by Cash Officer/Head Cashier. The transaction should be recorded in Cash Delivery and Receipt Books of both the cashiers.</p> <p>All cash receipts should be scrutinized by receiving cashier for ensuring exact quantity as per voucher and acceptable quality of notes. In case of doubt on quality of the note the matter should be referred to Cash Officer/Head Cashier.</p> <p>Receiving cashier to separate issuable and soiled notes.</p> <p>Receiving cashier should make packets of 100 pieces of notes denomination wise. He should place a note slip on the packet and sign it after tying it with a string as per prescribed procedure. In case of notes of Rs 500 and Rs 1000 denominations, receiving Cashier should get the packet recounted by Cash Officer/Head Cashier in his presence and get the note slip signed by the recounting person.</p> <p>Payment cashier should receive vouchers for payment only through transit voucher book. Before making payment cashier should collect and verify token from the customer. Paid vouchers should be sent to passing officer through transit voucher book (except under SW system)</p>
<b>2.5 Mutilated notes</b>	Half-value, mutilated, mismatched or altered notes and notes disfigured by oil or other substances in such a manner as to render their identification doubtful should not be accepted. These should be exchanged or otherwise disposed off in terms of Reserve Bank of India Note Refund Rules.
<b>2.6 Forged notes</b>	All notes accepted over the counters should be carefully examined for their genuineness. For quick and easier detection of forged notes, ultraviolet lamps should be used. Forged notes detected at the branches should be handed over to the local police for further investigations. A receipt of impounded notes should be issued to the tenderers. However, if one or two notes are detected as forged out of number of notes tendered by customers/ members of public and there is no reason for doubting the bonafides of the tenderer, the branch should not lodge an FIR. The forged notes so detected should be sent to RBI's Issue Office on a monthly basis.

<b>2.7 Bank Cash Balance</b>	The particulars of the Bank Cash Balance at the close of business each day should be recorded in the Cash Balance Book, duly bifurcated into 'Single Custody' and 'Joint Custody' and should be signed by joint custodians.
<b>2.8 Shortage</b>	All shortages/excess found in cash should be reported to the Controlling Authority immediately after detection, even if the shortages are made good in full by the concerned employee/ official. A special register should be maintained to record instances of shortfall. Excess cash found should be deposited into sundry deposit account with full particulars.
<b>2.9 Intra-day verification</b>	The Cash Officer/Head Cashier should carry out 'intra-day' verification of cash at the cash counters at irregular intervals. Suitable record of such verification should be maintained.
<b>2.10 Cash Verification</b>	The Zonal Office should arrange for the verification of cash, currency chest and small coin depot balances at the branches at irregular intervals, at least once in every six months.
<b>2.11 Rotation of duties</b>	Duties of cash department staff should be rotated periodically.
<b>2.12 Clean note policy</b>	Note packets should not be stitched or stapled. Separate packets should be prepared for soiled and issuable notes.
<b>2.13 High Value transactions</b>	A register should be maintained for withdrawal/ deposit of Cash of Rs 10 lacs or more. KYC guidelines in this regard should be adhered to.
<b>2.14 Cash Retention limit and insurance cover</b>	Non-chest branches should not allow their cash balance to exceed retention limit and the insurance cover. The instances of retention limit being exceeded should be reported to the controlling authority immediately with reasons thereof.
<b>2.15 Remittances of Cash and valuables</b>	Information regarding remittances should be discussed only on a 'need to know' basis and not divulged even to the concerned employees earlier than necessary. Remittances between a Chest branch and link branch should be packed in steel boxes and locked. Of the two sets of keys, one set should be retained at the sending branch and the other at the receiving branch. Keys should not be carried with the remittance. Greatest secrecy should be maintained regarding the actual timings of dispatch of remittances.

	<p>The armed guard escorting the remittance should not be used to carry boxes from/to the vehicle. The remittances should be transported in a closed vehicle. The vehicle should be hired from known and reputed transport providers. The remittance box should be securely chained (with a chain and a padlock) to the body/ seats of the vehicle. The receiving branch should be informed of the approximate time of arrival of remittance. If the vehicle is unduly delayed, the receiving branch should get in touch with the remitting branch.</p>
<p><b>2.16 'Cash in transit' and its Insurance</b></p>	<p>'Cash in Transit' insurance is arranged by the Head Office. The policy contains stipulations such as the (i) ceiling on value of cash per remittance (ii) number of employees (iii) armed guards required to accompany the remittance, and (iv) other precautionary measures to be taken while effecting a remittance. The branch should meticulously comply with all the precautionary measures advised to them.</p> <p>The value of each remittance should not exceed the limit prescribed under the transit insurance policy.</p> <p>Remittances up to Rs 10 lacs should not be accompanied by armed guard. One-armed guard should accompany remittances above Rs.10/- lacs to Rs.50/- lacs. Two armed guards should accompany for remittances above Rs.50/- lacs to Rs.75 lacs. State police/IRB Force should accompany remittance over Rs.75/- lacs. In all the above cases,, one permanent cashier of the bank will accompany the cash in covered vehicle.</p>

**3.0 SAFE CUSTODY OF SECURITY –FORMS (Demand Drafts, Bankers Cheques, TDR, STDR, etc)**

<p><b>3.1 Supply and distribution of forms</b></p>	<p>Stationery Department should arrange for printing of branch name, branch code, and telephone number with STD code on manual draft forms. If not printed, these particulars should be affixed manually at the branch immediately on receipt of stationery. In the case of continuous draft forms, the draft-printing machine should print such details.</p> <p>Immediately on receipt of security forms, branches should verify the contents from the invoice and send acknowledgement to SD. All security forms after verification, should be kept in the strong room, or in FBR safes.</p> <p>SD should obtain confirmation signed by the joint custodians of branches regarding receipt of security forms.</p>
<p><b>3.2 Handling of forms at the Branches</b></p>	<p>The branch should have stock of only 12 months requirements. Surplus stock should be disposed in consultation with Stationery Department/controllers.</p>
<p><b>3.3 Custody of the forms</b></p>	<p>The stock of security forms should be kept in joint custody. The forms, which are currently in use, are to be issued to the dealing officer against acknowledgement, which will be held in his single custody. The dealing officer should issue / receive back security forms to/from Assistants through Security Forms Receipt and Delivery book only.</p>
<p><b>3.4 Bank Guarantee and LC forms</b></p>	<p>These should be kept in charge of a supervising official and duly recorded.</p>
<p><b>3.5 Inter Branch loaning of draft forms</b></p>	<p>Branches, which have strong room, can only loan draft forms. The lending and borrowing branches should advise the full particulars of draft forms so issued/received to their controllers and Stationery department.</p>
<p><b>3.6 Inter Branch loaning of other forms</b></p>	<p>This should be avoided as far as possible. In compelling situations, it should be done under advice to the controlling office. The remitting branch should seek acknowledgment signed by both the joint custodians of the receiving branch.</p>

<b>3.7 Issue of cheque books</b>	At a time, limited number of chequebooks should be issued against acknowledgement to the employee who has been entrusted with the job of issuing chequebooks to customers. The chequebook should be issued to customers generally against the requisition form supplied with the earlier chequebook. If the chequebook is to be delivered to the representative of the account holder then the branch should obtain an acknowledgement from the representative and the account holder and keep them on record.
<b>3.8 Verification</b>	Stock of security forms should be verified at periodical intervals

## 4.0 Deposits

<b>4.1 Opening of New Accounts</b>	
<b>4.1.1 Identification</b>	Identity of the prospective customer should be ascertained to the full satisfaction of the Bank
<b>Identification of Individuals</b>	
<b>4.1.2 Introduction</b>	<p>a) The prospective customer should be introduced to the Bank by a customer whose account has been satisfactorily conducted for at least one year or by a person well known to the Bank. Genuineness of the introductory reference should be ensured.</p> <p>b) However, at metro and urban branches the Bank may waive the need for an introduction if the prospective customer produces documents sufficient to prove his identity and residential address.</p>
<b>4.1.3 Documents for introduction</b>	<p>a) Account can be opened on the basis of passport if the address given in the application form and the address in the passport is the same.</p> <p>b) The prospective customer should furnish at least one document from each of the following two lists if the present address differs from the passport:</p> <p><b>List 1:</b> Passport, Election ID Card, PAN Card, Driving License, ID Card issued by Government/ Defense Authorities or reputed employers.</p> <p><b>List II:</b> latest Credit Card statement, Salary Slip, Income/ Wealth Tax Assessment Order, Electricity Bill, Telephone Bill.</p> <p><b><i>Ration Card should not be accepted as a document for establishing identity or proof of residence.</i></b></p>
<b>4.1.4 Identification of customers other than individuals</b>	Accounts of following categories of customers to be opened after obtaining the documents stated against their names.
<b>4.1.5 Accounts of limited Companies</b>	<p><b>Documents required</b></p> <p>a) Certificate of incorporation</p> <p>b) Memorandum &amp; Articles of Association</p> <p>c) Certificate of commencement of business (for public limited companies only)</p> <p>Copy of resolution of Board of Directors for opening of the account.</p>

<b>4.1.6 Society/ Associations/ Clubs</b>	<b>Documents required</b> a) A copy of Bye –laws and resolution for opening the account. b) Certificate of registration if registered.
<b>HUF</b>	Declaration to be obtained from the Karta
<b>Trusts</b>	Copy of the resolution, trust deed and registration certificate
<b>Partnership Firms</b>	Copy of partnership deed, partnership letter and an introduction from a person known to the Bank.
<b>4.1.7 Letter of Thanks for new accounts</b>	Letter of thanks should be sent to the customer and the introducer. If any envelope is returned undelivered, the matter should be pursued to the logical end.
<b>4.1.8 Interview of prospective account holder</b>	The prospective account holder should be interviewed by the officer in-charge to know about reasons for opening of account, background of person, sources of funds etc.
<b>4.1.9 Interview of introducer</b>	The introducer if comes in person should be interviewed to ascertain (i) how he knows the customer (ii) for how many years (iii) does he know the residence of prospective customer. The introducer should be made aware of his responsibilities.
<b>4.1.10 Joint Accounts</b>	If all account holders do not live at a common place and/or not close relatives, then bank has to verify the identity of each account holder independently
<b>4.1.11 Physical verification</b>	In case of doubt, the residential address of prospective customer should be physically verified
<b>4.1.12 Photograph</b>	The recent photographs of the prospective customers should be obtained and affixed on account opening form, after authentication by an authorised official. The authorised official should sign the photograph.
<b>4.1.13 Specimen Signature</b>	The specimen signature of the prospective customer should be obtained on the application form in the presence of an authorised official of the Bank and should be authenticated by that officer under his signature.
<b>4.1.14 Customer Profile</b>	At the time of opening of account, complete customer profile should be prepared as per the Know Your Customer guidelines. The profile should contain details like name, address, phone number, age, occupation, sources of funds, monthly income, annual turnover, date of birth, educational qualification, family members, relatives settled abroad, dealings with other banks, existing credit facilities, assets (approximate value) etc.

<b>4.1.15 Flagging of New Account</b>	The first 10 leaves of first chequebook issued to a new account holder should be branded "New Account". One memo field should be marked "New Account" to enable the user to see the legend prominently.
<b>4.1.16 Signature of NRI Account holders/ Account holders residing in other cities</b>	In case the prospective customer cannot attend the branch for opening the account for the reason that he is not residing at the centre, his signature on the account opening form should be verified by an officer of the branch of State Bank of Patiala with the specimen signature number, at that centre where he lives. The signature of verifying officer should be tallied with the specimen on records.
<b>4.1.17 Non involvement of middlemen</b>	The bank should directly contact the prospective customer. No middleman to be encouraged. All Passbooks, deposit receipts etc should be either handed over to the account holder personally or they should be sent to his recorded address.
<b>4.1.18 Firm not established locally</b>	Branch should make enquiries as to the purpose before opening accounts of the firms which are not established locally
<b>4.1.19 Verification of local and principal address</b>	Branch should ascertain the Principal and local address of the firms/companies whose accounts are being opened and the addresses be verified by the bank independently
<b>4.1.20 Nomination Facility</b>	All single account holders be persuaded to provide nominations to their accounts
<b>4.1.21 Conduct of New Account</b>	The conduct of new account should be closely monitored. The instance of high value credit through Draft, T.T., collection of instruments should be thoroughly scrutinised.
<b>4.2 Servicing of Deposit Accounts</b>	
<b>4.2.1 Specimen Signatures</b>	Specimen Signatures of the customers should be kept in proper custody. These should also be scanned and placed in the CBS database.
<b>4.2.2 Reference to S.S.</b>	Before effecting payment, S.S. of customers should invariably be referred by the concerned employee/officer.
<b>4.2.3 Cheque Books</b>	a) First Chequebook is to be issued only after completion of all formalities of account opening and realisation of cheque for initial deposit, if any. Such chequebook is to be issued to the customer personally or to be sent by Registered post at his address

	<p>b) Cheque book should normally be issued against the written request made on the requisition slip provided with earlier chequebook.</p> <p>c) If chequebook has not been handed over to the customer in person, he should be advised of the fact of issuance of new chequebook in writing. The customer should acknowledge receipt of chequebook. This acknowledgement should be followed up.</p> <p>d) The number of cheque leaves issued to a customer should be entered in the CBS promptly.</p> <p>e) The blank chequebooks at the branch should be kept in proper custody. These should be properly accounted for and should be verified periodically.</p> <p>e) Customers should be educated about safe keeping of chequebooks.</p> <p>f) Efforts should be made to issue chequebooks to all eligible savings bank account holders.</p>
<b>4.2.4 Non Cheque Book S.B. Account</b>	<p>a) No payment should be made in non-chequebook Savings Bank account without Pass Book.</p> <p>b) Payment through withdrawal forms should be made to the depositor only. In case of doubt staff should refer to the photograph. No third party payment should be allowed</p>
<b>4.2.5 Overnight custody of Pass Books</b>	<p>Updation of passbooks in Saving &amp; Recurring Deposit accounts should be promptly done, and passbook returned to the customer. If passbook is held overnight, a paper token should be issued. The passbooks should be kept in proper custody and not left unattended. Passbooks should be returned against paper tokens. If a customer does not turn up for taking delivery of his passbook for 7 days, the passbook should be sent to his recorded address by registered post.</p>
<b>4.2.6 Issue of Token</b>	<p>Tokens should be kept in proper custody and verified periodically.</p>
<b>4.2.7 Transit Voucher Book for cash instruments</b>	<p>To be used by passing officers for sending passed instruments for cash payment, and by cashiers to return the paid instruments.</p>
<b>4.2.8 Discrepancy of signature</b>	<p>Instance of discrepancy of signature on cheques with the specimen signature should be immediately brought to the notice of concerned account holder.</p>
<b>4.2.9 Cheques received for deposit</b>	<p>Cheques received for deposit into an account should be immediately branded with special crossing stamp and clearing stamp of the branch on instruments for clearing.</p>

<b>4.2.10 Cheque referred and returned register</b>	All the cheques returned must be entered in the cheques referred and returned register and authorised by the appropriate authority before payment/ return.
<b>4.2.11 Debit only through cheques/ withdrawal slips</b>	Normally, no debits to the account should be permitted other than by cheques/withdrawal slips.
<b>4.2.12 Collection of outstation cheques</b>	The collection schedule and instruments should not be handed over to the customer or his representative for deliver at paying branch. Similarly the realisation advice should not be handed over to the customer/ his representative
<b>4.2.13 Periodical Scrutiny of Staff Accounts</b>	The staff accounts should be scrutinised periodically by the Branch Manager to observe any abnormal transactions.
<b>4.2.14 Statement of account</b>	Statement of accounts must be sent to customers periodically whether or not demanded by them.
<b>4.2.15 Ultra Violet Lamp</b>	High value cheques to be scrutinised under ultra violet lamp for any material alterations before passing for payment.
<b>4.2.16 Paying Cashier</b>	All the payment cashiers will have to be provided with a list of passing officials with their specimen signatures and their passing powers.
<b>4.2.17 High Value Transactions</b>	Issuance of travellers cheques, demand drafts, telegraphic transfers, Banker's cheque for Rs.50, 000 and above should not be against cash, but only by debit to customers account or against cheques. A separate register should be maintained to enter cash deposit/withdrawal of Rs 10 lacs or more as per RBI/IT guidelines. High value clearing cheques should be sent for high value clearing only
<b>4.2.18 Change of address</b>	Whenever a request for change of address is received from the customers, a letter acknowledging and effecting the change to be mailed to both the old and new addresses.
<b>4.2.19 Similar Accounts</b>	In case of accounts with similar names memo reading "care similar account (A/c No.) " must be invariably added in the account.
<b>4.2.20 I.O.A. Memo reconciliation</b>	Reconciliation should be attended to promptly. This will help in early detection of frauds.
<b>4.2.21 Clearing Instruments</b>	The flow of instruments and credit vouchers in clearing system should be watched carefully. It

	should be ensured that no instrument is lost in the process. All instruments should be branded with special crossing cum clearing stamp immediately on receipt.
<b>4.2.22 Noting of 'Stop' instructions</b>	Instructions regarding stop payment of cheque(s) should be entered in Stop Cheque Register, customer should be intimated about date and time of receipt of the instructions, and instructions promptly fed into the Bankmaster, so that system does not allow its payment.
<b>4.2.23 Rotation of Duty</b>	Rotation of duties to be ensured for all employees/officers. The controllers also should ensure the same.
<b>4.2.24 Second Scrutiny of Voucher</b>	Second scrutiny of vouchers to be done either by the Branch Manager/other supervisory officials.
<b>4.2.25 Withdrawal in illiterate Account</b>	The passing officer should enquire from the illiterate account holder regarding the amount to be withdrawn before passing the withdrawal slip for payment. Left hand thumb impression of account holder on withdrawal slip should be verified.
<b>4.2.26 Duplicate Pass Book</b>	Should be handed over to the customer across the counter or sent by Registered Post. Duplicate passbooks should not be handed over to a third party.
<b>4.3 Transfer of Account</b>	
<b>4.3.1 Verification of address by transferee branch</b>	The transferee branch must verify the address furnished by the customer independently and satisfy about its genuineness.
<b>4.3.2 Intimation of transfer of account</b>	The transferee branch should inform the transferor branch regarding opening of the account.
<b>4.3.3 Unused chequebooks</b>	All unused cheque leaves must be accounted for in the transferor branch promptly. In case the chequebook is surrendered at the transferee branch, that branch will inform the transferor branch regarding the unused cheque leaves received and destroyed by them.
<b>4.4 TDR/STDR</b>	
<b>4.4.1 Transfer</b>	Transferee branch should carefully identify the depositor, and verify the address furnished by him.
<b>4.4.2 Premature Payment</b>	Should be done carefully. The signature must be compared and credit afforded to the depositors' account.

<b>4.4.3 Duplicate Receipts</b>	This fact must be entered in the CBS so as to appear as a caution on the computer screen whenever the account is accessed. Extra care should be taken while making payment of the duplicate deposit receipt.
<b>4.5 Records</b>	
<b>4.5.1 Control of Records</b>	Access to record room must be controlled. All old records and vouchers to be issued against requisition only. The requisition slip will be retained and followed up till the records/vouchers are returned.
<b>4.6 Standing Instructions</b>	
<b>Third party credits</b>	Wherever standing instructions to transfer funds to a third party are received, a suitable letter is to be addressed to the depositor and his confirmation of the standing instructions be obtained.
<b>4.7 Dormant/Inoperative accounts</b>	
<b>4.7.1 Operations</b>	Operations in Dormant and Inoperative accounts to be allowed after proper identity of the account holder
<b>4.7.2 Closure</b>	Whenever inoperative/dormant accounts are to be closed more than ordinary care should be exercised to ensure the identity of the account holder.
<b>4.8 Closure of an Account</b>	
<b>4.8.1 Identity of the customer</b>	Whenever account holders approach the bank for closure of accounts, their identity should be established beyond doubt
<b>4.8.2 Lien on deposit accounts</b>	Branch to ensure that there is no lien on the account before its closure.
<b>4.8.3 Direct or Indirect liability</b>	Branch to ensure that the account holder whose account is being closed is not having any direct or indirect liability to the bank
<b>4.9 Deceased constituents accounts</b>	
<b>4.9.1 Operations</b>	Notice or knowledge of death, insolvency or insanity of the constituent precludes the bank from paying further cheques on his account even though they are dated prior to the date of his death, insolvency or insanity. Branch should record the notice or knowledge of death of the account holder under proper authentication
<b>4.9.2 Settlement of claims</b>	Bank should pay the balance in the deceased constituents account to the nominee/legal heirs (with or without legal representation) without any delay.
<b>4.9.3 Other dues to the Bank</b>	Before making settlement of the claim, it shall be ensured that the account holder has no direct or indirect liability to the bank.

<b>4.10 Safe Deposit Lockers</b>	
<b>4.10.1 Identification</b>	If locker applicant is not already a customer then he should be identified as per KYC norms
<b>4.10.1 Nominations</b>	Locker holders should be persuaded to utilise nomination facility
<b>4.10.2 Access</b>	Access to lockers should be allowed only to the holder against identification.
<b>4.10.3 Change of lock</b>	When a locker is surrendered, its lock should be replaced before offering it to any new customer
<b>4.10.4 Recovery of rent</b>	Standing Instructions should be obtained for recovery of locker rent. If rent is overdue, access to locker should not be allowed.
<b>4.10.5 Operation of locker</b>	While operating a locker, the signature of the holder should be verified with bank's record.
	Locker room should be locked by joint custodians overnight.

## **5.0 Credit Management- General Instructions**

<b>5.1.1 Application Form and Check list of documents</b>	Proper application form should be given to prospective customers along with an exhaustive check list of documents for the type of loan the customer is seeking
<b>5.1.2 Preliminary scrutiny of loan application</b>	After receipt of completed application, the same should be entered in the Loan Application Received and Disposal register. Preliminary scrutiny should be done to ensure compliance with KYC norms and for prima facie acceptability of the proposal.
<b>5.1.3 Concurrent borrowings</b>	Ascertain whether the applicant is enjoying any credit facility with other banks. If so, call for opinion report from the banker concerned.
<b>5.1.4 Group Approach</b>	Information should be obtained from the applicant about all associate concerns and group companies. Financial statements of all such companies should be examined as on a common date and opinion reports should be sought from their bankers.
<b>5.1.5 Margin</b>	Margin as prescribed in relevant loan scheme should be maintained
<b>5.1.6 List of defaulters</b>	Reference should be made to the list of defaulters issued by RBI/CIBIL/ECGC to ascertain whether the applicant /director/ partner/ borrowers are defaulters to any financial institution.
<b>5.1.7 Borrowing power</b>	To be verified from Memorandum and Articles of Association to ascertain whether any limitations have been placed on the Company's borrowing powers, operations and scope of activity. In case of finance to partnership firms, partnership deed should be scrutinized.
<b>5.1.8 Date Chart for Disposal of loan application</b>	A date chart should be enclosed with all proposals
<b>5.1.9 Rejection of Application</b>	If credit facilities applied for, are wholly or partially rejected, the reasons thereof should be mentioned in the Loan Application and Disposal register and confirmation sought from the controlling authority

<b>5.1.10 Opinion Report</b>	To be compiled on the Directors/Partners/Proprietors/ Guarantors and updated at annual interval.
<b>5.1.11 Registrar of Companies (ROC) search</b>	For Corporate accounts, initial search with ROC should be done. Subsequent registration of our charges and periodical search to be ensured.
<b>5.1.12 Valuation of Property</b>	Valuation report on the property charged to the Bank is to be obtained at the time of initial sanction and at 3 years interval thereafter. Periodical search for subsequent encumbrance to be carried out.
<b>5.1.13 Land and other immovable properties as collateral</b>	The Bank officer(s) should visit the site to ascertain the correctness of the address and approximate value of the property. Enquiries should be made from neighbours to ascertain ownership/ occupancy of property. The title deed should be scrutinized thoroughly by the appraising officer. The search report should be called for from bank's approved solicitor. The report should be as per bank's approved format, indicating a clear, absolute and marketable title.
<b>5.1.14 Appraisal</b>	The proposal should be appraised as per banks laid down procedure for that particular type of advance. Credit Rating Exercise should be completed wherever applicable. The completed appraisal along with proper recommendations should be put up to the sanctioning authority.
<b>5.1.15 Pre Sanction survey</b>	Should be done in all cases.
<b>5.1.16 Sanction</b>	Prior administrative clearance, wherever required should be obtained. Sanction should be obtained from the appropriate authority
<b>5.1.17 Control Return</b>	Control Return should be submitted to the controlling authority after sanction.
<b>5.1.18 Arrangement letter</b>	The applicant should be advised in writing about sanction of the loan and the terms and conditions stipulated.
<b>5.1.19 Security Documents</b>	Security Documents, as prescribed for the advance should be obtained, properly stamped and executed. In case of corporate customers, suitable board resolution for authorizing the directors to sign the documents/ witness affixing common seal should be obtained.
	Loan to be disbursed after compliance of all terms and conditions of sanction. If it is not possible to comply with any specific term, its waiver/deferment must be obtained from the sanctioning authority before disbursement.

<b>5.1.20 End use of funds</b>	End use of funds should be ensured through post-disbursement survey. When the loan is for purchase of an asset, payment should be directly made to the supplier. Borrower should deposit the margin with the Bank and the Bank should issue a draft for the full invoice value to the supplier. If reimbursement is being sought, prior permission should be sought from controlling authority.
<b>5.1.21 Term loan disbursement</b>	Term loan should be disbursed in stages as per progress of implementation of the project. Engineer's / Auditor's certificate wherever feasible should be obtained.
<b>5.1.22 Periodical verification of assets</b>	Assets must be verified at intervals as prescribed in the terms of sanction.
<b>5.1.23 Insurance of Assets</b>	Assets charged to the bank should be insured comprehensively for full market value, covering all related risks with the Bank's interest noted thereon.
<b>5.1.24 Periodical information</b>	Branch should ensure receipt of statements from the borrowers as stipulated in the terms of sanction like stock statement, annual financial statements, FFR etc at the prescribed intervals. This information should be processed and remedial action initiated where required.
<b>5.1.25 Interest and service charges</b>	Correct rate of interest to be applied.
	Service charges to be collected as per approved rates.
	Prescribed margin for non-fund based facility should be obtained.
<b>5.1.26 Irregularity in accounts</b>	Irregularity, if any, should be brought to the notice of the controller with the reasons for allowing it and confirmation obtained thereof.
<b>5.1.27 Change in the address</b>	Address (es) of applicant/ guarantors should be updated regularly.
<b>5.1.28 Scrutiny of the account</b>	Accounts should be scrutinized regularly to ascertain its satisfactory conduct.
<b>5.1.29 Stock Statement</b>	Stock statement in the format approved by the bank alongwith stipulated certificate should be obtained from the borrower at monthly interval unless a different periodicity has been approved.
	Stock Statement should be scrutinised soon after its receipt and Drawing Power calculated as per the laid down procedure. The Drawing Power in the account should be modified and recorded accordingly.
	Stock Statement as on 31 <sup>st</sup> March should be obtained every year and it should be compared with value of stock shown in audited Balance sheet.

<b>5.1.30 Unit inspection</b>	<p>The unit should be inspected at irregular intervals. However, the gap between two inspections should not be more than one month.</p> <p>During the inspection, level of activity, value and quality of stock, intactness and optimum use of assets charged to Bank, compliance of terms of insurance, labour relations etc should be verified. The books of the unit like stock register, production record, invoice register, cashbook etc. should also be verified. The stock statement should also be verified with the stock register for its correctness. If there are obsolete/ Non-moving stock, these should be excluded for calculation of drawing power.</p>
<b>5.1.31 Follow up</b>	<p>Sale proceeds should be preferably routed through our account. All foreign exchange transactions and bill discounting should preferably be done through our bank. In case of consortium finance, pro-rata share of forex and bill business should be ensured.</p>
<b>5.1.32 Review/ Renewal</b>	<p>Working Capital advances should be renewed every year. Term Loan accounts should also be reviewed annually.</p>
<b>5.1.33 Revival of documents</b>	<p>The branch should ensure that security documents are always be in force. Efforts for revival should be initiated at least 9 months before the expiry of documents</p>
<b>5.1.34 Stressed Assets and NPA accounts</b>	<p>Special mention accounts should be identified periodically and appropriate corrective actions initiated. Accounts should be properly classified as per IRAC norms. Once identified as NPA, the approach laid down for such accounts should be followed.</p>
<b>5.1.35 Recall of loan</b>	<p>If the applicant violates the terms and conditions of the loan despite requests to regularize the position, recommendations for recall of the loan should be put up to the appropriate authority without any delay.</p>
<b>5.1.36 Recovery of loan</b>	<p>Before a loan is recalled, branch should ensure that security documents, charges etc are in order. A legal notice should be served to the borrower/guarantor advising them of the Bank's decision to recall the loan. In the notice, borrower/ guarantors should be directed to repay the entire dues of the Bank within a reasonable period.</p> <p>If borrowers/guarantors do not repay the loan within the prescribed period legal suit should be filed immediately at appropriate court/tribunal against them.</p>

<b>5.2 Purchase of clean instruments</b>	<p>Under the instant credit scheme upto Rs 15000, outstanding collections should be followed up for payment. Records of cheques returned should be maintained customer wise, and due diligence should be observed before extending the facility again to the same customer(s).</p> <p>In case of clean instruments of more than Rs 15000 purchased from customers, due care should be taken. For regular customers, limits should be fixed. Signature, check-signal advice should be verified before passing for payment.</p>
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### 5.3 PERSONAL LOANS- SOME CRITICAL AREAS

<b>5.3.1 Identification of borrower/customer</b>	<p>Utmost precautions should be taken for proper identification of borrower/ guarantor. Identification should be based on documentary proof, like Voter Identity card, Passport, PAN card, driving license etc. The document of identity should also be scrutinized minutely.</p>
	<p>The residence of borrower/guarantor should be visited to verify correctness of address furnished. Discreet enquiries should be made from other residents of the locality to ascertain credentials of borrower/ guarantor.</p>
	<p>In case borrower/ guarantor is not ordinarily residing in the area where branch is located, extra caution is to be exercised to ascertain their credentials.</p>
<b>5.3.2 Personal Segment Loan</b>	<p>If check-off facility is provided, ensure that competent authority of the concerned establishment signs the authorization letter. Any indication of borrowing from other banks must be probed thoroughly.</p>
<b>5.3.3 Post Dated Cheques</b>	<p>When post dated cheques have been obtained, they should be presented for clearing on due dates. If any cheque gets returned unpaid for want of funds, the matter is to be taken up with the drawer, and action as per Negotiable Instrument Act should be initiated in due course.</p>
<b>5.3.4 Housing Loan</b>	<p>Genuineness of the title deed should be verified. Non-encumbrance certificate should be obtained. Receipt for payment of property taxes should be verified. If plot/flat is to be purchased from a cooperative society, independent enquiry is to be made from the society about the ownership status of the flat/plot and encumbrances, if any. The standing of the promoter of the society should also be looked into.</p>

<b>5.3.5 Advance against Shares</b>	If advance is granted on the security of shares, it is to be ensured that they have been pledged in the Bank's favour. Market Value of security should be calculated at prescribed interval to ensure margin level. Shares above prescribed limit (presently Rs 20 lacs) are to be transferred in bank's name. Intimation should be sent to BOD.
<b>5.3.6 Advance against Bank's deposits</b>	Lien should be noted on deposit receipts held as security. No loan should be given on deposit receipts of other Banks.
<b>5.3.7 Advance against NSCs/ KVPs</b>	NSCs/KVPs should be sent to Post Office through Bank's employees only for getting Bank's lien noted.
<b>5.3.8 Advance for purchase of vehicles</b>	The vehicle should be got registered with the RTO. Name of Bank should be registered as the financier. This should be verified from original RC Book. Independent confirmation from the RTO may be sought, where warranted. Bank's interest should be noted in the insurance policy.

#### **5.4 Government Sponsored scheme**

<b>5.4.1 Application received-cum-Disposal Register</b>	All applications received should be entered in the Application received-cum-disposal register immediately. Applications should be disposed within the prescribed period.
<b>5.4.2 Collateral Security</b>	The branches should adhere to the guidelines/ instructions laid down in regard to the obtention of the Collateral security for loans under the various Government sponsored programmes.
<b>5.4.3 Overshooting of targets</b>	Targets for Government sponsored schemes, should not be exceeded for any reason, without prior approval from the concerned controlling authority.
<b>5.4.4 Photo-identity card</b>	Photo Identity Card issued by Election Commission should be used as an additional proof for identification of beneficiaries.
<b>5.4.5 Genuineness of borrowers</b>	While sanctioning/disbursing loans to artisans, the branch should ensure that the applicants are genuine and engaged in the activity for which the particular scheme has been designed.

## 6.0 Letter of Credit (L/C)

<p><b>6.1 Basis for Issuing a Letter of Credit</b></p>	<p>Uniform Customs and Practices of Documentary Credits (UCPDC) provide the basic framework for LC and for its operations. It is necessary to incorporate a statement that the Letter of credit has been issued subject to UCPDC. Once the issuing Bank incorporates such a statement into the text of the credit, the provisions of UCPDC bind all the parties handling the credit, unless otherwise expressly stipulated in the credit.</p>
<p><b>6.2 Rules relating to opening and operating L/Cs</b></p>	<ul style="list-style-type: none"> <li>➤ Opening Bank acts at the request of the customer only</li> <li>➤ Applicant's authorization necessary for the Bank to pay the beneficiary in case of discrepant documents</li> <li>➤ The issuing Bank promises to pay the beneficiary immediately (on demand) or after a specific number of days of shipment or number of days after sight i.e. on presentation of the documents to the beneficiary and acceptance thereof (Usance).</li> <li>➤ The applicant stipulates the documents against which payment can be made. The main documents called for in a LC are Bill of Exchange, Commercial Invoice, Packing List, Transport documents, Insurance documents, Certificate of Origin and Inspection Report/ Quality certificate in line with terms of L/C.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ The Opening Bank to scrutinize the documents before making payment.</li> <li>➤ The applicant should undertake to reimburse the opening Bank on the due date</li> <li>➤ If documents are not in order, the applicant can refuse to reimburse the opening Bank</li> </ul>

<b>6.3 Legal Provision</b>	<p>Banks are to act according to the provision of UCPDC in matters relating to credits and documents submitted under credits, as long as these are not in conflict with any law. Wherever there is a conflict between an article of UCPDC and provisions of another statute, the local law should take precedence</p>
<b>6.4 Basic Aspects to be observed while opening LCs</b>	<p>It should be ensured that</p> <ul style="list-style-type: none"> <li>➤ The proposal for L/C limit is appraised with the same diligence as in the case of fund-based limits. Adequate cover in each case should be obtained by way of margin and security.</li> <li>➤ If the L/c is for purchase of goods required in the normal course of business, the quantity of material and the ruling price should be satisfied.</li> <li>➤ LC exposure on the customer to be critically examined taking into account his integrity, credit worthiness, financial strength, solvency and liquidity.</li> <li>➤ The standard application cum guarantee form complete in all respects should be obtained and alterations, if any, are to be authenticated. The non-judicial stamp as applicable should be fixed.</li> <li>➤ The person signing the L/C application should be authorized by the applicant firm/Company</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Issue of a LC should be recorded in the LC and liability registers for proper control and reporting.</li> <li>➤ Issue of LCs beyond discretionary powers should be avoided. Irregularities, if any, should be reported</li> </ul>

	<ul style="list-style-type: none"> <li>➤ The place and date of expiry should be specified in the credit. The last dates for shipment/ negotiation are to be incorporated.</li> <li>➤ The imports should be covered under valid import license wherever required. The amount, balance available, type of goods imported, country of origin, validity period of license should be scrutinized.</li> <li>➤ The credit should not contain any clause detrimental to the Bank's interest</li> <li>➤ Method of reimbursement to negotiating bank should be specified</li> <li>➤ If the credit is transferable and freely negotiable, a Bank should be nominated for transferring the credit</li> </ul>
<b>6.5 Exchange/ Trade Control Aspects</b>	<p>It should be ensured that</p> <ul style="list-style-type: none"> <li>➤ The item proposed is not in the prohibited list under the Exim Policy</li> <li>➤ For imports from Nepal / Bhutan, the amount should be denominated only in Rupees.</li> <li>➤ The usance period should not exceed 6 months from the date of shipment. In case the company has availed buyers' line of credit, usance period can be extended upto 360 days with RBI approval.</li> <li>➤ Interest if any payable for the usance period, should not exceed the prime rate for the currency in which the bill is drawn</li> </ul>
<b>6.6 Documents</b>	<p>Check that</p> <ul style="list-style-type: none"> <li>➤ L/C is explicit about the supporting documents.</li> <li>➤ Each document serves a specific purpose.</li> <li>➤ All documents required for completing customs and trade control formalities are listed in the Credit</li> <li>➤ Full sets of transport documents are routed through the Bank. If a clause to the contrary is included, then extra precaution is to be exercised</li> <li>➤ Documents issued prior to opening of the credit are not accepted unless provided for in the credit</li> <li>➤ Transport documents are in consistent with the nature of goods. For perishable items, Bill of Lading or multimodal transport document are not be stipulated unless refrigerated containers are used.</li> <li>➤ Bill of lading is required only for port-to-port shipment. It should be ensured that the shipping to /from locations are in fact port towns.</li> <li>➤ Bank's Interest in the goods is noted on the Bill of Lading, Multimodal document.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ The insurance risk cover is suitable for the type of goods involved.</li> <li>➤ Risks required to be covered are specified in the policy</li> <li>➤ The particulars of the credit are incorporated in all the documents for proper identification.</li> </ul>
<b>6.7 Advising Bank</b>	<ul style="list-style-type: none"> <li>➤ Establish beyond doubt the genuineness of the message (Swift, SFMS, Cable) received from the opening Bank, before advising the customer</li> <li>➤ If credit is restricted to the Bank itself it should be made clear in the letter to the beneficiary that the Bank does not undertake to negotiate any discrepant documents.</li> <li>➤ Service charges are to be recovered from the beneficiary</li> </ul>
<b>6.8 Confirming Bank</b>	<ul style="list-style-type: none"> <li>➤ Confirmation of LC by the Bank is only at the request from the issuing Bank/ beneficiary</li> <li>➤ Undertakes to pay at sight/ on due as applicable</li> <li>➤ Liability of the confirming Bank is same as that of the issuing Bank. The beneficiary is at liberty to submit documents and demand payment or acceptance from the confirming Bank without approaching the issuing Bank</li> <li>➤ The confirming Bank can claim reimbursement from the issuing Bank on negotiation of bills drawn as per the terms and conditions on the LC</li> </ul>
<b>6.9 Negotiating Bank</b>	<p>The opening Bank can authorize another Bank called the negotiating Bank to make payment to the beneficiary. The Negotiating Bank should scrutinize the documents and ensure that the documents fully conform to the terms of credit. Payment should be made to the beneficiary and reimbursement claimed from the opening Bank</p>
<b>6.10 Devolvement of L/C</b>	<p>In case of devolvement if the irregularity in the account is not adjusted within 15 days, opening of further L/Cs are subject to detailed scrutiny and reasons for opening of further LC should be recorded.</p>
<b>6.11 Crystallization of Bills</b>	<p>Demand and Usance bills in Foreign currency should be Crystallized within 10 days of receipt of the Bill and on the date of maturity of the bill respectively, at Bill selling rate or at the contracted rate, if a forward contract has been booked for the purpose</p>

<b>6.12 Amendment-Rules</b>	<ul style="list-style-type: none"> <li>➤ Any amendment has to be made by the opening Bank and advised to the beneficiary in the same way as the original credit was advised</li> <li>➤ Amendments to the credit should be done only at the request of the applicant and exactly as per his request.</li> <li>➤ The amendment is binding on the Issuing Bank, from the moment it is issued.</li> <li>➤ The amendment is not binding on the beneficiary unless he chooses to accept it.</li> </ul>
<b>6.13 Precautions</b>	<ul style="list-style-type: none"> <li>➤ The terms of the LC should be carefully cross checked with the application before delivery</li> <li>➤ The margin amount and service charges should be recovered.</li> <li>➤ The amount of credit under the LC should be commensurate with holding level of Raw Materials.</li> <li>➤ The opening of the LC should be within the sanctioned limit and authorized by the appropriate authority. L/C limit sanctioned for purchase of raw material should not be used for import of capital goods.</li> <li>➤ The message for opening the LC should be transmitted by means of authenticated SWIFT/SFMS. If the LC has been issued in printed form it should be ensured that the same is signed by two authorized signatories.</li> <li>➤ It is to be ensured that there is no double transmission of the message. No mail confirmation should be sent for credits transmitted over SWIFT/CABLE/SFMS as these are considered to be operative credit instruments</li> <li>➤ Additional precaution is required in case of non-negotiable transport documents like Airway bills and where delivery is against acceptance.</li> <li>➤ Airway bills/ Charter parties BL are not documents of title to goods and do not offer any protection to the Bank. Security and margin should therefore be more stringent in case of air consignments</li> <li>➤ Transport documents such as Railway receipts/ Truck receipts/ Bills of lading should be scrutinized carefully to verify their genuineness, quality and quantity of merchandise covered by them, the date of issue, etc The transport receipts should be from IBA approved carriers.</li> <li>➤ Submission of one copy of the BL directly to the</li> </ul>

	<p>consignee should not be normally acceded to unless full margin is available</p> <ul style="list-style-type: none"><li>➤ The issuing Bank, Confirming Bank are expected to complete the scrutiny of documents received within 7 banking days after receipt of the documents</li><li>➤ In case of revolving L/C, we have to take more than ordinary care.</li></ul>
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## 7.0 Bank Guarantees

<b>7.1 Appraisal and Assessment</b>	Sanction to be obtained from the appropriate authority for making available BG limits (Performance/ Financial) depending upon the nature of business and the likely reversal of BGs issued earlier.
<b>7.2 Non-customers</b>	Branch should not issue BG on behalf of non-customers maintaining accounts with other banks.
<b>7.3 Issue</b>	<p>BG is to be issued only against sanctioned limits, or secured by 100% cash margin. Unsecured BG, if issued, should only be for short periods and for relatively small amounts and only after obtaining sanction.</p> <p>Deferred Payment Guarantee (DPG) should be usually secured by a charge (exclusive/ pari-passu charge) over the capital equipments to be acquired by the buyer.</p>
<b>7.4 Export Performance Guarantee (EPG) favouring Customs Department</b>	<p>EPGs should be sanctioned by appropriate authority. For SB1 and SB2 borrowers, EPG may be issued with usual margin.</p> <p>For SB3 &amp; SB4 borrowers, in addition to the above, Export Performance Guarantee of ECGC is to be obtained.</p> <p>For SB5 &amp; below borrowers, 100% cash margin should be insisted upon.</p>
<b>7.5 Advance Payment Guarantee</b>	Construction companies/ contractors ordinarily require these guarantees. The end-use of funds by the applicant should be monitored in each case.
<b>7.6 Deferred Payment Guarantee (DPG)</b>	The process of appraisal of DPG is the same as that of term loans.
<b>7.7 Guarantee Not to be Issued</b>	<p>No BG should be issued</p> <p>(i) in favour of HUDCO in respect of loans given to state sponsored bodies.</p> <p>(ii) covering inter company deposits/loans.</p> <p>(iii) for the purpose of indirectly enabling the placement of deposits with non- banking institutions.</p>
<b>7.8 Margin</b>	<p>From non borrowers Branch should obtain 100% margin</p> <p>For BG issued in connection with disputed customs/central excise duties 100% margin should be obtained unless otherwise specified in the sanction.</p>
<b>7.9 Security</b>	BG should usually be secured by extension of charge on current assets/ fixed assets obtained to cover working capital facilities.

<b>7.10 Period</b>	No BG should be issued for a period more than 18 months without obtaining prior approval of appropriate authority. No separate claim period should be provided in a BG and the validity period should be stated inclusive of the claim period.
	No BG should, normally, have a maturity of more than 10 years.
	BG is to be issued only on pre-printed serially numbered security forms.
<b>7.11 IBA format</b>	<p>BG should normally be issued on the format standardized by the Indian Bank's Association. When it is required to be issued on a different format, it should be ensured that the BG is</p> <ul style="list-style-type: none"> <li>• For a definite period</li> <li>• For a definite objective enforceable on the happening of a definite event</li> <li>• For a specific amount</li> <li>• In respect of a bona fide trade/commercial transaction</li> <li>• Contains the Bank's standard limitation clause</li> <li>• Not stipulating any onerous clause</li> <li>• Not containing any clause for its automatic renewal on expiry.</li> </ul>
<b>7.12 Security Features</b>	Hologram should be affixed
	BG should be issued by signing in full on all pages with the official's specimen signature number. BGs of Rs 50000 and above should be signed by 2 officials giving their specimen signature number.
	Every guarantee must contain the limitation clause.
	The purpose and amount of the guarantee should be commensurate with the line of activity and level of the business of the applicant.
<b>7.13 Counter Guarantee</b>	Whenever a BG is issued, a suitable counter guarantee/ omnibus counter guarantee as the case may be should be obtained from the customer.
<b>7.14 Safety Measures</b>	The original and a copy of the guarantee should be despatched to the beneficiary separately.
	Outstanding guarantees are to be balanced periodically
	After expiry, follow-up should be made with the beneficiary for return of the original guarantee
	Expired guarantees are to be removed by passing reversing entries

<b>7.15 Extension/ Renewal</b>	Requests from the applicants for extension/ renewal of BG may be considered when there is no change in the amount and in values any exchange of line for which pre-printed prescribed forms should be used.
<b>7.16 Cancellation before expiry</b>	BG can be cancelled prior to its expiry only with the written consent of both the beneficiary and the applicant and on surrendering the BG form.
<b>7.17 Amendment</b>	A BG cannot be amended.
<b>7.18 Invocation</b>	When a Guarantee is invoked, payment is to be made immediately to the beneficiary.
<b>7.19 Loans against Other Bank's BG</b>	It is not the normal practice to grant credit facilities on the strength of guarantees issued by other banks.
<b>7.20 TDS</b>	In case of invocation of Performance Guarantees issued in favour of foreign beneficiaries, Income Tax at the appropriate rate should be deducted from the payments due to the beneficiary.

## **8.0 BILLS BUSINESS**

<b>8.1 At the Originating Branch</b>	Immediately on receipt, Demand Promissory notes, MTR/RRs should be specially crossed. Information required under KYC should be obtained from the customer.
	Maximum efforts to be made to collect the proceeds through our own branch or a branch of one of our Associate Banks.
	It should be clearly indicated whether the bill is under collection or has been discounted/ purchased/ negotiated etc.
	Clear instructions are to be given to the Collecting Bank/branch about when the bills are to be presented for payment, retention period etc. along with the contact address of the drawee.
<b>8.2 Endorsement</b>	Documents should be endorsed in favour of the collecting Bank only.
<b>8.3 Despatch of Bills</b>	Documents should be despatched immediately through an approved courier/ registered AD post. Acknowledgement of bills should be followed up regularly.
	Documents should not be handed over to the customer or his representative for dispatch.
<b>8.4 Realization</b>	On receipt of realization advice, signatures should be verified. Advices of Rs 50000 and above should be signed by two officials giving their specimen signature number and should carry check-signal.
	Realization advices received through the customer or his representative should not be acted upon.
	There should be effective follow up with the drawee bank for payment on due date and thereafter on a regular basis till proceeds are received.
<b>8.5 Bills Returned unpaid</b>	In case of bills returned unpaid, discreet enquiries are to be made with the drawer, and caution marked against future bills drawn on the same drawee. In case of bills financed by the bank outstanding dues are to be recovered promptly.

<b>8.6 Bills Drawn under Letters of Credit (LC)</b>	Should be compared with the terms and conditions of the LC, and then sent to the Paying Bank. If provided for these bills should be negotiated if drawn as per the terms of the LC and reimbursement obtained. In case of discrepancy, the same should be advised to the Paying Bank, and sent for collection only.
<b>8.7 Sanctioning Bill Limits</b>	<p>Bill limit as a sub limit should form part of the working capital limits assessed and sanctioned. Opinion reports on the drawees were to be obtained.</p> <p>Specimen signatures of all drawers of bills or their authorized representatives must be kept on record.</p> <p>Demand Bills drawn on local parties should not be purchased.</p> <p>For a consortium working capital advance, Bill finance should be a part of the limits sanctioned</p> <p>Temporary financial accommodation should not be provided by means of Bill finance.</p> <p>Bills accompanied by RRs or MTRs of IBA approved transport operators should be financed.</p>
<b>8.8 Discount of Usance Bills</b>	<p>Bills over 6 months usance should not be discounted without prior approval of the controlling authority.</p> <p>Precaution should be exercised while discounting usance bills that are payable locally.</p>
<b>8.9 Collecting Branch</b>	Receipt of all bills should always be acknowledged.
<b>8.10 Demand Bills</b>	<p>Clean Bills are to be presented for payment immediately</p> <p>Documentary Bills are to be presented to the drawee for payment as per the instructions of the collecting bank.</p> <p>Documents are to be kept in safe custody till payment. Intimation should be sent to the Railways/Transporter intimating Bank's lien.</p>
<b>8.11 At the Collecting Branch</b>	<p>After presenting the bill, intimation must be sent to the originating bank, advising the due date.</p> <p>All usance bills over 3 months should be adequately stamped.</p> <p>Instructions of the originating bank are to be followed meticulously. Clean and sight bills are to be presented immediately for payment, and proceeds remitted to collecting bank.</p> <p>Payment advices should contain branch name, branch code, telephone number, STD code.</p> <p>Bills presented through a customer or his representative for payment by the collecting branch should not be accepted.</p>

<b>8.12 Bill Payment Advice</b>	Payment advice should not be sent through a customer or his representative. TR advices of Rs 50000 and over representing bill payment should be signed by 2 officials with their Specimen Signature numbers and check signal should be affixed. A telegram with check signal should be sent to originating branch.
<b>8.13 Safe-keeping</b>	In case of Usance Bills, bills are to be kept in joint custody after intimation to the drawee.
<b>8.14 Non-Payment</b>	In case of non-payment, bills should be returned as per instructions of collecting bank.
<b>8.15 Documentary Bills</b>	For documentary bills, intimation must be sent to the Railways or the Transport Operator advising Bank's lien on the goods.

## **9.0 CLEARING INWARD AND OUTWARD**

<b>9.1 Outward Clearing</b>	
<b>9.1.1 Receipt of Instrument</b>	Special crossing stamp to be affixed immediately on receipt of instruments. Similarly Clearing stamp of branch should also be affixed on instruments.
<b>9.1.2 High Value Instruments</b>	High value instruments are to be lodged only in High Value Clearing.
<b>9.1.3 Drop Boxes</b>	Cheques received in the drop boxes are to be cleared and processed on a continuous basis
<b>9.2 Inward Clearing</b>	Local and National Clearing Cheques are to be separated, as they are to be accounted for and returned separately.
	Reconciliation of outstanding account with Service Branch account to be done on a day-to-day basis.
	Clearing account to be made NIL daily, before End of Day operations.
	Unpaid instruments are to be returned promptly to the clearing house. The presenting bank should be informed about return of instruments over phone.
<b>9.3 Accounting</b>	Credit vouchers and clearing instruments should be posted in clearing module of CBS.
<b>9.4 Reasons for returning</b>	Only the reasons provided in the standardized return memo are to be used while returning unpaid instruments.
<b>9.5 Service Branches</b>	Clearing house account with RBI etc is to be reconciled on a regular basis.

## 10.0 Drafts and Telegraphic Transfers

<b>10.1 Issue of Drafts/ Banker's Cheques</b>	
<b>10.1.1 Safe keeping and proper accounting of security forms</b>	Security forms issued to the counter staffs everyday are to be counted at commencement and close of business, and properly accounted for. Stock of draft forms should be physically verified at half yearly intervals on the lines of 'Cash Verification'
	Branch Name, Code Number and Telephone number with STD code of issuing branch to be affixed in the manually issued drafts. It should also be ensured that these details appear on the drafts printed by CBS.
<b>10.1.2 Application form must be complete in all respects</b>	Address of applicant must be complete. Preferably mention the beneficiary's banker's name and his account number in the draft.
	The name of the drawee branch, with district and State should be mentioned in the draft application form.
<b>10.1.3 Issue of Drafts, TT or Banker's Cheques of Rs 50000 and above</b>	Not to be issued against cash.
<b>10.1.4 Drafts/ B.Ch. of Rs 50000 and above</b>	To be signed jointly by 2 officers.
<b>10.1.5 Safety precautions on the draft form</b>	Transparent stickers must be affixed on the amount field.
	Hologram should be affixed on drafts of Rs 1 lac and above.
	Proper series of Draft forms to be used for manual drafts.

	<p>Advice by telegram affixing Check signal thereon should be sent for all drafts of Rs 10 lacs and over and mail confirmation to be dispatched on the same day. Check Signal should also be affixed on these mail confirmation.</p> <p>Draft to be delivered to the applicant or his authorised representative only</p>
<b>10.2 Payment of Drafts/Banker's Cheques</b>	
<b>10.2.1 Genuineness of Drafts</b>	Branches should ensure that they do not pay the draft reported lost
	Names/ signatures of officials are to be verified with Specimen on record
	To ensure that drafts of Rs 50000 and over are signed by 2 officials
	Advices to be marked off for high value drafts (Rs 10 lacs and above)
	BIAK (Built in Authentication key) code printed on Draft forms on continuous stationary to be fed in CBS, so that the system can verify the same and authorize payment.
	The payment for the bank's expenditure, if more than Rs 20,000/- should be by crossed banker's cheque/ draft only after deduction of TDS as applicable.
<b>10.2.2 Payment of Draft by Cancellation</b>	Signature of applicant on the reverse of the draft and on application of cancellation to be verified with original application form
	A noting to be made on the original application
	Advise drawee branch where considered necessary.
<b>10.2.3 Issue of Duplicate Drafts</b>	Signature of applicant to be verified
	Proper Stamped Indemnity Bond to be obtained
	Duplicate drafts over the prescribed limit (presently for Rs.10000/- and above) should be issued only after receipt of non-payment advice.
	A noting to be made on the original application
	All transactions should be reported to the Draft Reconciliation Department on a daily basis.
	Enquiry/caution memos should be promptly attended to.
	Duplicate Drafts are to be issued only with the original number. At the time of payment, the drawee branch should report only the original draft number, and ignore the number of the security form used.
	Duplicate drafts should always be issued manually, and continuous stationary should never be used to issue duplicate drafts manually.

<b>10.2.4 Telegraphic Transfers (TT)- Issue and Payment</b>	The coded messages should be transmitted. All TR advices relating to TTs should contain the branch name, branch code, telephone number with STD code of the issuing branch.
	TT confirmation advices are to be invariably obtained and marked off. Signature of the officer(s) on advices should always be verified.
	TT message/ confirmation advice should invariably contain check-signal and advices of Rs 50,000 and above should bear signatures of 2 officers.
	TT payment advice to be sought from drawee branch and marked off.
	Value dating must be done from the third day of originating.
	Communication system of customers for transmitting coded message should not be used.
<b>10.3 Reporting of loss of forms</b>	<p><b>Demand Draft:</b> Loss of DD forms should be immediately reported to Zonal Office for Circulation.</p> <p><b>Bankers Cheque:</b> Loss of Bankers Cheque should be advised to all local branches immediately.</p> <p>All cashiers should be informed about loss of forms.</p>

## **11.0 Government Business**

<b>11.1.1 Classification</b>	The two categories are Central and State Government These are sub classified into different ministries/ Departments. All challans, bills, cheques should bear suitable classification & sub-classification.
<b>11.1.2 Receipts</b>	When customers pay government dues by cheques, receipts are to be issued only after realization of the instruments. No outstation instruments are to be accepted.
<b>11.1.3 Online Tax Accounting System (OLTAS)</b>	Correct code in all receipt challans for proper accounting in OLTAS system should be affixed
<b>11.1.4 Payments</b>	Cheques over Rs 10 lacs are to be signed by 2 officials  Names of the drawing officer or department/ recipient should be recorded on Government Debit Scroll/ Cashier's payment register.  A Personal Ledger account should be maintained for every government official authorized to draw directly on the Bank. Periodically, limits, number of cheque forms in use and stopped cheques must be noted. Before making payment of cheque, it should be ensured that limit is available.  Signatures of Treasury officers in the bills should be verified before payment and then cancelled.
<b>11.1.5 Pension</b>	Every pension payment to be entered in the disburser's portion of the PPO and authenticated. In a pension account, no credit other than the pension is permitted. Pension to be paid only by credit to the SB account of the pensioner with the paying branch. It should not be paid in cash or by credit to a joint account.

	<p>Life certificates are to be obtained in the month of November every year.</p> <p>Non employment certificate should be obtained every six-months in May and November</p> <p>If the family pensioner is a widow, at the time of first payment of pension, a certificate that she has not re-married and an undertaking that if she re-marries, she will intimate the Bank promptly should be obtained.</p> <p>If the family pensioner is a widower/unmarried daughter, the re marriage/non marriage certificate should be obtained once in 6 months.</p>
	An undertaking should be obtained from the pensioner that any excess payment or any bona fide error could be recovered/corrected.
	TDS on disbursed amount should be recovered at the prescribed rate.
<b>11.2 Deposit Scheme for Retiring Government Employees (1989) and Scheme for Retiring Employees of Public Sector Companies (1991)</b>	
<b>Account</b>	Interest to be paid on 30 <sup>th</sup> June and 31 <sup>st</sup> December every year.
<b>11.3 Public Provident Account, 1968</b>	
<b>11.3.1 Maintenance of Account</b>	<p>Minimum deposit per year is Rs 500.</p> <p>Maximum deposit- Rs 70000. No interest to be paid beyond this amount.</p>
	Joint account, accounts in the names of judicial persons not permitted.
<b>11.3.2 Reporting of Transactions</b>	<p>All State and Central Government transactions should be reported to the respective Focal Point branches on a daily basis.</p> <p>At month-end, monthly statements should be verified and tallied with the Focal Point Branches.</p> <p>The Focal Point Branches should similarly report all transactions to L.O. Nagpur (for Central Govt. Transactions) SGLC Chandigarh (for State Govt. Transactions) on a daily basis and tally all transactions on a monthly basis.</p>

## **12.0 Foreign Exchange Transactions - Branch level**

<b>12.1 Deposits</b>	NRE Deposits: Accounts should be opened with the usual precautions. The antecedents of the NRI should be ascertained from the passport, overseas appointment letter etc.
	Clear instructions should be obtained regarding the currency in which the deposit is intended. Accordingly, NRE or FCNR account should be opened.
	The source of funds should be <ul style="list-style-type: none"> <li>✓ Remittance from abroad</li> <li>✓ Transfer from another NRE account</li> <li>✓ Conversion of foreign currency(FC) brought from abroad</li> <li>✓ Interest etc from investments from NRE sources</li> </ul>
	The deposit receipt should be handed over to the depositor or his authorized representative. The overseas contact number/e-mail address of the NRI should be kept on record, to keep in touch with the depositor. Any instruction from the NRI received from the representative must be cross-checked with the NRI for authenticity.
	In case of a 'C' category branch, contact must be maintained with the link branch in respect of the deposit, its maturity, remittance of interest etc.
	Appropriate rates should be applied while converting NRE deposits from Rupee to Foreign Currency and vice versa.
<b>12.2 FCNB / PCFC/ EBR Loans</b>	Fund angle clearance should be obtained from FD in each case of FCNB and PCFC/EBR. This is applicable in case of renewals too.
	Forward contracts should be booked for repayments, wherever applicable.
	The limits should be appropriately reduced from sanctioned Rupee limits of the borrower.
<b>12.3 Pre &amp; Post shipment credits</b>	Opinion report of overseas buyers should be obtained before sanctioning Post shipment limits.
	RBI defaulters list and ECGC's Special Approval List should be verified before granting EPC. The exporter should be impressed to obtain specific cover in such cases.
	Export order/ LC/ Advance Value of Stock should be verified before releasing EPC.

	<p>Running Account EPC facility should be granted to only those exporters who have proven good track record.</p> <p>In case of EPC to deemed exporter, a letter confirming that no EPC has been granted should be taken from the bank of the Merchant Exporter.</p> <p>Non-Fund Based limits: Please refer applicable Best Practice Code (6.0 for L/C and 7.0 for BG). Additionally, while confirming LC opened by a foreign bank or issuing Bank Guarantee on behalf of a foreign bank, clearance for country risk and Bank Exposure should be obtained from competent authority.</p>
<b>12.4 Sale of Foreign Currency</b>	<p>Appropriate rates should be applied according to the value of the transaction. If amount is more than Rs 10 lacs, rates should be obtained from FD, stating the type of transaction.</p> <p>Appropriate rates should be applied for Bills and TT</p> <p>Compliance of FEMA guidelines should be ensured. Appropriate declaration should be obtained from customers.</p>
<b>12.5 Clean Remittance</b>	<p>Purpose and quantum should be in accordance with the FEMA/ EXIM policy.</p> <p>Remittance should preferably be made through SWIFT and through our own foreign offices.</p> <p>Drafts: All precautions mentioned in the relevant Best Practice Code must be observed while issuing drafts. Name of Bank and account number of beneficiary should be written on the draft.</p> <p>All remittances must be reconciled from the statement of account, to ensure execution.</p>
<b>12.6 Import Bills</b>	<p>“Know Your Customer” guidelines should be adhered to.</p> <p>Bills, if drawn under own LC, must be verified with the LC. If any discrepancy is found, negotiating bank must be informed, and no payment should be entertained.</p> <p>In usance bills, adhesive stamps of appropriate value should be affixed before releasing the bill.</p> <p>Demand bills should be presented immediately for payment.</p>
<b>12.7 Travelers cheque (TC) &amp; Foreign Currency Notes (FCN)</b>	<p>Sale: The stocks should be periodically verified. Correct rates should be applied.</p> <p>Purchase: Care should be taken while purchasing TC or FCN. The list of stolen/lost TC should be verified as also security features. UV lamps may be used. Local address, and Passport details of the tenderer should be kept on record for any future reference.</p> <p>Compliance of FEMA provisions should be ensured.</p>

<b>12.8 Export Bills</b>	Negotiation: LCs established by our branches/ correspondent banks should be authenticated on receipt. Bills should be verified with LC. If found to be drawn as per terms of LC, the same should be negotiated, and reimbursement obtained as per terms of Credit.
	Appropriate Bills buying rates should be applied.
	EPC should be first adjusted with the proceeds of the bills
	Advance remittance, if obtained, should be earmarked and certificate issued.
	Transit period should be calculated as per FEDAI guidelines.
<b>12.9 Forward contracts</b>	Should be booked for genuine trade transactions only.
<b>12.10 Import Letters of Credit</b>	Should be opened against sanctioned limit. The material should be either under OGL or valid Import license.
	It should be ensured before opening of LC that sufficient funds will be available for retiring the bills on due dates.
	Extra care should be observed while opening usance LC.
<b>12.11 Crystallization of Bills (Import)</b>	Demand Bills and usance bills in Foreign currency should be crystallized within 10 days of receipt of the Bill or on the date of maturity respectively.
<b>12.12 SWIFT</b>	The message should be fed only against authenticated input forms.
	The message transmitted should be verified and authenticated as per laid down procedure
	Incoming messages should be authenticated.

### 13. Core Banking

<b>13.1 User Type</b>	<p>There are inter-alia, two user types (50 and 60) in the system which are mutually exclusive (i.e. these can not be held by the same person) and only one officer in each of these user types at any point of time is permitted. These are (i) Joint Custodian of Cash (vault custodian) and officer handling security (valuable paper inventory system custodian – VPIS custodian) (ii) and cash officer. These function have respectively, been assigned to the Accountant and Cash Officer of the Branch. There is provision for changing of vault custodian (menu is provided with the user type 60 – Cash Officer: - Cash Administration – switching off of vault teller) for permanent change of vault custodian it has to be informed to CDC. Similarly there is a provision for changing the Cash Officer at the branch level</p> <p>The user ID will be locked whenever user tries to login with a wrong password thrice, as a security measure. The user ID can be reset by the user (with user type 40 or 50 or 60) it should be authorized by another official. For this the menu has been provided in <a href="#">B@ncs24</a> (Sign-on Reset) after reset, the locked user should be asked to change his password (from default 1) without fail.</p>
<b>13.2 Access Control</b>	<p>While logging in, the system will inter-alia, require the terminal number to be input. Though the system will accept any valid terminal number defined for the branch, it is essential that terminal numbers are allotted to all users. Secrecy of password should be maintained. System provides for change in password by users and also restricts reuse of the same password for a defined number of times.</p>
<b>13.3. Voucher Verification Report</b>	<p>The voucher verification report pertaining to customer accounts generated by the system and printed maker-wise/checker 1/ checker 2/ over-riding supervisor-wise, in ascending order of amount. The voucher verification reports pertaining to various GL heads (Suspense, Sundry Deposits, Charges etc) will be generated GL head wise.</p>

<b>13.4 Checking</b>	The voucher verification report will have to be checked by officials (in rotation as per the present system) other than the person to whom they relate. The BGL vouchers will also be allotted for checking by rotation. It should be ensured that each and every voucher passing through the branch is checked. Instructions relating to filing up voucher slip and cancellation, custody and record of vouchers etc. remain unchanged.
<b>13.5 EOD (end of day)</b>	The officer –in-charge of system will ensure that all day – end related activities are completed before advising CDC through the relative Menu Option for proceeding with EOD thereat.(EOD checks can be invoked anytime by the branch to see the status of the transactions and take remedial steps to complete the pending transactions).The officer-in- charge will also ensure that Back up of Branch server data is taken, and duly recorded in a register. The branch has to capture the screenshot of the “EOD Transaction” screen and save it in the system with the date. The branch should also take the printout of the screenshot and file it for future references.
<b>13.6 Reports</b>	<p>After the end of day activities for the branch is performed at CDC, reports will be generated and sent to the branch through file transfer.</p> <p>Key Control/MIS reports such as Weekly Statement Abstract, Monthly Profit and Loss, Monthly Performance Report, Central Office Interest Receivable and payable outstanding in BGL (internal) accounts such as Suspense Account, Sundry Deposit Account etc. have to be checked to ensure that data therein reflect the correct position obtaining at the branch.</p>
<b>13.7 GLif Entries</b>	Single Side entries put through at the branch should be intimated to CDC (GLif Team) through Fax on the same day without fail. The branch has to take necessary steps for the failure of transfer Batch/ Inward clearing batch transactions to avoid any unreconciled entries in Inter Branch Technical Suspense Account in CGL.

## 14.0 Suspense/ Sundry Deposit/IBIT accounts and reconciliation

<b>14.1 Suspense Account</b>	No debit should be made in the suspense account without authorisation of Branch Manager.
	Suspense account should not be used for providing temporary accommodation.
	The entries in suspense account for more than one month should be followed up rigorously.
	The monthly statement of suspense account should be sent to controlling authority promptly.
<b>14.2 Sundry Deposit Account</b>	The reversal of entries in Sundry Deposit Account should be authorised by Branch Manager
	The old outstanding entries in sundry deposit account should be followed up for early reversal.
	Monthly statement of outstanding entries should be sent to controlling authority without delay
<b>14.3 Inter Branch Item in Transit (IBIT) Account</b>	Only those transactions which cannot be straightway debited/credited to Branch Clearing General account should be passed through I.B.I.T. A/c
	Vouchers of IBIT should be passed by an officer not below the rank of Accountant.
<b>14.4 Inter Office Accounts (IOA) reconciliation</b>	Daily statement relating to Drafts/ Branch Clearing/Agency Clearing/RTC should be prepared carefully and submitted on a daily basis.
	Caution Memo should be dealt within one month of receipt
	A register should be maintained to record receipt and disposal of IOA memos.
	IOA memos should be disposed of with correctness and promptly.
	High Value entries (Rs 50 lacs and above) should be reconciled within 60 days and remaining entries within 6 months from the date of their origin.

## 15.0 Housekeeping and maintenance of records

<b>15.1 Checking of report</b>	All reports generated by CBS should be duly checked. After checking the reports should be filed and kept in the record room in chronological order.
<b>15.2 Back-up</b>	At least two set of back-ups are essential in addition to disk duplexing. One set should be kept on-site in a fire proof safe, and the other should be kept at an off-site location with the approval of the concerned controlling authority.
<b>15.3 Vouchers</b>	<p>Vouchers should be stitched properly using the printed folders. The folder should give complete information about the vouchers and should be signed by checking official. The vouchers should be properly cancelled by daybook checking officer and Branch Manager/MOD.</p> <p>All vouchers since the last inspection should be retained in daily packets in a locked box and kept overnight in the strong room. Thereafter, vouchers should be kept in the record room in chronological order.</p>
<b>15.4 Registers and Files</b>	All important registers like attendance register, Assets Hypothecated register, Bonus Register, Establishment register etc. should be kept neatly in the record room. BM's monthly certificate register, Reports of Inspection & Audit, statutory Audit, Verification/Circle Audit etc should be kept in custody of branch manager.
<b>15.5 Record Register</b>	Record register and record requisition register should be maintained properly.
<b>15.6 Entry in the record room</b>	Entry in the record room should be restricted. Smoking should not be allowed in the record room.
<b>15.7 Record preservation</b>	Every precaution should be taken to prevent damage to the Bank's stationery, vouchers or records by white ants, mildew or dry-rot.
<b>15.8 Issue of records</b>	Records should be issued against written requisition only.
<b>15.9 Security Documents</b>	Security Documents pertaining to Agriculture, DIR /IRDP and other mass advances should be stored in Fire-resistant record cabinets. Documents relating to other advances, title deeds, indemnity bonds and vouchers since last inspection should be kept in the strong-room/ Fire and Burglar Resistant Safes.

<b>15.10 Destruction of records</b>	All records should be preserved for the laid down minimum retention period. Thereafter these should be destroyed (by shredding/burning) with the prior approval of controlling authorities provided they are not required for any legal proceedings, income tax purposes etc.
	The shredded pieces of records should be sold to paper mills directly and the sale proceeds credited to Branch Charges Account (sundries)

## 16.0 Handling of Customer grievances

<b>16.1 Complaint-cum-suggestion box</b>	A complaint-cum-suggestion box should be prominently displayed in the Banking Hall. A transparent glass window should be fixed at the bottom of the box and it should be opened daily.
<b>16.2 Complaint Register</b>	Standard complaint register with perforated pages (in triplicate) should be made available to customer. One copy should be handed over to the customer as acknowledgement, one should be sent to the controlling authority with branch remarks and third copy should be retained as branch record.
<b>16.3 Disposal of complaint</b>	<p>Every complaint should be acknowledged within 24 hours.</p> <p>All complaints should be attended with a sense of urgency in a polite, friendly and effective manner without causing annoyance to the complainant.</p> <p>Complaints should be disposed within a maximum period of 21 days under advice to controlling authority.</p>
<b>16.4 Name of Senior Officers/ Controller</b>	Name of the Senior Officer/ Controller along with their complete addresses and telephone numbers should be prominently displayed in the banking hall.
<b>16.5 Complaints disclosing fraudulent activities</b>	Complaints disclosing fraudulent activities should be handled carefully and these should be closed with the approval of appropriate authority
<b>16.6 Customer Day</b>	Branch Manager/ Manager of Division should be available at the branch between 3.00 pm and 5.00 pm on the 15 <sup>th</sup> of every month (customer day).

## 17.0 Prevention of Frauds- committees constituted by RBI

<p><b>17.1 B.D. Narang Committee</b></p>	<p>The recommendations of B,D. Narang Committee report on large value frauds has been implemented by bank</p> <p>The B.D. Narang Committee has analysed the modus operandi of large value frauds and suggested remedial measures. The committee enumerated the circumstances which facilitated the perpetration of banks frauds, some of them are as under:</p> <ul style="list-style-type: none"> <li>a) Banks did not properly identify their customers</li> <li>b) There was laxity in the compliance of internal control system and the controller's supervision was not effective.</li> <li>c) House keeping at branches continued to be neglected</li> </ul>
<p><b>17.2 Ghosh Committee</b></p>	<p>RBI constituted a High Level Committee under the Chairmanship of Shri A. Ghosh in October 1991 to enquire into the various aspects relating to frauds and malpractices in banks. Precaution recommended to prevent fraud has been implemented in the bank.</p> <p>The committee made various recommendations like Joint Custody and dual responsibility of Cash and other valuables, photograph of account holders, surprise/spot inspection of large branches, job cards for staff etc</p>
<p><b>17.3 Mitra Committee</b></p>	<p>RBI constituted an Expert Committee under the Chairmanship of Dr .N. Mitra on legal aspects of Bank Frauds in August 2000.</p> <p>Implementation of the recommendations of the committee on legal aspects of bank frauds and the recommendations of the High Level Group set up by the Central Vigilance Commission (CVC) have been duly implemented by bank.</p>

	<p>The main recommendations of the Mitra Committee are:</p> <p>Development and internalisation of Best Practice Code (BPC), Internal Checks and controls, introduction of legal compliance certificate, legal compliance audit, data building on the exercise of discretionary power, appropriate incentive system, liability of the accounting and auditing profession and system of Credit Registration and data information sharing.</p>
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## Part II

### Best Practices Code for Treasury Department

#### 18.0 Treasury Operations -Foreign Exchange

<b>18.1 Functional Separation</b>	Clear and functional separation of Front Office (Trading), Back-office (processing, control and Accounting) and Mid-office (Risk Control) should be ensured.
<b>18.2 Place of Dealing</b>	Only from office. Dealings to be done using approved communication media like telephones with recording system or Negotiated Dealing systems like Reuters/NDS/EBS etc. No deal should be effected by using mobile phone. Dealings are to be conducted during prescribed/approved intra-day hours of the bank.
<b>18.3 Characteristics required in the Dealers</b>	The following characteristics are required in Forex Dealers: <ul style="list-style-type: none"><li>• High level of knowledge, skills and fast reflexes,</li><li>• Ability to take quick decisions</li><li>• Mental alertness and proactive disposition of mind</li><li>• Ability to keep cool under stress</li><li>• Willingness to accept responsibility</li><li>• Drive and Aggressiveness</li><li>• Readiness to acknowledge and learn from mistakes</li><li>• High level of integrity</li></ul>
<b>18.4 Training of Dealers</b>	Dealers should be properly trained in Foreign Exchange Bourse Programmes and other related programmes in which they are supposed to deal.

<b>18.5 Trading Deals</b>	Trading deals are required to be concluded only with Banks for whom counter-party limits have been approved and these should be within the limit. Trading should be done in approved currencies only.
<b>18.6 Overnight and Daylight Limits</b>	Limits should be set up for pure trading with currency wise sub limits within the overall sanctioned limits to be reviewed from time to time.
<b>18.7 Functions of Mid-office</b>	Should independently analyse risks associated with trading activities.
<b>18.8 Managing Risks</b>	Risks involved in trading activities should be measured, analysed, monitored and managed as per approved procedure.
<b>18.9 Documentation to Reduce Legal Risks</b>	Reporting to various higher authorities should be done as per laid down system.
	Deals not in line with market rates should not be permitted. The Mid-office and Back office should ensure this.
<b>18.10 Recording of deals</b>	Record of each transaction, showing the entire key data must be kept in the Back-office after the deal is concluded. Each deal should be recorded to determine the respective trading position.
<b>18.11 Stop-Loss limits</b>	Market risk on foreign exchange open positions resulting from trading should be kept within allocated stop loss limits.
	The maximum loss booked on any single day should be within limit approved by the ECCB.
	Different action points must be triggered at the stipulated Cumulative Loss levels in a financial year and the strategies reviewed.
<b>18.12 Strict confidentiality</b>	Strict confidentiality with respect to trades is to be maintained by all the concerned staff handling processes involved in trading activity.
<b>18.13 Other Duties of a Dealer</b>	Dealers should not be associated with accounting or reconciliation work relating to dealing room activities.
<b>18.14 Compulsory Leave</b>	All dealers must take minimum 2 weeks leave every year.
<b>18.15 Code of Conduct for Dealers</b>	All Dealers should give an undertaking to adhere to the Bank's laid down code of conduct for Forex Dealers.

<b>18.16 Concurrent Audits and Statutory Audits</b>	<p>The following areas should be put to audit by the concurrent auditor, statutory Auditor and the Bank's internal auditors:</p> <ul style="list-style-type: none"> <li>• Limit Systems</li> <li>• Determination &amp; Reconciliation of positions and profits/loss</li> <li>• Completeness, correctness and timeliness of the internal reporting system</li> <li>• Functional separation</li> <li>• Degree to which the trades/deals are in line with market conditions</li> <li>• Confirmations and counter-confirmations</li> </ul>
<b>18.17 Written Contingency Plans</b>	<p>All concerned should be aware of contingency plan (for ensuring among other things that in the event of breakdown of the technical equipment necessary for trading activities, back-up facilities can be deployed at short notice.) and their respective role in that plan.</p>
<b>18.18 Strict compliance with the RBI guidelines in the following areas</b>	<ul style="list-style-type: none"> <li>• Organizing Dealing Room set up</li> <li>• Selection &amp; training of Dealers</li> <li>• Dealing Procedures</li> <li>• Code of Conduct for Dealers as prescribed by FEDAI</li> <li>• Accounting department (Back Office) operations</li> </ul>

## **19.0 Treasury Operations-Rupees**

<b>19.1 General Best Practices</b>	
<b>19.1.1 Investments</b>	All RBI guidelines for classification, valuation and operations of investment portfolio by bank should be complied with meticulously.
<b>19.1.2 Functional Separation</b>	Clear and functional separation of Front Office (Trading), Back-office (processing, control and Accounting) and Mid-office (Risk Control) should be ensured.
<b>19.1.3 Place of Dealing</b>	Only from office site. Dealings to be done using approved communication media like telephones with recording system or Negotiated Dealing systems like Reuters/NDS/EBS etc. except in case when EBS is not working. In that case dealing may be done through other phones after taking the permission from DGM. No deal should be done by using mobile phone. Dealings to be conducted during prescribed/approved intra-day hours of the bank
<b>19.1.4 Mid office</b>	Should analyse risks associated with trading activities.
<b>19.1.5 Regulations</b>	Regulatory, Listing and Rating-as suggested by RBI
	Trading and Settlements- as per regulatory (RBI/SEBI) guidelines.
<b>19.1.6 Targeted Returns</b>	Should be fixed against the bench-mark of PLR/Yield on Govt securities, CP Reuters reference rate etc.

<b>19.1.7 Documentation to Reduce Legal Risks</b>	All trades should be based on clear and correctly documented agreements and market practice.
	Reporting to various higher authorities should be done as per laid down system.
	All concerned staff handling processes involved in trading activity should maintain strict confidentiality.
	Deals not in line with market rates should generally not be permitted. If circumstances warrant, approval for deviation from competent authority should be obtained. The Mid-office and Back office should ensure this.
<b>19.1.8 Recording of deals</b>	A record of each transaction, showing all the key data must be kept in the Back-office after the deal is concluded. Each deal should be recorded to determine the respective trading position. Telephonic conversation should be recorded.
<b>19.1.9 Concurrent Audits and Statutory Audits</b>	The following areas should put to audit by the concurrent auditor, statutory Auditor and the Bank's internal auditors: <ul style="list-style-type: none"> <li>• Limit Systems</li> <li>• Determination &amp; Reconciliation of positions and profits</li> <li>• Changes in the EDP systems</li> <li>• Completeness, correctness and timeliness of the internal reporting system</li> <li>• Functional separation</li> <li>• Degree to which the trades/deals are in line with market conditions</li> <li>• Confirmations</li> </ul>
<b>19.1.10 Cut-Loss levels</b>	Different policies laid down for each of the categories to set up Cut loss limits should be adhered to.
<b>19.1.11 Overshooting of Limits</b>	The procedure for reacting to any overshooting of the cut loss limits and to extreme market developments should be adhered to.
<b>19.1.12 Contingency Plans</b>	All concerned should be aware of contingency plan (for ensuring among other things that in the event of breakdown of the technical equipment necessary for trading activities, back-up facilities can be deployed at short notice.) and their respective role in that plan.
<b>19.1.13 Sub limits for brokers</b>	Deals routed through the brokers should be within the ceiling. The overall transaction that would be routed should not exceed the 5% ceiling to any single broker, as specified by RBI guidelines).

<b>19.1.14 Strict confidentiality</b>	Strict confidentiality with respect to trades is to be maintained by all concerned staff handling all processes involved in trading activity.
<b>19.2 Policy for Trading in Central Government Securities (CG-Sec)</b>	
<b>19.2.1 Risk Management Systems in Banks-Guidelines: circulated by RBI</b>	The policy regarding volume, maximum maturity, holding period, duration, stop loss, defeasance period, etc for classifying securities in the trading book should be observed meticulously. .
<b>19.2.2 Ceilings for Risk Positions</b>	Ceilings for risk positions for the CG-Sec trading fixed by the Bank in the following instances should be adhered to. <ol style="list-style-type: none"> <li>1. Total amount of positions outstanding at any point of time</li> <li>2. Total amount in an individual time bucket</li> <li>3. Maximum adverse movement permissible (Stop-Loss)</li> <li>4. Defeasance period</li> </ol>
<b>19.2.3 Risk control &amp; Risk Management</b>	The Risk control & Risk Management system designed keeping in view the scale, complexity and risk content of the trading activities conducted or envisaged should be followed.
<b>19.2.4 Counter-Party limits</b>	All trades except transactions in which amount has been remitted or is to be remitted on a delivery versus payment basis should be concluded only with contracting parties for whom counter-party limits have been sanctioned and within sanctioned limits.
<b>19.2.5 Mid-office functions and Monitoring</b>	The Mid-office should prepare reports on risk positions and the trading results every day
<b>19.2.6 Defeasance period</b>	Investments can be held in 'Held For Trading' (HFT) for 90 days, before which they should be sold or a decision should be taken by an appropriate committee whether to transfer them to the Available For Sale category, and make provisions as per the revaluation norms of RBI or to sell the scrip and book losses.

<b>19.3 Equity Investment</b>	
<b>19.3.7 Equity Investments and Total outstanding Positions</b>	A limit for outstanding in the Equities Trading Book at any point of time-should be fixed. Equity investments in the trading book should be made only in those securities, which are in the universe of securities approved for this purpose.
<b>19.4 Policy on Derivatives</b>	
<b>19.4.1 Derivatives</b>	All deals undertaken in derivatives should be governed by scope, rules, legal framework, market practices and documentation prescribed, in addition to the guidelines given by RBI, SEBI, other non-regulatory bodies, like ISDA, Fixed Income Money Market and Derivatives Association (FIMMDA), FEDAI, Clearing Corporation of India Ltd etc.
<b>19.4.2 Cut-loss levels</b>	Different policies laid down for cut loss limits should be adhered to.
<b>19.4.3 Know Your Customer</b>	Counter parties should be well identified as per “KYC” norms.
<b>19.4.4 Notional Amounts</b>	Ceilings for notional amounts on Risk positions for Futures, IRS, FRAs, and Indian Rupee Cross Currency Interest Swaps should be observed.
	Trading should be undertaken only in instruments where market making is allowed by RBI
	All the types of Derivatives dealing should be within the ceiling.
<b>19.4.5 Policy for Hedging</b>	Policy for hedging the market risks inherent in banking business should be observed.
<b>19.4.6 Contracting Parties &amp; counter party limits</b>	All trades must be concluded only with contracting parties for whom counter party limits have been sanctioned and ISDA Agreements signed.
<b>19.4.7 Risk Disclosure Statement</b>	The principles of Risk Disclosure Statement for Over-the-counter (OTC) derivative transactions should be adhered.

<b>19.5 Prudential Guidelines on Banks' Investment in Non-SLR securities</b>	
<b>19.5.1 Non-SLR Securities</b>	Prudential Guidelines should be observed regarding Investments in Non-SLR securities.
	The investment Policy should be adhered to.
	No investment should be made in un-rated papers.
	Prudential norms in unlisted non-SLR securities to be adhered to.
	Investments proposals in Non-SLR securities should be subjected to credit appraisal and rating.
	Portfolio- to be periodically reviewed
	Details of issuer composition of non-SLR investments and the non-performing non-SLR investments to be disclosed in the balance sheet.
	Trading and settlements should be as per SEBI guidelines.
<b>19.5.2 Market Repos with counter-parties other than RBI</b>	Exposure Limits fixed for counter parties should be adhered to in respect of NSLR securities.
<b>19.6 Policy For Dealing in Assigned/ Securitised Assets</b>	
<b>19.6.1 Assigned/ Securitised Assets</b>	The policy for Purchase and Sale of Loan assets should be followed.
	The assets should be linked to their credit rating in terms of CRISIL ratings for Structured Obligations (SO) or similar ratings.
<b>19.6.2 Compliance Officer</b>	The Compliance Officer to ensure compliance of the code.
<b>19.6.3 Confidentiality</b>	The Directors and Designated Employees should maintain confidentiality of all unpublished Price Sensitive Information. They should not pass on such information to any person directly by way of making a recommendation for the purchase or sale of securities of the Bank based on the same.
<b>19.6.4 Unpublished Price Sensitive Information</b>	Unpublished Price Sensitive Information should be handled on a need to know basis. All files containing confidential information should be kept secure.
	All Directors/Designated Employees and/or their Dependent Family Members should be subject to certain trading restrictions to be detailed in the code.

<b>19.7 Code of Corporate Disclosure Practices for Prevention of Insider Trading in the Securities of State Bank of Patiala</b>	
<b>19.7.1 Prompt disclosure of price sensitive information</b>	Price sensitive information should be given to stock exchanges and disseminated on a continuous and immediate basis.
<b>19.7.2 Information released to Stock Exchanges</b>	Suitable ways of supplementing information released to stock exchanges by improving investor access to their public announcements should be ensured.
<b>19.7.3 Compliance Officer</b>	The designated Compliance Officer should oversee corporate disclosure practices. He should be responsible for ensuring that the Bank complies with continuous disclosure requirements, overseeing and coordinating disclosure of price sensitive information to stock exchanges, analysts, shareholders and media, and educating staff on disclosure policies and procedure.
<b>19.7.4 Investment Policy</b>	The purpose of the Investment Policy is to create a broad framework within which the Treasury Department would take investment decisions based on <ul style="list-style-type: none"> <li>• Target return</li> <li>• Target duration of the portfolio as determined by Asset Liability Management Committee (ALCO)</li> <li>• Liquidity considerations</li> <li>• Credit risk</li> </ul> The compliance of the investment policy should be ensured.
<b>19.7.5 Parameters set by ALCO</b>	The parameters should be in accordance with the ALM policy of the Bank.
<b>19.7.6 Statutory Prescriptions</b>	The Treasury Department to comply with statutory prescriptions relating to investments (SLR maintenance etc.) in managing the Bank's portfolio. The investments should be within prudential limits fixed by RBI, in conformity with the BR Act 1949, and other applicable laws and guidelines that are issued by RBI, SEBI, and other such bodies.
	While taking investment decision, among other things, default, liquidity, and interest rate risks should be considered on the basis of available information.

## PART III

### GUIDANCE FOR CUSTOMERS

#### 1. Deposits

<b>Identification</b>	Never introduce a person to the bank whom you do not know
<b>Cheque books</b>	Always keep chequebooks and passbooks under lock and key. Do not keep any blank cheque leaf signed.
<b>Specimen Signature</b>	Do not keep your specimen signature with your passbook/chequebook
<b>ATM/ Credit Card</b>	Always keep ATM/Credit card in your effective custody. Do not divulge your PIN of ATM/Credit Card or password of Internet Banking to any one.
<b>Updation of Passbook</b>	Get your passbook updated frequently. Obtain your statement of accounts on time. Examine the transactions and bring any discrepancy in the knowledge of bank.
<b>Loss of Chequebook/ ATM Card/ Credit Card</b>	Loss of cheque book/ ATM Card should immediately be brought to the notice of the bank. Loss of Credit Card to be informed immediately to SBI Cards on helpline and also send intimation to SBI Card.
<b>Stop Payment</b>	If you want to stop payment of any cheque issued by you send intimation to the bank and obtain receipt of noting of instructions.
<b>Crossing of cheques</b>	Always cross cheques before sending them for depositing into your account.
<b>Issue of Cheque/Draft</b>	While writing a cheque/ purchasing a draft, preferably include the name of the payee's banker in the cheque/draft to avoid its misuse. While mailing, always use registered post/ reputed courier only.
<b>Cheque Return memo</b>	If payment of a cheque deposited into your account has been refused by drawee bank, insist on a return memo, giving reasons of return. This will help you in taking action against drawer.
<b>Operation in Safe Deposit Lockers</b>	Locker keys should be kept safely. Ensure to close the locker after every operation.

## 2. Credit related

<b>Product information</b>	Before choosing a particular loan product obtain information from the bank about all relevant loan products.
<b>Acknowledgment of Application</b>	Obtain acknowledgement for receipt of loan application
<b>Interest rates</b>	Keep yourselves informed about latest applicable interest rates. Current interest rates are available at bank's website ( <a href="http://www.sbp.co.in">www.sbp.co.in</a> ). You are also entitled for receiving notice of change of interest rate from bank.
<b>Reasons for rejection</b>	Reasons for rejection of loan applications would be conveyed to small borrowers seeking loans upto Rs 2 lacs.
<b>Copy of documents</b>	Obtain a copy of security documents executed by you.
<b>Cheque Books custody</b>	Keep cheque books in safe custody
<b>Account statement</b>	Obtain account statements on time from the bank and reconcile the entries promptly
<b>Service Charges</b>	Obtain details of any service charge levied to your account.

## 3. Letter of Credit (Beneficiary)

	Insist on your buyers advising L/C through your bankers.
	If you receive L/C directly from buyer, deposit it with your banker and advise them that you intend to negotiate the documents under the L/C so that your banker may ascertain the genuineness of the L/C. Before dispatch of goods, ascertain from your banker, whether they are willing for negotiation of bills under that L/C.
	The terms and conditions of the L/C should be read carefully and documents should be prepared accordingly. If any of the terms/ conditions are difficult to comply with then the buyer should be asked to arrange for suitable amendments before despatch of the goods.
	Irrespective of an LC being furnished, before entering into commercial transactions with any party independent inquiries need to be made to ascertain genuineness, trustworthiness, track record and competency of the other party.

#### 4. Bank Guarantees

<b>For the beneficiary</b>	Ensure that the guarantee is issued on pre-printed pre-numbered stationery, is affixed with proper stamp duty and is signed by two officials (in case its amount is Rs 50,000 or more).
	Acknowledge receipt of the guarantee to the issuing branch

#### 5. Clearing

	Verify from your account that the instruments deposited or issued by you are reflected in your account with all details
	Avail of Electronic Clearing System facility wherever available.

#### 6. Demand Draft and remittances

	Verify that a draft is correctly prepared, signed by officials and drawn on the place intended.
	Ensure to always mail your draft/cheque etc preferably by registered post.
	Always cross your draft before dispatching. If possible, apply for a draft in the name of the beneficiary's banker giving his account number to avoid misuse.
	In case of TTs, confirm receipt of funds from the beneficiary.
<b>Electronic Fund Transfer (EFT)</b>	If EFT is available for the destination place, always opt for it, instead of TT/DD.

#### 7. Government Business

	Use proper challan form. Collect counterfoils of receipted challans promptly.
	Deposit your challans personally or through your own representative. Do not hand over money to some unknown person for depositing.