

**Banking Codes and Standards Board of India (BCSBI)**  
**- A profile**

- The expectations of customers of banks are generally confined to prompt delivery of services relating to their deposit accounts, assistance in handling the ancillary services, transparency in dealings and a helpful attitude to solve their difficulties. Towards this end, and as a part of the regulatory process, RBI has been taking various steps over the years to ensure that services rendered by the banks to customers and common persons meet their genuine requirements.
- However, while the customer expectations have kept rising, the services to common person have not improved to expected levels. Therefore, RBI in 2003 constituted a Committee on Procedures and Performance Audit in Public Services (CPPAPS) under Chairmanship of Shri S.S. Tarapore, former Deputy Governor of the Reserve Bank.
- The CPPAPS examined the areas of interaction of customers and common person with the banks and the quality of service rendered. The Committee in its various reports covered all facets of banking services like Government business, foreign exchange business, exchange of currency, etc. to customers of commercial banks. The Committee recommended that a Banking Codes and Standards Board of India (BCSBI) should be set up in India as an organization to evaluate and oversee observance of a code of conduct by banks so that there is healthy and virtuous pressure on the banks to provide good customer service on par with best practices.

- To fill in the institutional gap and to calibrate the banks against codes and standards based on best practices, Dr. Y.V. Reddy, Governor, Reserve Bank in his Monetary Policy Statement on September 2005, announced the RBI intention to set up a Banking Codes and Standards Board of India as an independent organization. This Board is expected to function as a watchdog of the banking industry.
- The Governing Council of the Board consists of seven members drawn from different disciplines such as banking, accountancy, consumer forum, service industry, etc.
- The Board is intended to be a lean organization with minimum overheads.

#### **Relationship between RBI and BCSBI**

- The Board has been set up as an independent and autonomous organisation. But it is strongly supported by RBI as RBI would bear the financial cost of this institution in the initial period of five years in the best interests of the entire banking system and more particularly the interests of the common person as customer.
- Although the membership of BCSBI is optional, RBI is expected to have more intensive oversight on banks that do not become members of BCSBI.

## **Functions of BCSBI**

- The initiative to establish the Board is driven by the banks themselves as this would lead to the empowerment of their customers for a higher level of satisfaction with regard to the services offered, through a significant and enduring improvement in customer services. Internationally, such codes are developed by associations of bankers as self-regulatory exercises. The IBA and the BCSBI have drawn up the voluntary codes in general terms and the codes will be followed by detailed Guidance Notes on each of the code.
- The adherence to the codes by banks will be monitored by BCSBI. The central task of the Board would, therefore, be to ensure that the subscriber banks file detailed compliance reports to the Board on observance of voluntary codes and that they are followed rigorously.
- If, after a thorough assessment the Board is still not satisfied with the compliance, the Board could contemplate sanctions which may include the following:
  - ✓ Follow “Name & Shame” policy. That is publication by the Board of the bank’s name and details of the breach;
  - ✓ Inclusion of details of the breach in the Board’s Annual Report;
  - ✓ Issue of instructions to banks on remedial action;
  - ✓ Warning or reprimand;
  - ✓ Public censure; and

- ✓ Cancellation of registration with the Board.
- While provisions for penal action exist, the basic approach of BCSBI is to take collaborative remedial action rather than through penal measures.
- Of the 79 scheduled commercial banks, 70 banks have enrolled as members of the BCSBI and have voluntarily adopted the 'Code of Bank's Commitment to Customers'.

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