

केनरा बैंक
भारत सरकार का उपक्रम



Canara Bank
A Government of India Undertaking
Together We Can

READING MATERIAL ON

PRECAUTIONS

ADVISED BY HO

COMPILATION OF HO CIRCULARS

**PLANNING SECTION, INSPECTION WING
HEAD OFFICE BENGALURU- 560001**

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PREVENTION OF FRAUDS IN LOANS & ADVANCES
PRECAUTIONS TO BE EXERCISED
CIRCULAR: 582/2015

- Observance of KYC norms, Pre-sanction diligence and post sanction monitoring and Inspection of the property to be conducted.
- Credit opinion on the borrowers/guarantors to be obtained wherever required.
- Old accounts need more close scrutiny as the first generation owners are replaced by next generation, while renewing the limits.
- Borrower's antecedents are verified to judge his intentions, potential and managerial capabilities etc., in a proper and meticulous way.
- Cross verification of value of assets to be ensured.
- NOC to be obtained in case of borrowal accounts under consortium / syndication/ multiple banking arrangement.
- Legal opinion and valuation reports are to be cross verified by another set of officers who have not processed the loan account.
- Independent verification of assets without the borrower's knowledge both before and after sanction should be undertaken.
- Inspection of securities and EMT property prior to sanction of loan, verification of genuineness of title deeds by comparing them with records in Sub-Registrars office to be done and ensuring that advocates carry out the verification work properly.
- Powers are to be exercised judiciously.
- Close review of accounts to be done to detect early warning signals.
- For purchase of machinery/vehicle, payment to be carried out through NEFT/RTGS, as far as possible to authorised dealers, after verifying their genuineness.
- Verify the genuineness of audited balance sheets and financial papers submitted by the borrower with the Chartered Accountants who issued the same.
- Sharing of information among member banks/consortium members is to be ensured.
- Deficiencies, if any, are to be thoroughly examined while sanctioning limits

- No middle-men/facilitator to be encouraged while sanctioning loans. Also, branch should have a personal interview of the borrower besides ensuring strict adherence to KYC norms to avoid impersonation.
- Ensure that the project is technically feasible and economically viable.
- Ensure that security offered is adequate, proper and is valued properly. The valuation reports should be vetted by the bank's officials.
- In case of existing borrowers, all the parameters considered for earlier sanction should be properly reviewed and compared with actuals.
- In case of discounting of bills, branches to check the genuineness of the bills in relation to the trade activities and also the existence/ genuineness of the transport operator/LRs.

PREVENTION OF HOUSING LOAN FRAUDS PRECAUTIONS TO BE EXERCISED CIRCULAR: 582/2015

- All land documents in originals to be handed over to the advocate by the Bank only and all queries to be routed through bank.
- Verify genuineness of the documents independently through their advocates solicitors.
- Sub Registrar's office to be approached through the advocates to verify the genuineness of stamp paper/documents/ registration receipt, etc., in case of any doubt.
- PO/DDs should be issued in the name of the Bankers – Account / Vendor/ builder/promoter as the case may be with the bank account number mentioned on it.

DD/PO should not be handed over to borrower/ agents/ third party.

Bank officials can be sent for delivery of instrument to the builders/ sellers of the party at the registered address mentioned in the title deed against acknowledgement.

- Identify the reputed builders in the area and wherever possible, tie-up with builders/pre-approval of projects should be undertaken after due diligence.
- In respect of "FIRST SALE" cases of flats which are financed by our Bank, KYC procedures would have been carried out on the Builder / Developer.

However, in other cases where Bank finances clients for purchase of landed property or for purchase of flats from individuals, it is advisable to carry out KYC

procedures on such sellers of the property also, in addition to the existing presanction guidelines relating to KYC.

- During pre-sanction visits, branch official should carry copy of mother deed or GPA in the name of the Vendor/promoter to confirm from other occupants of the building that sale deed in their favour is executed by same vendor/promoter.
- Branches shall verify the contents of the LSR given by the Panel advocate and ensure that the same is strictly as per prescribed format.

Deviations, if any, shall be referred to Legal Section at CO for approval.

If any false information is observed in the LSR, branches to take up with controlling authorities to examine discontinuing services of such panel advocates.

- Second opinion may be taken in case of doubt, particularly in instances where a number of flats in the same building are financed by the Bank or where proposals are received in clusters from the same area/locality/survey no.
- The amount mentioned in valuation report needs to be cross-verified with the guidance value/discreet enquiries in the area.
- Branches shall closely watch the role of advocates / chartered accountants / valuers while granting loans / advances.
- In respect of Housing loans, before processing the proposal, existence of prior charge should be checked by verifying the CERSAI registration on the property.

Also, immediately after putting through EMTs, ensure registration in CERSAI package as per extant guidelines.

- Credit reports should be submitted to the reviewing authority in time and the reviewing authority has to review the same within a time frame and their observations conveyed to the branch for rectification/ compliance.
- During branch visits overseeing executive shall verify the action taken by the branch and satisfy that the review observations of review authorities are properly attended to.
- Documents pertaining to property to be mortgaged should contain authentic and comprehensive details of boundaries, survey numbers etc., for easy identification.
- Branch official should make discrete independent visit to the property, verify the location and ensure correctness of the details and record the date of verification/inspection. Pre & post inspection report has to be preserved with the relevant loan papers.
- Photo of the building / house/ flat stage wise, along with the borrower to be obtained and kept with the loan papers.

- Branches / Offices should make independent market enquiries & assessment to verify the veracity/reasonableness of valuation in valuation report submitted by panel valuers.
- Branches shall ensure that panel valuers and panel advocates visit the site and personally verify the location with reference to details specified in the documents produced by the borrower and confirm the date of verification of the property.
- It should be made clear to the valuer that he has to indicate any encroachment or tenancy and/or any other negative aspects like property offered being bounded by slum area, burial ground, lake etc., to take suitable decision by the Bank.
- In the event of any discrepancy or suspicion of collusion of borrower with panel advocates / panel valuers, such cases be taken seriously and taken up immediately with concerned Circle Office for review of their continuance in Bank's panel.
- In respect of Housing Loans, it should be ensured that the registration of property with the Sub-Registrar is done in the presence of bank officers.
- All other guidelines / procedures stipulated by the Bank with regard to disbursement of the loan, receipt from the vendor, acknowledgement from the registering authority, receipt of the registered sale deed etc., shall be adhered to.
- Mortgage transactions should be completed by obtaining all the necessary documents, strictly in terms of LSR requirements.

In respect of borrowers from salaried class, following also need to be ensured

- Personal cross-verification of salary slips with the employer.
- Regular credit of salary to the account to be verified
- Visit the employer to get confirmation about the employment of borrower
- Obtain salary certificate issued by the competent authority. If the borrower himself / herself is the drawing officer insist for salary certificate counter signed by his/ her superiors in their Office.
- Compare net salary with Bank Statements. Regular credit of salary to the account to be verified. Photocopies of salary slips to be attested by the borrower and countersigned by the branch official.
- Try to obtain salary mandate and get it registered with the employer. If found difficult for any genuine reasons, ensure salary account is maintained with us and standing instruction is noted. Alternatively, obtain PDCs / ECS mandates.
- Salary mandate shall be sent to employer separately by post / courier and not through the borrower.

PREVENTION OF VEHICLE LOAN FRAUDS
PRECAUTIONS TO BE EXERCISED
CIRCULAR : 582/2015

- The margin amount is to be collected from the borrowers.
- A letter of authority for remitting the amount directly to the dealer is to be obtained from the borrower
- The entire cost of vehicle including the margin amount is to be remitted to the dealer directly against their invoice
- Before remittance, branch has to ensure that the dealer is an authorized dealer and the vehicle is ready for delivery. Photo of the vehicle along with the borrower has to be obtained and kept with the loan papers.
- Dealer is to be informed about our charge and is instructed to obtain acknowledgement from the borrower for having received the vehicle in good condition.
- The dealer should be requested to send us the acknowledgement along with stamped receipt for the amount. On receipt, the same should be kept along with the related loan papers.
- Along with the remittance, necessary papers for registering the vehicle in the name of the borrower and for registering HP endorsement in Bank's favour may be sent to the dealer with instruction to arrange for registration of the vehicle and for noting of the Bank's HP endorsement and to send the Registration Certificate (RC) to us.
- In case of temporary registration, permanent registration is to be completed within 30 days.
- Wherever the loan is for second hand vehicles, branches should independently obtain form "B" extract of the vehicle from RTO and verify the same for prior charges, name of the owner, vehicle model / make etc.

**MASTER CIRCULAR ON “E-STAMPING” PROJECT IN OUR
BANK
CIRCULAR: 515/2014**

ROLE OF BRANCHES / PRECAUTIONS TO BE OBSERVED:

- Use of original cartridge for printing e-Stamps is compulsory.
- Client requisition format prescribed by SHCIL is to be used invariably.
- Display of address and Office working hours outside the counter is mandatory. The stipulated working hours notified by Government is between 10 am to 4 p.m. No customer should be denied of service if they visit the branch counters during these hours.
- Passwords are created to branch users. Branch Manager should review every week and all the ids of resigned, suspended users/supervisors are to be deactivated immediately.
- For printing e-Stamp certificate use of 80 to 100 GSM bond paper is mandatory. Any deviations in this regard will be viewed seriously by Government Authorities.
- Sharing of password amongst the users is strictly prohibited.
- E-Stamp certificate must be issued in the name of individual or a Corporate.
- No correction on the e-Stamp certificate is allowed.
- Systems must be connected through UPS. Usage of direct raw power may lead to problems.
- Required assistance for the illiterate customers is required to be extended at the counters.
- Receipt for service charges collected needs to be given to clients.
- Whenever any official from Government visits our e-stamping counter for inspection, full co-operation is to be extended.
- All the client requisitions needs to be stored safely for minimum period of 3 years and these applications are subject to audit.
- Collection of service charges should be strictly as per the Government Order. Any deviation to this will be viewed seriously.
- Client requisition has to be given to the clients free of cost.

CANARA MSE SATKAR
ADDITIONAL PRECAUTIONARY CONDITIONS
CIRCULAR : 637/2013 & 604/2013

1. The Board on placing the Note, has directed that an undertaking shall be obtained from the beneficiaries under the subject scheme for compliance of FOOD SAFETY NORMS as part of the Terms and Conditions as below:
 - Sanction, delegation of powers, documentation, etc., shall be as per prevailing guidelines.
 - Statutory approvals / clearances shall be in force /obtained wherever required
 - Permissions / Licences of Food & Civil Supplies Department (Regulator) wherever stipulated are to be obtained
 - Regulatory guidelines of Local authorities in respect of Food Act if any, shall be necessarily followed AND / OR An undertaking shall be obtained from the beneficiaries under the subject scheme for compliance of FOOD SAFETY NORMS. (**This is additional precaution**)

Hence, Branches/Offices are advised to comply with the Board directions scrupulously while sanctioning the applications under the subject scheme.

**BEST PRACTICES IN SANCTIONING AND MONITORING OF
LETTER OF CREDIT AND BANK GUARANTEE FACILITIES
ADDITIONAL GUIDELINES
CIRCULAR : 478/2013**

Precautions at the time of Appraisal/sanction:

- The capacity and ability of the borrower to execute the job within the prescribed time limit shall be critically examined at the time of appraisal of the BG limits.
- Timelines for each stage shall be stipulated for completion of projects and consequently in case of delay in achieving the set milestones, the right of the Bank for review of margin and commission on guarantees and the terms and conditions of the Guarantee facility shall also be stipulated. This shall be a part of the sanction covenant and incorporated in the guarantee agreement.
- Progress in respect of execution of the project shall be periodically monitored.
- A separate need based sub-limit within the overall BG limit shall be permitted for issuance of Performance Guarantees/Advance Payment Guarantees.
- In case foreign exchange element is envisaged in the PG/APG, a condition shall be stipulated regarding the forex risk to be borne by the borrower and the policy on hedging of foreign currency exposure shall be followed.
- A condition with regard to submission of quarterly report on the status of the projects for which PG and Advance Payment Guarantee is issued shall be stipulated in the sanction for individual guarantees of Rs.5 Crore and above.

Monitoring mechanism - The following additional guidelines are stipulated to Performance Guarantees/Advance Payment Guarantees of Rs.5 Crore and above:

- The projects under PBGs shall be monitored with respect to the envisaged milestones and reviewed by the branches and submitted to the sanctioning authorities on quarterly basis. For the purpose, the borrower shall be advised to submit project specific progress reports at quarterly intervals.
- Necessary precautions to be taken and due diligence shall be carried out to ascertain the credentials of the beneficiary. The branch officials shall visit the project site to verify the physical progress achieved and have discussions with the beneficiary regarding milestones achieved, quality of the work done, etc., and the report on the same have to be furnished while submitting renewal proposal.
- In case of non achievement of milestones in physical progress, such events shall be reported to the next higher authority and corrective measures shall be initiated.

- Inter-changeability of normal BGs to PBGs shall be permitted only on selective basis, by GM-CO-CAC and DGM-CO-CAC (Circle Head) and above authorities.
- While submitting the renewal proposal to the sanctioning authority, a special mention shall be made in respect of status of the projects with regard to milestones covered under PBG, including project wise Risk Analysis.

INLAND DOCUMENTARY LETTERS OF CREDIT
STRICT ADHERENCE TO GUIDELINES
CIRCULAR : 454/2013

Precautions to be taken:

- KYC norms to be adhered to while opening accounts for businesses situated in the place of the branch.
- LC not to be opened on behalf of parties not having business at the place of the branch.
- Clean LC not to be opened at branches headed by Scale-II and Scale-III.
- No remittance to be made without written instructions from authorised signatories of the company/ firm and due verification of the signature.

Precautions to be taken in respect of usance LC:

- Limits should be sanctioned to parties who are creditworthy and acceptable to the bank. Status reports/ OPL on beneficiaries should be called for in case of all parties except government/ semi-government departments and public sector undertakings from their bankers and LCs should be opened only if such reports are satisfactory. These reports should not be more than one year old. This is necessary to safeguard the Bank's interest, as the goods covered by the negotiated bills are available to the Bank as security and the Bank has to rely on the integrity of the supplier (beneficiary) for the quality and type of goods dispatched. If the buyer fails to honour the bills drawn under the LC, the Bank has recourse to the goods covered by the documents. Though the documents may conform to the terms and conditions of the LC, the Bank's interest would be jeopardized, if the goods turn out to be inferior, or if the value of the goods is inadequate to cover the liability.
- Branches shall ensure that proper documentation for usance LC limits are obtained, besides complying with other formalities like registration of charge with Registrar of Companies in the case of corporate borrowers etc.
- All the guidelines stipulated for assessment of NFB limits are to be followed strictly. Sanctioning of limits for LC with DA bills require certain additional precautions. As the clients gets possession of the goods on acceptance of the bills, they are expected to build up sufficient funds to meet the bills arising out of the DALCs on the due dates. Sanctioning authorities should therefore thoroughly satisfy themselves that the LC liability will not, under any circumstances, devolve on the Bank.
- If the borrower to whom DALC is considered also sells goods on credit basis, security will be only in the form of book debts, which calls for greater restraint in permitting such LCs. The borrower should be asked to submit a statement containing the details of book debts periodically along with the stock statement. All other guidelines as applicable to advances against book debts (primary security) are to be followed. Further, if for any reason, the book debts are not realized till the due date of the bill drawn under LC, the borrower shall make his own arrangements

for retiring the bill. Hence, it should be ensured that the bill drawn under our LC will not devolve on the Bank.

- Branch shall ascertain the probable date of arrival of goods and continue to keep close watch on the transaction. Once the goods are received by the party, it is to be ensured that periodical stock statement is submitted by the party and the value of the goods under DALC included in the stock statement submitted (where the party enjoys OCC limit) is deducted from the total value of the stock (till the bill is paid by the party) for arriving at the drawing limit as the same is equivalent to unpaid stock. If different sections in the branch are involved, proper co-ordination should be ensured in this regard. There may be a situation in the case of manufacturing concerns that the goods received have undergone changes (may be in the form of semi-finished goods) and in such cases when there is no stock of raw materials, it is enough if the value of stock under DALC is deducted from the total stock. This should be monitored continuously through MSOD/QOS, wherever applicable. The cash sales, if any, should reflect in the OCC account of the borrower.
- Where LCs have devolved on us, no fresh LCs should be opened as long as excess drawings/ overdrawings are persisting in the operative account on account of debit due to devolvment of LC. If the overdrawings in the operative account are not regularized, the plan of action for regularization/ recovery of the devolved liability shall be obtained from the borrower and the matter shall be taken up with the sanctioning authority immediately for necessary action.
- No further LCs to be opened even within the sanctioned LC limit without prior permission from the sanctioning authority till clearance of the devolved liability. However, wherever the devolved liability is outstanding in the case of parties of high repute i.e. customers categorised as Low Risk, Govt. Dept, PSUs which are standard assets, branches may examine opening LCs to the extent of recovery of devolved liability within the sanctioned limit, subject to obtention of prior permission from the sanctioning authority
- All other procedural guidelines for inspection of the goods, insurance etc., as applicable in the case of PL/ KCC/ OCC are equally applicable.

USANCE LC LIMITS - PRECAUTIONS

230/2012

- Limits should be sanctioned to parties who are creditworthy and acceptable to the bank.
 - a) Status reports/ OPL on beneficiaries should be called for in case of all parties except government/ semi-government departments and public sector undertakings from their bankers and LCs should be opened only if such reports are satisfactory.
 - b) These reports should not be more than one year old.
 - c) This is necessary to safeguard the Bank's interest, as the goods covered by the negotiated bills are available to the Bank as security and the Bank has to rely on the integrity of the supplier (beneficiary) for the quality and type of goods dispatched.
 - d) If the buyer fails to honour the bills drawn under the LC, the Bank has recourse to the goods covered by the documents.
 - e) Though the documents may conform to the terms and conditions of the LC, the Bank's interest would be jeopardized, if the goods turn out to be inferior, or if the value of the goods is inadequate to cover the liability.
- Branches shall ensure that proper documentation for usance LC limits are obtained, besides complying with other formalities like registration of charge with Registrar of Companies in the case of corporate borrowers etc.
- All the guidelines stipulated for assessment of NFB limits are to be followed strictly.
 - a) Sanctioning of limits for LC with DA bills require certain additional precautions.
 - b) As the clients gets possession of the goods on acceptance of the bills, they are expected to build up sufficient funds to meet the bills arising out of the DALCs on the due dates.
 - c) Sanctioning authorities should therefore thoroughly satisfy themselves that the LC liability will not, under any circumstances, devolve on the Bank.
- If the borrower to whom DALC is considered also sells goods on credit basis, security will be only in the form of book debts, which calls for greater restraint in permitting such LCs.
 - a) The borrower should be asked to submit a statement containing the details of book debts periodically along with the stock statement.
 - b) All other guidelines as applicable to advances against book debts (primary security) are to be followed.
 - c) Further, if for any reason, the book debts are not realized till the due date of the bill drawn under LC, the borrower shall make his own arrangements for retiring the bill. Hence, it should be ensured that the bill drawn under our LC will not devolve on the Bank.

- Branch shall ascertain the probable date of arrival of goods and continue to keep close watch on the transaction.
 - a) Once the goods are received by the party, it is to be ensured that periodical stock statement is submitted by the party and the value of the goods under DALC included in the stock statement submitted (where the party enjoys OCC limit) is deducted from the total value of the stock (till the bill is paid by the party) for arriving at the drawing limit as the same is equivalent to unpaid stock.
 - b) If different sections in the branch are involved, proper co-ordination should be ensured in this regard.
 - c) There may be a situation in the case of manufacturing concerns that the goods received have undergone changes (may be in the form of semifinished goods) and in such cases when there is no stock of raw materials, it is enough if the value of stock under DALC is deducted from the total stock.
 - d) This should be monitored continuously through MSOD/QOS, wherever applicable.
 - e) The cash sales, if any, should reflect in the OCC account of the borrower.
- Where LCs have devolved on us, no fresh LCs should be opened as long as excess drawings/ overdrawings are persisting in the operative account on account of debit due to devolvement of LC.
 - a) If the overdrawings in the operative account are not regularized, the plan of action for regularization/ recovery of the devolved liability shall be obtained from the borrower and the matter shall be taken up with the sanctioning authority immediately for necessary action.
- No further LCs to be opened even within the sanctioned LC limit without prior permission from the sanctioning authority till clearance of the devolved liability.
 - a) However, wherever the devolved liability is outstanding in the case of parties of high repute i.e. customers categorised as Low Risk, Govt. Dept, PSUs which are standard assets, branches may examine opening LCs to the extent of recovery of devolved liability within the sanctioned limit, subject to obtention of prior permission from the sanctioning authority
- All other procedural guidelines for inspection of the goods, insurance etc., as applicable in the case of PL/ KCC/ OCC are equally applicable.

MORTGAGE OF IMMOVABLE PROPERTIES HELD BY TENANTS

CIRCULAR : 179/2010 & 223/2009

It was advised that as far as possible, obtention of security of tenanted properties be discouraged. There are occasions when Bank accepts mortgage of properties which are occupied by tenants. It is observed that once the account becomes NPA, recovery of dues by enforcement of tenant occupied securities by the Bank is often faced with lengthy legal process which ultimately affects the recoverability of the dues.

In this regard, the matter was examined through Solicitors. Taking into account the provisions under Transfer of Property Act and SARFAESI Act, the views/opinion expressed by experts are furnished hereunder:

1. Where mortgage is created on immovable properties which are already occupied by tenants at the time of creation :

When a mortgage is created on a property which is already leased/ rented to a third party, in the event of the Bank deciding to enforce mortgaged asset, it can do so subject to the existing lease/tenancy.

Even, SARFAESI Act does not empower Bank to evict the tenant/lessee (created prior to mortgage) and Bank has to take recourse observing due process of law through eviction proceedings.

2. Where tenancy is created by the mortgagor after creating mortgage, without obtaining Bank's permission?

As per Section 65 A of the Transfer of the Property Act, a mortgagor, while, lawfully in possession of the mortgaged property, shall have power to make lease thereof but such lease should **not be more than 6 months** and such a lease is subject to mortgage.

Any tenancy created by the mortgager after the mortgage **would not be binding** on the Bank/FI.

In view of the above, it is necessary to make physical verification of the property before mortgage to confirm that property is not tenanted.

PRECAUTIONS TO BE TAKEN WHILE TAKING FRESH EXPOSURES ON JAPAN

CIRCULAR NO : IO/28/2011

In view of the recent earthquake, tsunami followed by nuclear crisis taking place in Japan and the consequent impact on Japanese economy in general and on the trade settlement in particular, branches should re-visit pre sanction precautions and have a re-look before taking fresh exposure on their clients dealing with their counter parts in Japan till the impact of natural disaster becomes clear. Branches to gear up follow up of all outstanding export bills and to track through import clients the arrival of goods imported under LC or against which advance payments have been effected.

Instructions to branches/offices:

- Review all outstanding export bills drawn on buyers in Japan and take effective steps for their timely realization to protect the interest of the bank, as well as that of our customers.
- Branches/Offices should prevail upon the exporter clients to take up with their counter parts for speedy realization of all the export bills which have fallen due for payment – sight or usance
- In the case of documents negotiated under LCs in respect of which reimbursements have not been received, branches to follow up vigorously with LC opening Bank, till realization of the export bills.
- Branches/Offices should follow up for realization of export bills with correspondent banks in Japan to which documents have been forwarded, whether purchased/discounted/negotiated as also bills sent on collection basis.
- Wherever pre-shipment credits have already been extended for exports to Japan, when the export bills are submitted by the customer, branches may note to extend post shipment finance only to the extent of pre-shipment liability.
- When a client approaches for fresh export finance against export order / LC already received, it is suggested that latest OPL on the concerned Japanese Buyer would be advisable to satisfy that the commercial / trading operations of the said Japanese party is not adversely affected on account of natural disaster.
- Till the normalcy is restored, branches should exercise caution before allowing advance remittance towards import to be made from Japan.
- In respect of import collection documents, before effecting payment, branches should advise the customer to ascertain that the goods have arrived in to

India, also with necessary clearance from the concerned authority with regard to matters concerning health hazards etc.

- Branches should advise the customers to ensure that all consignment to and from Japan have been adequately insured.
- Branches/Offices are advised to take note of the above instructions, for strict adherence.

OPENING OF CURRENT ACCOUNTS- NEED FOR DISCIPLINE

CIRCULAR : 288/2016

The concerned lending bank(s) should be duly informed so that suitable precautionary measures may be taken by them:-

Reserve Bank of India, vide its circular No. DBR.Leg.BC.25/09.07.005/2015-16 dated 02.07.2015 has issued further guidelines as under:

“Keeping in view the importance of credit discipline, especially for reduction in NPA level in banks, banks are advised to make use of the information available in **CRILC** (Central Repository of Information on Large Credits) and not limit their due diligence to seeking **NOC** from the bank with whom the customer is supposed to be enjoying the credit facilities as per his declaration.

Banks should verify from the data available in CRILC database whether the customer is availing of credit facility from another bank.

Further banks may also seek ‘No Objection Certificate’ from the drawee bank where the **initial deposit to current account** is made by way of a **cheque**.

As these instructions are aimed at improving credit discipline, appropriate penal action will be taken in case of non-compliance.”

Considering the above, branches are advised to continue the existing procedure of due diligence and obtention of NOC from the bank where the party is enjoying/ supposed to be enjoying the credit facility before opening a current account.

In addition, branches are advised as under:

Branches to ensure verification of the data available in CRILC database before opening a current account, to **ensure that the customer is not availing credit facilities** from other banks.

For this purpose, branches should **contact their respective Circle Offices** (General Advances Section) before opening the current accounts and obtain a confirmation from the Circle Office (General Advances Section) through email regarding verification of CRILC database and ensure that the prospective customer is not enjoying credit facilities from other banks.

Branches should not open any current account without verification in CRILC database.

Further, branches are advised to **seek ‘No Objection Certificate’** from the drawee bank **wherever the customer presents his/her own cheques** drawn on other banks for credit of his/her current account on the date of opening of current account.

CASH MANAGEMENT IN ATMS/CASH DISPENSERS [CDS]

CASH LOADING IN ATMS AND PRECAUTIONS

At ATMs maintained by Branches

- Cash required for ATM/CD should be taken out from the double lock by Supervisor in-charge of Cash duly recording in the double lock register (NB 26) separately in another column. The same is to be authenticated by obtaining the signature of the key holders of ATM/CD in the double lock register (NB 26). The Cash taken out from double lock should be simultaneously recorded in the ATM Cash Register and loaded/deposited immediately into the ATM/CD Chest.
- Branch to ensure that the Cash loaded in the ATM/CD is not more than 110% of the average Cash withdrawals in the particular ATM/CD.
- Branches to ensure that the procedures laid down in the chapter of Cash Remittance in the Manual of Instruction on Cash are followed during Cash Loading and Cash in transit.

The precaution to be taken includes:

- Maintenance of secrecy of Cash-in-transit from Branch to ATM/CD.
- Using only **strong steel trunks of good quality**, with arrangements for securely locking the same, for the purpose of carrying Cash outside office premises.
- **Taking adequate care while hiring a vehicle** – Noting the details of the vehicle and driver, ensuring no time lag between the time of calling and the time of commencement of travel, non disclosure of purpose of hiring, not permitting other job to be performed in the vehicle, not allowing unauthorized person to enter or to take a lift on the vehicle, ensuring that vehicle is parked near to the ATM/Branch etc.
- During transit of Cash and till it is kept inside the ATM/CD, it should always be in the continuous custody of the employees through whom it is transmitted.
- Taking adequate care while hiring a vehicle – Noting the details of the vehicle and driver, ensuring no time lag between the time of calling and the time of commencement of travel, non disclosure of purpose of hiring, not permitting other job to be performed in the vehicle, not allowing unauthorized person to enter or to take a lift on the vehicle, ensuring that vehicle is parked near to the ATM/Branch etc.
- For amount above **Rs.20 lakhs and upto Rs.50 lakhs** should be accompanied by **at least one armed guard**.
- For amount **above Rs.50 lakhs** should be accompanied by at least **two armed guards**. (Please refer to Cash Manual)

Admin card transaction on ATM/CD is a mandatory activity that needs to be performed daily by the ATM/CD custodians.

At Outsourced ATMs/CDs:

- The CRA of the Outsourced Agency shall collect Cash based on their assessment & forecasting for replenishment daily.
- CRA's authorized personnel will carry the Cash indent signed by the authorized representative of Outsourced Agency to the Bank's Cash Nodal Branch for drawing Cash.
- For continuous Holidays, CRAs can be allowed to indent Cash proportionately according to the past Cash disbursement record, only after prior permission from the Circle.
- Upon receipt of Cash, it is the CRA's responsibility to count and scan the same before leaving, and to avoid future disagreements. The CRA shall be liable for any currency shortages, noticed subsequently.
- Cash shall be mandatorily replenished in only ATM-supervisory mode only. Two authorized persons of CRA shall undertake the job. A single person shall not be allowed to replenish Cash. Dual control system should be followed.
- The security code of the ATM/CD Chest lock has to be changed periodically. The Bank will provide Admin Cards for the use by the CRA's personnel while replenishing Cash to make necessary updation at the ATM/CD.
- The Outsourcing Agency shall ensure that the custodians follow the ADMIN CARD function/usage.
- The CRA shall change the ATM passwords periodically and on every occasion of change in their personnel dealing with the service, the passwords need to be immediately changed and kept under safe custody.

PREVENTION OF DEPOSITS FRAUDS
PRECAUTIONS TO BE EXERCISED
CIRCULAR : 582/2015

- While opening deposit accounts, related documents are to be completed in the presence of authorized official from the Bank.
- Handing over the related documents to the middle men to be strictly avoided.
- Account opening formalities shall be completed at the Bank premises and no document to be allowed to be taken out for execution.
- Independent verification of address shall be undertaken by the branch while opening of account.
- In case the welcome letter sent by registered post is received back undelivered, extra caution should be exercised while permitting transactions.
- In the case of new accounts, two photographs of the account holders are to be obtained for all categories of accounts.
- PAN No. or a Declaration in Form No.60/61 shall be obtained while accepting term deposit exceeding Rs.50000/-.
- In inoperative/dormant accounts, while allowing withdrawals, due diligence should be done by the branches by ensuring the genuineness of transactions, verification of signature and identity, etc.
- While allowing withdrawals in inoperative/dormant accounts, branches are required to obtain request letter from the account holder/s and ensure KYC compliance etc., as per extant guidelines.
- No credits to be allowed in inoperative/dormant accounts without changing the status of the account.

PRECAUTIONS TO BE TAKEN WHILE DEALING WITH BULK DEPOSITS.

CIRCULAR : 420/2015

Special Comm No. 281/2014 & 363/2014

Ministry of Finance, Department of Financial Services, Government of India vide its communication F.No. 10/33/2014 dated 11.08.2014 had informed that in the recent past, several frauds have come to light involving misappropriation of funds out of Fixed Deposits of larger Corporates / PSUs invested in Public Sector Banks.

They have directed all the banks to initiate certain actions and take necessary precaution while dealing with bulk term deposits.

As per RBI Master Circular on "Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts", the "Bulk Deposit" is defined as "Single Rupee Term Deposits of 1 crore and above".

The rate of interest for Bulk Deposits is decided by the Asset Liability Committee of the Bank, who has been delegated with such powers by the Board of the Bank.

This interest rate is uniformly applied to all customers without any negotiation or discrimination.

The existing guidelines for acceptance of bulk term deposits are as under:

	BRANCHES TO TAKE UP WITH
"For single domestic term deposit of Rs.1 crore and above to less than Rs.10 crore,	Development Section, SP&D Wing, Head Office through MIPD & PP Section Circle Office for obtaining permission to accept the deposits.
For single domestic term deposit of Rs.10 crore and above	T & I Division, Integrated Treasury Wing, Mumbai, H.O through MIPD & PP Section Circle office for obtaining permission to accept the deposits."

Additional guidelines (in tune with Ministry of Finance directions):

- For accepting Bulk term deposits of Rs.1 crore & above, Circle Head should designate certain branches, depending on potential for accepting such bulk term deposits, preferably at the place of business of the depositors.
- The Circle Head/ Executive overseeing MIPD Section should recommend acceptance of Bulk deposit proposals to Head Office, duly taking into account the risk factors involved in accepting the bulk term deposit by the designated branch/es.

- In case of all Bulk Deposits of Rs. 1 crore & above, a confirmatory letter in the form of a “Thanks giving” letter (available in BO Report No.170201) should be sent by the Branch to the beneficiary by Registered Post/Reputed Courier as well as e-mail and SMS wherever email ID and mobile number are available, giving necessary details.
- Branches are to update details of e-mail id and mobile number of authorized signatories at the time of opening bulk term deposits.
- KYC guidelines should be complied with scrupulously while accepting all types of deposits, including bulk term deposits of Rs. 1 crore & above. Proper application, documents and resolution of the Board/Governing Body (wherever applicable), etc. have to be obtained and verified for its genuineness.
- In respect of bulk term deposits of Rs. 1 crore & above, opening of term deposit account and printing of Deposit Receipt should be done on the same day of accepting/ clearance of the proceeds.
- A Power of Attorney holder from the branch accepting the bulk term deposit /upcountry branch/Circle (where the depositor is located) should pay a personal visit to the office/residence of the beneficiary after opening the bulk term deposit.
- This visit may coincide with the handing over of the Deposit Receipt against due acknowledgement from the depositor/ depositor's authorized representative.
- The visit of the Bank Official and handing over of the deposit receipt should be properly recorded. Such record should be kept in a separate file which should be verified and commented upon by the Overseeing Executive during the interface with the branch/ branch visit.
- The branch-in-charge shall be responsible for getting the same verified by the Overseeing Executive. Compliance of this aspect should be ensured by the Inspecting Officers during the regular inspection of the branch.
- In case of loan/overdraft facility of Rs.1 crore and above against the Bulk Term Deposit, necessary due diligence should be ensured by the branches and offsite monitoring should be done at the BS&IC Section, Circle Office (For Loans of less than Rs. 10 crore sanctioned against a bulk term deposit) and OTM Cell, Inspection Wing, Head Office (For Loans of Rs. 10 crore & above).
- Branches should not credit the proceeds of loan to third party accounts in case of loans/advances granted on Bulk Term Deposits. The loan proceeds should be credited to the account of the depositor/s only.
- Before disbursing the loan proceeds against bulk term deposits, independent confirmation regarding request for loans to be obtained from the depositor, in addition to loan application.

- The extant guidelines on delegation of powers shall be strictly adhered to while sanctioning any Loans/Overdrafts against bulk deposits.
- Reports to be generated from CBS on a day to day basis for large value transactions of Rs. 1 crore & above in respect of Bulk Term Deposits (BO Report 170094) and Loans/Overdrafts granted against Bulk Term Deposits (BO Report 170202) and BS&IC Section of the respective Circle Office should monitor these transactions every day.
- Staff members are advised to ensure strict compliance of all the cited guidelines **and staff accountability** shall be fixed for any lapse on part of the staff in following the laid down guidelines either in processing a proposal or sanction/disbursement, or monitoring.

BS&IC Section of the respective Circle Office should monitor the same.

The statutory/ concurrent auditors may also be asked in their **Terms Of Reference** (TOR) to monitor this aspect more closely.

- Review of all Bulk Term Deposit Transactions of Rs. 1 crore & above (BO Report 170094) should be done by the respective MIPD&PP Section of Circle Office regularly.

Review of loans against Bulk Term Deposits (BO Report 170202) should be done by the respective Credit Review Section of Circle Office regularly.

OPERATIONS IN THE ACCOUNTS OF CO-OPERATIVE SOCIETIES COLLECTION OF ACCOUNT PAYEE CHEQUES

CIRCULAR : 89/2014

Some action points / **precautions** in dealing with the operations in the accounts of Co-operative Societies.

- Collection of cheques crossed “Account Payee” through third party accounts (Cooperative credit societies) is not permissible.
- In case of account payee cheques deposited with the sub-member being collected by the bank, then ensure that there is clear undertaking to the effect that the proceeds of the account payee cheque will be credited by the sub-member to the Payee’s Account only, upon realization.

Reserve Bank of India has also clarified the following.

1. Co-operative Societies as Sub-members of Clearing House.

In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers’ account can be collected by the member bank (referred to as the sponsor member) of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that upon realization the proceeds of the account payee cheque will be credited to the Payee’s Account only.

2. Co-operative Societies not a Sub-Member of Clearing House

- With a view to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is further clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding Rs.50000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies.
- While collecting the cheques as aforesaid, banks should have a clear representation in writing given by the co-operative credit societies concerned that, upon realization the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque.

This shall however be subject to the fulfillment of the requirements of the provision of Negotiable Instruments Act, 1881 including Section 131 thereof.

Further these prohibition and relaxation shall also extend to drafts, pay orders and banker’s cheques.

- The collecting bank shall also carry out proper due diligence with respect to such cooperative credit societies and ensure that KYC documents of the customers are preserved in the society’s records and are available for scrutiny.

PRECAUTIONS TO BE OBSERVED WHILE PASSING THE CHEQUE

CIRCULAR : 180/2010

Precautions while making payment in other than the base branch:

- Wherever withdrawal exceeds four figures, the identity of the payee should be established and the drawer's signature should be carefully tallied.
- In case of suspicion of alteration /erasure on the cheque by chemical means, the same can be detected by holding it against light, because there will be thinning at the space where the alteration/ erasure has been made.
- Wherever necessary, the instrument is to be passed through ultra-violet lamp.
- In all payments involving heavy amounts, the account holder should be contacted over the phone for confirmation of the payment, wherever possible.
- The staff should remain ever vigilant in respect of those cheques brought for encashment by persons other than the account holder.

If the suspicion regarding genuineness of the cheque presented is confirmed, the person should be kept engaged on some pretext or the other and the local police should be immediately informed.

- If everything is in order and correct and there are sufficient funds in the account, he/she should post the cheque, note in the system and affix his initials in token of having posted the same.
- The cheques are posted by the clerks and posting in the system should be checked by the supervisor.

The drawer's signature on the cheque should be verified with the specimen signature lodged with the Bank.

The Supervisor has to satisfy himself about the genuineness of the Drawer's signature.

The Supervisor should verify the signature before the cheque is finally passed for payment and affix his initial using rubber stamp with the words "signature verified"

- Verification of specimen signature by clerks need not be insisted upon.
- If the Supervisor is satisfied that everything is in order, he should cancel the signature of the drawer and pass the cheque for payment, by writing the "PAY" order on the cheque with his full signature.

No short signature or initial is permitted.

It is to be strictly ensured that the impression of the cash paid seal being affixed on the face of the cheque by the cashier is clear and legible so that the date of cash payment can be read without any difficulty.

- Where the amount of cheque exceeds the power of the Supervisor, after satisfying that all the requirements are complied with, the Supervisor should send it along with the specimen signature card to the next higher authority viz, Officer/Manager/Senior Manager as the case may be.

Such Higher authority should, verify the signature of the drawer and then order payment of the cheque under his full signature.

- The cheque should be then sent to the paying cashier to be paid in the usual way. The paying cashier should pay the cheque only if it bears 'PAY' order of the appropriate authority under his full signature.
- A cheque which has been passed for payment should not be handed over to the party presenting the cheque, for being passed on to the cashier.
- The above guidelines have to be applied with suitable modifications in the changed context of teller system and Core Banking Solutions, without compromising on the due diligence aspect.
- The general banking practices of identifying the payee and careful tallying of signature should be invariably followed whenever the payment is made at base branch as well as other CBS branches.

Further, extra caution has to be exercised in case of high value payments. All the branches are advised to take note of the same and ensure compliance.

ISSUANCE OF FIRC / DUPLICATE FIRC (FOREIGN INWARD REMITTANCE CERTIFICATE) (IO: 129/2012)

PRECAUTIONS TO BE TAKEN FOR ISSUING FIRC:-

While issuing original FIRC/ Certificate, branches should write or **affix a rubber stamp**/ on the original FIRC with the following wordings:

"Caution Note to the Beneficiary - Please ensure safe keeping of this FIRC. In case of loss of original, issuance of a duplicate will be only at the sole discretion of the Bank".

- Wherever Inward Remittances were received in `Non-convertible Indian Rupees'/ACU Dollars, etc., the **method of settlement** pertaining to nature of currency should be **invariably mentioned on FIRC**, whether issued in Security Paper or on ordinary letter head of the Bank.
- In case of collection of **clean instruments**, FIRC/Certificate is to be issued **only on or after realization** of the instruments.
- Details of FIRC/Certificate issued should be recorded in the particular contract of inward remittance in CBS. Office copies of FIRCs issued should be filed serially and held for our records.
- **Blank FIRCs** shall be **preserved in Double Lock duly** recording their movement like other security items.

PRECAUTIONS TO BE TAKEN FOR DELIVERING ORIGINAL FIRC TO THE BENEFICIARY:

- The original FIRC should be delivered to the beneficiary or to their authorised representative against their acknowledgement in the duplicate copy of FIRC.
- Wherever FIRCs are to be despatched by post to the beneficiaries or to other banks, the same should be sent by Regd. Post AD only and the acknowledgement received should be attached to the duplicate copy of the FIRC.
- FDs/Fex Cells should despatch the original FIRCs to the branches by handing over to their staff members against their acknowledgements in the Delivery Book or by Regd. Post AD only.
- Branches/Offices shall comply with all KYC/AML/CFT requirements, while handling inward remittance transactions.
- Any misuse of FIRC or non adherence of the above guidelines will be viewed seriously by RBI.
- Appropriate commission should be collected.

PREVENTION OF FRAUDS- HLS & CANARA VEHICLE LOANS

CIRCULAR : 191/2017

HOUSING LOANS:

Pre-Sanction Precaution:

- Make independent Pre & Post sanction visits to the residence and workplace of the prospective borrower without his/her knowledge.
- Identification of reputed builders in the area and wherever possible to have tie-ups with builders/pre-approval of projects. ,
- Verify genuineness of the documents independently through Advocates/Solicitors.
- Visit Sub-Registrar's Office through the advocates to verify the genuineness of stamp paper/documents/registration receipt etc., in case of any doubt.
- Ensure Pre-sanction visits are scrupulously undertaken and the date of inspection to be recorded in NF 967 - Certificate of compliance of Terms & Conditions.
- Background of the Vendor and Builder to be looked into by calling for their Bank details / statements / OPL and also references of the earlier project completed/on hand.
- Carry due-diligence on the vendor/seller.
- During the pre-sanction visits branch official should be advised to carry a copy of mother deed or GPA in the name of the vendor/promoter and ascertain from other occupants of the building whether the sale deed in their favour was executed by the same vendor/promoter.
- During pre-sanction inspection, actual boundaries of the property shall be cross verified with the schedule of property in sale deed.
- All the land documents in originals to be handed over to the advocate by the bank official only and all the queries to be routed through bank.
- The documents reported under LSR to be cross verified with the sub-registrar office.
- Cross verify the value of the property as per Valuation Report with the guidance value / discreet enquires in the area.
- The local laws to be taken into account while processing the loan application.
- Relevant testimonials like bye laws/registration certificate/license of the builders should be verified with appropriate issuing authority.
- As far as possible, loans to be sanctioned at nearby branches where the property is situated.

Post - Sanction Precaution:

- Comply all the Terms and conditions stipulated at the time of sanction.
- Disburse the loan after taking required documents as applicable to HL scheme.
- Post sanction visits should be conducted at each stage of disbursement and the details therein should be recorded in the inspection report with comments on independent enquiries made, land marks, etc.,
- Obtain photograph of building/flat at each stage of construction and to be countersigned by the Officer /Manager who visited the site with date seal (compulsory).
- The work completion certificate issued by the builder to be countersigned by the Architect/Engineer at each stage.
- PO/DD should be issued in the name of the Bankers-account / Vendor / Builder / Promoter as the case may be with the Bank account number mentioned on it.
- DD/PO should not be handed over to borrower/agents/third party. Bank officials can be sent for delivery of instrument to the builders/sellers of the party at the registered address mentioned in the Title Deed against acknowledgement or the amount may be remitted by NEFT/RTGS.
- It shall be ensured that the fact of availing loan and receipt of the amount from the Bank through DD/RTGS may be incorporated in the Sale Deed in case of acquiring the property.
- Try to finance for flats from approved Builders/Projects.
- In the case of takeover of liability, the remittance shall be made directly to the Bank / NBFCs from whom the liability is being taken over.
- Take over norms to be adhered as per guidelines issued vide HO Cir. 62/2014 dated 29.01.2014 & 128/2017 dt. 18.03.2017.

VEHICLE LOANS:

- Make enquiries and ensure the quotation/invoice is from a genuine Primary Dealer.
- Due diligence on the dealer to be carried out. TIN number of dealer to be obtained mandatorily and to be verified on website. Purchases from sub-dealers are to be discouraged.
- Dealers who undertake registration of the vehicle are to be preferred.
- Original Receipt for advance payment, if any made by the borrower (in select cases) has to be obtained and kept with loan papers. It is advisable to ensure the DD for full amount of Loan plus Margin to be prepared in the name of Dealer mentioning their account number and Bank name.
- Strict compliance of delivering the DD for loan proceeds and margin money directly to the dealer by the Branches/ Offices. Under no circumstances, the DD shall be sent through the borrower.

- Alternatively, the loan proceeds to be remitted to the dealer through RTGS/NEFT wherever authorized by the dealer. Along with Pro-forma invoice, insist for NEFT/RTGS Mandate Form duly signed by Dealer's Authorized signatory as per the Annexure- I of HO Cir. 86/2015 dt. 25.02.2015.
- While remitting the loan proceeds through RTGS/NEFT, it has to be invariably mentioned in the relevant column - "Loan proceeds for purchase of (Brand) (Model) Car by Shri/Smt... as per Proforma Invoice No dt.....)
- After sending the RTGS/ NEFT, an e-mail has to be sent to the dealer's id.
- RTGS/NEFT Payment report (along with UTR no.) and the e-mail message are to be down loaded / printed and kept with the loan papers.
- In all cases of misuse, diversion of funds and non-registration, malfeasance, etc., immediate action, both Civil and Criminal should be initiated against the borrowers, as well as against the dealers.
- Registration of the vehicle to be closely followed up and noting of Bank's Lien in RC Book and Insurance policy to be ensured by the branch officials concerned, within a reasonable period of 7-10 days.
- Obtain "B" Register extract from RTO mandatorily wherever RC Smart Card is issued in lieu of RC Book without hypothecation details incorporated in it.
- Physical inspection of vehicle to be done immediately. Verify the Engine No. & Chassis Number of the Vehicle & ensure it is the same in the RC Book.
- The Branches/Offices are advised to take note of the above and scrupulously follow the system and procedure advised under Individual Schemes so as to build a healthy and qualitative Retail Loan portfolio.

GENERAL PRECAUTION IN SANCTIONING VEHICLE LOAN:-

- a) Adherence to KYC norms.
- b) Pre Sanction Visits.
- c) Verification of CIBIL scores without adverse remarks.
- d) Verification of Personal / Other income related documents.
- e) Verification of credentials of the dealer.
- f) Due diligence of proposals.
- g) Physical inspection of assets.
- h) TIN numbers of vehicle dealers to be mandatorily obtained.
- i) TIN numbers when verified on website will help the branches in identifying nonexistent / fake dealers.
- j) Registration of the vehicle to be closely followed up and noting of Bank's Lien in R C Book and Insurance policy to be ensured by the branch officials concerned, within a reasonable period of 7-10 days.
- k) Branch to insist for the copy of the Sales Certificate issued by the dealer and ensure that our lien is mentioned therein.

PRECAUTIONS TO BE EXERCISED TOWARDS PREVENTION OF FRAUDS

**CIRCULAR : 582/2015
GENERAL MATTERS**

- Maintenance of password secrecy is utmost important.
- Branches should educate all employees and ensure that they strictly adhere to the existing systems & procedures
- Branches should adhere to Job rotation system and not allow any staff member to continue in the same desk beyond the prescribed period
- Guidelines on Job rotation and mandatory vacation shall be complied with.
- Informing the unscrupulous practices in branches under whistle blower mechanism to be actively followed.
- Online monitoring of transactions to be carried out on a regular basis and any abnormal transactions to be probed for fixing accountability.
- All mandatory reports to be generated daily and to be checked by the officer/Manager.
- Declaration of such other information is obtained from the person (applicant) on whose behalf the Foreign Exchange transaction is undertaken stating that the transaction is not designed to contravene or evade the provisions of the Act or any of the Rules or Regulations made or Notifications or directions or orders issued under the FEMA.
- Periodical Review of Risk category of Customers:-
 - a) Whether periodical review of Risk category of customers has been conducted once in 6 months i.e, during as at May and November.
 - b) Whether the indicative list of High/Medium Risk customers, Products and Services and Geographies are enumerated in HO guideline issued from time to time, has been taken in to account and appropriate Risk Category has been allotted.
- Branch shall maintain copies of Form 60/61 properly month wise.

PRECAUTIONS TO BE EXERCISED TOWARDS PREVENTION OF FRAUDS

CIRCULAR : 582/2015 FRAUD PREVENTION MEASURES

- Fraud Awareness Series are uploaded in the dedicated webpage of our Wing (Cannet -> Other Links -> Technology Risk & Fraud Prevention Wing). Employees are requested to go through the same and update themselves.
- Caution Advices issued from RBI are being uploaded in the TR&FP Wing's webpage under "Gross irregularities". Employees are requested to go through the same.
- Sharing of information received from IBA is also being uploaded in the Wing's webpage under "other bank's information".
-
- Circles to ensure proper functioning of Fraud Review Council Committee.

The said committee should meet at monthly rests to discuss the frauds reported, plug the loopholes if any and come out with suggestions towards introducing any measures.

Thrust to be given to highlight the importance of spreading awareness on frauds during branch review meetings.

- Circles to ensure existence of preventive vigilance committees in their branches. Bring awareness among staff members about operational areas which are prone to fraud/loss.
- Circles to monitor the branches whenever unusual spurt in Advances is noticed. Besides, it is required that a strong signal be sent, that bank is having zero tolerance towards frauds and dishonesty on the part of officials.
- In respect of accounts under Consortium / Multiple Banking, a strong platform for exchange of information among peer Banks and procedures such as Joint visits by the Lenders to be followed, especially in accounts where our Bank is the Leader.

Any abnormal transactions for huge amounts in the staff accounts are to be monitored.

Operations of repeated nature are also to be reviewed periodically.

This would create awareness that staff is monitored for his actions/conducts.

- Selection of panel valuers and advocates to be streamlined with thorough verification about their bonafides.

- Once the account is treated as NPA/fraud, immediate recovery steps are to be initiated like realisation of movable securities, issue of SARFAESI notice, filing of suit etc., to minimise the loss.
- RBI Wilful defaulters list and RBI defaulters list are to be verified in all accounts sanctioned during the period.
- Special Approval List (SAL) of ECGC is to be verified in all Export Accounts sanctioned during the period and prior approval from ECGC is obtained in case of exporters appearing in SAL.

FRAUD RISK MANAGEMENT POLICY FOR THE YEAR 2017-18

CHEQUE RELATED FRAUDS, PRECAUTIONS TO BE TAKEN AND REPORTING TO RBI AND THE POLICE:

In view of the rise in the number of cheque related fraud cases which could have been avoided had due diligence been observed at the time of handling and/or processing the cheques and monitoring newly opened accounts, the controls in cheque presenting/passing and account monitoring processes shall be periodically reviewed and ensured that all procedural guidelines including preventive measures are followed meticulously by the dealing staff/officials.

The illustrative list of some of the preventive measures to be followed in this regard are as under :

- Ensuring the use of 100% CTS - 2010 compliant cheques.
- Strengthening the infrastructure at the cheque handling Service Branches and bestowing special attention on the quality of equipment and personnel posted for CTS based clearing, so that it is not merely a mechanical process.
- Ensuring that the beneficiary is KYC compliant so that the bank has recourse to him/her as long as he/she remains a customer of the bank.
- Examination under UV lamp for all cheques/DDs as per prevalent guidelines.
- Checking of cheques at multiple levels as per prevalent guidelines.
- Close monitoring of credits and debits in newly opened transaction accounts based on risk categorization.
- Sending an SMS alert to the drawer when cheques are received in clearing.

The following preventive measures for dealing with suspicious or large value cheques (in relation to an account's normal level of operations) can be considered.

- Alerting the customer by a phone call and getting confirmation from the drawer.
- Contacting base branch in case of non-home cheques.

The above may be resorted to selectively, if not found feasible to be implemented systematically.

- **In some cases even though the original cheques were in the custody of the customer, cheques with the same serial numbers had been presented and encashed by fraudsters.**

To prevent such frauds, bank shall take appropriate precautionary measures to ensure that the confidential information, viz., customer name /account number/signature, cheque serial numbers and other related information are neither compromised nor misused either from the bank or from the vendors' (printers, courier companies, etc.) side.

Due care and secure handling is also to be exercised in the movement of cheques from the time they are tendered over the counters or dropped in the collection boxes by customers.

- To ensure uniformity and to avoid duplication, reporting of frauds involving forged instruments including fake/forged instruments sent in clearing in respect of truncated instruments will continue to be done by the paying banker and not by the collecting banker.

In such cases the presenting bank will be required to immediately hand over the underlying instrument to drawee/paying bank as and when demanded to enable it to file an FIR with appropriate police authorities and report the fraud to RBI.

It is the paying banker who has to file the police complaint and not the collecting banker.

- In the case of collection of an instrument which is genuine but the amount is collected fraudulently by a person who is not the true owner or where the amount has been credited before realization and subsequently the instrument is found to be fake/forged and returned by the paying bank, the collecting bank, which is defrauded or is at loss by paying the amount before realization of the instrument, will have to file both - the fraud report with the RBI and complaint with the police.
- In respect of fraudulent encashment of DDs/DW/cheques where our role is that of paying banker or collecting banker, the above norms for lodging police complaint shall be followed.
- In case of collection of altered/fake cheque involving two or more branches of the bank, the branch where the altered/fake cheque has been encashed, shall report the fraud to Head Office. Similarly, in the event of an altered/fake cheque having been paid/encashed involving two or more branches of the bank under CBS, the branch which has released the payment shall report the fraud to R&R Section, RLFP Wing, HO, Bangalore, who shall report the frauds to RBI.
- Investigation regarding staff accountability and other aspects to be conducted at the Circle where the cheque has been encashed and also at the Circle where the account is maintained by the customer, regarding KYC compliance, if it is a collection case.

The branch which has paid the fake instrument has to ensure availability of proper KYC details of the beneficiary from the collecting banker and take up recovery steps from that bank if their customer is not KYC compliant

**PASSING OF CHEQUES ISSUED BY CENTRAL
GOVERNMENT UNDER CHEQUE TRUNCATION SYSTEM
AND DISCONTINUATION OF THE REQUIREMENT FOR
PAPER TO FOLLOW (P2F)**

CIRCULAR : 98/2016

**PRECAUTIONS TO BE TAKEN WHILE HANDLING THE INSTRUMENTS/IMAGES
AS PRESENTING BANK/PAYING BANK:**

PRESENTING BANK:

- All the Central Government Cheques to be examined under ultra violet lamp;
- Due diligence needs to be exercised as per the apparent tenor of the instrument;
- Original paid instruments to be retained by Presenting Bank and preserved for 10 years;
- In case any cheque image returned unpaid under the reason “present with Document” the presenting bank on such instances shall ensure that the instrument is presented again the next applicable clearing session without any reference to the account holder (payee);
- In case the original cheques are to be returned back to the Department by the presenting bank to the Department for the purpose of reconciliation, enquiry, investigation etc., the presenting Bank should mark the cheque as paid and signature cancelled and hand over the cheques.
- Transaction code 21 to 27 and 49 and other 3 digit transaction code & 7 digit account number will be treated as normal cheque and will follow the work flow for normal cheque;
- Cheques issued by State Government Departments which is having transaction code as 20 to be presented as “Doc Type C” ie. Under Paper to Follow (P2F) mode.

This is applicable to all types of instruments ie instruments complying with CTS 2010 standards and Non-CTS 2010 standards and Non-CTS instruments cleared through the regular sessions conducted on all working days.

PAYING BANK:

- The Central Government Cheques need to be presented to the CTS Grid under whose jurisdiction the branch falls; In case the cheque is presented to a Grid other than the jurisdiction of the accredited/authorized branch of paying bank, the cheque has to be returned.
- In case the payee bank desires to verify the Central Government cheque in physical form before passing it for payment, the image would be returned unpaid under the reason “present with document.”
- The Central Government Cheques paid by the payee bank across its counter by way of cash withdrawal or transfer also need to be truncated and preserved for 10 years.

A Common electronic file containing the images of the paid cheques shall be created on a daily basis for onward transmission to Government Departments.

- In case of cash and transfer instruments, if the images have to be sent to the Department; branches who do not have scanners are required to approach the respective scanning centres. The Scanning Centre concerned would scan the cheques and send the same to the respective paying branch for further handling.
- Our DIT Wing- Service Units Group would be handling the job relating to storage medium and storage capacity for the images of cheques.

DE-DUPLICATION OF MULTIPLE CUSTOMER IDS

CIRCULAR : 282/2014

Frequently Asked Questions on MERGER OF CUST-IDs

- 1. What is the precaution to be taken while doing merger of cust-id, where ATM card is linked for a given account?**

Ans : If there are two accounts with two customer ids for the same customer, one with ATM card and the other without ATM card, in such cases Branch has to decide in keeping one cust-id as Base cust-id in consultation with the customer, preferably the one to which ATM card is linked as the base id and proceed for merger. Branch can link the second account to ATM card after merger of the cust-ids.

- 2. In cases where customer having two different cust-ids and after merger, whether the customer can avail ATM facility for the second account?**

Ans: Yes. The second account can be linked to the ATM debit card which is linked to base cust-id.

- 3. If a customer is having multiple cust-ids and ATM cards are issued for all accounts, what is the precaution to be taken while merger of cust-ids?**

Ans: When a customer has more than one account and each such account is having a separate customer-id having the facility of ATM card, while merging such duplicate customer-ids, suitable precautionary steps have to be taken such as:

- a) Customer to be consulted in advance and decide the base account as per his choice.
- b) Branch has to delink all ATM cards.
- c) Merge different cust-ids with primary (i.e. base cust-id).
- d) Provide facilities to the base cust-id.

- 4. What is the precaution to be taken while merging cust-ids having Internet Banking facility?**

Ans: Customer having more than one cust-ids has to select one cust-id as Primary cust-id for Internet Banking facility.

- a) Customer to be consulted in advance and decide the base cust-id as per his choice.
- b) Check for which cust-id, net banking user id is created.
- c) To know whether a given cust-id is already having Internet banking facility, the link <http://cannet/dit/dit/dcg/imb/imbRetail.aspx> available in CANNET can be made use of.
- d) While merging, the Branch has to ensure that the internet flag in CH021 is ticked only for those accounts for which the customer has given written request for Internet Facility.
- e) Merge other cust-ids with primary (i.e. base cust-id).
- f) After successful merger, all accounts will be available under Internet Banking.

5. What is the precaution to be taken while merging cust-ids having Mobile Banking facility?

Ans: CASE I : Customer has multiple cust-ids , multiple Mobile Numbers and availed mobile banking for one cust-id : Check for which cust-id/mobile number customer has availed mobile banking facility and keeping this cust-id as base cust-id , Merge the other cust-id with the base cust-id. The mobile number and cust-id should remain same which has been allotted to Mobile Banking.

CASE II: Customer has multiple cust-ids and multiple Mobile Numbers (multiple mobile numbers registered with Mobile banking) :

- a) Branch need to contact the customers to confirm which cust-id / mobile number is to be taken as base for giving mobile banking facility, since single cust-id to be maintained.
- b) If the customers want to link all the accounts to one user id of mobile banking, then de-register all the accounts/mobile number with mobile banking. Then merge multiple cust-ids. Then go for fresh registration for all accounts with single mobile number.

6. What is the precaution to be taken while merging cust-ids having Demat Account facility?

Ans:

- a) Customer to be consulted in advance and decide the base account as per his choice.
- b) In case the cust id of SB/CA account linked with OLT is undergoing any change, the customer needs to RELEASE the stocks which he has lien marked for SELLING.
- c) If the branch by mistake select other cust-id as the base cust-id for which there is no OLT facility and proceed further for merger of remaining cust-ids (including the cust id for which already OLT facility is made available), customer may face inconvenience in Online trading. The new cust id has to be communicated to M/s CBSL for linking to the OLT account.
- d) A consolidated list of cust-ids with CASA a/c numbers linked under OLT can be obtained from M/s CBSL (customercare@canmoney.in) through New Products Group also.

7. What is the remedy when the system does not allow merger of cust-ids of Dormant/ inoperative account?

Ans:

- a) Customer-id of an inoperative account or a dormant account can not be merged with a customer id of an operative account.
- b) In case the same customer is having an operative account under one customer-id and a dormant / inoperative account under a different cust-id, in such cases branches have to make the dormant / inoperative account as

operative account duly getting the prescribed documents from the customer and proceed for merger.

8. If a NRE Customer has IDs under category as NRE or NRO with DTAA and NRO ID without DTAA etc what is the merger procedure?

Ans: The said customer is having the same DTAA. Hence there is no issue. Customer types also as per DTAA form.

9. If a customer has IDs for NRE and FCNR accounts separately, then what is the procedure?

Ans: Both NRE and FCNR accounts can be opened by the Non resident customer only. In this case also no issue. Branch can merge.

10. How to prevent re-usage of unwanted IDs?

Ans: At present there is no functionality in CBS to remove/disable merged customer ids. The matter has been taken up with the vendors for providing the feature to resolve the said issue.

11. Term deposit accounts with different cust ids. Here the Form 15H/15G fed for the secondary cust id does not get merged with primary customer id after doing CIM39. Branch has to once again manually feed the details for the primary customer id which makes the process tedious. Further problems may also arise while generating Form 16 as the secondary customer id will not be available after merging.

Ans: If the merged customer having deposits with FORM 15G/15H, branch has to waive the same deposit accounts in TDS03 of the new customer id.

12. Minor accounts attaining majority.

Ans: Minor customer ids can be merged with minor status ids only. If one customer id is major, then branch has to verify the customer details and process maturity status under CIM30 and merge with major id.

**ACCEPTANCE OF POWER OF ATTORNEY BY NRIS FROM
EUROPE, AUSTRALIA, CANADA AND USA
CIRCULAR : 374/2013 & 174/2012**

It was stipulated that Power of Attorney by NRIs need to be executed before Indian Consul or Vice Consul at the place where POA is executed and that the same shall be duly authenticated.

Considering the practical difficulties in continuing with the stipulations as above, acceptance of POAs executed by NRIs residing in Europe, Australia, Canada and USA **in the presence of Notary Public can now be permitted** duly ensuring the following:

- Where the NRIs have executed POA in the presence of Notary Public, the signature affixed on the POA should be verified with the signature of the NRI customer available in Bank's records.
- Before accepting POAs executed by the NRIs in the aforesaid foreign countries, the genuineness of the same is to be ensured by getting confirmation/ contacting the executants of POA.

Sanctioning of loans to Power of Attorney holders: (Documentation Manual)

While granting loans to a person under power of attorney, the following precautions should be taken:

- The principal should be an identifiable one.
- The power of attorney must be in force.
- It must have been notarised or executed before a magistrate or registered one, (if immovable property is involved) lest its execution is questioned later.
- The power of attorney must specify and authorise the attorney to do such specific acts to raise loans and execute the relative documents on behalf of the principal and further, the principal is bound by such acts of the agent and all the liabilities arising thereof.
- So as to confirm the currency of PA, branch may get a confirmation in writing from the Principal while sanctioning / renewing the limits, obtaining AOD etc., stating that the PA is valid.
- It must be ensured that specific clause is available in the PA for the holder, example (a) to create security and put through mortgage transaction; (b) to execute loan papers and give AOD / AOS.
- The Advocate in the Bank's panel may be requested to verify the legality and veracity of the PA also, while submitting the LSR, whenever it is obtained for mortgage of properties.

- The original PA must be verified to ensure the correctness of its contents and a copy obtained for branch records. It is to be kept along with the loan papers.
- The loan account is to be maintained in the name of the principal only and not in the name of attorney / agent. However, it is to be mentioned that the principal is represented by the PA holder (agent). However, loans / overdrafts against NRE / FCNR (B) deposits to third parties should be granted only when the depositor himself executes the loan documents in the presence of branch officials and a witness acceptable to the bank. Advances to third parties against such deposits should not be granted on the basis of Power of Attorney.
- While granting loans to a person under power of attorney, Branch should ensure that the Power of Attorney is a Registered one. In respect of documents conveying transfer of immovable property which are executed by the Power of attorney holder, Branch should ensure that the Power of Attorney concerned is a Registered one. 03.02.04.09
- If any Power of Attorney holder is required to sign, the Power of Attorney under which he claims the power should be scrutinised and it should be confirmed that he has powers to execute the loan papers and documents for and on behalf of the parties represented by him. The attorney should sign for and on behalf of his Principal as power of attorney holder, full particulars of which should be mentioned and the principal's name should be clearly written. Obtain confirmation from the principal whether the GPA is still in force. 03.02.06.09

MORTGAGE TRANSACTIONS BASED ON POWER OF ATTORNEY NEED FOR EXERCISING EXTRA CARE

CIRCULAR : 174/2012

The guidelines and the precautions to be taken for sanctioning loans to Power of attorney holders are furnished/reiterated hereunder:

- The Principal and the Agent (POA Holder) should be identified.
- The POA must be in force. It must have been notarized or executed before a magistrate or registered, (if immovable property is involved) lest its execution is questioned later.
- The POA must specify and authorize the attorney to do such specific acts to raise loans and execute the relative documents on behalf of the principal and further, the principal is bound by such acts of the agent and all the liabilities arising thereof.
- To confirm the currency of the POA, branch to get a confirmation in writing from the "Principal" while sanctioning/ renewing the limits/ execution of EMT, obtaining AOD etc., stating that the POA is valid.
- It must be ensured that specific clause is available in the POA for the holder, e.g., (a.) To create security and put through mortgage transaction; (b.) To execute loan papers and give AOD/AOS.
- The Advocate in the Bank's panel may be requested to verify the legality and veracity of the POA also, while submitting the LSR, whenever it is obtained for mortgage of properties.
- The loan account is to be maintained in the name of the "Principal" only and not in the name of the attorney/agent. However, it is to be mentioned that the "principal" is represented by the POA holder (Agent).
- The date of the POA and period of its validity if any should be recorded.
- If the executants of POA are resident outside India (NRIs), POA is to be executed before the Indian Consul or Vice Consul at the place where POA is executed and duly authenticated. In such cases, registration of POA is not necessary. Duly attested copy of passport and visa stamping, contact nos. and e-mail ID of the executant shall be obtained for records. (For modifications in this guideline please refer HO Circular 374/2013 regarding Acceptance of POWER OF ATTORNEY BY NRIs from EUROPE, AUSTRALIA, CANADA AND USA).
- If POA is notarized, POA shall contain the photograph of the POA holder as well as the signature of the POA holder, both attested by the Executants/Notary.

- The POA holder shall hand over the title deeds and other supplementary documents to the Bank physically, with the intention to create EMT along with a certified copy of the POA in case of a General Power of Attorney (to be retained by the Bank after verifying the same with the original). In case the POA executed with the specific purpose for creation of mortgage, then the original of the POA shall necessarily be obtained and it should be kept along with the loan papers.
- Branches shall send a notice to the executants of POA to confirm POA is in force and he is aware of the EMT that will be put through.
- Some of the State Governments have amended Registration Act and issued notifications to concerned Registrar/ Sub-Registrar specifying the manner of execution of POA and its registration with Sub-Registrar office. Circle Offices have to verify the notifications/ amendments, if any, issued by the State Governments and advise the branches suitably in this regard from time to time.
- Further, Branches/ offices shall note that the Hon'ble Supreme Court has recently held that a Sale Agreement (SA)/GPA/WILL transaction does not convey any title nor create any interest in an immovable property.
- Immoveable property can be legally and lawfully transferred/conveyed only by a registered deed of conveyance.

HANDLING OF UNCLAIMED ARTICLES / CASH AND OTHER ITEMS FOUND IN THE BRANCH / OFFICE PREMISES

CIRCULAR: 385/2010

Provision of law on the subject matter makes it clear that a person, who finds goods belonging to another and takes them into his custody, is subject to the same responsibility as that of a bailee. To ensure safe keeping of the articles found until it is restored to the owner, the following **precautions** have to be observed:

- An inventory furnishing the particulars and descriptions of the articles found is to be prepared in the presence of witnesses and the inventory has to be got signed by them.
- The articles/valuables found will have to be placed in Double Lock after entering the particulars in Double Lock Register. Apart from this, the particulars may be noted in a register which may be preserved with the Branch in charge. The register facilitates easy reference in case of need.
- In case cash is found, the denominations have to be noted and the same is to be credited to SL Suspense Account.
- A report has to be sent to the Circle Office giving full details of the articles/valuables/cash found and steps taken to trace the owner.
- The expenses incurred are to be recorded in the Register. Bank can exercise particular lien over the articles/valuables for the expenses incurred.
- Regarding sale of the articles/valuables remaining unclaimed, Section 169 of the Indian Contract Act provides for two circumstances under which the right to sell the articles can be exercised. They are: (i) when the article/s is/are in danger or perishing or of losing the greater part of its/their value; or (ii) when the lawful charges of the finder in respect of article/s found amounts to 2/3rd of its/their value.
- In the normal circumstances, the articles/valuables found in the branch premises like gold jewellery, silver articles or cash, not being subject to deterioration, the same may be preserved until true owner is traced. A suitable notice may be displayed in the Notice Board informing that some article/s/amount/s (without giving any details or description) is/are found and true owner may establish his claim giving the full particulars of the article/s/valuables/amount lost by him.
- However, if the efforts of the branch to trace the true owner have not yielded the desired results and reasonable time (say 3 months) has elapsed, the article/s other than cash may be handed over to the Police Station having jurisdiction over the area, against their acknowledgement. Before handing over the articles to Police, concerned R&L Section is to be consulted and permission shall be obtained from the Deputy General Manager / Asst Gen Manager of the concerned Circle. In case of cash, the same has to be reported to the Police

authorities and the amount lying in SL account be dealt with, as in the case of excess cash by following the procedure prescribed in BPC- Manual of Instructions on Cash.

SAFE KEEPING OF BILLS: CIRCULAR: 385/2010

- All bills (ISC/IBC) received for collection should be arranged serially according to ISC numbers and preserved properly.
- During office hours, Bills (ISC/IBC) should be kept in a separate single lock box (like cash box) / steel trunk duly locked and the key thereof shall be held by the supervisor concerned.
- After business hours, the locked box should be kept in strong room / FBR Safe / Fire Resistant Record cabinet (which basically has a dual locking arrangement).
- In this regard responsibility is as under: (a) For the contents of the closed box, the Supervisor concerned is responsible. (b) For the custody of the closed box, the key holders are jointly responsible.
- If it is a foreign bill, ensure that all the 3 copies of original bill of lading are intact when the supervisor is placing the bill inside or taking outside.
- Ensure that proper acknowledgement is obtained in the acknowledgement register from the drawee upon delivery of the documents of the bill.
- In case of return of Bills, it should be ensured that the bill had been properly presented to the drawee for payment but the same is not paid.
- Where an unpaid bill is to be returned to the lodger - our branch, it should be sent by registered post duly mentioning charges to be collected. In case the bill is to be returned to the lodger-other than our branch, it should be sent by VPP for our charges, i.e., postage, commission etc., as per prescribed rates.

PARCELS (Cir.385/2010)

- All the parcels received are to be entered serially in the ISC / IBC Parcel Register and kept safely in the Double Lock. Parcels should be neither opened nor its original packing disturbed.
- On due payment of bill amount, parcel is to be delivered to the drawee against the acknowledgement in the column meant for this purpose in the Parcel Register.
- If the Bill is not paid by the drawee, the parcel should be returned to the lodger by VPP, (by registered parcel in case the same is received from our branch) duly observing other guidelines. Branches to note that the parcels should not be opened while returning.

PRECAUTIONS TO BE EXERCISED HANDLING OF OSCS BY CBS BRANCHES & ACCOUNTS / CLEARING SECTIONS

CIRCULAR : 222/2010 & 442/2009

The procedure to be followed / precautions to be exercised by CBS branches while lodging the OSCs.

Discrepancies Observed & Precautions to be exercised

- **System does not allow marking of returns through 6560 option if special characters are present in the Drawee Account number.**

Users to ensure that No special characters are entered in 'Drawee Account Number' field at the time of OSC data entry.

- **Though the instruments are lodged in CBS, the instruments are sent with Manual Schedules without CBS OSC Serial Number and without 'CBS OSC' seal.**

Branches to use the system generated covering schedules only.
Branches should affix "CBS OSC" seal on the Covering Schedule without fail.

- **The dispatch Advice generated by the system to some other Branch is manually altered. For e.g., Canara Bank Channapatna Branch is manually altered to "Accounts section Bangalore" In such cases Data would not be available to Accounts/Clearing Section for Marking Receipt.**

Users to enter the correct details at the time of lodging the OSCs so as to ensure that the OSCs are lodged to the correct centers and manual alteration of the covering schedule is avoided. Sample schedule attached.

- **In some cases the instruments are lodged to the Drawee Bank Branch and dispatch advice generated is manually altered. For e.g. The dispatch advice addressed to "The Dhanalaxmi Bank Ltd Bangalore" is manually altered as "Accounts Section Bangalore". In such cases data would not available to Accounts Section for 'Marking Receipt'.**

Users should take necessary care at the time of OSC lodging and ensure that the correct details are entered so that the system generated schedule contains the correct details. Sample schedule attached.

- **Some of the CBS Branches are not lodging all the OSCs in CBS. Some of the OSCs are sent manually without lodging in CBS.**

Branches should invariably lodge all OSC items in CBS and send to Accounts/Clearing Sections as per the guidelines issued by DIT.

➤ **OSCs are lodged with Destination Branch as Zero**

For CBS to CBS OSCs, users should not tick the box “Corr Bank Flag”.

➤ **OSCs are lodged with Routing Number as Zero**

Users should enter the actual Routing Number available on the cheque for CBS to CBS OSCs.

➤ **Instruments drawn on Mumbai and Kolkota are lodged to Accounts Section, instead of to Clearing Section and hence are not available to Clearing Sections for ‘Marking Receipt’**

Branches should select Destination Branches as under:

Clearing section Mumbai (DP Code 136) for instruments drawn on Mumbai

Clearing section Kolkatta (DP code 1747) for instruments drawn on Kolkatta.

➤ **Where the Covering Schedule has the heading ‘Dispatch Advice’ the instruments are not available for ‘Marking Receipt’. Sample Schedule is attached.**

Branches should ensure that: (a)The Destination Branch/Routing Number is not Blank/Zero (b)The Covering Schedule generated contains the full address and DP Code of the Destination Accounts/ Clearing Section on the right hand side. Sample schedule is attached.

**KYC COMPLIANCE – PRECAUTION IN OBTENTION OF KYC
DOCUMENTS AND ITS VERIFICATION WITH THAT OF ORIGINAL
CIRCULAR : 595 /2017**

- Branches have to ensure utilization of SAS package for verification of authenticity of PAN.
- E-KYC verification of Aadhar Number is to be invariably done while opening accounts, as a fool proof exercise over and above the above.

It is observed that there is scope for misuse of copies KYC documents submitted to bank branches towards verification of KYC.

In this regard, while obtaining the copies of KYC documents from the customers, interalia following caution may be exercised by the branches/offices.

- Signature of the customer i.e. holder of the original documents is to be obtained on the copy of the documents with date, mentioning the purpose for which the said copy of documents were submitted to the bank.
- Official receiving the copies should verify the same with that of the originals and ensure the genuineness of the copies produced and record that the fact of such verification on the copy documents with a noting, “original verified” with full signature and date.

The above guidelines are in addition to reiteration of our existing guidelines already in place. Branches /offices shall bring it to the notice of the staff members that any misuse of KYC documents submitted by the customers at branches /offices will be viewed seriously and the official concerned shall be held accountable for the same.

POLICY ON CREDIT RISK MANAGEMENT

CIRCULAR : 305/2016

PRECAUTIONS WHILE ISSUING GUARANTEES ON BEHALF OF CUSTOMERS, THE FOLLOWING SAFEGUARDS SHOULD BE OBSERVED:-

- Guarantees must be for specific amounts and for specific periods, normally not exceeding two years. The purpose of the Bank Guarantee should be incidental to the business of the constituent.
- The draft of the guarantee bond is to be got approved by R&L Section of Circle Office.
- Branches are not empowered to issue guarantees containing onerous clauses. Automatic renewal clause is considered to be onerous. However, Scale IV & above authorities of VLB/ELB/Premier/Prime Corporate Branches can permit issuance of guarantees containing automatic renewal clause within the sanctioned limit permitted by the competent authority.
- Every guarantee should contain a standard protective clause unless specifically permitted by the designated authorities..
- Generally Guarantees issued on behalf of building contractors should not cover progress payments under contracts for building and/or other constructions.
- Branches/offices should not issue guarantees containing a clause providing payment of interest, cost and charges. Guarantees with interest clause are to be issued with the specific approval of the sanctioning authority.
- Prior sanction of the Executives at VLB/ELB, Circle Office should be obtained for issuing the following guarantees, except if they are fully secured by 100% margin in cash/term deposits of the Bank.
 - a) Guarantees for periods of more than 2 years.
 - b) Guarantees where the protective clause is not specified/ incorporated.
 - c) Guarantees covering payment of dues, such as payment of insurance premium, payment of sales tax, payment of income tax or any arrears of tax, etc.
- Guarantees should not be issued for a period of more than 10 years irrespective of the fact that such guarantees are backed with 100% cash margin or not. However, DGMs/ DGM-CO-CAC are empowered to permit the branches to issue guarantees for period beyond 10 years/without expiry period subject to following conditions:
 - a) Guarantees should be fully secured by cash/our own deposits.
 - b) At no point of time, our commitment under guarantee should be beyond the secured amount.
 - c) In case of guarantees secured by deposits, branches should ensure that deposit is renewed from time to time since deposits cannot be accepted beyond 10 years at a time.

- d) In case of guarantees issued without expiry period, liability cannot be reversed till the original guarantee bond is received.
- e) Guarantees without expiry period should be issued only under exceptional circumstances and not as a matter of routine.
- f) No guarantee shall be issued on behalf of corporate entities in respect of non-convertible debentures/bonds or debt instruments issued by such entities.
- g) Bank Guarantee of Rs.50,000 & above shall be signed by two authorised signatories.
- h) Branches should not issue guarantees on behalf of non banking companies for repayment of their loans/deposits secured by them from other non banking companies or from the public in general.

PRECAUTIONS AT THE TIME OF APPRAISAL/SANCTION:

- Letter of Credit limits shall not be extended outside Working Capital Consortium and proportionate sharing in non fund based limits shall be ensured.
- The capacity and ability of the borrower to execute the job within the prescribed time limit shall be critically examined at the time of appraisal of the BG limits.
- Timelines for each stage shall be stipulated for completion of projects and consequently in case of delay in achieving the set milestones, the right of the Bank for review of margin and commission on guarantees and the terms and conditions of the Guarantee facility shall also be stipulated. This shall be a part of the sanction covenant and incorporated in the guarantee agreement.
- Progress in respect of execution of the project shall be periodically monitored.
- A separate need based sub-limit within the overall BG limit shall be permitted for issuance of Performance Guarantees/Advance Payment Guarantees.
- In case foreign exchange element is envisaged in the PG/APG, a condition shall be stipulated regarding the forex risk to be borne by the borrower and the policy on hedging of foreign currency exposure shall be followed.
- A condition with regard to submission of quarterly report on the status of the projects for which PG and Advance Payment Guarantee is issued shall be stipulated in the sanction for individual guarantees of Rs.5 Crore and above.

GENERAL GUIDELINES/PRECAUTIONS:-

- Branches/Offices shall open LCs only in respect of genuine commercial and trade transactions of its constituents who have been adhering to the norms/guidelines relating to the trade and as per delegated powers to the authorities.
- Branches/Offices shall not open LCs bearing the legend 'without recourse' clauses.
- Appropriate credit limits should be fixed/got fixed for parties on whose behalf LCs are to be opened. The limit may be either a single transaction limit or a regular limit, subject to delegation of powers.

- Branches should not establish LCs against guarantee of other Banks and should also not issue guarantees to other Banks for opening LCs.
- Branches/Offices should not permit issuance of Letter of Guarantee confirming Bank's undertaking for opening a revolving line of credit in favour of contractors without proper sanction.
- Branches do not have powers to sanction opening of LCs stipulating drawing documentary bill accompanied by country craft receipt.
- Status reports/OPL should be called for in case of all parties except Government/Semi Govt. Departments and public sector undertakings, from their bankers and LCs should be opened only if such reports are satisfactory.
- If Revolving LCs are to be opened, the sanction should specifically permit the opening of such LCs. Revolving LCs should not be opened, within the limit fixed for other LCs, unless specifically permitted in the sanction letter. Protective clause should invariably be incorporated in the revolving LC.
- For opening LCs covering commodities coming under Selective Credit Control, all directives issued in this regard from time to time are to be strictly adhered to.
- DALC limits for weak units should not be granted as a matter of routine.
- While sanctioning/recommending limits for LCs, suitable margin should generally be prescribed as applicable to inventory finance, depending on the goods which are proposed to be covered under the LC.
- The LC application/documents are 'security items' and should be kept in double lock. The procedure followed for handling security items to be adhered to.
- The Bank shall issue LCs to the customers under joint signatures of its authorised officials, one of whom shall be a Manager / Senior Manager.
- The procedure for opening the LC transactions is guided by UCP ICC 600 guidelines.
- In respect of an usance LC, once the issuing bank/ confirming bank accepts the negotiation of documents under LC and commits to reimburse us on the due date and not otherwise.
- TOL to TNW shall be restricted to a maximum of 4:1 in case of Fund based Working Capital Finance. However, relaxation may be considered in TOL to TNW upto 6:1 for manufacturing units and 8:1 – 9:1 for trade/service units, in case of Working Capital Funding covering LCs, BGs, PBGs and Buyer's credit including sub limit for fund based limits on case to case basis. Such relaxation may be considered with due justifications only by Circle Head level CAC and above authorities.
- While assessing Maximum Permissible Bank Finance, the estimated Current Liabilities (CL) representing Creditors for goods and other CL, shall be deducted from the build up of Current Assets. LC and Advance Payment Guarantee limits shall be assessed strictly based on the accepted average

creditors level. Overall assessment of fund based & LC/Guarantee limits is to be carried out within the accepted working capital cycle.

- Letter of Credit limits shall not be extended outside Working Capital Consortium and proportionate sharing in non fund based limits shall be ensured.
- Comparative review of the performance of the borrower unit with the industry benchmarks shall be carried out in the Loan Appraisal process. Such review shall cover performance ratios, working capital facilities, TOL/ANW enjoyed vis-à-vis turnover, EBIDT % etc. in addition to other ratios.
- The existing pre-Sanction Inspection of the borrower unit shall cover issues of organizational Structure, Board Governance, Internal Control & Internal Audit Systems, Stocks & Debtors verification, Internal Performance Monitoring & Management Information Systems, Budgetary Control System etc.
- The extant policy guidelines on hedging of all foreign currency exposures shall be followed scrupulously in respect of non fund based limits also. Proper Treasury and Forex Hedging system should be ensured in case of sanctioning FLCs.
- A quarterly report on Inland LCs, Foreign LCs and Bank Guarantees of Rs.5 lacs and above shall be obtained from the borrowers and shall be verified with the transactions in their operative accounts.
- Frequent devolvement of LCs and invocation of Bank Guarantees shall be closely monitored and communicated to the member banks under consortium/multiple banking arrangement in the existing exchange of information.

Manager in charge of small/medium/large/specialised branches and Credit Managers/Senior Manager in VLBs/ELBs, shall not exercise their normal delegated powers for sanction of loans and advances for the following purposes.

- LCs on DA basis for acquisition of capital goods.
- LCs for purchase of machinery which may necessitate granting of loans/ advances against hypothecation of machinery/capital equipment beyond the powers delegated therefor.
- LCs stipulating drawings by documentary bills accompanied by country craft receipts.
- Stipulating drawings by clean bills (demand/usance) i.e., bills not accompanied by documents of title to goods.
- Revolving LCs stipulating drawings by usance bills. In case of VLBs/ELBs, the CM/AGM may permit issuance of such LCs under their delegated powers.
- LCs with onerous clauses.

KNOW YOUR CUSTOMER (KYC) NORMS/ANTI MONEY LAUNDERING (AML) STANDARDS COMBATING FINANCING OF TERRORISM (CFT) CONSOLIDATED GUIDELINES

Precautions to be exercised in case of joint accounts

- The mode of operation should be noted in red ink on the top of specimen signature card. This note in the specimen signature card should be checked and initialed by the Supervisor.
- Specimen signatures of each of the joint depositors should be obtained on separate specimen signature cards in NF.109.
- All prospective joint account holders are to be KYC compliant.
- Transfer of accounts from one branch to another branch cannot be done at the request of any one of the joint account holders. **Opening of Current Account with non-consortium banks**
- In terms of extant guidelines of lending under consortium, a bank which is not a member of a consortium/syndicate, shall not open current account or extend any banking facility without the concurrence of the consortium/syndicate. This shall be scrupulously complied with.

Precaution while entering into a Correspondent Banking and Shell Bank

Correspondent Banking is the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). These services may include cash / funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable-through-accounts, cheques clearing etc.

- Bank shall gather sufficient information to fully understand the nature of the business of the bank including information on management, major business activities, level of AML/CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services, and regulatory/supervisory framework in the bank's home country.
- Such relationships may be established only with the approval of the Board or by a committee headed by the MD & CEO with clearly laid down parameters for approving such relationships, as approved by the Board. Proposals approved by the Committee should be put up to the Board at its next meeting for post facto approval.
- The responsibilities of each bank with whom correspondent banking relationship is established shall be clearly documented.

- In the case of payable-through-accounts, Bank shall satisfy that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking ongoing 'due diligence' on them.
- Bank shall also ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.
- Bank shall be cautious while continuing relationships with correspondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of Financial Action Task Force (FATF) Recommendations.
- Bank shall ensure that its respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.
- Bank shall not enter into a correspondent relationship with a "shell bank" (i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group).
- Bank shall not permit its accounts to be used by shell banks.

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POLICY OF THE BANK ON SECURITY ARRANGEMENT 2017-18

For Cash Remittance:

Cash is transferred from branches to currency chest and vice versa and it is the most vulnerable at these times. Therefore utmost security precautions are required for its protection. Especially, when cash is loaded or offloaded, full precautions must be taken as per guidelines of cash manual. However, following security precautions must be taken:

- Two Armed Guards per cash van must be there at the currency chest.
- If Armed Guards are not available due to some exigencies, the police personnel should be requisitioned for escorting cash.
- The Armed Guard and staff accompanying the cash van must be in possession of their identity card and photocopy of the gun license.
- Remittance above Rs. 20 lakhs and upto Rs. 50 lakhs must be escorted by at least one Armed Guard who sits in the rear of the cash van.
- Remittance above Rs. 50 lakhs must be accompanied by two Armed Guards, one Armed Guard should sit in the rear and other in the cabin with the driver.
- Cash Van: The cash van hired for remittance should be modified and should have following facilities.
- Alarm system with siren.
- Fire extinguishers and first aid box.
- GPRS facility.
- Hooks for chaining the cash box.
- Port holes for observation.
- Welded iron mesh covering glass panes/windows.
- The cash van's road worthiness should be regularly checked. A cash van completing 5 years of service or one lakh kilometers running, must be changed.
- The documents of vehicle and driver must be verified by the Transport/Police Authorities.
- Remittance should be sent during day time as far as possible.
- The timing & route should be carefully selected and frequently changed.
- Cash boxes must be chained and locked with body of the van while being carried.
- Cash van should be never left unattended when cash is loaded.
- No unauthorized person must be allowed in the cash van when transiting the cash.

- Standard Operating Procedure for loading and unloading must be followed.
- Insurance cover for cash in transit will be for an amount of Rs. 10 crores.
- In the event of emergent situation, cash vans may be hired and permitted by Circle Head on temporary basis ensuring laid down security procedures are followed.

SOCIAL MEDIA POLICY 2017-2018

PRECAUTIONS FOR OPERATING BANK'S OFFICIAL SOCIAL MEDIA ACCOUNTS:-

- The contents should be verified by the Overseeing Executive before posting on any social media site.
- The replies / comments should be monitored closely and the appropriate action should be taken.
- All the wings should support Web Communication Team, M&CRM Section, Marketing & RR Wing and Customer Service Section, Strategic Planning & Development Wing for replies to the comments/complaints received through social media without delay.
- The team should monitor the comment makers to the account and take action if a comment maker is creating undue problems.
- The passwords of Social Media accounts may be changed periodically with permission from overseeing executive.
- Web Communication Team should track & prevent the people for any deliberate comments for tarnishing the image of the Bank.
- Any such comments should be deleted by the team and if such attempts are repeated by some people, they should be blocked for putting comments on our posts.
