

Annual Report
2007-08



**BANKING CODES AND STANDARDS
BOARD OF INDIA**

www.bcsbi.org.in

PUBLISHED BY

K.V. Subba Rao

Chief Executive Officer

The Banking Codes and Standards Board of India

C-7, 4th floor, Reserve Bank of India Building

Bandra Kurla Complex

Mumbai- 400051

Phone : (022) 26573715

Fax : (022) 26573719

Website : www.bcsbi.org.in

**Banking Codes and Standards Board of India
Governing Council**

Chairman

K.J. Udeshi

Banking Codes and Standards Board of India
C-7, 4th floor, Reserve Bank of India Building,
Bandra Kurla Complex,
Mumbai- 400051

Members

M. M. Chitale

Chartered Accountant
Building No. 4, Plot No. 43
Vishnu Prasad Society
Vile Parle (East)
Mumbai-400057

S. Divakara

Director-General
Forum of Free Enterprise
2nd floor, 235, Dr D.N. Road
Mumbai-400001

V. P. Shetty

Chairman
JM Financial Asset Reconstruction
Company Private Limited
303, Jupiter, Cuffe Parade
Colaba, Mumbai-400005

S.R.Kolarkar

Legal Adviser
A/6, Medhavi, 2nd Cross Lane
Swami Samarth Nagar,
Lokhandvala Complex
Andheri (West), Mumbai-400053

Cyrus Guzder

Chairman and Managing Director
AFL Group
AFL House
Lok Bharati Complex
Marol Maroshi Road
Andheri (East)
Mumbai-400059

K. V. Subba Rao

Chief Executive Officer
Banking Codes and Standards
Board of India
C-7, 4th Floor
Reserve Bank of India Building
Bandra-Kurla Complex
Mumbai-400051



ANNUAL REPORT OF THE BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI) 2007-08

For BCSBI, the year 2007-08 was its second year of existence. It was a year of concerted action and active dialogue with its members to translate the promises made by them in the *Code of Bank's Commitment to Customers (Code)* into tangible performance. Simultaneously, the BCSBI has been also actively collaborating with the Indian Banks' Association in evolving a separate code for extending members' commitment to Micro and Small Enterprise (MSE) customers.

Governing Council

2. The Governing Council, which is vested with the general supervision, direction and control of the working of the BCSBI, held eight meetings during the year. During the year, S/Shri M.G. Bhide and R.K. Krishna Kumar, voluntarily relinquished membership of the Governing Council and in their place, Shri V.P. Shetty, former Chairman, Indian Banks' Association and Shri Cyrus Guzder, Chairman and Managing Director, AFL Group have been inducted by the Reserve Bank of India.

Membership and Subscription

3. During the year, three more banks have been inducted into the fold of BCSBI, taking the number of member banks from 67 as on March 31, 2007 to 70. List of member banks is furnished in **Annex I**. During the year, BCSBI collected Rs.200.87 lakh by way of registration and membership fee.

Investment of Funds

4. During the year, the Investment Committee of BCSBI held nine meetings. In accordance with the Investment Policy, the funds of BCSBI can be invested in Central and State Governments securities, deposits with member banks and mutual funds, within the limits laid down. As on March 31, 2008, BCSBI's investments stood at Rs.298.73 lakh in Government of India securities and Rs.74.80 lakh in term deposits with banks.

Sample Survey of Implementation of Code Provisions

5. In order to have a first hand feel of implementation of the Code at the grass-root level, BCSBI commissioned a survey of 700 branches of member banks in five cities, viz. Chennai, Kolkata, Mumbai, New Delhi and Hyderabad. During May-July 2007, the representatives of BCSBI visited these 700 branches and held discussions with banks' functionaries before posting their findings. The scope of the survey was to ascertain systems in vogue for distribution of copies of the Code, transparency in various banking services offered, tariff schedule, interest rates, KYC procedures, status of opening of 'no-frills' accounts, services related to deposit accounts, grievance redressal systems etc. The survey findings, summarised in **Annex II**, demonstrate that banks need to



gear up their machinery in disseminating the contents of the Code to all their customers, reaching out to customers with information on terms and conditions of their deposits and their implications, bringing out transparency in their tariff schedule, educating their customers on the availability of system for redressal of their grievances and in fulfilling certain basic obligations to borrowers etc.

Monitoring of Compliance

6. Member banks have submitted their first *Annual Statement of Compliance* as on December 31, 2007, indicating the status of implementation of various provisions of the Code. The status and pace of progress has been discussed with the Chief Executive Officers / Executive Directors of banks, against the backdrop of the sample survey findings and mutually agreed time frames have been fixed for implementation of various Code provisions. It is heartening to note that 15 member banks (**Annex III**) have completed the task of distribution of copies of the Code to all their existing customers. Barring a few, member banks have adopted Model Policies brought out by IBA on Cheque Collection, Grievance Redressal, Security Repossession and Compensation. Further, it is apparent that banks are taking active steps to improve dissemination of information and to enhance transparency in their day to day dealings with customers. In the previous Annual Report, it was highlighted that the cardinal principle that runs across all the provisions of the Code is that banks should not rely on implicit consent from customers and all products and services should be sold to the customer only after obtaining his explicit consent in writing. The recent spate of cases by customers alleging misselling of products by banks highlights the importance of implementing the Code provisions not only in letter but also in spirit.

Evolving a Code of Bank's Commitment to Micro and Small Enterprises

7. While launching the Code for individual customers in July 2006, Governor, Reserve Bank of India, Dr Y.V. Reddy had said that the SME sector needs to be nurtured and urged the BCSBI to evolve a code for this sector. The BCSBI, in collaboration with the IBA, has finalised a *Code of Banks Commitment to Micro and Small Enterprises*. As MSEs are facing genuine difficulties in accessing bank finance and in receiving fair and transparent banking services, the code is specifically designed for this sector. It is hoped that with the knowledge of their rights contained in this code, the MSEs would be better able to optimise their banking transactions. There are potential advantages to both, banks and customers by way of business growth if the code provisions are implemented in letter and spirit. The code for MSEs is expected to be released shortly.

Sample Study of Service Charges

8. The Working Group on Reasonableness of Bank Charges constituted by RBI had in its Report submitted to the RBI in September 2006 suggested that "BCSBI may track from time to time, the changes in the levels of the service charges and on a comparative basis, to identify any abnormal increases." Accordingly, BCSBI made a preliminary sample study of a few member banks' charges on most commonly availed banking services,



namely, penalty for non-maintenance of minimum balance, charges for collection of outstation cheques, for issue of DDs and cheque books and for closure of S.B. accounts. *Prima-facie*, the study revealed that over and above the high minimum balance prescription by foreign and new private sector banks, the penalty charged by them for non-maintenance of the minimum balance is also on the higher side as compared with public sector and old private sector banks. The other four charges in the sample study are not totally out of alignment across banks.

Complaints

9. In addition to the Banking Ombudsman Scheme 2006, the RBI has set up a dedicated department called the *Customer Service Department (CSD)*, to attend to complaints received in respect of deficiencies in banking services. Even so, the BCSBI has provided an e-helpline *help.bcsbi@rbi.org.in* for citizens to register their complaints. While all complaints received by BCSBI are forwarded to the CSD, RBI, those indicative of systemic deficiencies in implementation of the Code provisions, are taken up by BCSBI with the concerned member banks.
10. During the year, 336 complaints were received. Profile of these complaints is set out in **Annex IV**. Of these, 140 complaints indicating systemic deficiencies were taken up with banks and followed up for rectification of systemic gaps.

Training Support

11. BCSBI has extended faculty support to training establishments of member banks to provide necessary inputs to the banks' staff on the Code and its implementation. BCSBI also availed of the opportunity to educate the staff of member banks through video conferencing and interaction with groups of senior officials.

BCSBI's Interaction with International Associations

12. Chairman, BCSBI participated in the 4th International Forum on Financial Consumer Protection and Education at Budapest, Hungary, organized in October 2007 by the Hungarian Financial Supervisory Authority. It provided an opportunity for regulators and others to discuss issues affecting consumers of financial products. Chairman presented a paper on the theme of 'responsible lending'.
13. In January 2008, Mr. Paul Smith, Compliance Head, Banking Code Standards Board (BCSB), UK visited India and BCSBI arranged a meeting with the Executives of member banks, Banking Ombudsmen and Principal Code Compliance Officers. The interaction provided valuable insight into the working and functions of BCSB, UK and their Banking and Business Codes.

BCSBI Website

14. BCSBI has enriched its website by adding Frequently Asked Questions on Credit Cards and on Housing Loans.



Way Ahead

15. BCSBI will focus its efforts towards spreading awareness among the public at large about the commitment of member banks towards their individual and MSE customers. It would be the endeavour to ensure that the Code commitments by banks percolate down to the grass-root level and culminate in greater public confidence in the banking system. Unlike a regulator-regulatee approach, the BCSBI's endeavour would be to continuously enhance the quality of banking services through a genuinely collaborative effort by member banks, IBA, BCSBI and the RBI.

Acknowledgements

16. The BCSBI has been fully supported by the Reserve Bank of India and the Indian Banks' Association and the member banks. BCSBI places on record the invaluable support and guidance received from the erstwhile Governing Council members S/Shri M.G. Bhide and R.K. Krishna Kumar in the crucial formative stages of the BCSBI and conceptualisation of the Code of Bank's Commitment to Customers.



Annex I			
List of banks which have enrolled as members of the BCSBI			
S. No.	Name of the Bank	S. No.	Name of the Bank
01	ABN AMRO Bank N V	36	Mashreqbank psc*
02	AB Bank Ltd	37	Oman International Bank, S.A.O.G.
03	Allahabad Bank	38	Oriental Bank of Commerce
04	Andhra Bank	39	Punjab National Bank
05	Axis Bank Ltd	40	SBI Commercial and International Bank Ltd
06	Bank of America N A	41	Shinhan Bank
07	Bank of Baroda	42	Societe Generale
08	Bank of Ceylon	43	Sonali Bank
09	Bank of India	44	Standard Chartered Bank
10	Bank of Maharashtra	45	State Bank of Bikaner and Jaipur
11	Bank of Nova Scotia	46	State Bank of Hyderabad
12	Barclays Bank P L C	47	State Bank of India
13	BNP Paribas	48	State Bank of Indore
14	Calyon Bank	49	State Bank of Mysore
15	Canara Bank	50	State Bank of Patiala
16	Central Bank of India	51	State Bank of Saurashtra
17	Centurion Bank of Punjab Ltd	52	State Bank of Travancore
18	Citibank N A	53	Syndicate Bank
19	City Union Bank Ltd	54	Tamilnad Mercantile Bank Ltd
20	Corporation Bank	55	The Bank of Rajasthan Ltd
21	DBS Bank Ltd	56	The Catholic Syrian Bank Ltd
22	Dena Bank	57	The Dhanalakshmi Bank Ltd
23	Deutsche Bank	58	The Federal Bank Ltd
24	Development Credit Bank Ltd	59	The Hongkong and Shanghai Banking Corporation Ltd
25	HDFC Bank Ltd	60	The Jammu & Kashmir Bank Ltd
26	ICICI Bank Ltd	61	The Karur Vysya Bank Ltd
27	IDBI Bank Ltd	62	The Lakshmi Vilas Bank
28	Indian Bank	63	The Nainital Bank Ltd
29	Indian Overseas Bank	64	The Ratnakar Bank Ltd
30	IndusInd Bank Ltd	65	The South Indian Bank Ltd
31	ING Vysya Bank Ltd	66	UCO Bank
32	JPMorgan Chase Bank N A	67	Union Bank of India
33	Karnataka Bank Ltd	68	United Bank of India
34	Kotak Mahindra Bank Ltd	69	Vijaya Bank
35	Krung Thai Bank P C L	70	Yes Bank Ltd

* Mashreqbank psc - with effect from April 1, 2008

List of banks which have registered and declared their intent to become members of the BCSBI

- 1 Abu Dhabi Commercial Bank
- 2 Punjab & Sind Bank
- 3 State Bank of Mauritius



Annex II

Sample Survey findings – Implementation of Code Provisions

1. Dissemination of the Code

- 53% of the branches surveyed had a system in place for distribution of copies of the Code to customers.

City-wise position of branches surveyed is as follows:

- i) Kolkata - 31%
- ii) Mumbai - 49%
- iii) Delhi - 49%
- iv) Chennai - 58%
- v) Hyderabad - 88%

2. Tariff Schedule

- 86% of the branches had displayed following information:
 - (a) minimum balance in S.B. account
 - (b) penalty for non-maintenance of minimum balance
 - (c) charges for collection of outstation instruments
 - (d) charges for issue of DDs
 - (e) charges for closure of S.B. account
 - (f) charges for issue of cheque book

3. Transparency

As regards arrangements for making available written information by way of welcome kit/pamphlets/account opening form, position is as under:

- 33% of branches conveyed to the customers changes in the schedule of charges 30 days in advance.
- 38% of branches, provided customers with access to information on methodology of calculation of interest charges.
- Implications of nomination facilities were explained by 44% of branches.
- Implications of holding deposit accounts in different styles / types such as “either or survivor”, “former or survivor”, “latter or survivor”, have been explained by 65% of branches.
- Method of calculation of minimum balance in S.B. accounts was indicated by 48% of branches.
- Penalty for non-maintenance of minimum balance was indicated by 43% of branches.
- 75% of branches indicated as to how and when the maturity proceeds will be paid and 45% of branches stated the procedure for payment of maturity proceeds in case of death of a depositor.



4. KYC and “no-frills” accounts

- 100% branches surveyed were following KYC documentation procedure. 5% of the branches are reported to be calling for additional documents over and above KYC requirement.
- 41% of branches did not open any “no-frills” account.

5. Other Services

Deposits

- The option of availing passbook facility was offered by 81% of branches.
- Monthly statements were issued free of cost by 90% of branches.
- In 89% of branches, customers were advised about documents required and fee charged for closure of accounts.

Loans

- Acknowledgement for loan applications was issued by 60% of branches.
- 59% of branches issued receipts for documents taken as security.
- Receipts for post-dated cheques were issued by 52% of the branches.
- 86% of the branches released the documents taken as security within 15 days from the date of full repayment of loan.

6. Grievance Redressal System

- Help desk was available at 72% of the branches surveyed.
- 84% of branches had displayed the toll free / Helpline number.
- In 84% of branches, the internal inspection / audit commented on the customer service.
- Name and address of the Banking Ombudsman was displayed by 69% of branches.
- Salient features of Banking Ombudsman Scheme, 2006 were displayed by 62% of the branches.
- Name and contact numbers of the Principal Code Compliance Officer were displayed by 58% of branches.



Annex III	
Banks which have distributed copies of Code to all their customers	
S. No.	Name of the Bank
01	Axis Bank Ltd
02	Bank of America N A
03	Bank of Ceylon
04	Bank of Nova Scotia
05	Centurion Bank of Punjab Ltd
06	City Union Bank Ltd
07	DBS Bank Ltd
08	Development Credit Bank Ltd
09	HDFC Bank Ltd
10	Kotak Mahindra Bank Ltd
11	Societe Generale
12	Standard Chartered Bank
13	The Hongkong and Shanghai Banking Corporation Ltd
14	The Ratnakar Bank Ltd
15	Yes Bank Ltd



Annex IV			
Profile of complaints			
Sr. No.	Nature of complaints	2006-07*	2007- 08
01	Deposit accounts	88 (18.18)	55 (16.37)
02	Credit/Debit Cards	85 (17.56)	109 (32.44)
03	Pensions	13 (2.69)	2 (0.60)
04	Tariff Schedule & Service Charges	45 (9.30)	23 (6.84)
05	Cheque Collection/Clearing Cycle	35 (7.23)	22 (6.54)
06	Foreign Exchange Services	4 (0.83)	4 (1.19)
07	ATM related Services	11 (2.27)	2 (0.60)
08	Compensation policy	—	—
09	Unsolicited telemarketing	2 (0.41)	5 (1.49)
10	Loans & Advances- (Including collection of dues etc.)	108 (22.31)	59 (17.56)
11	Grievance Redressal mechanism	3 (0.62)	17 (5.06)
12	Miscellaneous	90 (18.60)	38 (11.31)
	Total	484 (100)	336 (100)

* received between July, 2006 and March, 2007.

Note : Figures in brackets represent percentage of total complaints.

Statement of Accounts
for the year
2007-08



LOONKER & CO.
Chartered Accountants

8-Dhun Mahal
Garden Road
Colaba
Mumbai 400 039
Tel : 2282 5580; 2285 6740
Mobile: 93246 14750.

Auditors' Report

We have audited the Balance Sheet of Banking Codes and Standards Board of India as at 31st March 2008 and the Income and Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the trustees of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
- ii) In our opinion, proper books of account as required by the law have been kept by the Trust so far as it appears from our examination of such books.
- iii) The Balance Sheet and Income & Expenditure Account dealt with by this report are in agreement with the books of account.
- iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - in the case of Balance Sheet of the state of affairs of the above named trust as at 31st March 2008 and
 - in the case of Income & Expenditure Account of the surplus for the accounting year ended on that date.

For M/s. Loonker & Co.
Chartered Accountants

Place : Mumbai
Date: May 6, 2008

Sd/-
(S. C. Loonker)
Partner
(Membership No:10135)



BANKING CODES AND STANDARDS BOARD OF INDIA						
Balance Sheet as on March 31, 2008						
(As per Schedule VIII of Bombay Public Trusts Act, 1950)					(Amount in Rupees)	
As on 31 March 2007	FUNDS AND LIABILITES	As on 31 March 2008	As on 31 March 2007	PROPERTY & ASSETS	As on 31 March 2008	
	Trust Funds or Corpus			—	Immovable properties	—
15,636,000	Balance as per last Balance Sheet	15,636,000			Investments-	
	Add: Contribution received during the year	20,087,000	35,723,000	15,602,942	Govt.securities (cost)-Annex-I	29,873,356
	Other earmarked funds				—	—
	- Public Awareness Fund				—	—
500,000	Balance as per last Balance Sheet	500,000			Advances -	
	Add: Transferred from Income & Exp. A/c	2,799,000	3,299,000	12,640	To others -	
	— Loans (Secured or unsecured)		—	16,590	- Trade Mark	12,640
	Liabilities -			363,254	- Tax Deducted at Source	152,689
156,422	For advances from RBI		104,058		- Pre-acquisition Interest on Investments	—
	Income and Exp. Account				- Deposit (MTNL)	1,500
	Balance as per last Balance Sheet	1,322			- Premium on GOI Sec. 2017	2,772
	Less: Appropriation, if any	—				169,601
1,322	Add: Surplus as per Income & Expenditure Account	551	1,873	147,079	Income Outstanding -	
					Interest	1,527,711
					Cash and Bank Balances-	
				150,179	- In current account or fixed deposit account- Annex II	7,556,568
				1,060	- Stamps	695
						7,557,263
16,293,744	Total	39,127,931	16,293,744	Total		39,127,931

As per our report of even date

Sd/-
(K.J. Udeshi)
Chairman

M/s.Lounker & Co.
Chartered Accountants

Sd/-
(K.V. Subba Rao)
Chief Executive Officer
Banking Codes and Standards Board of India

Sd/-
Partner
Auditors

Place: Mumbai
Date: May 6, 2008

Place: Mumbai
Date: May 6, 2008



Annex-I

BANKING CODES AND STANDARDS BOARD OF INDIA						
Schedule of Investments belonging to the Trust as on March 31, 2008						
As per Part III – Schedule VIII of Bombay Public Trusts Act, 1950					(Amount in Rupees)	
Date and year of preparation	Kind of investments	Full description such as name of the company, distinctive Nos. of shares and certificates, type of shares, etc. Date of redemption or repayment	Face Value	Cost	Rate of interest borne by investments	Remarks
1	2	3	4	5	6	7
At the beginning of the year (as on April 1, 2007)	(i) Shares			—		
	(ii) Bonds and Debentures			—		
	(ii) Deposits			—		
	(iv) Others			—		
	(v) Public Securities	(a) 7.37% GOI Securities 2014	14,500,000	14,118,650	7.37%	
		(b) 8.07% GOI Securities 2017	1,480,000	1,484,292	8.07%	
			15,980,000	15,602,942		
Increase during the year (2007-08)		(a) 7.49% GOI Securities 2017	12,000,000	11,470,414	7.49%	
		(b) 7.99% GOI Securities 2017	2,800,000	2,800,000	7.99%	
			14,800,000	14,270,414		
Decrease during the year (2007-08)				—		
Total at the end of the year			30,780,000	29,873,356		

As per our report of even date

Sd/-
(K.J. Udeshi)
Chairman

M/s. Loonker & Co.
Chartered Accountants

Sd/-
(K.V. Subba Rao)
Chief Executive Officer
Banking Codes and Standards Board of India

Sd/-
Partner
Auditors

Place: Mumbai
Date: May 6, 2008

Place: Mumbai
Date: May 6, 2008

Annex-II

BANKING CODES AND STANDARDS BOARD OF INDIA		
Annexure to Balance Sheet as on March 31, 2008		
(Amount in Rupees)		
As on March 31, 2007	Bank Accounts	As on March 31, 2008
28,187	In Savings Account - ICICI Bank	2,856
121,992	In Current Account - Central Bank of India	73,712
-	In Fixed Deposits - HDFC Bank	1,300,000
-	- HSBC Bank	6,000,000
-	- Kotak Mahindra Bank	180,000
	[All accounts in the name of Banking Codes and Standards Board of India]	
150,179		7,556,568

As per our report of even date

Sd/-
(K.J. Udeshi)
Chairman

M/s. Loonker & Co.
Chartered Accountants

Sd/-
(K.V. Subba Rao)
Chief Executive Officer
Banking Codes and Standards Board of India

Sd/-
Partner
Auditors

Place: Mumbai
Date: May 6, 2008

Place: Mumbai
Date: May 6, 2008



BANKING CODES AND STANDARDS BOARD OF INDIA					
Income and Expenditure Account for the year ended March 31,2008					
[As per Schedule IX of Bombay Public Trusts Act, 1950]				(Amount in Rupees)	
Period ended 31 March 2007	EXPENDITURE	Year ended 31 March 2008	Period ended 31 March 2007	INCOME	Year ended 31 March 2008
	— To expenditure in respect of properties	—	—	By Rent	—
	— To establishment expenses	—		By Interest	
	— To remuneration to trustees	—	147,079	- On securities	2,092,303
	— Legal expenses	—	354,243	- On bank account	704,836
	— Audit fees	—		By Dividend	—
	— To contribution and fees	—		By Donations in cash or kind	—
	To amount written off			By Grants	—
	— - Preimum on Govt. Sec.	308		By Income from other sources	2,720
	— To Miscellaneous expenses	—		By Transfer from Reserve	—
	— To Depreciation	—		By Deficit carried over to Balance Sheet	—
	To Amounts transferred to Reserve				
500,000	- Public Awareness Fund	2,799,000			
	— To Expenditure on objects of the Trust	—			
1,322	To surplus carried over to Balance Sheet	551			
501,322	Total	2,799,859	501,322	Total	2,799,859

As per our report of even date

Sd/-
(K.J. Udeshi)
Chairman

M/s. Loonker & Co.
Chartered Accountants

Sd/-
(K.V. Subba Rao)
Chief Executive Officer
Banking Codes and Standards Board of India

Sd/-
Partner
Auditors

Place: Mumbai
Date: May 6, 2008

Place: Mumbai
Date: May 6, 2008

**Notes forming part of accounts for the year ended 31 March 2008****1. Previous Year's figures**

The corresponding figures for the previous year are re-grouped / re-classified, wherever necessary.

2. Expenses Borne by Reserve Bank of India

The Income and Expenditure Account does not show any expenses since all the expenses have been borne by the Reserve Bank of India. The Reserve Bank has agreed to extend financial support to the Board by way of meeting its full expenses for the first five years of operation and providing furnished Office accommodation & Office equipments etc. free of cost at the Reserve Bank of India Building, Bandra Kurla Complex, Mumbai - 400 051.

3. Advance for Expenses from Reserve Bank of India

In addition to the unspent opening balance of Rs.1,56,422/- shown as advance from Reserve Bank of India on the liability side in Balance Sheet, Reserve Bank of India had advanced a sum of Rs.1,00,000/- to the Board by cheque on April 25,2007 for meeting minor establishment expenses. The unspent closing balance of Rs. 1,04,058/- is shown as advance from Reserve Bank of India on the liability side in Balance Sheet.

4. Corpus Fund

During the first five years of operation, the Board would build up its corpus from registration and membership fees so that when the RBI funding is phased out, the Board would become self-financing. Therefore, the registration fees and the membership fees are credited to the Corpus Fund, during the first five years of operation.

5. Public Awareness Fund

The Board has transferred Rs. 27,99,000/- to Public Awareness Fund to be spent for this purpose within the next five years.

Sd/-
(K.J. Udeshi)
Chairman

Sd/-
(K.V. Subba Rao)
Chief Executive Officer
Banking Codes and Standards Board of India

Place: Mumbai
Date: May 6, 2008

As per our report of even date

M/s.Loonger & Co.
Chartered Accountants

Sd/-
Partner
Auditors

Place: Mumbai
Date: May 6, 2008