

The Banking Codes and Standards Board of India

The Banking Code Rules

1. Title

These Rules may be called the Banking Code Rules.

2. Definitions

In these Rules -

- a. '**BCSBI**' means the Banking Codes and Standards Board of India;
- b. '**Board**' means the Governing Council of the Banking Codes and Standards Board of India (BCSBI);
- c. '**Code**' means the Code of Bank's Commitment to Customers, as amended from time to time;
- d. '**Code Compliance Officer**' means an employee of a Member appointed as such in accordance with the requirements of these Rules;
- e. '**Compliance Policy**' means the policy set out in Chapter II of these Rules;
- f. '**Covenant**' means the Covenant as in Form A of these Rules;
- g. '**Disciplinary Procedure**' means the disciplinary procedures set out in Chapter III of these Rules;
- h. '**Executive**' means the Chief Executive Officer of the BCSBI;
- i. '**Member**' means a bank which has been admitted as a member of the BCSBI in terms of Chapter I of these Rules.

CHAPTER I – MEMBERSHIP

3. Eligibility for Membership

- 3.1 The applicant must be a bank in India included in Schedule II to the Reserve Bank of India Act, 1934.
- 3.2 The applicant must agree to adhere to the Code and sign the Covenant in Form A.
- 3.3 The applicant must pay a non-refundable registration fee of Rs.10,000/- (Rupees ten thousand only) to the BCSBI.

4. Application for Membership

- 4.1 Application for membership of the BCSBI shall be made in Form B.
- 4.2 The Chief Executive Officer shall place the application within 30 days of its receipt before the Board.
- 4.3 The decision of the Board for admitting the applicant as member or rejecting the application shall be communicated to the applicant within 45 days from the date of receipt of the application.
- 4.4 The communication for admission shall state the membership fee payable by the applicant for the first year, which it shall pay within thirty days from the date of the receipt of the said communication.
- 4.5 The applicant whose application is rejected may make a representation to the Board within 30 days from the date of receipt of communication of rejection.
- 4.6 The Board may, if it considers necessary, afford an opportunity of hearing to the applicant.
- 4.7 The decision of the Board regarding the admission of the applicant to the membership of the BCSBI shall be final.

5. Membership Fees

- 5.1 Membership fees payable by Members shall be in proportion to their gross domestic assets as on March 31, of the previous year and shall be of such amount, as the Board may determine as payable by each Member. Provided that the Board may prescribe a minimum fee that each Member shall be liable to pay.
- 5.2 Membership fee for the first year shall be paid as stated in Rule 4.4.

5.3 Membership fee for the subsequent years shall be paid annually in advance in respect of each financial year commencing April 1 within 30 days of the date of the invoice issued by the Executive.

5.4 Failure to pay annual membership fee within the specified time shall incur a charge of interest at the rate of 2 percent per annum above the Bank Rate from the date it is payable till the date of payment.

Provided where a Member does not pay the membership fee together with interest due thereon for six months from the date of invoice, the Board shall have a right to cancel membership of the bank without any further notice in the matter.

5.5 Membership fee shall not be liable to be refunded on cessation of membership whether on account of the Member's voluntary withdrawal or on cancellation by the Board or for any reason whatsoever

5.6 Voluntary withdrawal of membership by the Member or its cancellation by the Board shall not prejudice the right of the Board to institute any investigation or disciplinary proceedings within three months of such withdrawal/ cancellation or the right to continue any investigation or disciplinary proceedings following such withdrawal/cancellation.

6. Obligations of the Member

- (a) A Member shall provide the BCSBI with such information as the BCSBI may require from it from time to time to discharge its function of monitoring compliance with the Code.
- (b) Authorised representatives of the BCSBI shall be entitled to visit the premises of any Member to verify and gather such information deemed necessary for monitoring compliance with the Code.
- (c) The Member shall cooperate with the authorised representatives of the BCSBI visiting the bank.
- (d) Incognito visits may also be undertaken to the premises of the Member.
- (e) Member shall publish in its Annual Report sanctions imposed by the BCSBI.

7. Obligations of the BCSBI

7.1 In discharging its functions and in all its dealings with the Members, the BCSBI shall act in good faith.

7.2 The BCSBI shall not, save as required by law, or as permitted in accordance with these Rules, divulge any information in relation to the affairs or business of the Member which it knows at the time to be confidential and which has come in its possession in the course of its business.

Notwithstanding this, the BCSBI shall be free to divulge any information about any Member to the Reserve Bank of India.

CHAPTER II - COMPLIANCE POLICY

8. Submission of Annual Statement of Compliance

8.1 The Annual Statement of Compliance containing such information and details as the BCSBI may specify shall be submitted to the Board before July 31. This Statement shall be signed by the duly authorised Code Compliance Officer or an official duly authorised by the Member.

8.2 Failure to submit the duly completed Annual Statement of Compliance by due date, shall render the Member liable to a daily default fine as may be decided by the Board, provided that such fine shall not exceed Rs.1,000/- (Rupees one thousand only) per day.

Provided further that if the default in submission of the duly completed Annual Statement of Compliance continues for six months from the date when it is due, the Board shall have the right to take appropriate action.

9. Code Compliance Officer

9.1 Every Member shall have a Code Compliance Officer at each of its Controlling Offices above the level of the branch and at the Head Office. Name, address and contact details of Code Compliance Officer/s shall be promptly notified to the BCSBI and shall be displayed at the branches falling under his jurisdiction [0]as also be available to customers.

9.2 The Code Compliance Officer shall maintain a Register to keep a record of all breaches within his jurisdiction of which he becomes aware and also the details of the remedial action taken.

9.3 The Code Compliance Officer shall inform the BCSBI of (a) every breach, within 7 days, and (b) the remedial action taken, within 15 days, of the breach being brought to his notice.

10 Breach

10.1 Failure to comply with or fulfil any commitment/s or any obligation/s, in full or in part thereof, under the Code or these Rules shall constitute a Breach.

10.2 The purposes of disciplinary sanctions for breach of the Code or these Rules are:

- (a) to act as a deterrent against future breaches by the delinquent Member;
- (b) to engender public confidence in the Code by demonstrating that Members cannot indulge in unfair, unreasonable or unethical conduct with impunity;
- (c) to help prevent Members from profiting from breaches whether by acts of commission, such as exploitative marketing or misleading advertising, or acts of omission, such as failure to upgrade systems and procedures to ensure compliance with Code requirements;
- (d) to help exclude Members which demonstrate unwillingness or serious inability to comply with Code obligations from membership.

10.3 A breach by a Member shall render it liable to sanction under these Rules. The Board shall act in a manner that is transparent, proportionate and consistent.

10.4 No sanction shall be imposed on any Member without giving it an opportunity of hearing by the Board.

CHAPTER III - DISCIPLINARY PROCEDURE

11. The objective of the Disciplinary Procedure is to enable a non-compliant member to put right the system in a collaborative manner as quickly as possible. The effort would be to take remedial action involving minimum cost and inconvenience rather than penal measures.

12. Sources of Information

12.1 The BCSBI may choose to keep confidential, if so requested, the identity of any person who refers a breach for investigation to the BCSBI or its representative.

12.2 The BCSBI shall not undertake or cause investigation on a complaint which is anonymous or is considered to be fictitious, vexatious or frivolous. With respect to other complaints, the BCSBI may undertake or cause investigation at its discretion, but shall be under no obligation to do so.

13. Investigation

13.1 The Board may conduct or cause to conduct an investigation into a breach which is alleged or suspected of having been committed or which is alleged or suspected of being committed by a Member.

13.2 The Executive may make enquiries, seek clarification if necessary from the Code Compliance Officer, or in his absence, from the Chief Executive of the Member concerned, and from any other person it considers necessary.

13.3 The Board may appoint or request the Member to appoint accountant/s or other relevant professional/s to assist it in the investigation. Expenses including professional fees in respect of such appointment shall be payable by the Member concerned.

14. Procedure

14.1 The Executive shall prepare a draft statement of facts making out a prima facie case of the alleged Breach.

14.2 The draft statement of facts shall be served on the Member concerned, calling upon it to submit its explanation thereto within the time specified in the notice.

14.3 The Board shall consider the explanation, if any, and decide if the Breach is established and the sanction to be imposed, having regard to its gravity and other relevant factors.

- 14.4 The BCSBI shall inform its decision to the Member within 10 days of the meeting of the Governing Council in which such decision is taken.
- 14.5 The Member shall be provided with the reasons for the decision, and for the proposed sanction, if any, to enable it to make a representation in writing to the Board. The representation must reach the Board within 30 days of the date of the letter advising the Member of the decision of the Board.
- 14.6 The representation under Rule 14.5 shall be considered by the Board to decide whether its decision under Rule 14.3 needs any change.
- 14.7 The Member shall be advised of the Board's final decision within ten days of the meeting of the Board at which that decision is made.
- 14.8 The final decision shall take effect from the date it is communicated to the Member concerned.

Provided that where no representation is received under Rule 14.5 within 20 days of the date of the letter advising the Member of the decision of the Board, the decision of the Board shall become effective on the expiry of that period.

15 **Sanctions**

- 15.1 For arriving at the sanction, all relevant factors shall be taken into account, including:
- (a) the extent of actual or potential harm to the customer;
 - (b) whether the breach was isolated or systemic;
 - (c) whether the breach was inadvertent, or represented a knowing act of commission or omission;
 - (d) the length of time over which the breach continued undetected or without effective remedial action being taken;
 - (e) whether there were any warning signals, such as concerns expressed in the media, customer complaints, or guidance from the BCSBI, and what heed was paid to such signals;
 - (f) the extent of damage to confidence in, or the reputation of, the banking industry at large;
 - (g) the extent to which the Member sought to profit, or to avoid or mitigate a loss, by its actions or omissions.

- 15.2 The Board shall be entitled to impose one or more of the following sanctions:
- (a) the publication of the Member's name and details of the breach in the Annual Report of the BCSBI;
 - (b) the issue of directions as to future conduct of the Member;
 - (c) the issue of a warning or reprimand to the Member;
 - (d) the cancellation or suspension for a limited period of membership of the Member;
 - (e) public censure of the Member, by notifying the media of the findings in respect of a breach or breaches and any sanctions applied, and posting the press release on the BCSBI's website. Instead of, or in addition to, notifying the media, notification may also be made to any other bodies, as the Board may deem fit.
- 15.3 The Board shall ensure that its sanction does not affect the confidentiality obligation of the Member to its customers.

16. **Costs**

Each party shall bear its own costs incurred during the Disciplinary Procedure except that the Member shall bear the cost of any appointments made under Rule 14.3.

17. **Intimation to the Reserve Bank of India**

Where a sanction is imposed on any Member, the BCSBI shall inform the Reserve Bank of India the details of the Breach and the sanctions imposed.

18. **Complaints**

- 18.1 A Member who is dissatisfied in his dealings with the BCSBI may address his complaint initially to the Chief Executive Officer, unless it concerns the Chief Executive Officer's personal handling of the matter.
- 18.2 If the Chief Executive Officer fails to resolve the complaint, or is personally involved in the cause of complaint, the complainant may write to the Chairman of the Board.
- 18.3 Such complaints will be dealt with within thirty days from the date of its receipt.

19. **Exemption**

The Board may, for reasons to be recorded in writing, exempt any Member from any of its obligations, including obligation to comply with the Code, or any rules or regulations, for such period and subject to such conditions as the Board may deem fit.

20. **Powers to alter Rules**

20.1 The Board may alter these Rules, Compliance Policy, Disciplinary Procedure, Forms etc. to enable the BCSBI to discharge its functions of monitoring and encouraging compliance with the Code.

20.2 An alteration made under Rule 20.1 will be notified to the Members in writing not less than 20 days prior to the date on which it comes into effect.

21. A decision of the Board shall be binding on the Member.

(Rule 3.2)

FORM OF COVENANT

To,

The Chief Executive Officer,
Banking Codes and Standards Board of India ,
Reserve Bank of India Building ,
C - 7, 4 th Floor,
Bandra Kurla Complex,
Bandra (East) ,
Mumbai 400 051

Sirs,

WE are a scheduled bank. WE are eligible and desirous of becoming a Member of the Banking Codes and Standards Board of India.

2 WE have read the Memorandum of Association of the Banking Codes and Standards Board of India, Rules and Regulations, and the Code of Bank's Commitment to Customers, the Code of Bank's Commitment to Micro and Small Enterprises and the Banking Code Rules.

3. WE are agreeable to discharge all our obligations as such Member as stated in the Board's registration documents, Rules and Regulations, and the Banking Code Rules, as may be amended from time to time and also obligations as may be stipulated by the Board in future from time to time. WE have formally adopted the Code of Bank's Commitment to Customers and the Code of Bank's Commitment to Micro and Small Enterprises for implementation and shall always observe it, in letter and in spirit. WE further understand and agree that for non-observance of these Codes, in addition to sanction, if any, we may be disqualified to exercise our right as Member, notwithstanding our obligation to pay the annual Membership fee.

4. WE enclose our Application for Membership duly filled in together with a copy of the resolution of the Board of Directors of our bank resolving to execute this Covenant and to become a member of the Board. WE understand that our Application will be considered on the basis of this Covenant.

5. WE request that the Board may consider our Application and admit our bank as a Member of the Board.

*(Chief Executive)

Encls: Form B

* or a person duly authorised by the Board of Directors of the Bank

FORM B

(Rule 4.1)

FORM OF APPLICATION FOR MEMBERSHIP

Name of the bank	
Head Office Address	
Name of the Chairman/CMD/CEO	
Telephone No.	
Fax No.	
E-mail Address	
Details of the Code Compliance Officer at Head Office	
(a) Name & Designation (b) Address (c) Tel. No. (d) Fax No. (e) Email ID.	
Name/s and address/es of subsidiary/ies	
Number of branches in India serving individual customers	

Date _____

Signature _____

*Name _____

Designation _____

*or a person duly authorized by the Board of Directors of the Bank