Myonlineprep

Prepare Anywhere Anytime

★ JAIIB 2026-27 · PPB

Principles & Practices of Banking

Quick Revision Capsule

Module A: General Banking Operations

Chapters 1-21 · 68 pages

JAIIB | PPB | Module A | JAIIB: 2026-27

Fact-checked & current

Up to date till 30 June 2026.

Chapter-wise key points

Crisp bullets and summary tables for each chapter.

Most Likely in Exam

Boxed one-liners at the end of every chapter.

Built for last-minute revision

Finish the whole module in an evening.

Smart Preparation. Stronger Tomorrow.

Expert-led JAIIB / CAIIB courses, live classes and full-length mock tests at www.myonlineprep.com

Explore Courses

Take a Free Mock

SCAN TO EXPLORE

CONTENTS

1. Banker-Customer Relationship
2. AML-KYC Guidelines
3. Operational Aspects of KYC
4. Opening Accounts of Various Types of Customers
5. Operational Aspects of Deposit Accounts
6. Operational Aspects of Handling Clearing, Collection and Cash
7. Banker's Special Relationship
8. Foreign Exchange Remittance Facilities for Individuals
9. Operational Aspects of NRI Business
10. Foreign Currency Accounts for Residents and Other Aspects
11. Cash Management Services and Its Importance
12. Payment and Collection of Cheques and Other Negotiable Instruments
13. Responsibility of Paying Bank
14. Responsibility of Collecting Bank
15. Ancillary Services
16. Financial Inclusion and Financial Literacy
17. Customer Service Guidelines
18. Duties and Rights of a Banker and Customer Rights
19. Grievance Redressal and RBI Integrated Ombudsman Scheme
20. The Consumer Protection Act, 2019
21. The Right to Information Act, 2005

CHAPTER 1. BANKER-CUSTOMER RELATIONSHIP

Introduction

A banker accepts **deposits** and deploys them in **loans and investments**; the relationship depends on the service rendered.

Requirements to be Called a Bank

- **Banking** (Sec. **5(b)**, BR Act, 1949): accepting, for lending or investment, public deposits of money, repayable on demand or otherwise, withdrawable by cheque, draft, order or otherwise.
- Essentials: deposits for **lending/investment**, from the **public**, in **money**. A trader financing only its own business is not a bank (Explanation, Sec. **5(c)**).
- **Nidhi companies** (Sec. **406**, Companies Act, 2013) and member-only societies are not banks; co-operative banks are (Sec. **56**; BR (Amendment) Act, **2020**).
- Sec. **7(1)**: only banking companies use 'bank/banker/banking' and must use one; Sec. **7(2)** bars firms/individuals. Sec. **22**: RBI licence; Sec. **8**: no trading in goods; Sec. **49A**: cheque-withdrawable deposits only by banks.
- **Kadiresan Chettiar** (1927): moneylender lends own money, banker lends depositors'. **Mahalaxmi Bank vs. RoC**: lending without public deposits is not banking.
- Sec. **6** business: discounting, collection, remittances, safe custody, lockers, forex, government business, LCs and guarantees.

Module A: Revision Capsule

- 'Customer' is **not defined by law**. **Paget**: duration theory (now discarded); **Dr. Hart**: one having an account.
- **Ladbroke vs. Todd** (1914): opening an account suffices. **Commissioners of Taxation** (1920): nature, not duration. **Great Western Railway** (1901): cashing cheques without account is not a customer.
- **KYC Directions, 2025** (28 Nov 2025) define customer; **walk-in customer** due diligence e.g. **Rs 50,000** and above. 'Client': PMLA Sec. **2(1)(ha)**; Beneficial Owner: Sec. **2(1)(fa)**.
- Sec. **45Z** customer includes Government departments. Minors above **10 years** may operate SB/TD independently, as per bank policy.
- **Debtor-creditor**: customer must **demand**; no security, but **DICGC** cover **Rs 5 lakh** per depositor per bank, effective **4 Feb 2020**. Limitation: **3 years** from demand (Art. **22**).
- **Foley vs. Hill** (1848): banker is debtor, not trustee. **Joachimson** (1921): demand at the branch needed. Unoperated **10 years** -> **DEA Fund** (Sec. **26A**).

Bank as a Trustee

- Trustee when money is held for a **specific purpose** and kept apart; if used with interest, debtor-creditor (**Lakshmi Chit Funds**, 1964). **Subramanyan Pillai** (1962): car money refunded as preferential debts.

Bailee-Bailor Relationship

- Safe custody: bank is **bailee** (Sec. **148**); ordinary prudence (Sec. **151**); increase to bailor (Sec. **163**). Articles left by mistake: **finder** (Sec. **71**).

Agent-Principal Relationship

- Agent: Sec. **182** (collection, standing instructions); termination (Sec. **201**): revocation, renunciation, completion, death/insanity, principal's insolvency. Draft purchase is debtor-creditor (**Traders Bank vs. Kalyan Singh**, 1953).

Lessor and Lessee

- Lockers: **lessor-lessee** (Sec. **105**, TPA, 1882). No liability for **Acts of God**; for fire, theft, dacoity, building collapse or **employee fraud**: **100 times annual rent** (Rs 4,000 -> Rs 4,00,000).
- Now in RBI Responsible Business Conduct Directions, 2025; originally issued **18 Aug 2021**, effective **1 Jan 2022** (after **Amitabha Dasgupta**, SC). Agreements renewed by **31 Dec 2023**; new hirers' TD covers **3 years' rent** and break-open charges; CCTV at least **180 days**; break-open after **3 consecutive years'** unpaid rent.
- From **1 Nov 2025**: up to **4 nominees, successive only** for lockers/safe custody; deposits: simultaneous or successive.

Indemnity Holder and Indemnifier

- Indemnity: Sec. **124**; holder's rights: Sec. **125**. Used for duplicate DD/FDR and payment to heirs without succession certificate.

Other Relationships

- **Pledge** (Sec. **172**): bank is pledgee. **Hypothecation**: charge without possession (Sec. **2(1)(n)**, SARFAESI). **Mortgage**: Sec. **58**, TPA. **Guarantee**: Sec. **126**.

Relationships at a Glance

Transaction	Bank	Customer
Deposit / draft purchase	Debtor	Creditor
Loan / overdraft	Creditor	Debtor
Safe custody	Bailee	Bailor
Locker	Lessor	Lessee
Collection / SI	Agent	Principal
Duplicate DD/FDR	Indemnity holder	Indemnifier
Bank guarantee	Guarantor	Principal debtor

Termination of Banker-Customer Relationship

- By customer closing; by bank on **reasonable notice**; by law (death, insanity, insolvency, winding up, purpose completed); garnishee orders freeze attached balance. **Inoperative** after **2 years** does not end it.

Different Deposit Products or Services

- **Demand**: current (no interest; deceased individual gets SB rate), savings (daily product). **Time**: domestic minimum **7 days**; NRE minimum **1 year**; FCNR(B) **1-5 years**.
- TDs: fixed, short-term, reinvestment, recurring, flexi RD. NRI/OCI accounts: NRO, NRE, FCNR(B), **SNRR**, **RFC** (returning NRIs). NRO repatriation **USD 1 million** per FY; NRE/FCNR(B) fully repatriable.

Services to Customers and Investors

- **Merchant bankers**: SEBI (Merchant Bankers) Regulations, **1992**. **Ind AS 116** (1 Apr 2019): lessee shows right-of-use asset.
- **Charge card**: pay in full; **credit card**: part payment. No debit cards against CC/loan accounts. DDs **Rs 50,000**+ not against cash.
- Schemes: NPS Vatsalya from **18 Sep 2024**; PMVVY closed after **31 Mar 2023**; Mahila Samman after **31 Mar 2025**; no SGB since **Feb 2024**; GMS short-term only since **26 Mar 2025**.

Electronic Fund Transfer Systems

System	Operator	Limit	Availability
NEFT	RBI	No min/max	24x7 since 16 Dec 2019
RTGS	RBI	Min Rs 2 lakh	24x7 since 14 Dec 2020
IMPS	NPCI	Up to Rs 5 lakh	24x7
UPI	NPCI	Generally Rs 1 lakh	24x7

Most Likely in Exam

- Banking: Sec. 5(b); licence: Sec. 22.
- Foley vs. Hill: banker is debtor; Joachimson: demand necessary.
- DICGC: Rs 5 lakh per depositor per bank.
- Locker liability: 100 times annual rent.
- Bailment Sec. 148; agent Sec. 182; indemnity Sec. 124.
- RTGS minimum Rs 2 lakh; IMPS up to Rs 5 lakh.

CHAPTER 2. AML-KYC GUIDELINES

Money Laundering & Financing of Terrorism Risks

Money laundering (ML): concealing the origin of criminal funds and infusing them into the financial system as if legitimate. ML, TF and FC are interconnected.

- **FATF**: set up by the **G7 in 1989**; **40 Recommendations** (revised Feb 2012; amended June 2026). India a member since **2010**; MER adopted **June 2024** ('regular follow-up').
- **ML stages**: Placement, Layering, Integration. **TF stages**: Raising, Moving, Storing, Using.
- **Proliferation financing**: funding WMD; **s.12A, WMD Act, 2005** (inserted 2022); Centre may freeze funds.

AML Framework in India

- **PMLA, 2002** in force **1 July 2005**; Reporting Entities [s.2(1)(wa)]; **PML Rules, 2005**; 2023: VDA providers; CAs/CSs for specified transactions.
- **FIU-IND**: set up **18 Nov 2004**; penal powers (s.13).
- **ED** investigates: attachment (**s.5, 180 days** unless confirmed), search (s.17), arrest (s.19).
- **Adjudicating Authority** (s.6) confirms; **Special Courts** (s.43) try and confiscate (s.8(5)); appeals: Appellate Tribunal (s.25), then High Court (s.42).
- **Offence**: s.3 (continuing activity). **Punishment** (s.4): RI **3-7 years** and fine; **10 years** if NDPS-linked.

- **s.45**: cognizable, non-bailable; twin bail conditions, relaxed for under-16, women, sick/infirm, sum below **Rs 1 crore**.
- Primary ML/TF risk source: **customers**.

Know Your Customer Policy

- RBI KYC guidelines **2002**; introduction no longer obtained.
- Current: **RBI (Commercial Banks – KYC) Directions, 2025**, dated **28 Nov 2025**, replacing Master Direction on KYC, 2016.
- **Client** [s.2(1)(ha)] includes person on whose behalf one acts, one-off users and beneficial owners.
- Approved by **Board/Board committee**.
- **Four elements**: Customer Acceptance Policy, Risk Management, Customer Identification Procedures, Monitoring of Transactions.

Organisational Set-up for AML

- **Designated Director** (DD): MD/whole-time director authorised by Board; senior management in co-operative banks/RRBs.
- **Principal Officer** (PO): management-level; reports to FIU-IND under **Rule 8**; **PO cannot be the DD**.
- Both notified to **FIU-IND and RBI**.

Obligations under PMLA

- **s.11A**: verify identity (Aadhaar, passport, OVD).
- **s.12**: transaction records **5 years from transaction**; identity records **5 years after relationship ends/account closed, whichever later**.
- **s.12AA** (2019): before a **specified transaction** [s.2(1)(zba)] enhanced checks; else do not transact.

Risk Management

- **Risk Based Approach**, Board-approved, risk assessment reviewed **at least annually**.
- Customers: **low, medium, high** risk; review **at least every six months**.
- **PEPs**: senior management approval, enhanced monitoring; includes family, close associates.
- **Beneficial owner**: company/partnership **>10%**; unincorporated association/BOI **>15%**; trust: **10% or more** interest.
- KYC audit findings to **Audit Committee quarterly**.

KYC/AML periodicities

Item	Requirement
Customer risk review	At least six-monthly
KYC updation	High **2**, Medium **8**, Low **10** years
UNSC and UNSCR 1718 lists	Verified **daily**
Match report to CNO	Not later than **24 hours**
CTR, CBWTR, NTR, CCR	By **15th** of following month
STR	Within **7 working days**

Obligations under International Agreements

- UNSC lists: **ISIL (Da'esh) & Al-Qaida** (UNSCR 1267/1989/2253) and **Taliban** (UNSCR 1988).
- Match: inform **CNO – JS (CTCR), MHA** within **24 hours**, freeze on CNO order – **UAPA s.51A Order, 2 Feb 2021** (amended **22 Apr 2024**).
- **WMD Act s.12A Order, 1 Sep 2023**: CNO is **Director, FIU-IND**.

FATF Identified Jurisdictions and Correspondent Banks

- FATF plenaries thrice a year (**Feb, June, Oct**); EDD, legitimate trade not prohibited.
- Call for Action (19 Jun 2026): **DPRK, Iran** (countermeasures); **Myanmar** (EDD). Increased Monitoring: **22**; June 2026 added Bosnia and Herzegovina, Iraq; removed Algeria, Namibia.
- Correspondent banking: Board-approved policy; **no shell bank**.

Reporting under FATCA/CRS

- India–USA **Model 1 IGA, 9 July 2015**; report to Income-tax Department.
- From **1 April 2026**: **Rules 238-240, Income-tax Rules, 2026**; earlier Rules 114F-114H.
- Annual report by **31 May** (**Form 166**; earlier Form 61B) signed by **Designated Director**.

Reporting Obligations

Reports to FIU-IND

Report	Trigger	Due
CTR	Cash **> Rs 10 lakh** (or connected series in a month)	15th of next month
CBWTR	Cross-border wire **> Rs 5 lakh**	15th of next month
NTR	NPO receipts **> Rs 10 lakh**	15th of next month
CCR	Counterfeit notes/forged security	15th of next month
STR	Any value, incl. attempted, non-monetary	7 working days

- Suspicious: proceeds of scheduled offence, unusual complexity, no economic rationale, terrorism financing.
- **No tipping off**; no account restriction for filing.
- Example: Rs 4,00,000 + Rs 3,50,000 + Rs 2,90,000 = **Rs 10,40,000** → CTR; exactly Rs 10,00,000 not reportable alone.

Implications of Non-compliance of PMLA Obligations

- **s.13(2)**, Director FIU-IND: penalty **Rs 10,000 to Rs 1 lakh per failure**; each day of delay = one violation.
- Appeal: **Appellate Tribunal (s.26)**. RBI penalty: **s.47A read with s.46(4)(i), BR Act**.
- Example: CTR 20 days late → **Rs 2,00,000 to Rs 20,00,000**.

Secrecy Obligations

- **Tournier v. National Provincial and Union Bank of England (1924)**: four exceptions – compulsion of law, duty to public, bank's interest, customer's express/implied consent.
- Nationalised banks: **s.13, Bank Nationalisation Acts, 1970/1980**. DPDP Act, 2023: most obligations from **13 May 2027**.

Most Likely in Exam

- ML stages: Placement, Layering, Integration.
- PMLA in force 1 July 2005; punishment RI 3-7 years (10 if NDPS).
- CTR above Rs 10 lakh, CBWTR above Rs 5 lakh, by 15th; STR within 7 working days.
- Records kept 5 years; KYC updation 2/8/10 years.
- Principal Officer cannot be Designated Director.
- Tournier case (1924): four exceptions to secrecy.

CHAPTER 3. OPERATIONAL ASPECTS OF KYC

Introduction

- **RBI (Commercial Banks – KYC) Directions, 2025**, dated **28 Nov 2025** (amended 29 Dec 2025), replaced the **KYC Master Direction, 2016**.
- Overseas branches/subsidiaries: follow the **more stringent** of RBI and host norms.
- 2025 changes: **12 Jun** (BC updation, low-risk relaxation, due notices); **14 Aug** (no exclusion of **PwDs**, rejection reasons recorded, **Aadhaar Face Authentication**); **29 Dec** (CKYCR reliance).
- **Aadhaar not mandatory**; needed only for benefit/subsidy under **s.7, Aadhaar Act, 2016**.

KYC Norms: Acceptance, Risk and CIP

- No anonymous/fictitious/**benami** accounts; screen against **UAPA s.51A** and **WMD Act s.12A** lists; verify PAN with issuing authority; CDD of **all joint holders**.
- CDD at **UCIC** level; **no introduction** needed; if CDD would tip off a suspect, file **STR** instead.
- Rejection reasons recorded; adverse action only after **due notice**.
- **Risk categories** low/medium/high, reviewed **at least once in 6 months**; bank-wide risk assessment reviewed **at least annually**.
- Non-face-to-face customers **high risk** until verified face-to-face or via V-CIP.
- **CIP** needed: account opening; walk-in transactions **≥ Rs 50,000** (incl. connected); products/cards **> Rs 50,000**; structuring; doubtful data.

KYC Norms: Customer Due Diligence

- **Individuals**: Aadhaar / proof of possession of Aadhaar / certified **OVD** / **KYC Identifier**, plus **PAN or Form 60** (**Form 97** from **1 Apr 2026**).
- **Six OVDs**: passport, driving licence, proof of possession of Aadhaar, voter ID, **NREGA job card**, **NPR letter**.
- **Deemed OVD** (address): utility bill **≤ 2 months old**, property tax receipt, PPO, employer allotment letter; OVD within **3 months**.
- Aadhaar: written consent; masked (**last 4 digits**); banks authenticate under **s.11A PMLA**.
- **Sole proprietor**: **any two** activity documents; one only with **contact point verification**.
- **Unregistered trusts/partnerships** are unincorporated associations; trustees disclose status (**Rs 50,000 and above**).
- BO identification not needed for **listed entities**/subsidiaries; if no natural person qualifies, **senior managing official** is BO.

Beneficial owner thresholds

Entity	Threshold (PML Rule 9(3))	Earlier
Company	**> 10%** shares/capital/profits, or control	25% (7 Mar 2023)
Partnership	**> 10%** capital/profits, or control	15% (4 Sep 2023)
Association/BoI	**> 15%** property/capital/profits	-
Trust	Settlor, trustees, protector, beneficiaries **10% or more**	15% (7 Mar 2023)

KYC Norms: EDD and Simplified CDD

- **Non-face-to-face**: V-CIP as first option; positive address confirmation; **first credit from own KYC-compliant account**; no alternate mobile.
- **PEP** (prominent public function in a **foreign country**): **senior management approval**, source of funds/wealth, enhanced monitoring; also family/close associates.
- Professional intermediaries: pooled accounts allowed; none if bound by **client confidentiality**.
- **SHG**: SB account – CDD of office bearers; credit linking – **all members**.
- **Foreign students**: local address within **30 days**; Pakistani nationals need **prior RBI approval**.

Restricted KYC account limits

Limit	Small account (no OVD)	Aadhaar OTP e-KYC	Foreign student NRO
Balance	**Rs 50,000*** any time	**Rs 1 lakh**	-
Credits	**Rs 1 lakh**/FY	**Rs 2 lakh**/FY	Remittance up to **USD 1,000**
Withdrawals	**Rs 10,000**/month	-	**Rs 50,000** in 30 days
Loans	-	Term only, **Rs 60,000**/year	-
Validity	**12 + 12 months**	**1 year**	30 days for address

*Govt grants, welfare benefits, procurement payments ignored. Small account: no foreign remittance.

KYC Norms: UCIC and Periodic Updation

- **UCIC** per customer; no fresh KYC for new account or branch transfer.
- Updation: **high risk 2 years, medium 8, low 10**; customer reports changes within **30 days**.
- No change: self-declaration, incl. via **BC**; changed address verified within **2 months**; minor turning major: fresh photograph.
- No PAN/Form 60: operations **temporarily ceased** after notice (loans: credits only).

- **Low-risk relaxation**: within **1 year of due date or 30 Jun 2026, whichever later** (due 1 Mar 2026 → **1 Mar 2027**).
- **3 intimations + 3 reminders**, at least one each by letter; implement by **1 Jan 2026**.

KYC Norms: Alternate Modes of CDD

- **Third-party CDD**: records obtained **immediately**; bank keeps ultimate responsibility.
- **V-CIP** (on par with face-to-face): geo-tagging, liveness check, **CERT-In** audits; Aadhaar XML **not older than 3 working days**; operational after **concurrent audit**.
- **Digital KYC**: officer meets customer; watermarked live photo; customer OTP = signature.
- **UIDAI e-KYC**: **KUA Agreement**; biometrics sent to **CIDR**.

Wire Transfers

- Revised **4 May 2023** per **FATF Recommendation 16**; all channels incl. UPI.
- **Cross-border**: full originator and beneficiary information, **all amounts**.
- **Domestic non-account holder**: full information **Rs 50,000 and above**, else unique transaction reference.
- Exempt: card/PPI purchases of goods/services; person-to-person card transfers **not exempt**; records **5 years**.

Other Operations - Regulations

- DD/TT/NEFT/IMPS **Rs 50,000 and above**: by debit or cheque, **not cash**.
- Cheques/drafts/pay orders not paid beyond **3 months**.
- A/c payee cheques **up to Rs 50,000** collectable for co-operative credit society members.
- **Money mule** account: bank **deemed non-compliant** with KYC Directions; **MuleHunter.AI** (Dec 2024).
- **PAN**: **Rule 159, Income-tax Rules 2026** (old **Rule 114B**): cash deposits/withdrawals **Rs 10 lakh**+/FY; time deposits **> Rs 50,000** or **> Rs 5 lakh**/FY.
- At-par cheques: all crossed '**account payee**'.

Central KYC Records Registry (CKYCR)

- Operated by **CERSAI** (**S.O. 3183(E), 26 Nov 2015**); live **15 Jul 2016**.
- Upload: individuals from **1 Jan 2017**; legal entities from **1 Apr 2021**; within **10 days** of opening; updates within **7 days**.
- **29 Dec 2025**: uploading bank verifies identity/address; downloading bank need not re-verify.

Monitoring of Transactions

Reports to FIU-IND

Report	Covers	Threshold	Due date
CTR	Cash transactions	**> Rs 10 lakh**	**15th** of next month
STR	Suspicious, incl. attempted	Any amount	**7 working days**
CCR	Counterfeit currency	Any amount	15th of next month
NTR	Non-profit receipts	**> Rs 10 lakh**	15th of next month
CBWTR	Cross-border wire transfers	**> Rs 5 lakh**	15th of next month

- **Principal Officer** reports to FIU-IND; **Designated Director** ensures compliance; not the same person.
- **No tipping-off**; each day of delay a **separate violation**.
- Records: transactions **5 years**; identity records **5 years** after relationship ends.

Most Likely in Exam

- KYC Directions, 2025 (28 Nov 2025) replaced the 2016 Master Direction.
- BO: company and partnership > 10%; association > 15%; trust beneficiaries 10%.
- Small account: Rs 1 lakh credits/FY, Rs 10,000/month, Rs 50,000 balance.
- OTP e-KYC: Rs 1 lakh balance, Rs 2 lakh credits, Rs 60,000 loans, 1 year.
- CKYCR (CERSAI): upload in 10 days, updates in 7 days.
- STR in 7 working days; CTR above Rs 10 lakh by 15th.

CHAPTER 4. OPENING ACCOUNTS OF VARIOUS TYPES OF CUSTOMERS

Introduction

- **Account opening form** = contract between bank and customer; plus **CKYCR** forms for individuals and legal entities.
- KYC/CDD as per **RBI (Commercial Banks – Know Your Customer) Directions, 2025** (issued **28 Nov 2025**).

Personal Accounts

- Individual: major, sound mind, not un-discharged insolvent; for minor/unsound person the guardian signs and gives KYC.
- **Joint:** all sign. Resident may add **NRI close relative** (Sec. **2(77)**, Companies Act, 2013) on **'Either or Survivor'** basis; NRI operates only for domestic payments; **NRO** if NRI survives.

- **Illiterate:** left hand thumb impression, attested by person known to bank; visits with Pass Book; withdrawals orally confirmed; no cheque book/current account (bank practice/policy); literate person operates only jointly.
- **Blind:** no legal bar; all facilities without discrimination (**RBI (Commercial Banks – Responsible Business Conduct) Directions, 2025**); on signature inconsistency, thumb impression with **two independent witnesses** (one a bank official).
- ATMs installed from **1 July 2014**: **talking ATMs** with Braille keypads. Incapacitated: thumb or **toe** impression, two witnesses. Autism etc.: Local Level Committee guardianship certificate (**National Trust Act, 1999**).
- **Insanity notice:** stop operations. **Undischarged insolvent:** balance vests in Official Assignee/Receiver.

Minor: majority at **18** (Indian Majority Act, 1875); not competent (Sec. **11**, Contract Act); agreement **void ab initio** (**Mohori Bibee vs. Dharmodas Ghose, 1903**); necessaries only from minor's property (Sec. **68**).

- RBI **21 April 2025** (comply by **1 July 2025**): any age via guardian; **independently above age fixed by bank, not less than 10 years**.
- Natural guardian: father, then mother (Hindu Minority and Guardianship Act, 1956); mother can act in father's lifetime (**Githa Hariharan vs. RBI, 1999**); not step-parents. Two minors do not open a joint account (bank practice).
- Never overdrawn; cheque binds all except minor (Sec. **26**, NI Act); on majority, fresh signature, photo, KYC.

Accounts of Other Customers

- **HUF:** adults sign, Karta operates; **Karta's liability unlimited**; daughters coparceners (**Vineeta Sharma, SC, 2020**); eldest female can be Karta (**Sujata Sharma, Delhi HC, 2015**). Karta dies: HUF continues; debit account stopped.
- **Proprietorship: no savings account**; CDD + **any two** business documents (one after contact point verification).
- **Partnership:** registration optional (Sec. **58**); unregistered firm cannot sue (Sec. **69**); max **50 partners**; Sec. **19(2)**: no implied authority to open account in own name, arbitrate, compromise, deal in immovable property. Death dissolves (Sec. **42(c)**); stop debit accounts (**Clayton's Rule**); retiring partner liable till public notice (Sec. **32(3)**); minor gets benefits only (Sec. **30**). **Hoshiar Singh vs. Udairam**: note by two partners to a third does not bind the rest.
- **LLP:** min **2 designated partners**, one resident (**120 days**); account continues even in debit; partners liable only for own wrongs (Sec. **28(2)**), unlimited for fraud (Sec. **30**); small LLP: contribution up to **Rs 25 lakh**, turnover up to **Rs 40 lakh**.
- **Companies:** Public min **7**; Private **2-200**, no minimum capital since 2015; OPC one member + nominee; Government company **not less than 51%** (Sec. 2(45)); only **Section 8** omits 'Limited';

company cheque in director's account loses Sec. **131** protection; **INC-20A** within **180 days** (Sec. 10A).

- **Trusts:** trustees jointly; no delegation; no set-off for trustees' debts; **Form No. 97** (from 1 April 2026).
- **Executor:** title from will (Sec. **211**); **Administrator:** via Letters of Administration; liquidator: '... in liquidation'.
- **Co-operative:** President + one of Secretary/Treasurer sign. **Government:** no overdraft; personal deposit cheques valid **three months**; SNA accounts (**23 March 2021**).

Beneficial Owner Thresholds

Entity	Beneficial owner
Partnership firm	More than 10% capital/profits
Company	More than 10% shares/capital/profits, or control
Trust	Author, trustees, beneficiaries 10% or more
Unincorporated association	More than 15% property/capital/profits

Norms for Opening Current Accounts

Chapter XIA, RBI (Commercial Banks – Credit Risk Management) Directions, 2025, issued **11 Dec 2025**, effective **1 Apr 2026**; replaced the 2020-22 regime. 'Banking system' excludes **payments banks**.

Current Account Norms: Old vs New

Aspect	Till 31 Mar 2026	From 1 Apr 2026
CC accounts	Exposure tests	Unrestricted
No-restriction limit	Below Rs 5 crore	Below Rs 10 crore
Eligible bank	10% of exposure	10% of total or fund-based
No bank with 10%	Highest-exposure bank	Two largest banks
Monitoring	Half-yearly	Half-yearly; notify 1 month; close/convert 3 months

- Only one lender: one more current account with its no-objection; no SCB eligible: any one SCB with NOCs from all lenders.
- Others: **collection accounts** only - remit within **2 working days**.
- Exempt: **FEMA**, statute/regulator-mandated (RERA), regulated entities' accounts; product-linked accounts (para **91H**) - no cash, no cheque book/cards.

Obtaining Photographs of Account Holders

- Required for all deposits, incl. Pardanashin women; **not a substitute for specimen signatures**; live photo in digital KYC/V-CIP suffices.
- **Exempt:** banks, local authorities, Government departments (not PSUs); optional for bank's own staff.
- **One set of two photographs** per customer; OVD photocopy insufficient; minor **10 years**+; Karta.

Legal Entity Identifier

- **20-character** code (**ISO 17442**); India's LOU **LEIL** (subsidiary of **CCIL**).
- Non-individual borrowers **Rs 5 crore+** (limit or outstanding, whichever higher; Ch VIII, CRM Directions, 2025); no LEI, no new/renewed exposure; Government departments exempt, PSUs not.
- **RTGS/NEFT** Rs **50 crore+** (**1 April 2021**); FEMA Rs **50 crore+** (**1 October 2022**).

LEI Timeline for Borrowers

Total exposure	LEI by
Rs 1,000 crore+	31 Mar 2018
Rs 500-1,000 crore	30 Jun 2018
Rs 100-500 crore	31 Mar 2019
Rs 50-100 crore	31 Dec 2019
Above Rs 25 crore	30 Apr 2023
Above Rs 10 crore, up to Rs 25 crore	30 Apr 2024
Rs 5 crore+, up to Rs 10 crore	30 Apr 2025

Most Likely in Exam

- Minor independent operation: age fixed by bank, not less than **10 years** (RBI, 21 Apr 2025).
- Minor's agreement void ab initio - **Mohori Bibee, 1903**; Sec. 26 NI Act.
- Sec. 19(2): partner cannot open firm's account in own name; max **50** partners.
- Current/OD accounts: free below **Rs 10 crore**; Ch XIA effective **1 Apr 2026**.
- Collection accounts remit in **2 working days**; ineligibility - notify in 1 month, convert/close in 3.
- LEI: borrowers **Rs 5 crore+**; RTGS/NEFT **Rs 50 crore+**.

CHAPTER 5. OPERATIONAL ASPECTS OF DEPOSIT ACCOUNTS

Introduction

- Consolidated RBI Directions of **28 Nov 2025**: **Interest Rate on Deposits**, **Responsible Business Conduct** (BSBD amendment **4 Dec 2025**, effective **1 Apr 2026**), **KYC**.
- Tax: **Income-tax Act, 2025** from **1 Apr 2026**.

Salient Features of Deposit Accounts

- **Current account:** no interest; no limit on transactions or balance. Minors: generally not opened (bank policy); **visually impaired** cannot be denied CA/cheque book.
- Borrower CAs (issued **11 Dec 2025**, effective **1 Apr 2026**): no restriction below **Rs 10 crore** exposure; above, only banks with at least **10%** exposure (or two largest lenders).
- **TOD:** written request + **DP Note**.
- **SB:** interest deregulated **25 Oct 2011**. Barred: budget-funded Govt bodies, political parties, business concerns. Allowed: individuals, minors (above **10 years** independently), **Karta of HUF**, RBI-permitted entities (societies, Sec. 8 companies, SHGs, APMCs, Govt scheme grants).
- **Minimum balance penalty:** after **one month** notice; proportionate; none on BSBD/inoperative accounts.
- **BSBDA** (from **1 Apr 2026**): no minimum balance; at least **4 free withdrawals/month** (UPI/NEFT/POS not counted); at least **25 free cheque leaves/year**; **one BSBD** per person; SB converted within **7 days**.
- **FD:** no RBI maximum tenor (banks generally **10 years**). Individual TDs up to **Rs 1 crore** must allow premature withdrawal. Loan margin **5%–20%**.
- Repayment of **Rs 20,000** or more only by a/c payee cheque/draft, electronic mode or account credit (**s.188**, IT Act 2025; old s.269T).
- **RD:** quarterly compounding; none under **FCNR(B)**. **Annuity deposit:** reverse of RD.
- **CDs:** demat; min **Rs 5 lakh** and multiples; banks **7 days–1 year** (AIFIs **1–3 years**); buy-back after **7 days**.
- **DICGC: Rs 5 lakh** per depositor per bank (from **4 Feb 2020**); paid within **90 days** (**s.18A**); premium **12 paise per Rs 100**, paid by banks; risk-based from **1 Apr 2026**.

Interest on Deposit Accounts

- Rates uniform, non-negotiable; rounded to **nearest rupee** (FCNR(B): **two decimals**). IBA broken period: **365 days**.
- **SB:** daily product; uniform up to **Rs 1 lakh**; quarterly or shorter. **CA** of deceased individual/proprietor: **SB rate** from death to payment.
- Premature: rate for period run; **no interest before 7 days**; no penalty on **death** or **branch takeover**.

- Unclaimed matured TD: **lower of SB and contracted rate**. Frozen TD renewal request within **14 days** → renewed from maturity.
- Extra: staff **1% p.a.**; senior citizens at bank's discretion (commonly about **0.50%**), not HUFs.
- **TDS: 10%** (**s.393(1)**, IT Act 2025; old s.194A) above **Rs 50,000** (seniors **Rs 1,00,000**); none on SB. **Form 121** replaces 15G/15H.

Examples: daily products Rs 15,50,000 at 2.5% = **Rs 106.16**. Rs 5,00,000 TD closed after 399 days at 5.50%: interest **Rs 30,778**; penalty costs **Rs 5,752**.

Deposit Thresholds at a Glance

Item	Position (30 Jun 2026)
Bulk deposit	Rs 3 crore+ (SCBs, SFBs); Rs 1 crore+ (RRBs, LABs)
Minimum TD tenor	7 days; NRE 1 year; FCNR(B) 1–5 years
Gift to depositors	Not more than Rs 250
Cheque dishonour (Rs 1 crore+)	4 times in FY: no fresh cheque book

Prohibitions & Exemptions

- No commission on deposits except door-to-door agents, DSAs/DMAs, BCs.
- No prizes/lotteries; gifts up to **Rs 250**.
- No interest-free deposits except CA; no advances against **other banks' TDs**.
- Exempt: call money participants, **Capital Gains Accounts Scheme, 1988**, CDs.

Inoperative Accounts & Unclaimed Deposits

- Annual review of accounts with no customer-induced transaction for **over 1 year** (issued **1 Jan 2024**, effective **1 Apr 2024**); **inoperative** after **over 2 years**; account-wise.
- DBT credits, KYC updation count; bank charges/interest do not.
- Activation: free, any branch/V-CIP/BC (**12 Jun 2025**); within **3 working days**.
- Website list with **UDRN**, no account number; **UDGAM** portal **17 Aug 2023**.
- **DEA Fund** (**s.26A**, BR Act; **2014**): unclaimed **10 years** or more, transferred within **3 months**; depositor can still claim. Interest **3%** simple from **11 May 2021** (earlier **4%**, then **3.5%** from 1 Jul 2018).
- Unclaimed foreign currency deposits converted to rupees after **3 years**.

Operational Instructions in Joint Accounts

Joint Account Modes

Mode	Who operates	On death
Jointly	All jointly	Survivors + legal heirs
Either or Survivor (2)	Either	Survivor
Anyone or Survivor (3+)	Any one	Survivors jointly
Former / Latter or Survivor	First / second only	Survivor
Resident + NRI relative	E or S	NRO if NRI survives

- Change of mode/closure: **all holders**; **any one** can stop a cheque.
- No instructions given: open in **'Jointly'** mode. Insanity/insolvency of a holder stops operations.

Nomination Facility

- **ss.45ZA–45ZF**, BR Act; **Banking Companies (Nomination) Rules, 2025** (from **1 Nov 2025**): single form replaces **DA-1/2/3**; e-nomination allowed.
- Up to **four nominees**; deposits **simultaneous** or **successive**; lockers **successive only** (deposits earlier: one nominee).
- Only individuals; none in representative capacity (except **sole proprietor**). Joint holders nominate jointly; nominee's right arises after death of all. NRIs and foreign nationals can be nominees.
- Nominee is a **trustee** for heirs (**Shakti Yezdani v. Jayanand Jayant Salgaonkar, 2023**); payment is valid discharge.

Settlement of Claims of Deceased Customers

- **RBI Deceased Claims Directions, 2025**: issued **26 Sep 2025**, to be implemented by **31 Mar 2026**.
- With nominee/survivor: claim form, death certificate, OVD; no succession certificate.
- Without nominee: simplified up to **Rs 15 lakh** (co-op banks **Rs 5 lakh**); above it, succession/legal heir certificate. Notice of death: even earlier-dated cheques not paid.
- Settle within **15 calendar days**; delay: at least **Bank Rate + 4% p.a.**; lockers **Rs 5,000 per day**.
- Missing person: death presumed after **7 years** (**BSA ss.110/111**); below **Rs 1 lakh**, FIR + non-traceable report.

Other Operational Guidelines

- Passbooks to individual SB holders; monthly statements free; MICR and IFSC printed.
- Cheques in Hindi or **Saka Samvat** date valid.
- Stale: over **3 months**. Crossed cheque paid only to a banker (**s.126, NI Act**).

- Return charges only if customer at fault; technical returns re-presented within **24 hours**.
- Caution after **3rd** dishonour of Rs 1 crore+ cheques.

Attachment Orders

- **Garnishee order: Order XXI, Rule 46**, **CPC 1908**; **Order Nisi** → stop payment; **Order Absolute** → remit to court.
- Attaches balance at receipt only; not later credits, undrawn limits, trust accounts, E or S accounts (single-name order).
- Prior **set-off** prevails. Partner's account attachable for firm debt.
- GST: **s.79(1)(c)**/**s.83**; PMLA: **s.5**/**s.17**.
- **Income-tax: s.416(5)**, IT Act 2025 (old **s.226(3)**); covers future dues; joint shares presumed **equal**.

Procedure for Submission of Records to Statutory Authorities

- **Bankers' Books Evidence Act, 1891:** certified copy is prima facie evidence (**s.4**); originals not compelled (**s.5**).
- Police/courts: **s.94, BNSS 2023** (earlier s.91 CrPC).

Most Likely in Exam

- Bulk deposit: **Rs 3 crore+** (SCBs/SFBs); **Rs 1 crore+** (RRBs/LABs).
- BSBD: at least **4** free withdrawals/month and **25** cheque leaves/year; one per person.
- Inoperative after **2 years**; DEA Fund after **10 years** (s.26A); claimant interest **3%**.
- Up to **4 nominees** from **1 Nov 2025**; nominee is trustee of heirs.
- Deceased claims: **15 calendar days**; **Rs 15 lakh** simplified; Bank Rate + 4% for delay.
- DICGC **Rs 5 lakh**; TDS **10%** above **Rs 50,000** (s.393(1)).

CHAPTER 6. OPERATIONAL ASPECTS OF HANDLING CLEARING, COLLECTION AND CASH

Introduction

- Cash deposits cannot be restricted to ATMs (unfair practice); rules now in **RBI (Commercial Banks – Responsible Business Conduct) Directions, 2025**, issued **28 Nov 2025**.
- Instruments collected include cheques, drafts, pay orders, trade bills, dividend/interest warrants, NSCs and tax refund orders.
- **Speed Clearing** became largely redundant once CTS covered all branches by **30 Sep 2021**.

Cheque Truncation System (CTS)

Truncation: stopping the physical cheque en route and sending its **electronic image** with MICR data via the clearing house (**Explanation I(b) to Sec. 6, NI Act**).

- Legal basis: **NI (Amendment and Misc. Provisions) Act, 2002** amended the NI Act 1881, IT Act 2000 and BBE Act 1891. Launched **NCR 1 Feb 2008**, Chennai 24 Sep 2011; run by **NPCI**.
- **Sec. 64(2)**: drawee may demand the physical cheque. **Sec. 81(3)**: certificate on image printout is prima facie proof of payment. **Sec. 89(2)-(3)**: image mismatch is material alteration. **Sec. 131 Expl. II**: due diligence shifts to presenting bank.
- Only **banks and the Clearing House** can truncate, not the drawer/holder.
- Three grids merged into a **single National Grid** from **13 Oct 2023** (**NGCH, Chennai**). Participants: members, sub-members, indirect members (separate settlement account); files via **CHI/DEM**.
- Images: **front grey (100 dpi), front and back B/W (200 dpi)**; digitally signed at origin, secured by **PKI**, checked by **IQA**; paper kept **10 years**.
- On re-presentation, original presenting bank marks **"All our Stamps Cancelled"**.
- Since **1 Dec 2010** only the **date** may be altered (drawer's full signature).
- **CTS-2010** standard prescribed **22 Feb 2010**; mandatory issue from **30 Sep 2012**; non-CTS sessions discontinued **31 Dec 2018**.
- **CCSR** (circular **13 Aug 2025**): Phase 1 from **4 Oct 2025**; from **24 Dec 2025** presentation **9 AM-3 PM**, confirmation **9 AM-7 PM**; Phase 2 postponed; Phase 1 continues as on 30 Jun 2026.
- **Positive Pay** from **1 Jan 2021**: cheques of **Rs 50,000+**, at customer discretion; banks may make it mandatory at **Rs 5 lakh+**.

Batch CTS vs CCSR

Feature	Batch (till 3 Oct 2025)	CCSR Phase 1	Phase 2 (deferred)
Response	Next-day return	Confirm till 7 PM	T+3 clear hours
Unconfirmed	-	Deemed approved 7 PM	Deemed approved at expiry
Settlement	Once per session	Hourly from 11 AM	Hourly
Credit	T+1	Within 1 hour	Within 1 hour

RBI Guidelines on Collection of Instruments

- RBI withdrew fixed norms; framework now in **RBC Directions, 2025**. Banks frame a **Board-approved Cheque Collection Policy**: immediate credit, collection time frame, interest for delay; compensation paid **without any claim**; local cheque delay without stated rate: **SB rate**.
- Drop boxes cannot be compelled. Dishonoured cheques returned within **24 hours**. **Rs 1 crore+** cheque dishonoured **4 times in a FY**: no fresh cheque book.

- **Account payee** cheque only to payee (ignoring it loses **Sec. 131** protection). Exceptions: sub-member via sponsor bank (undertaking); co-operative credit society members up to **Rs 50,000**; HUF Karta (mandate).
- Cheque/DD/PO/BC validity **3 months** from **1 Apr 2012** (**Sec. 35A, BR Act**).
- Lost cheques: onus on **collecting banker**; inform customer, reimburse duplicate costs and interest; recoverable from paying bank if lost there.
- Bills delay: **SB rate + 2% p.a.**, allowing **2 days each** for 4 stages.

Typical CCP Norms (IBA Model)

Item	Typical norm (bank-specific)
Immediate credit	Up to Rs 15,000 (aggregate), satisfactory individual accounts
Delay beyond stated period	SB rate
Delay beyond 14 / 90 days	FD rate / FD rate + 2%
Loan/OD account	Loan rate (+ 2% beyond 90 days)

Cash and Its Custody

- Cash and strong room under **joint custody**; only **cashier's hand balance** under single lock; chest with two designated officers.
- **Clip system**: a few notes per packet clipped and counted by supervising official. **Gross check**: vault bundles against **Reserve Cash Register**. Whole balance test-checked **at least weekly**.
- **Shortage**: recovered same day, else debited to **Suspense Account**; **excess**: **Sundry Deposit Account**, same day.
- TDS **2%** on cash withdrawal above **Rs 1 crore** a tax year (**Rs 3 crore** co-op societies), **Sec. 393(3), Income-tax Act, 2025** (old s.194N), from 1 Apr 2026; CTR above **Rs 10 lakh**.
- Outsourced ATM cash (6 Apr 2018): provider net worth at least **Rs 100 crore**, at least **300** vans; lockable cassettes by **31 Mar 2021**; indent **T-1**, reconciliation **T+3** (14 May 2019); cash-out over **10 hours/month**: **Rs 10,000 per ATM**.
- Keys in **Key Register**; new keys/repairs need HO permission. Duplicate keys sealed, kept with another branch/bank, rotated generally **once a year**.

Security Measures at Branches and ATMs

- Collapsible gate opening only **18 inches**; cashier's cabin far from entry/exit.
- Currency chest branches: typically **two armed guards** in working hours, **one round the clock**.
- Chest security prescribed by **Department of Financial Services, MoF**. New chests (**8 Apr 2019**): vault at least **1,500 sq ft** (600 hilly), **6.6 lakh** pieces/day (2.1 lakh hilly), chest balance limit at least **Rs 1,000 crore**.
- Marked notes kept permanently in counter cash.

Handling of Currency Notes and Coins

- **Clean Note Policy**: notes of **Rs 100 and above** machine-processed before re-issue. Scribbled notes are legal tender; political/religious messages are not.
- Counterfeits: never returned or destroyed; no credit; stamped **"COUNTERFEIT NOTE"**, impounded; numbered receipt to tenderer; **up to 4 pieces** monthly police report, **5 or more FIR**; report to RBI by **7th**; **CCR to FIU-IND by 15th**; penalty **Rs 10,000** per instance.
- Detected 2025-26: **2,29,746** pieces, up **5.7%**; banks 97.6%, RBI 2.4%.
- Soiled notes: **20 pieces and Rs 5,000** a day free; larger tenders credited within **7 days**. Mutilated: **RBI (Note Refund) Rules, 2009**; **10 pieces** over counter, else via chest within **30 days**.
- Coins of **25 paise and below** ceased to be legal tender **30 Jun 2011**; coins must not be refused.
- Rs 2000 notes withdrawn **19 May 2023**, still legal tender; **98.47%** returned as on 30 Apr 2026; since **8 Oct 2023** only at **19 RBI Issue Offices**.

Most Likely in Exam

- Truncated cheque: Explanation I(b) to Sec. 6, NI Act.
- CCSR: deemed approval at 7 PM; credit within 1 hour.
- Positive Pay: available for cheques of Rs 50,000+.
- Cheque validity 3 months (Sec. 35A, BR Act).
- Shortage to Suspense; excess to Sundry Deposit.
- Counterfeit: 5 or more pieces, FIR; soiled notes 20 pieces/Rs 5,000 free daily.

CHAPTER 7. BANKER'S SPECIAL RELATIONSHIP

Introduction

- Third-party operation via **mandate** or **POA** creates a special relationship.
- **Sec. 31, NI Act**: must pay when funds properly applicable; compensate for **wrongful dishonour**; refusal justified on set-off or contractual lien.

Mandate

Mandate: account holder's authority to the bank for a third person (mandatee) to operate the account.

- Simple **unstamped letter**; account holder attests mandatee's specimen signature.
- Temporary, routine; **institutions must use a POA**.
- Ends on death, insanity, insolvency of holder or death/insanity of mandatee (**Sec. 201 ICA**); revocable anytime; binds bank on knowledge (**Sec. 208**).
- Cannot close account, change nomination, gift or delegate. **Letter of authority**: one specific act.

Power of Attorney (POA)

- **Donor/principal** to **donee/attorney**; **Powers-of-Attorney Act, 1882** and ICA.
- **General** (many acts) or **specific** (single transaction); construed strictly.
- Before Notary/Magistrate/Consul: presumed duly executed (**Sec. 84, BSA, 2023**, earlier Sec. 85 Evidence Act; in force from **1 July 2024**). Signs as **Constituted Attorney**.
- Revocable before exercise (**Sec. 203**) except **coupled with interest** (**Sec. 202**); good-faith payment protected (**Sec. 3, POA Act**).
- KYC of attorney (**KYC Directions, 2025**, issued 28 Nov 2025); foreign POA stamped within **3 months** of receipt.
- Joint account/firm: **all** sign; company: only with specific power to delegate. Fiduciaries cannot appoint agents; attorney needs **power of substitution**.
- **NRE/NRO**: local payments; remit only to account holder; no gifts.
- Sick customer's thumb impression: **two independent witnesses**, one a bank official.

Mandate vs Power of Attorney

Feature	Mandate	POA
Stamp	Not stamped	Stamped (Art. 48)
Scope	Limited, routine	General or specific
Termination	Revocation; death, insanity, insolvency	Same plus winding up; irrevocable if coupled with interest

Banker's Lien

- General lien under **Sec. 171 ICA**; an **implied pledge**, so sale after reasonable notice (**Sec. 176**).
- **Particular lien**: only goods on which dues arose.
- Conditions: possession in ordinary course of banking; no special purpose; no excluding contract; **same right**.
- **No lien**: safe custody, lockers, specific-purpose deposits, articles left negligently, immature debts, stolen goods (HDC under **Sec. 9 NI Act** excepted), money balances.
- **Syndicate Bank vs. Vijay Kumar (AIR 1992 SC 1066)**: FDRs stay under general lien after guarantee ends.

Right of Set-off

- Adjusting debit against credit balances; from **mercantile usage**; applies to money balances.
- Needs **mutual, certain, due** debts in the **same right**; reasonable notice; not contingent debts.
- All branches = **single entity**; guarantor's balance only after liability determined.
- Trust money, or joint balance vs one holder's debt: no set-off (**Nath Bank vs. Sisir Kumar Sarkar, AIR 1954 Cal 303**). Deceased's balance only against his own debts.

- **Automatic**: death, insanity/insolvency, winding up, **garnishee order**, assignment, **second charge**.
- **Mohammed Hussein Saheb vs. Chartered Bank**: customer cannot insist on cross-branch set-off.

Right of Appropriation

Appropriation under ICA, 1872

Section	Choice	Rule
Sec. 59	Debtor	Express/implied direction binds creditor if accepted
Sec. 60	Creditor	Any lawful debt due, even time-barred
Sec. 61	Law	Order of time; equal debts proportionately

- **Kharavela Industries vs. Orissa State Financial Corporation (AIR 1985 Orissa 153)**: payment goes to **interest first**, then principal, unless agreed.
- Interest Rs 12,000, principal Rs 2,00,000, payment Rs 50,000: principal **Rs 1,62,000**.
- NPAs: **uniform, consistent** appropriation (**IRACP Directions, 2025**, issued 28 Nov 2025).
- **Clayton's Case (Devaynes vs. Noble, 1816)**: FIFO. OD Rs 1,00,000, guarantor dies; credits Rs 70,000, debits Rs 90,000: guaranteed only **Rs 30,000**. **Stop the account**.

Most Likely in Exam

- Termination binds bank only on knowledge (Sec. 208 ICA).
- POA presumption: Sec. 84 BSA, 2023 (earlier Sec. 85 Evidence Act).
- Lien: Sec. 171 ICA, implied pledge; none on lockers.
- Automatic set-off: death, garnishee order, notice of second charge.
- Appropriation: Sec. 59 debtor, 60 creditor, 61 law.

CHAPTER 8. FOREIGN EXCHANGE REMITTANCE FACILITIES FOR INDIVIDUALS

Introduction

- **RBI** administers **FEMA, 1999**; **Directorate of Enforcement** investigates contraventions.
- India: largest remittance recipient; personal transfers **USD 43.5 billion** in Q4 2025-26 (Q4 2024-25: **USD 33.9 billion**), RBI data of **8 Jun 2026**.

Evolution of FEMA

- Exchange control from **3 Sep 1939** (Defence of India Rules); **FERA 1947**; **FERA 1973** (from **1 Jan 1974**).

- **FEMA**: Act **42 of 1999**, assent **29 Dec 1999**, effective **1 Jun 2000**; **civil** offences; penalty up to **3 times** sum (**s.13**), compoundable (**s.15**); **s.36** Enforcement.
- Rupee current-account convertible **Aug 1994** (IMF Article VIII).
- Deal only through **Authorised Persons** (**s.3, s.10**). **Current account (s.5)** free, restrictable via **CAT Rules, 2000**.
- **Capital account (s.6)** since **15 Oct 2019**: non-debt - **Central Govt**; debt - **RBI**. Overseas investment: **OI Rules/Regulations, 2022**.

Definitions

- **Person resident in India**: **more than 182 days** in preceding FY plus intention test.
- **NRI**: Indian citizen resident outside India. **OCI**: **s.7A, Citizenship Act, 1955**; former PIO cards deemed OCI; Pakistan/Bangladesh links ineligible.
- **PIO**: non-Pakistan/Bangladesh citizen who was Indian citizen, belonged to territory joining India after **15 Aug 1947**, their descendant up to great-grandchild, or foreign-origin spouse.
- **Not permanently resident**: assignment of **not more than 3 years**. **Foreign Currency Account**: not in currency of India, Nepal or Bhutan.
- **Capital account** alters assets/liabilities abroad of residents or in India of non-residents; all else is **current account**.
- **Foreign Portfolio Investment**: **less than 10%** of listed company's post-issue paid-up equity (fully diluted). **Relative**: **s.2(77), Companies Act, 2013**.
- **FEM (Authorised Persons) Regulations, 2026**: issued **30 Apr 2026**, in force **6 May 2026**.

Authorised Persons from 6 May 2026

Category	Net worth	Business
AD Cat-I (banks)	-	All current and capital account
AD Cat-II (banks, NBFCs, FFMCs/FxCs)	**Rs 10 crore**	Non-trade except gift/donation; trade up to **Rs 25 lakh**
AD Cat-III	**Rs 2 crore**	Forex incidental to business
FFMC (existing only)	**Rs 25 lakh** / **Rs 50 lakh** multi-branch	Buy forex; sell for travel

- **No fresh FFMC licences**; franchisees end by **6 May 2028**, may become **Forex Correspondents**.

Bringing In and Taking Out Foreign Exchange

Cash and currency limits

Item	Limit
CDF on arrival	Notes + TCs above **USD 10,000**, or notes above **USD 5,000**
Cash paid by AP	Residents **USD 1,000**; visitors/NRIs **USD 3,000**
Cash accepted on sale	Below **Rs 50,000**
Indian currency	**Rs 25,000**; Nepal/Bhutan notes up to **Rs 100** unlimited (**8 Dec 2025**)
Reconversion, no encashment certificate	**Rs 10,000**; tourists' ATM cash **Rs 50,000**; leaving within **7 days**
Retention	**USD 2,000** notes/TCs; coins unlimited

- Bring in freely; non-residents take out up to amount brought in. Surrender within **180 days** (AP cannot refuse after expiry).

Inward Remittances

- No FEMA limit; **FIRC** as proof. **SWIFT** via AD Cat-I.
- **RDA**: exchange houses with vostro accounts; personal no cap, trade **Rs 15 lakh** per transaction.
- **MTSS**: **USD 2,500** per remittance, **30** per beneficiary per calendar year, cash up to **Rs 50,000**; personal, **inward only**; no NRE credit.
- UPI: **PayNow** (Singapore) from **21 Feb 2023**; **NPI** (Nepal) from **9 Jun 2026**.

Outward Remittances

- **CAT Rules, 2000**: **Schedule I** prohibited; **II** Central Govt approval; **III** AD within limits. **RFC** exempt (Rules 4, 5); **EEFC** under Rule 6(1), except Rule 6(2) items. ICC abroad outside limits (**Rule 7**).
- **Schedule I**: lottery, racing/hobby income, sweepstakes, call-back services, NRSR interest; Rupee State Credit commission except **10%** (tea/tobacco).
- **Schedule II**: cultural tours (Ministry of Education), State adverts above **USD 10,000** (DEA), sports prize above **USD 100,000**, P&I Club (Insurance Division).
- **Schedule III**: within **USD 250,000 LRS**; more for emigration, medical, studies on estimate; not-permanently-resident foreigner remits **net salary**.
- No forex for **Nepal/Bhutan** travel or residents. NRI relative's medical expenses paid in rupees = resident-to-resident transaction.
- **ICC**: no internet ceiling; not for prohibited items; NRI/PIO settle from NRE/FCNR. **IDC** within CAT limits. Foreign airlines must not settle INR tickets via overseas banks. **Prepaid card**: redeem immediately, retain **USD 100**.

- Use only RBI-authorised ETPs (**Alert List**); report to **FIU-IND**.
- **LRS**: from **4 Feb 2004** (**USD 25,000**); **USD 75,000** Aug 2013; **USD 125,000** Jun 2014; **USD 250,000** per FY since 2015; no limit on number; residents incl. **minors**; not firms, HUF, trusts, NRIs.
- Allowed: foreign account, property, **OPI**, **ODI**, interest-free rupee loan to NRI/PIO relative (min **1 year**), **IFSC**.
- Barred: margin calls, gift to a resident's overseas account, Schedule I/II items, FATF non-co-operative countries, **bank credit** for capital account.
- Employer-funded business trips outside LRS; emigration excess only for incidental expenses, not immigration points.
- Notes per visit **USD 3,000**; **Iraq/Libya USD 5,000**; Iran, Russia, CIS full; Haj/Umrah per Haj Committee.
- **Form A2** every remittance since **3 Jul 2024**; **PAN** mandatory; account **1 year** old for capital account; Cat-II/FFMC return on **CIMS** from **1 Jan 2026**.

Tax on Foreign Remittances

Income-tax Act, 2025 from **1 Apr 2026**: TCS **s.394(1)** (old **s.206C(1G)**), per **Finance Act, 2026**.

TCS on LRS remittances

Purpose	From 1 Apr 2026	FY 2025-26
Education via loan	Nil	Nil
Education (own funds)/medical	**2%** above Rs 10 lakh	5% above Rs 10 lakh
Other purposes	**20%** above Rs 10 lakh	20% above Rs 10 lakh
Tour package	**2%** whole amount	5% to Rs 10 lakh; 20% above

- Rs 10 lakh threshold per remitter per FY, all purposes together; ICC spends abroad outside TCS.
- Examples (FY 2026-27): Rs 25 lakh tuition **Rs 30,000**; Rs 25 lakh shares **Rs 3,00,000**; Rs 12 lakh tour **Rs 24,000** (Rs 90,000 in FY 2025-26).
- **TDS**: **s.393** (old s.195); **Form 145** (15CA), **Form 146** (15CB).

Indo-Nepal Remittance Facility Scheme

- RBI with Nepal Rastra Bank, **May 2008**; **NEFT**; **one-way** India to Nepal.
- Account: **Rs 2,00,000** (from **1 Oct 2021**); cash: **Rs 50,000**, **12** a year.
- Routed via **SBI**; paid by **Nepal SBI Bank Ltd.** in Nepalese Rupees.

Most Likely in Exam

- FEMA from **1 Jun 2000**; civil; penalty **3 times** (s.13).
- LRS **USD 250,000** per FY; Form A2 every remittance.
- CDF: **USD 10,000** / notes **USD 5,000**.
- MTSS: **USD 2,500**, **30** a year, inward only.
- TCS 2026: **2%** education/medical, **20%** others above **Rs 10 lakh**.
- AP Regulations **6 May 2026**: no fresh FFMC licences.

CHAPTER 9. OPERATIONAL ASPECTS OF NRI BUSINESS

Introduction

- **FEMA, 1999** lets RBI regulate deposits with persons resident outside India; facilities cover **NRIs, PIOs, OCIs**.
- **Resident (Sec. 2(v))**: **more than 182 days** in preceding FY, plus intention test; non-resident: **Sec. 2(w)**.
- **NRI**: Indian citizen resident outside India. **OCI**: **Sec. 7A, Citizenship Act, 1955**. **PIO** excludes Bangladesh/Pakistan citizens; PIO card merged with OCI **9 Jan 2015**.
- FEMA residence differs from **Income-tax Act, 2025** residence.
- Key rules: **FEMA (Deposit) Regs, 2016**; **Interest Rate on Deposits Directions, 2025 (28 Nov 2025)**; **NDI Rules, 2019** (Central Govt).

Permitted Accounts for NRIs and PIOs

NRE vs NRO vs FCNR(B)

Feature	NRE	NRO	FCNR(B)
Who	NRI/PIO (incl. OCI)	Any person resident outside India	NRI/PIO (incl. OCI)
Types	SB, CA, RD, TD	SB, CA, RD, TD	**TDs only**
TD tenor	**Min 1 year**	**Min 7 days**	**1 to 5 years**
Repatriable	Fully	Capital **USD 1 mn per FY**	Fully
Interest tax	Exempt	**TDS 30%**	Exempt (NR/RNOR)
Exchange risk	Depositor	Depositor	**Bank**

- Joint with resident relative: **'former or survivor'**; resident acts only as **PoA holder** (cannot gift to residents or repatriate except to holder).
- NRE TD broken **before one year: no interest**. Rates vary only by tenor and **bulk (Rs 3 crore+)**; **no extra rate for staff/senior citizens**.

- Relaxation **issued and effective 17 Jun 2026, valid up to 30 Sep 2026**: ceiling withdrawn for fresh NRE TDs (incl. renewals) of **3 years+**; NRO-to-NRE transfers do not qualify.
- **Rupee loans to NRIs/OCIs** (Borrowing and Lending Regs, 2018): personal, business, housing; not repatriable.
- **Loans against NRE TDs**: **no lien on NRE SB**; no monetary limit; **not repatriable**; no relending, agriculture or real estate.
- **FCNR(B)**: any freely convertible currency; floating **reset 6 months** on **ARR (e.g. SOFR)**/swap; **360-day year**, paid every **180 days**; renewal within **14 days** at lower of maturity/renewal rate; **no interest before one year**.
- **Example**: USD 10,000, 365 days, 5%: **USD 506.94**; compounded **USD 513.55**.
- **8 Jun 2026**: fresh 3-5 year FCNR(B) to **30 Sep 2026** exempt from **CRR and SLR**.
- **From 18 Jun 2026**: NRO to own NRE/SNRR within **USD 1 million per FY**.
- NRO also credits rupee gift/loan from resident relative within **LRS**.
- Up to **four nominees** (Banking Laws (Amendment) Act, 2025). **UPI**: international numbers of **10 countries** (NPCI, 10 Jan 2023).
- Tax: NRE **Schedule IV, Sl. No. 1**; NRO **s.393(2)**; **Form 145/146** (formerly 15CA/15CB).

FCNR(B) Ceiling History

Period	1 yr to <3 yrs	3 to 5 yrs
Up to 5 Dec 2024	ARR/swap + 250 bps	+ 350 bps
6 Dec 2024 - 31 Mar 2025	+ 400 bps	+ 500 bps
1 Apr 2025 - 16 Jun 2026	+ 250 bps	+ 350 bps
17 Jun - 30 Sep 2026	+ 250 bps	**No ceiling** (fresh)

Accounts of Foreign Nationals Visiting India

- Visitor: NRO account; paid on leaving if held **not more than six months**. Departing employee: NRO for dues; up to **USD one million per FY**.
- **Pakistan** nationals/entities, **Bangladesh entities**: prior RBI approval; minority **LTV** holders: **one NRO account**, reported to **MHA quarterly**.

Special Non-Resident Rupee (SNRR) Account

- **Non-interest bearing**, repatriable; any person resident outside India; held with AD in India, its overseas branch or **IFSC** unit.
- NRO-to-SNRR allowed within **USD 1 million**; 7-year cap removed **14 Jan 2025**; tenure and segregation clauses deleted **18 Jun 2026**.

Remittance of Assets Held by NRIs/PIOs

- Up to **USD 1 million per FY** from NRO balances, sale proceeds, inheritance; **same AD**; undertaking funds are not borrowings.
- Above limit or hardship: **prior RBI approval**.

Acquisition and Transfer of Immovable Property

- No **agricultural land/plantation/farm house**; gift only from a **relative**. Non-NRI spouse: **one property jointly**, marriage **two years**.
- **LTV holders** (Afghanistan, Bangladesh, Pakistan minorities): one residential unit plus one for self-employment.
- Repatriation: sale proceeds of up to **two residential properties**.
- Citizens of **11 countries** (except OCIs) need RBI permission, except lease **up to five years**.

Creation of Charge on Immovable Property

AD as **Indian correspondent of an overseas lender** may mortgage property of an NRI/OCI **director** of an overseas borrowing company.

Repatriation of Assets Held Abroad

Returning NRIs keep assets acquired abroad under **FEMA Sec. 6(4)**, usable **without RBI approval**.

Investments by NRIs/OCIs

- Prohibited: lottery, gambling, chit funds (except NRI/OCI non-repatriation), **Nidhi**, TDRs, real estate business, cigarettes, atomic energy, railways.
- **Non-repatriation** is **deemed domestic**; proceeds only to **NRO**.
- Other securities without limit: G-secs, T-bills, MF/ETF units (up to **50% equity**), PSU bonds.
- **LLP**: 100% automatic sectors; land-border countries via **Government route**.
- Firm/proprietary concern: not agriculture, **print media**, real estate.

PIS Limits, Repatriation Basis

Item	Up to 11 Jun 2026	From 12 Jun 2026
Eligible	NRIs and OCIs	All individuals resident outside India
Individual	5%	**Less than 10%**
Aggregate	10% (24% by special resolution)	**24%**
Breach	Sell within 5 trading days	Sell within **5 trading days**, else FDI

- NRIs/OCIs use a dedicated **NRE (PIS) Account**.

Most Likely in Exam

- NRE TD min **1 year**; NRO **7 days**; FCNR(B) **1-5 years**.
- FCNR(B): **360-day year**; ARR/swap **+250/+350 bps**.
- NRO capital remittance: **USD 1 million per FY**.
- SNRR: non-interest bearing, repatriable.
- PIS from **12 Jun 2026**: **below 10%** / **24%**.
- Property: no agricultural land; repatriation for **two residential properties**.

CHAPTER 10. FOREIGN CURRENCY ACCOUNTS FOR RESIDENTS AND OTHER ASPECTS

Introduction

Residents' foreign currency accounts under **FEMA, 1999** give a **natural hedge against exchange risk** and save conversion charges.

- Law: FEMA **ss. 9 and 6(4)**; **FEMA 10(R)/2015-RB** (21 January 2016), last amended by **FEMA 10(R)(7)/2025-RB** (6 October 2025).
- **RBI Master Direction – Deposits and Accounts** (FED MD No. 14/2015-16), not merged into the consolidated Directions of 28 November 2025.

Types of Accounts Permitted

- In India: **EEFC**, **RFC**, **RFC(D)**, **DDA**, plus specified categories.
- Abroad: for business/incidental needs; may be in an **IFSC** (GIFT City).

Foreign Currency Denominated Accounts in India

- Individuals: current/savings/term; others: current/term. Non-resident nominee may remit his share; resident nominee needs **RBI approval** to remit for deceased's liabilities abroad.
- **EEFC** credits: **100%** forex earnings (not loans/investments), export advances, professional fees, interest, startup export receipts, ADR/GDR proceeds.
- EEFC: rupee withdrawals **cannot be re-credited**; no credit facility except repaying **packing credit** up to actual exports; ECGC rupee claims not creditable.
- EEFC debits: payments abroad, purchases from **100% EOU**/EPZ/STP/EHTP, customs duty, trade loans to importer, forex payments to residents (air fare, hotel). On becoming non-resident, EEFC/RFC(D) balances go to **NRE/FCNR(B)**.
- **RFC** sources: overseas pension, assets acquired as non-resident, assets held **before July 8, 1947**, LIC proceeds in forex. Balances **free from all restrictions**; joint holder on **'former or survivor'** basis; NRE/FCNR(B) premature withdrawal to RFC – **no penalty**.

- **RFC(D)**: forex notes/TCs from services abroad, gifts, unspent travel forex; in addition to retention of **USD 2,000** (FEMA 11(R)/2015-RB); foreign coins unlimited; excess surrendered within **180 days**.
- **DDA**: **three-year** track record (raised from two by FEMA 10(R)(6)/2025-RB dated 29 April 2025), average turnover **Rs 3 crore** in preceding three licensing years; up to **five DDAs**; credits USD export proceeds/local sales/finance; debits diamonds, gemstones, gold import, USD loan repayment.

Resident FC accounts compared

Account	Who	Interest	Monthly conversion
EEFC	Resident with forex earnings	Nil	By end of next month
RFC	Mainly returning NRI	As decided by bank	No
RFC(D)	Resident individuals; no ceiling	Nil (current a/c)	By end of next month
DDA	Diamond/jewellery firms	Nil (current a/c)	By end of next month

- **Ship-manning agencies**: non-interest bearing; no credit facility; no EEFC; only during agreement validity.
- **Project offices**: **one account per project**; inter-project transfer with **RBI Regional Office** permission; close on completion.
- **Seminar organisers**: temporary; close immediately after event.
- **FDI-receiving company**: close on completion or within **six months** of opening, whichever earlier. **SEZ units**: forex bought against rupees needs RBI permission; not lendable to non-SEZ residents. Also shipping/airline agents, deferred-payment exporters, IRDAI brokers.

Permitted Foreign Currency Accounts Outside India

FC accounts abroad

Purpose	Condition
Studies	Deemed LRS account on return
Exhibition/ trade fair	Repatriate within 1 month of closure
Exporters (since Jan 2025)	End of next month; 3 months if in IFSC (from 6 Oct 2025)
LRS	USD 2,50,000 per FY
ODI	Only if overseas regulator mandates

- Foreign citizens employed in India may receive **entire salary** abroad; LRS to IFSCs for all purposes since **July 2024**.

Remittance of Assets by Foreign Nationals Not Being PIOs

- Retired employees, heirs (FEMA **s.6(5)**), widow/widower, foreign students: up to **USD 1 million per FY** via **same AD**; not for **Nepal/Bhutan** citizens or PIOs.

Modes of Acquiring Property Outside India by a Resident

- FEMA **s.6(4)** and **Rule 21, OI Rules 2022** (from 22 August 2022): via **RFC**, **LRS** (relatives may pool), gift/inheritance, joint with non-resident relative (**no outflow**); excluded: foreign national resident in India, pre-8 July 1947 property, lease up to **five years**.

Foreign Contribution (Regulation) Act 2010

- **FCRA 2010** replaced FCRA 1976 on **1 May 2011**; administered by **MHA**. **Amendment Act 2020** in force **29 September 2020**, upheld in **Noel Harper v. Union of India** (8 April 2022) – passport allowed instead of Aadhaar.
- s.3 bars election candidates, newspaper correspondents/editors, public servants (s.2(28) BNS), judges, legislators, political parties.
- Foreign hospitality: legislators, party office-bearers, judges, government/PSU employees need prior Central Government permission.

FCRA 2020 key changes

Provision	Before	From 29 Sep 2020
Transfer (s.7)	To registered person	Banned
Admin expenses (s.8)	50%	20%
Receipt (s.17)	Any designated account	SBI New Delhi Main Branch
Suspension (s.13)	180 days	180 + 180 days

- Certificate valid **five years**; renew within **six months** before expiry; voluntary surrender **s.14A**; Aadhaar of office bearers (**s.12A**).
- One more 'FCRA Account' in any scheduled bank plus utilisation accounts; no other funds; no speculative use.
- Banks report every receipt within **48 hours** (Rule 16); audited accounts online within **nine months**; return **Form FC-4**; quarterly disclosure omitted from 1 July 2022.
- 2022 Rules: relatives' contributions up to **Rs 10 lakh**/year without intimation (earlier Rs 1 lakh). On cancellation, unutilised FC vests with banking authority.
- **FCR Amendment Rules, 2026** (22 June 2026): purpose/State-specific registration; utilisation of **at least Rs 10 lakh** in last two FYs. FCRA Amendment Bill, 2026 pending – not law.

Most Likely in Exam

- EEFC: 100% earnings; rupee withdrawals not re-credited.
- RFC: no monthly conversion rule.
- Retention limit USD 2,000.
- DDA: 3 years, Rs 3 crore, 5 accounts.
- Foreign nationals: USD 1 million per FY.
- FCRA: 20% admin cap; 48 hours reporting.

CHAPTER 11. CASH MANAGEMENT SERVICES AND ITS IMPORTANCE

Introduction

Cash management is the **collection, concentration and disbursement** of cash; it covers liquidity level, cash balance and short-term investment.

- Fundamental objective: '**optimisation of liquidity through improved flow of funds**'.
- **Killen and Associates**: top **400 Canadian** firms could save about **$23 billion** annually via electronic cash management.
- CMS aims: more revenue and profit, lower costs, efficient systems.

Developments in CMS

- Two drivers: **high interest rates of 1970s-80s** (cost of idle cash) and **electronic funds transfer** technology.
- RBI initiatives since **mid eighties**: MICR, ECS, NEFT, RTGS, **DvP** for G-Secs, INFINET, CTS, NACH, UPI.
- **CFMS** replaced by **e-Kuber**; **ECS** by **NACH**; MICR/high value clearing gave way to CTS (cheques still carry MICR line).
- **SSS** = Securities Settlement System; **SFMS** = Structured Financial Messaging System.

Payment Systems behind CMS

System	Started	Position on 30 Jun 2026
INFINET / SFMS	1999 / 2001	Run by **IFTAS** (RBI subsidiary) since 2016
RTGS	26 Mar 2004	24x7 since **14 Dec 2020**; min **Rs 2 lakh**
NEFT	Nov 2005	24x7 since **16 Dec 2019**; no limits
e-Kuber	2012	RBI's CBS; replaced CFMS
CTS	2008	All branches by 30 Sep 2021
NACH (NPCI)	2012-13	Replaced ECS; Credit, Debit, e-NACH
UPI (NPCI)	Apr 2016	Instant 24x7 payments

- Free **beneficiary name look-up** in RTGS/NEFT from **1 Apr 2025**.
- **CTS continuous clearing** (Phase 1) from **4 Oct 2025**; Phase 2 deferred.
- **Payments Vision 2028** (RBI, **27 Mar 2026**): **15 initiatives** up to Dec 2028.
- RBI (TReDS) Directions, 2026 issued **23 Jun 2026**.

Importance of Cash Management System

- Corporate gains: time savings, lower interest cost, less paperwork, greater accounting accuracy.
- Also: control, timely information, e-payments, faster reconciliation, error detection, fewer cheques, interest income.
- Global pooling makes **treasury a profit-centre**; in India cross-border pooling is subject to **FEMA**.
- For banks: **stable fee-based (non-interest) income**, **low-cost float and CASA**, cross-selling, client cash-flow visibility.

Types of Cash Management Services

- All bank categories offer CMS; **payments banks** offer only limited collection and payment services.
- **Cash collection**: lower operational risk and cost, security, efficiency.
- **Direct credit**: supply chain, overseas, salary and statutory payments.
- **Cheque/DD drawing**: **pre-funding or post-funding** basis.
- **Bulk payments** via NEFT/RTGS/IMPS/NACH Credit.
- **Receivables**: CTS, **virtual accounts** (unique payer ID, auto-reconciliation), UPI.
- **NACH**: NACH Credit (disbursements); NACH Debit, e-NACH (receipts).
- **Auto-sweep**: surplus to term deposit/master account; **reverse sweep** meets shortfalls.

Challenges and Issues

- **Seven challenges**: client's business, advisory services, software sourcing, SMEs, co-ordination, security and risk, operational reliability.
- Software: **in-house, vendor-bought or outsourced**.
- Security controls: **maker-checker**, beneficiary name look-up, **Positive Pay**.

Regulatory Framework for CMS

- Payment systems regulated by RBI under **Payment and Settlement Systems Act, 2007**.
- Current/OD accounts: **Chapter XIA**, RBI (Commercial Banks - Credit Risk Management) Directions, 2025, **issued 11 Dec 2025, effective 1 Apr 2026**.

Current, CC and OD Accounts

Banking-system exposure	Cash credit	Current / OD account	Other banks
Below **Rs 10 crore**	Any bank	Any bank, no restriction	-
Rs 10 crore and above	Any bank	Bank with **at least 10%** of aggregate or fund-based exposure; if none/one qualifies, two largest lenders	Collection account only; remit in **2 working days**

- **LEI** mandatory for RTGS/NEFT payments of **Rs 50 crore** and above by non-individuals (from **1 Apr 2021**).

Most Likely in Exam

- Cash management = collection, concentration, disbursement; objective: optimisation of liquidity.
- RTGS min Rs 2 lakh, 24x7 since 14 Dec 2020; NEFT 24x7 since 16 Dec 2019, no limits.
- e-Kuber replaced CFMS; NACH replaced ECS; SFMS run by IFTAS.
- Killen & Associates: 400 Canadian firms, $23 billion.
- Current/OD: 10% rule at Rs 10 crore and above; collection accounts remit within 2 working days.
- Payments Vision 2028 released 27 Mar 2026; CTS continuous clearing from 4 Oct 2025.

CHAPTER 12. PAYMENT AND COLLECTION OF CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

Introduction

A banker must pay a customer's cheque if **sufficient funds** are properly applicable, as **payment in due course**.

Negotiable Instruments Act 1881

- **Negotiable instrument** (Sec. 13): promissory note, bill of exchange or cheque payable to order or bearer.
- **Cheque** (Sec. 6): bill of exchange on a **specified banker**, payable **on demand**; includes **truncated** and **electronic-form** cheque. Not on term deposits.
- **Promissory note** (Sec. 4): unconditional **promise**; **bill** (Sec. 5): unconditional **order**. I.O.U., uncertain sum or conditional promise is not a note.
- Drawer/drawee/payee (Sec. 7); holder (Sec. 8); **holder in due course** (Sec. 9): for consideration, before maturity, in good faith; presumed (Sec. 118(g)). Negotiation: Sec. 14.
- Bearer-on-demand notes: only RBI or authorised Central Govt (Sec. 31, RBI Act, 1934).

Payment of a Cheque

- **Stale** after **three months** (RBI circular 4 Nov 2011, from **1 April 2012**); post-dated cheque not paid early.
- 'Cash' cheque = bearer; 'X only' paid to X alone; company cheque never to third party.
- Words prevail over figures (**Sec. 18**); in practice returned.
- **Material alteration** voids (**Sec. 87**); under CTS only the **date** may be altered, with full signature (effective **1 Dec 2010**).
- **Forged drawer's signature**: no mandate, no protection (**Canara Bank vs Canara Sales Corporation, 1987**); bank wins only on adoption or estoppel.
- **Stop payment**: effective before payment; any joint holder may give it.

Payment in Due Course - Section 10

- **Apparent tenor**, **good faith and without negligence**, to **person in possession**, no doubt on title.
- **Pranendu Mohan Das vs Central Bank of India** (Calcutta HC): forgery unproved, staff not negligent; bank won.

Liability of the Paying Bank - Section 31

- Liable to the **drawer only**, not the payee.
- Funds not properly applicable: stop payment, death notice, attachment, earmarking, set-off, uncleared balance.
- **Wrongful dishonour**: trader gets **substantial damages** without proof of loss.

Protection to the Paying Banker

Paying banker protection

Section	Situation	Condition
85(1)	Order cheque, forged endorsement	Regular endorsement; due course
85(2)	Originally bearer cheque	'Once a bearer, always a bearer'
85A	Draft, forged endorsement	Regular endorsement; due course
89	Alteration not apparent	Apparent tenor; due course
128	Crossed cheque	Paid to (named) banker
None	Forged drawer's signature	No protection

- Crossed cheque paid otherwise: liable to true owner (**Sec. 129**); special crossing to two bankers: refuse (**Sec. 127**).

Collection of Cheques - Duties of a Collecting Bank

- Protection from **conversion**: **Sec. 131** (cheques), **131A** (drafts) if collected for a **customer**, **crossed** before receipt, in **good faith without negligence**.
- Credit before realisation keeps protection (Expl. I); verify truncated image (Expl. II, 2002).
- Case: **Syndicate Bank vs Jaishree Industries** AIR 1994 Karnataka 315.
- Collection policy (**Responsible Business Conduct Directions, 2025**, 28 Nov 2025): SB rate beyond policy time frame; term-deposit rate beyond **14 days**; **2% above** beyond **90 days**.

Endorsement of Cheques

- Sec. 15; slip annexed = **allonge**. **Blank** (Sec. 16) makes it bearer; **full** names endorsee.
- **Sans recourse/conditional** (Sec. 52), **restrictive** 'Pay X only' (Sec. 50), **facultative** notice waived (Sec. 98(a)), **sans frais** no expense; **partial** invalid (Sec. 56).

Crossing of Cheques

Types of crossing

Crossing	Section	Effect
General (two lines)	123, 126	Paid only to a banker
Special (banker's name; no lines)	124, 126	Only to named banker/agent
Not negotiable	130	Transferable; no better title
Account payee	RBI rule	Credit only to payee

- A/c payee relaxation: up to **Rs 50,000** for co-op credit society members. **Sec. 125**: holder may add or upgrade crossing.

Forged Instruments

- **Forgery gives no title**, even to a holder in due course; plea of **fraud** does not affect a holder in due course.

Bouncing (Dishonour) of Cheques

- Return within **24 hours** with reason code; **Rs 1 crore**+ dishonours captured in MIS.
- **Sec. 138**: up to **two years** and/or fine up to **twice** the amount. **Sec. 139**: debt presumed. **Sec. 142(2)** (2015): payee's branch.
- Illustration: memo 10 Jan 2026, complaint by **4 Apr 2026** (Saketh India, 1999).
- Cases: closed account is offence (NEPC Micon); one prosecution only (MSR Leathers); heirs not liable (Bhupinder Lima); directors only if company accused (**Aneeta Hada**, Sec. 141).

- Secs. 144-147: speed post, affidavit evidence, bank slip, compoundable; BNSS 2023 governs summary trial.
- **Compounding** (Sanjabij Tari, 25 Sep 2025): **Nil** / **5%** / **7.5%** / **10%** by stage.
- EFT dishonour: **Sec. 25 PSS Act, 2007**.

Sections 138-148 timelines

Provision	Rule
Presentation	Within 3 months
Notice / payment	30 days / 15 days
Complaint (s.142)	1 month of cause of action
Summary trial (s.143)	Up to 1 year; 6 months target
Interim compensation (s.143A)	Up to 20% (Rs 5,00,000: Rs 1,00,000)
Appeal deposit (s.148)	Minimum 20%

Cheque Truncation System

- Basis: **NI Amendment Act, 2002**; **CTS-2010** cheques; all branches by **30 Sep 2021**.
- **Positive Pay** (1 Jan 2021): **Rs 50,000**+; may be mandatory at **Rs 5 lakh**+.
- **Continuous clearing** Phase 1 (**4 Oct 2025**): credit within **one hour**; Phase 2 postponed (24 Dec 2025), not in force on 30 Jun 2026.

Most Likely in Exam

- Cheque validity: **3 months**.
- Forged drawer's signature: no protection.
- Paying banker: Secs. 85, 85A, 89, 128; collecting: 131, 131A.
- Sec. 138: 30 / 15 days / 1 month.
- Secs. 143A, 148: **20%** (1 Sep 2018).
- Compounding: nil/5%/7.5%/10%.

CHAPTER 13. RESPONSIBILITY OF PAYING BANK

Introduction

- Duty to honour mandate: **Sec. 31, NI Act, 1881**; Act protects payment **in due course**.
- Cheque customer-service rules: **RBI (Commercial Banks - Responsible Business Conduct) Directions, 2025 (issued 28 Nov 2025)**.
- Clearing rules: under **PSS Act, 2007**.

Negotiable Instruments Act and Paying Banks

Sec. 31: the drawee of a cheque having **sufficient funds** of the drawer **properly applicable** must pay when **duly required**; in default, must **compensate the drawer** for loss or damage.

- Only **bankers** (Sec. 6 cheque; since **2002** includes truncated-cheque image and electronic cheque).
- Not applicable: lien/set-off, garnishee, freeze, uncleared effects.
- Duly required: proper form, banking hours, branch or CTS; validity **3 months** (from **1 Apr 2012**).
- Liable **only to drawer**; payee sues drawer (incl. **Sec. 138**).
- Damages: **trader** substantial without proof; **non-trader** nominal unless special damage proved; smaller the cheque, greater the harm.
- **Sec. 18:** words and figures differ - **words** prevail; banks return such cheques.

Paying banker protection - NI Act

Sec.	Covers	Protection / duty
10	Payment in due course	Apparent tenor, good faith, no negligence, to possessor
85(1)	Order cheques	Discharged despite **forged endorsement**
85(2)	Bearer cheques	'Once a bearer, always a bearer'
85A	Bank drafts (office on office)	Discharged despite forged endorsement
89	Alteration **not apparent**	Discharged; 89(2)-(3): image must match
128	Crossed cheque paid per crossing	Discharged
129	Paid contrary to crossing	**Liable to true owner**

- **Must stop:** stop-payment; death/insanity/insolvency notice; garnishee (incl. **Income-tax Act, 2025** order); freeze; defective title.
- **May return:** insufficient funds; stale/post-dated; signature differs; apparent alteration; crossed cheque over counter.
- **CTS-2010** cheques: no alteration except **date validation** (RBI, effective **1 Dec 2010**).

Liability When Customer's Signature Is Forged

- Forged drawer's signature = **no mandate**, no statutory protection; bank cannot debit unless customer **estopped**.
- **Canara Bank vs Canara Sales Corpn** (SC, 22 Apr 1987; (1987) 2 SCC 666): **42** forged cheques, **Rs 3,26,047.92**; missing it in statements is not negligence.
- **Bihta Co-op vs Bank of Bihar** (SC, 12 Oct 1966; AIR 1967 SC 389): **Rs 11,000**; one of two joint signatures forged = no mandate.

- Customer's duties: draw carefully; report forgery promptly (**Macmillan, 1918**; **Greenwood, 1933**).
- Forgery: **Secs. 336-340, BNS, 2023** (in force **1 Jul 2024**), replacing IPC.

Payment in Due Course for Protection

- **Bank of Bihar vs Mahabir Lal** (SC, 7 Feb 1963; AIR 1964 SC 377): **Rs 35,000** to bank's absconding Potdar; payment to bank's own agent is not due course.
- **Bhutoria Trading vs Allahabad Bank** (AIR 1977 Cal 363): bank insisted on **identification** - **in due course**.
- **Madras Provincial Co-op Bank vs OL** (AIR 1945 Mad 30): cash over counter to **official liquidator** - not in due course.

Payment of Altered Instrument Without Negligence

- **Bank of Maharashtra vs Automotive Engg** (SC, 8 Dec 1992; (1993) 2 SCC 97): **Rs 95.98** altered to **Rs 6,500**; no **UV lamp** is not negligence; decreed **Rs 5,920.12**.
- **Brahma Shumshere vs Chartered Bank** (AIR 1956 Cal 399): **Rs 256** raised to **Rs 2,34,081**, not visible - protected; Sec. 89 **covers overdraft**.
- **Tanjore Permanent Bank vs Rangachari** (AIR 1959 Mad 119): **visible, unauthenticated** alteration - no protection.
- **Bareilly Bank vs Naval Kishore** (AIR 1964 All 78): cheques not from customer's book - bank liable.
- **RBI, 5 Nov 2014** (cheque frauds): UV lamp above **Rs 2 lakh** (indicative); multi-level above about **Rs 5 lakh**; SMS alert; call drawer.
- **Positive Pay (effective 1 Jan 2021): Rs 50,000** and above; may be mandatory at **Rs 5 lakh** and above; only PPS-confirmed cheques get CTS dispute resolution.

Payment Under Mistake - Recoverable?

- **United Bank of India vs A.T. Ali Hussain** (Cal HC, 20 Dec 1977; AIR 1978 Cal 169): perfect forgery, **Rs 5,200**; paying bank **could not recover**.
- **Sec. 72, Contract Act, 1872:** repayable - **not** after good-faith **change of position**.
- Good-faith collecting agent not liable; 'Equity disfavours unjust enrichment.'

Cheque Truncation System

- Truncation provisions: **NI Amendment Act, 2002 (in force 6 Feb 2003)** - Secs. **6, 64** (demand physical cheque), **81(3)** (image print-out proof of payment), **89(2)-(3)**, **131** (presenting bank's due diligence).
- **RBI, 13 Aug 2025**: continuous clearing; drawee must confirm each cheque; **silence means payment**.

CTS continuous clearing timelines

Item	Phase 1 (live 4 Oct 2025)	Phase 2
Presentation	9 AM - 3 PM (revised 24 Dec 2025)	Same
Confirmation	9 AM - 7 PM (revised 24 Dec 2025)	Same
Item expiry	**7 PM**; then deemed approved	**T + 3 clear hours**
Credit	Hourly; payee within **1 hour** of settlement	Same
Status	In operation	Due 3 Jan 2026; **postponed** (24 Dec 2025)

Most Likely in Exam

- Sec. 31: liable for wrongful dishonour **only to the drawer**.
- Sec. 85(1) covers forged endorsement, never forged drawer's signature.
- Sec. 89: protection only where alteration is **not apparent**.
- Canara Bank (1987): 42 forged cheques - bank liable.
- Positive Pay: **Rs 50,000**+; Phase 1 CTS from **4 Oct 2025**.
- Sec. 72 Contract Act: no recovery after payee changes position.

CHAPTER 14. RESPONSIBILITY OF COLLECTING BANK

Introduction

- Duties arise from **practice and case law**. Defective customer title: bank liable to **true owner for conversion**, even if innocent, unless **Sec. 131** protects.
- Paying against, lending on or adjusting an uncleared cheque makes bank **holder for value** (or **holder in due course**, Sec. 9), relying on own title.

Statutory Protection to Collecting Bank

- **Sec. 131**, NI Act, 1881; **Sec. 131A (1947)** extends it to **drafts**.
- **Explanation I (1922):** credit before realisation still 'for a customer'.
- **Explanation II** (w.e.f. **6 Feb 2003**): on CTS image, verify **prima facie genuineness** and apparent fraud/tampering.
- **Conditions:** good faith; **without negligence**; for a **customer**, as agent; cheque **crossed generally or specially to itself**; Explanation II check.
- Protects only against **true owner**, not own customer. **Onus on bank** (Kerala State Co-op vs SBI, SC, 2004).

Duties of the Collecting Bank

- Care required **in opening the account and in collecting**.
- **KYC:** PMLA, 2002; PML Rules, 2005; **RBI (Commercial Banks - KYC) Directions, 2025** (issued **28 Nov 2025**). Aadhaar/**OVD** + **PAN or Form 60**; utility bill (**max 2 months old**) deemed OVD, OVD within **3 months**. **Introduction no longer required.**
- **Small accounts:** credits up to **Rs 1 lakh/year**, withdrawals **Rs 10,000/month**, balance **Rs 50,000**.
- Cheque crossed specially to another bank: collect only as its agent (**Sec. 127**). **'Not negotiable'** alone is not negligence.
- **A/c payee:** only for **payee**; Karta to **HUF** account; up to **Rs 50,000** via **co-op credit societies**; also drafts, pay orders.
- **Contributory negligence:** no NI Act equivalent of **s.47, UK Banking Act, 1979**.

Landmark Cases

Case	Year	Held
Ladbroke vs Todd	1914	No reference: negligent
Syndicate Bank vs Jaishree Industries	1994	'Ltd.' opened as proprietary: no Sec. 131
Indian Bank vs Catholic Syrian Bank	1981	Unverified introducer: liable
IOB vs Industrial Chain Concern	1990	Norms followed: **not negligent**
Kerala State Co-op Marketing Fedn vs SBI	2004	Onus not discharged: liable
UBI vs Central Scientific Supplies	1999	Opening negligence = collection negligence
Harding vs London Joint Stock	1914	No employer enquiry: negligent
Crumpling vs London Joint Stock	1911-13	'Not negotiable' alone not negligence
Underwood vs Bank of Liverpool	1924	Company cheques in MD's account: negligent
Lloyds Bank vs Savory	1933	Employer's name not obtained
ANZ Bank vs Ateliers de Charleroi	1967	Implied authority: **not liable**
Morrison vs London County	1914	Per pro cheques: negligent; later ones protected
Nu-Stilo Footwear vs Lloyds	1956	Credits inconsistent with profile
Ross vs London County	1919	Official-capacity cheques: enquire

Collecting Bank under CTS

- All branches on **CTS since September 2021**; **presenting bank** bears Explanation II duty.
- Only **CTS-2010** cheques; no alteration except **date**; keep physical cheque **10 years**; validity **3 months** (since **1 Apr 2012**).
- **Continuous clearing** (circular **13 Aug 2025**): **Phase 1 from 4 Oct 2025**, credit within an hour of settlement; presentation **9 am-3 pm**, confirmation up to **7 pm** (revised 24 Dec 2025); **Phase 2 deferred** (24 Dec 2025).

RBI Norms on Cheque Collection

- Both **drop box and counter acknowledgement** required; banks may purchase local cheques when clearing is suspended.

Collection Norms (RBC Directions 2025)

Item	Norm	Remark
Collection Policy	Board-approved	Delay interest **without claim**
Immediate credit	**As per bank policy**	No RBI ceiling since **1 Nov 2004**
Dishonoured cheque	Returned within **24 hours**	With proof
Delayed bills	**2% p.a. above SB rate**	Interest
Drafts Rs 20,000+	**A/c payee** crossing only	Mandatory

Most Likely in Exam

- Sec. 131A (1947): drafts; Explanation II w.e.f. 6 Feb 2003.
- Onus of good faith and no negligence: on the bank.
- Ladbroke: no reference; Nu-Stilo: inconsistent credits.
- Physical cheque kept 10 years; validity 3 months.
- Continuous clearing Phase 1 from 4 Oct 2025.
- Delayed bills: 2% above SB rate.

CHAPTER 15. ANCILLARY SERVICES

Remittances: Introduction

Remittance: transfer of funds between branches of the same or different banks.

- Local: **banker's cheque**; outstation: **DD, NEFT, RTGS, IMPS, UPI**; recurring: SI, NACH, e-mandates.
- **MT** (post, credit within **7 days**) and **TT** (telegram/fax, within **2 days**): **historical**.
- H2 2025: UPI **85.5%** of digital volume; RTGS **68.6%** of value.

Demand Drafts and Banker's Cheques

- **DD** = **bill of exchange** (bank office on another office); **Sec. 85A/131A** NI Act protect paying/collecting banker; **Sec. 138** not applicable.
- No bearer DD: **Sec. 31, RBI Act**. **BC/Pay Order**: drawn on itself, payable locally.
- **Rs 50,000+**: not against cash; **Rs 20,000+**: **'Account Payee'** only (RBI, 4 Nov 2011).
- Purchaser's name on DD/PO/BC from **15 Sep 2018**; validity **3 months** (effective 1 Apr 2012).
- **Duplicate**: against indemnity within **a fortnight**, else **FD-rate interest**. Example: 16 days' delay, Rs 1,00,000 at 5% = **Rs 219.18**.

NEFT

- RBI, **Nov 2005**; **24x7x365** from **16 Dec 2019**; **deferred net**, **48** half-hourly batches; IFSC **11 characters**.
- No RBI min/max; walk-in cash up to **Rs 50,000**.
- Credit or return within **2 hours** of batch settlement; delay: **repo + 2%**, without claim.

RTGS

- Real-time **gross** settlement; **24x7x365** from **14 Dec 2020**; minimum **Rs 2 lakh**, no maximum.
- Credit within **30 minutes**; return within **1 hour or before the end of the RTGS business day, whichever is earlier**; delay: **repo + 2%**.
- Free **beneficiary name look-up** for RTGS/NEFT from **1 Apr 2025** (RBI, 30 Dec 2024); credit is on account number alone.

Mobile Banking and Digital Payments

- Digital Banking Channels Directions, 2025 (issued 28 Nov 2025, effective **1 Jan 2026**): transactional channel needs RBI **prior approval**; no compulsory bundling.
- Authentication Directions, 2025: issued 25 Sep 2025, effective **1 Apr 2026**; **two factors**.
- **NACH**: bulk/recurring credits and debits; **Bharat Connect** (ex-BBPS): bill payments; bank failing a valid **SI** is liable.
- E-mandate Directions, 2026 (issued and effective **21 Apr 2026**): no AFA up to **Rs 15,000** (**Rs 1 lakh** insurance, MF, card bills); pre-debit notice at least **24 hours** before.

Fund-Transfer Systems

System	Operator	Limit
NEFT	RBI	No RBI min/max
RTGS	RBI	Min Rs 2 lakh
IMPS	NPCI	Rs 5 lakh
UPI	NPCI	P2P Rs 1 lakh; verified P2M Rs 5 lakh
UPI Lite	NPCI	Rs 1,000; balance Rs 5,000

EBT and DBT

- **EBT** (RBI, **2008-09**): **one district - many banks - one leader bank**; leader bank designated by State Govt in consultation with **RBI Regional Office and SLBC**.
- **DBT** from **1 Jan 2013**: credit via **APBS** to Aadhaar-seeded accounts; withdrawal via **AePS**.

Safe Deposit Lockers and Safe Custody

- Locker: **lessor-lessee**; safe custody: **bailor-bailee** (**Sec. 148**, Contract Act).
- Dual control: master key first, then hirer's key. Generally not hired to minors; a minor can be nominee.
- RBI instructions **18 Aug 2021**, effective **1 Jan 2022**; IBA Model Agreement per **Amitabha Dasgupta vs. United Bank of India** (2021): no unfair terms.
- Nomination: **Sec. 45ZC-45ZF BR Act**; no succession certificate from nominees; access only as **trustee of legal heirs**.
- Liable for fire, theft, burglary, robbery, staff fraud; not for **Acts of God** or customer negligence. Example: rent Rs 4,000, liability **Rs 4,00,000**.
- Safe custody: care of a person of ordinary prudence (**Sec. 151**); articles returned against receipt.

Locker Key Numbers

Item	Rule	Source
Term deposit	Up to 3 years' rent + break-open	RBI, 2021
CCTV	At least 180 days	RBI, 2021
Break-open	Rent unpaid 3 years	RBI, 2021
Inoperative	7 years, hirer untraceable	RBI, 2021
Liability	Up to 100 x annual rent	RBI, 2021
Agreements	Renewed by 31 Dec 2023	RBI, 2023
Nomination	Up to 4, successive only	From 1 Nov 2025
Deceased claim	15 days; Rs 5,000/day delay	RBC Directions

Custodial Services

Custodians register under **SEBI (Custodian) Regulations, 1996**.

Portfolio Management Services

- Bank PMS: **RBI prior approval**; client's risk; minimum **one year**; fee independent of return; unutilised funds bear **CRR/SLR**.
- Principles: portfolio matters; more return needs more risk; **diversification works**.
- SEBI (Portfolio Managers) Regulations, **2020**: minimum **Rs 50 lakh** per client.

Merchant Banking

- **SEBI (Merchant Bankers) Regulations, 1992**; from **1 Jan 2026**: **Category I** (net worth **Rs 50 crore**), **Category II** (**Rs 10 crore**).
- Bridge loans against issues: **generally not permitted**.

Government Business

- RBI banker to Centre (**Sec. 20**), States (**Sec. 21A**); agency banks under **Sec. 45**; administered by **DGBA**.
- Commission from **1 Apr 2025**: receipts **Rs 40** physical/**Rs 12** e-mode; pension **Rs 80**; other payments **7 paise per Rs 100**.

Levying of Service Charges

- Board-approved; **27 basic services** (Working Group, 2007); **one month's** notice of changes.
- ATM free: own **5**; others **3** metro/**5** elsewhere; then max **Rs 23** (1 May 2025).
- **BSBDA**: no minimum balance; at least **4** free withdrawals a month.

- Minimum balance penalty: one month to restore; proportionate; never negative.
- Ceilings (excl. GST): RTGS **Rs 24.50** (Rs 2-5 lakh)/**Rs 49.50**; NEFT **Rs 2.50/5/15/25**; inward free.

Most Likely in Exam

- DD is a bill of exchange; no bearer DD (Sec. 31, RBI Act).
- RTGS minimum Rs 2 lakh; delay compensation repo + 2%.
- Locker liability up to 100 x annual rent.
- Locker nomination: up to 4, successive only.
- Agency banks: Sec. 45, RBI Act.
- E-mandate without AFA up to Rs 15,000.

CHAPTER 16. FINANCIAL INCLUSION AND FINANCIAL LITERACY

Introduction

Financial inclusion: affordable basic financial services (payments, remittances, savings, loans, insurance) from the formal system to low-income, excluded segments.

- **Rangarajan Committee (2008)**: access to financial services and timely, adequate credit for vulnerable groups at **affordable cost**.
- **SHG**-bank linkage enabled inclusion of women.

Financial Inclusion: Policy, Schemes and Data

- **PMJDY** (**28 Aug 2014**, DFS): zero-balance **BSBD** account; **RuPay** accident cover **Rs 2 lakh** (**Rs 1 lakh** for accounts opened up to 28 Aug 2018); **overdraft up to Rs 10,000**.
- Accounts **more than 58 crore** (9 Jun 2026); mid-Aug 2025: **56.16 crore**, deposits **Rs 2,67,755 crore**; **56%** women.
- **NSFI 2025-30** (RBI, **1 Dec 2025**; FSDC Sub-Committee): **47 action points**, five objectives (**'Panch-Jyoti'**).
- **FI-Index** (since Aug 2021, annual): 0-100; **Access 35%, Usage 45%, Quality 20%**; **53.9** (Mar 2021) to **67.0** (Mar 2025, released 22 Jul 2025).

Jan Suraksha Schemes (9 May 2015)

Scheme	Benefit	Entry age	Premium a year
PMJJBY	Life cover Rs 2 lakh	18-50	Rs 436 (from 1 Jun 2022)
PMSBY	Accident Rs 2 lakh (partial disability Rs 1 lakh)	18-70	Rs 20 (from 1 Jun 2022)
APY	Pension Rs 1,000-5,000/month from 60	18-40	Age-linked; tax payers barred 1 Oct 2022

Financial Inclusion by Extension of Banking Services

- **BF/BC model** permitted since **January 2006**; for commercial banks now in **RBI (Commercial Banks - Branch Authorisation) Directions, 2025 (28 Nov 2025)**.
- **BFs** (NGOs/SHGs, cooperatives, post offices, insurance agents, panchayats, KVIC/KVIB units): facilitation only.
- **BCs**: individuals (retired staff, ex-servicemen, kirana owners), NGOs/MFIs, cooperatives, post offices, payments banks, non-NBFC companies; **NBFC-ND** allowed without mixing funds.
- **Board-approved policy** needed; **KYC/AML** stays with bank; BC cash **insured by bank**.

BF vs BC

Feature	BF	BC
Work	Facilitation; no cash	Small deposits, credit, remittances
RBI approval	Not required	Not required; Board policy
Charges to customers	Cannot charge	Cannot charge

- **Ultra Small Branches** (17 May 2012): support **8-10 BC units** within **3-4 km**; **AePS** (NPCI) enables Aadhaar-biometric BC transactions.
- **Banking Outlet**: at least **4 hours a day, 5 days a week**, uniform signage; else **Part-time Banking Outlet**.
- At least **25%** of a year's new outlets in **URCs** (Tier 5-6 without CBS outlet); Tier 3-6 in NE, Sikkim, LWE districts count.
- **Grievances**: if rejected or no reply in **30 days**, RBI Ombudsman under **RB-IOS 2021**. **RB-IOS 2026**, issued 16 Jan 2026, effective 1 Jul 2026, raises caps: consequential loss **Rs 20 lakh to Rs 30 lakh**, harassment **Rs 1 lakh to Rs 3 lakh**.
- **Payments banks** (guidelines **27 Nov 2014**): deposits up to **Rs 2 lakh** end-of-day per customer (from Rs 1 lakh, April 2021); debit cards, PPIs, remittances, BC of another bank.
- PBs **cannot lend**, issue credit cards or take NRI deposits; **25%** rural access points; capital **Rs 100 crore**; promoter at least **40%** for first 5 years; at least **75%** in SLR securities/T-bills; leverage at least **3%**.
- **SHG-BLP**: NABARD pilot **1992**; savings-to-loan **1:1 to 1:4**; DAY-NRLM SHGs collateral-free up to **Rs 20 lakh**; loans **Rs 3,04,259 crore**, NPA **1.74%** (31 Mar 2025).
- **Co-lending**: CLM (Nov 2020) replaced by **Co-Lending Arrangements Directions, 2025** (issued 6 Aug 2025), effective **1 Jan 2026**; not only priority sector; each lender retains at least **10%**; DLG up to **5%**; partner books share within **15 days**.

Use of Mobiles/Tablets in Financial Inclusion Drive

- Mobiles/tablets open BSBD accounts in villages via BC **POS** devices; constraints: security, device diversity, first-time users.

- **Digital onboarding**: **V-CIP** and Digital KYC (KYC Directions, 28 Nov 2025).
- **Digital lending**: WG report **Nov 2021**; **RBI (Digital Lending) Directions, 2025 (8 May 2025)**; direct fund flow; **KFS with APR** mandatory.

Inclusive Digital Channels

Channel	Launched	Feature
*99# USSD	Nov 2012 (NPCI); dedicated 28 Aug 2014	Common code for all telcos
USSD 2.0	Dec 2016, with BHIM	UPI on non-internet phones
e-RUPI	2 Aug 2021	Person/purpose-specific prepaid e-voucher
UPI 123PAY	8 Mar 2022 (RBI)	UPI for feature phones

Financial Literacy

- **OECD/INFE definition** (NSFE 2020-25): awareness, knowledge, skills, attitude and behaviours for sound decisions and **financial well-being**.
- Twin pillars: literacy = **demand side**; inclusion = **supply side**.
- **FLCs**: district level, lead banks; circular **2 Mar 2017**: rural branch camp on **third Friday** monthly (**FAME** booklet); FIF meets **60%**, up to **Rs 15,000** per camp.
- **FLW** yearly since **2016**; FLW 2026 theme: **'KYC - Your First Step to Safe Banking'**.
- **NCFE**: **2013** under **NISM**; Section 8 company **2018**; NSFE 2020-25 **'5 C'** approach; **NFLAT** for classes **VI-XII**.
- **CFLs**: pilot **2017** (**80**); by 31 Mar 2024, **2,421 CFLs** cover all **7,225 blocks**.

Rural Self Employment Training Institutes (RSETI)

- **MoRD** initiative; one per district, run by the **lead bank**; one-time grant up to **Rs 1 crore**.
- Modelled on **RUDSETI** (**1982**, Ujire, Karnataka).
- **30-40 programmes** a year, each **1-6 weeks**.
- Rural youth **18-45**; at least **70% BPL**; free residential training; escort support for **at least 2 years**.
- **632 RSETIs** by **25 banks** in **619 districts**, 33 States/UTs (early 2026).

Most Likely in Exam

- PMJDY 28 Aug 2014: RuPay cover Rs 2 lakh, overdraft Rs 10,000.
- FI-Index weights 35:45:20; 67.0 for Mar 2025; NSFI 2025-30 Panch-Jyoti, 47 points.
- Banking Outlet 4 hours/5 days; 25% new outlets in URCs; USB 8-10 BCs within 3-4 km.
- Payments bank: Rs 2 lakh cap, Rs 100 crore capital, no lending.
- RSETI: RUDSETI 1982; ages 18-45; 70% BPL; 2-year escort support.

CHAPTER 17. CUSTOMER SERVICE GUIDELINES

Introduction

Customer service: meeting a person's needs professionally, promptly and politely, before, during and after the relationship.

- **Kanungo Committee** (B. P. Kanungo): set up **23 May 2022**; report released **5 Jun 2023**.
- Earlier: **Talwar** (**1975**), **Goiporia** (**1990**), **Tarapore CPPAPS** (**2003-04**; BCSBI), **Damodaran** (**2010-11**; internal ombudsman).

Customer Service in Banks

- **RBI (Commercial Banks - Responsible Business Conduct) Directions, 2025**, issued **28 Nov 2025**, repealed the Master Circular.
- Amendments: BSBD (4 Dec 2025, effective 1 Apr 2026); mis-selling (issued 15 Jun 2026) and customer liability (issued 24 Jun 2026), both effective **1 Jan 2027**.
- Memorandum to Board **every six months**. **Board Committee**: **annual** depositor survey, **triennial** audit; reviews Ombudsman awards.
- **Standing Committee** (CPPAPS): chaired by **CMD/CEO or ED**, with non-officials.
- **Branch committees**: at least a **senior citizen**; meet at least **monthly**; report **quarterly**. **Nodal official** at HO and controlling offices.
- Board policies: Deposit, Cheque Collection, Compensation, Grievance Redressal, Customer Rights, Customer Protection, Collection of Dues.
- "Tying-up" facilities with deposits: **restrictive practice**. Cheque policy: immediate credit, time frame, interest for delay.
- Property documents: release within **30 days**; **Rs 5,000/day** delay (due on/after 1 Dec 2023).
- Rejections go to **Internal Ombudsman**; no reply in **30 days**: **RB-IOS, 2021** (in force 30 Jun 2026); RB-IOS, 2026 issued 16 Jan 2026, effective **1 Jul 2026**.
- **Charter of Customer Rights** (**3 Dec 2014**): Fair Treatment; Transparency, Fair and Honest Dealing; Suitability; Privacy; Grievance Redress and Compensation.

Policy for General Management of the Branches

- Enquiry counters at large branches; **multi-lingual** boards; roving officials; **Quality Assurance Officers**.
- New products: **Board approval** where rights of the Common Person are compromised.

ATM Operations

- Free monthly transactions: own bank **5**; others **3** (six metros) / **5**.
- Beyond: max **Rs 23** + taxes from **1 May 2025**; BSBD at least **4** free withdrawals.
- **PIN for every transaction**, including balance enquiry.

- Kiosks display help-desk numbers, **uniform complaint template**, ATM-ID.
- Cash-out over **10 hours**/month: **Rs 10,000** per ATM (from **1 Oct 2021**).
- Disputes only via **ATM System Provider**; no bilateral settlement.

Harmonised TAT (20 Sep 2019)

Incident	Reversal	Compensation
ATM/micro-ATM cash not dispensed	T+5	Rs 100/day after
Card-to-card not credited	T+1	Rs 100/day after
POS/UPI/AePS merchant not paid	T+5	Rs 100/day after
IMPS/UPI P2P, APBS/NACH	T+1	Rs 100/day after

- Paid **without a claim**. Example: TAT ends 8 Mar, reversed 12 Mar = **Rs 400**.

Security Issues and Risk Mitigation Measures

- Lost card: block **immediately**; **24 x 7** reporting; immediate confirmation (Cards Directions, **28 Nov 2025**).
- **Authentication Directions, 2025** (issued 25 Sep 2025, from **1 Apr 2026**): **two factors**, one **dynamic or provable** except card-present; cross-border CNP from **1 Oct 2026**.
- No e-transactions (except ATM cash) without mobile number.

Customer Liability (position 30 Jun 2026)

Situation	Liability
Bank's fault	Zero, reported or not
Third-party, within 3 working days	Zero
Third-party, 4-7 working days	Lower of value or cap: BSBD Rs 5,000; other SB, MSME, cards up to Rs 5 lakh Rs 10,000; others Rs 25,000
After 7 working days	Board-approved policy
Customer negligence	Full loss till reported

- Shadow credit **10 working days**; resolution **90 days**; **burden of proof on bank**.
- Revised (issued 24 Jun 2026, effective **1 Jan 2027**): zero liability within **5 calendar days**; reply **45**/**60** days; loss up to **Rs 50,000**: once-in-a-lifetime **85%** of net loss or **Rs 25,000**, whichever is lower.

Service at the Counters

- Staff report **15 minutes** early; at least **4 hours** weekdays, **2 hours** Saturdays.

- Rural branches open on **weekly market day**; RBI prescribes no banking hours.
- **Public holiday**: **s.25 NI Act**; delegated to States (**8 June 1957**).
- Non-cash hours extendable to **one hour before** close.

Information to the Customers

- Notice Board **2 ft x 2 ft**, readable **3-5 m**; booklets **Arial 10**.
- **KFS** with **APR** for retail and MSME term loans since **1 Oct 2024**.
- **30 days' notice** of charge changes; minimum-balance penalty proportionate to shortfall.

Special Arrangements at Branches

- Talking ATMs with **Braille** keypads (new ATMs from **1 Jul 2014**).
- Thumb/toe mark: **two independent witnesses**, one a bank official.
- **Visually impaired**: legally competent to contract; all facilities without discrimination.
- **National Trust Act, 1999**: Local Level Committee guardian; guardian cannot nominate.
- Doorstep banking: senior citizens **above 70**, persons with disabilities.
- **Pragya Prasun v Union of India** (30 Apr 2025): digital KYC must be accessible to persons with disabilities.

Other Provisions

- **Third gender** in all forms.
- **Form 121** (s.393, Income-tax Act, 2025) replaces 15G/15H from **1 Apr 2026**; TDS certificate **Form 131** (Form 16A up to 31 Mar 2026).
- Restricting cash deposit over counter is an **unfair practice**.
- Rounding: nearest rupee; **50 paise and above** rounded up.
- Branch transfer **without fresh KYC**.
- **Mis-selling** (issued 15 Jun 2026, effective 1 Jan 2027): consent default 'No'; no bundling.

Most Likely in Exam

- RBC Directions, 2025 issued 28 Nov 2025.
- Failed ATM withdrawal: T+5; Rs 100/day thereafter.
- Zero liability within 3 working days; caps Rs 5,000/10,000/25,000 for 4-7 days.
- ATM cash-out over 10 hours: Rs 10,000 penalty.
- Branch committee meets monthly, reports quarterly.
- Charter of Customer Rights: 3 Dec 2014, five rights.

CHAPTER 18. DUTIES AND RIGHTS OF A BANKER AND CUSTOMER RIGHTS

Duty of Secrecy & Confidentiality

- Arises from **implied contract** (and statute for some banks); **qualified, not absolute**; continues after account closure.
- **Tournier v National Provincial and Union Bank of England (1924)**: disclose only under **compulsion of law**, **duty to public**, **bank's interest**, or **customer's consent**.
- Statutory: **s.13**, Banking Companies (Acquisition and Transfer of Undertakings) Acts **1970/1980**; **s.44 SBI Act, 1955**. No KYC data for **cross-selling** without consent.
- Law: verify empowered officer; give only what is called for; volunteer nothing.
- **Bankers' Books Evidence Act, 1891**: **s.4** certified copy = **prima facie evidence**; **s.2A** electronic printout certificate; **s.5** non-party bank officer not compellable unless court orders; **s.6** inspection/copies.
- Summons: **CPC Order XVI**; **s.94 BNSS, 2023** (earlier s.91 CrPC) from **1 July 2024**.
- **Income-tax Act, 2025** (from **1 April 2026**): **s.252** (old s.133(6)) information.
- Also: Companies Act, RBI Act, BR Act, FEMA, PMLA, CGST, Customs, Lokpal Acts.
- Public interest: **PMLA s.12** CTR/STR to **FIU-IND**; **s.14** immunity; **no tipping-off**.
- Bank's interest: guarantors, co-bankers. **CICRA s.15(1)**: at least one CIC; RBI: **all four**; **fortnightly** reporting from **1 Jan 2025**.

Duty of Reasonable Care

- As **agent, bailee or trustee**; damages for negligence, e.g. **wrongful dishonour**, delayed collection, lockers, cyber security.

Garnishee or Attachment Order

- **Garnishee** = debtor owing money (bank, on credit balances). Note **date and time**, mark hold, inform customer; attached sum to **sundry deposit**.
- Joint-name order applies to the debtors' individual accounts.
- Bank may first **set off** a due debt; **fiduciary accounts** and **uncleared cheques** (unless drawn against) not attached.

Court vs income-tax attachment

Aspect	Court garnishee	Income-tax
Basis	CPC s.60, Order XXI r.46	IT Act 2025 s.416(5) (old s.226(3))
Later credits	Not attached	Attached till paid
Joint a/c, one name	Not attached	Attachable; equal shares

Bank's Rights

- **Lien**: **s.171, Contract Act, 1872**; **implied pledge** (sale after reasonable notice); none on safe custody/locker articles or specific-purpose money.
- **Set-off**: same right, debt **due and certain**; not personal vs fiduciary.
- **Appropriation**: **ss.59-61**: debtor, then creditor, then **Clayton's case (1816)**.
- **Interest**: per **Interest Rates on Advances** and **RBC Directions, 2025** (**28 Nov 2025**); **KFS** for retail/MSME; since **1 Apr 2024** (existing loans by **30 Jun 2024**) **penal charges, not penal interest**; service charges reasonable, disclosed in advance.

Termination of Bank-Customer Relationship

- **Voluntary**: customer may close any time; bank closes (KYC non-compliance, misuse) only after **reasonable written notice with reasons**.
- **By law**: **death** (stop debits), **insolvency** (Official Assignee; under **IBC, 2016** - **Resolution Professional/Liquidator**), **unsoundness of mind** (**ss.11-12**; court guardian). **Garnishee does not end it.**
- **Deceased-claim Directions** (issued **26 Sep 2025**, implement by **31 Mar 2026**): nominee/survivor - no succession certificate; simplified up to **Rs 15 lakh** (co-op **Rs 5 lakh**); settle in **15 calendar days**, else **Bank Rate + 4% p.a.** / **Rs 5,000 per day** (lockers).
- **Banking Laws (Amendment) Act, 2025**: up to **four nominees** for deposits from **1 Nov 2025**; lockers successive only.

Customer Rights

- **Charter of Customer Rights** (**3 Dec 2014**): **fair treatment**, **transparency**, **suitability** (no mis-selling), **privacy**, **grievance redress**. Binding rules now in **RBC Directions, 2025**.

Customer Awareness

- KFS, alerts; RBI's **'RBI Kehta Hai'**, **Financial Literacy Week**.

Banking Codes and Standards Board of India

- **Tarapore** (**CPPAPS, 2003**) recommended it, on **UK** lines; registered **18 Feb 2006** (Societies Registration Act, 1860).
- Codes: **Customers** (**1 July 2006**; revised 2009, 2014, **Jan 2018**); **MSE** (**2008**; revised 2012, **Aug 2015**; MSEs per **MSMED Act, 2006**; adds LCs, bills, factoring).
- Seven commitments incl. fairness, confidentiality, non-discrimination; **code compliance officer**; 'Do Not Call' now **TRAI 2018**.
- Now: bank, **Internal Ombudsman**, then after **30 days RB-IOS, 2021** (**Rs 20 lakh + Rs 1 lakh**); **RB-IOS 2026** issued **16 Jan 2026**, effective **1 Jul 2026**.
- **Wound up**: RBI Annual Report **2019-20**; approved **2021**.

Obligations on the Customers

- Codes impose **no obligation** on customers.
- Update **KYC** every **2/8/10 years** (high/medium/low risk); guard PIN/OTP; report fraud on **1930**/**cybercrime.gov.in**; no **money-mule** accounts.
- **6 July 2017** framework: **shadow credit** in **10 working days**; resolve in **90 days**.
- Issued **24 Jun 2026**, for transactions from **1 Jan 2027**: zero-liability window **5 calendar days**; an individual with loss up to **Rs 50,000** reporting within 5 days (bank and 1930) gets one-time **85%** of net loss or **Rs 25,000**, whichever lower.

Unauthorised e-transaction liability

Situation (30 Jun 2026)	Liability
Bank's fault; or third-party breach within 3 working days	Zero
4-7 working days: BSBD	Lower of value or Rs 5,000
4-7 days: other SB, PPIs, MSME CA/CC/OD, individuals' CA/CC/OD up to Rs 25 lakh, credit cards up to Rs 5 lakh	Lower of value or Rs 10,000
4-7 days: other CA/CC/OD; cards above Rs 5 lakh	Lower of value or Rs 25,000
After 7 working days	Board policy
Customer negligence (shared PIN/OTP)	Full loss until reported

Most Likely in Exam

- Tournier (1924): four exceptions to secrecy.
- Court garnishee attaches balance at receipt; IT s.416(5) also later credits.
- Lien s.171; appropriation ss.59-61, Clayton's case.
- Deceased claims: 15 days; Rs 15 lakh; up to four nominees from 1 Nov 2025.
- Charter of Customer Rights: 3 Dec 2014, five rights.
- Reported within 3 working days: zero liability.

CHAPTER 19. GRIEVANCE REDRESSAL AND RBI INTEGRATED OMBUDSMAN SCHEME

Introduction

- **Banking Ombudsman Scheme**: **1995**, **s.35A, BR Act, 1949**; revised **2002**, **2006**. NBFC scheme 2018; Digital Transactions 2019.
- **CMS** (cms.rbi.org.in) launched **24 Jun 2019**. **RB-IOS 2021** in force on 30 Jun 2026; **RB-IOS 2026** issued **16 Jan 2026**, effective **1 Jul 2026**.

Model Policy on Grievance Redressal

- Principles: fair treatment, courtesy and timeliness, informing escalation avenues and alternative remedies, good faith.
- **Board-approved** policy at all branches; now in **RBI (Commercial Banks - Responsible Business Conduct) Directions, 2025** (**28 Nov 2025**). Board's **Customer Service Committee** reviews complaints and awards.

Internal Machinery to Handle Complaints

- Complaints box at each office; complaint book in **IBA format**; website complaint form with **Nodal Officer** details.
- Approach Ombudsman only if no reply in **30 days** or reply unsatisfactory. Replies must state the right to approach within **one year** (2021 scheme); **90 days** under RB-IOS 2026.
- Ladder: counter staff, Branch Manager, Regional/Zonal Office (e.g. **7 days**, as per bank policy), HO. Not redressed in one month: copy to Nodal Officer.
- **ODR**: circular **6 Aug 2020**; PSOs/PSPs, failed transactions, by **1 Jan 2021**; on-us and off-us.
- Unauthorised e-transactions (framework **6 Jul 2017**, now RBC Directions 2025): 'Reply' option in alerts; **shadow credit** within **10 working days**; resolution within **90 days**.

Customer Liability: Current vs Revised

Situation	In force 30 Jun 2026	Issued 24 Jun 2026, effective 1 Jan 2027
Third-party breach: zero	Reported within 3 working days	Within 5 calendar days
Late report	4-7 working days: Rs 5,000 / 10,000 / 25,000 caps; after 7: Board policy	Tiered caps dropped; after 5 days: Board policy
Resolution	90 days	45 days domestic; 60 cross-border
Small-value fraud	None	Loss up to Rs 50,000: 85% of net loss or Rs 25,000, lower; once in a lifetime

- **Zero** liability for bank's contributory fraud/negligence; customer negligence (PIN/OTP): entire loss till reported.
- Loan disputes heard at least at the **next higher level**.
- **27 Jan 2021** framework (SCBs excl. RRBs): disclosures (**top five grounds** of complaints in annual report), cost recovery, intensive review.
- **Cost recovery** if ORBIO complaints exceed peer average (per branch; per 1,000 accounts; per 1,000 digital transactions): **30% / 60% / 100%** for 1 / 2 / 3 parameters; cost **Rs 1,582** (2024-25).
- Example (two parameters, higher excess 1,000): 60% x 1,000 x Rs 1,582 = **Rs 9,49,200**.
- **Principal Nodal Officer** at HO, not below **General Manager**.

- **Internal Ombudsman**: May **2015** (CCSO); Scheme **2018** (SCBs with more than 10 outlets); Master Direction **29 Dec 2023**.
- **IO Directions 2026** (**14 Jan 2026**): banks with **10 or more outlets** (excl. SFBs, PBs, LABs); IO GM-rank, **7 years'** experience, age not above **70**; tenure **3-5 years**; Deputy IO DGM-rank, 5 years.

RB-IOS 2021 (in Force on 30 June 2026)

- Under **s.35A BR Act**, **s.45L RBI Act**, **s.18 PSS Act, 2007**; cost-free; **'One Nation One Ombudsman'**.
- Covers banks, RRBs, UCBs (non-scheduled with deposits **Rs 50 crore+**), StCBs/CCBs (from **1 Nov 2025**), NBFCs with assets **Rs 100 crore+** (excl. HFCs), System Participants, CICs (from **1 Sep 2022**). Others: **CEPCs**.
- **CRPC, Chandigarh**; Contact Centre **14448**; **24 ORBIOs**; Ombudsman appointed max **3 years** at a time. Representative **not an advocate**.
- Order: facilitation, mediation/conciliation, Award. No written version: **ex-parte** award, no appeal.
- Award caps: disputed amount **no ceiling**; consequential loss **Rs 20 lakh**; harassment **Rs 1 lakh**.
- Appellate Authority: **ED in charge of CEPD**; may dismiss, allow, remand or modify. Appeal against Award or rejection (no diligence, no sufficient cause, elaborate evidence, no loss).
- **Excluded**: commercial judgment, outsourcing disputes, disputes between REs, employee-employer matters. Not maintainable: not first taken to RE, same cause pending elsewhere, frivolous, or beyond **Limitation Act, 1963**.
- 2024-25: **13,34,244** complaints; disposal **93.07%**; top ground loans and advances (**29.25%**).
- Cases (BOS 2006): delayed cheque credit: FD rate + **2%**, **Rs 10,000**; lost title deeds: **Rs 25,000**.

Escalation Timelines (30 Jun 2026)

Stage	Timeline	Basis
Escalation to IO	20 days	IO Directions 2026
Bank's final reply	30 days	IO Directions; RB-IOS
Approach Ombudsman	1 year (+30 days if no reply)	RB-IOS 2021
RE's written version	15 days	RB-IOS
Award acceptance / compliance	30 / 30 days	RB-IOS
Appeal	30 days (+30)	RB-IOS

RB-IOS 2026 (Issued 16 Jan 2026, Effective 1 Jul 2026)

- Adds **s.11, CIC (Regulation) Act, 2005**; 2021 scheme repealed from 1 Jul 2026 with **savings** for earlier complaints.
- Time limit: **90 days** from expiry of reply timeline or last communication, whichever later.

RB-IOS 2021 vs 2026

Feature	RB-IOS 2021	RB-IOS 2026
Consequential loss cap	Rs 20 lakh	Rs 30 lakh
Harassment cap	Rs 1 lakh	Rs 3 lakh
Appealable	Award or rejection	Award only
RE appeal sanction	Chairman/MD/CEO	ED or equal rank

Most Likely in Exam

- Banking Ombudsman Scheme **1995**; RB-IOS 2021 **12 Nov 2021**.
- Final reply **30 days**; IO escalation **20 days**.
- Zero liability within **3 working days**; shadow credit **10 working days**.
- Cost recovery **30% / 60% / 100%**.
- Caps **Rs 20 lakh / Rs 1 lakh** (2026: **Rs 30 lakh / Rs 3 lakh**).
- CRPC **Chandigarh**; helpline **14448**; AA = ED in charge of **CEPD**.

CHAPTER 20. THE CONSUMER PROTECTION ACT, 2019

Introduction and Purpose of the Act

- **CPA 1986** assent **24 Dec 1986** (**National Consumer Day**); **15 March**: World Consumer Rights Day.
- **CPA 2019** (**Act No. 35 of 2019**): assent **9 Aug 2019**; main provisions in force **20 Jul 2020**; repealed CPA 1986 (**s.107**).
- Covers all goods and services unless notified (**s.1(4)**); excludes resale/commercial purpose, **free** services, **personal service** contracts.
- **s.100**: remedy is **in addition to**, not in derogation of, other laws.

Salient New Aspects of CPA 2019

- New: consumer rights, **unfair contract**, **product liability**, e-commerce, endorsement, express warranty, **CCPA (s.10)**, mediation, e-filing, review of own orders; **deemed admission** after **21 days**.
- **Consumer (s.2(7))**: buys goods/hires services for consideration, plus approved user/beneficiary; includes online, teleshopping, direct selling, MLM. Use for **livelihood by self-employment** is not commercial.
- Bank **surety** is **not** a consumer.
- **Harsolia Motors** (SC, 13 Apr 2023): test is **dominant intention of profit generation**.
- **D.K. Gandhi** (SC, 14 May 2024): advocates' services outside the Act.

- **Six rights (s.2(9))**: safety, information, choice, be heard, redressal, awareness.

Definitions

- All in **s.2**: complainant **2(5)**, consumer **2(7)**, defect **2(10)**, deficiency **2(11)**, harm **2(22)**, product seller **2(37)**, service **2(42)**, unfair contract **2(46)**, UTP **2(47)**.
- **Product** excludes human tissues, blood, organs. **Harm** excludes harm to product itself and economic loss. **Spurious goods**: falsely claimed genuine.
- **Complainant**: consumer, registered consumer association, Central/State Govt, CCPA, class of consumers, legal heir, parent/guardian of minor.
- **Unfair contract**: excessive deposit, disproportionate penalty, refusing early repayment, unilateral termination, assignment without consent, unreasonable charge.
- **UTP new in 2019**: no bill; not taking back defective goods within stated period or **30 days**; disclosing personal information.

Various Fora and Consumer Protection Councils

- Councils are **advisory**; Commissions decide complaints; Mediation Cells settle.
- **Central (s.3)**: up to **36** members; Union Minister chairs; **3-year** term; at least **1 meeting/year**.
- **State (s.6)**: State Minister; at least **2 meetings/year**. **District (s.8)**: **District Collector**; at least **2 meetings/year**.

Central Consumer Protection Authority

- **CCPA (s.10)** from **24 Jul 2020**; HQ Delhi NCR; Investigation Wing under **Director General** (s.15).
- Powers: inquiry, **recall**, discontinue misleading ads (**s.21**), **search and seizure (s.22)**.
- Appeal to **National Commission** in **30 days** (s.24); prosecution only on CCPA complaint (s.92).
- Guidelines: Misleading Ads **9 Jun 2022**; **Dark Patterns** (13) **30 Nov 2023**; Greenwashing **15 Oct 2024**; Coaching **13 Nov 2024**.

Penalties under CPA 2019

Contravention	Penalty	Section
Misleading ad	Up to Rs 10 lakh; repeat up to Rs 50 lakh; endorser ban up to 1/3 years	s.21
Commission order ignored	1 month-3 years or Rs 25,000-1 lakh	s.72
CCPA direction ignored	Up to 6 months or up to Rs 20 lakh	s.88
Misleading ad (criminal)	Up to 2 years + Rs 10 lakh; repeat up to 5 years + Rs 50 lakh	s.89
Adulterant/spurious, death	7 years to life + at least Rs 10 lakh	ss.90-91

Consumer Disputes Redressal Commissions and Jurisdictions

- President + at least **2** (District) / **4** (State, National) members; at least one **woman**.
- Term (2020 Rules): State **4 years/67**, District **4 years/65**. National: **5 years/67** (Madras Bar Association, 19 Nov 2025).
- **Selukar** (SC, 21 May 2025): fresh rules directed; 2020 Rules apply meanwhile.
- Limits from **30 Dec 2021** on **consideration paid** (upheld, **Rutu Mihir Panchal**, 29 Apr 2025); complainant may file where he **resides or works**.

Commissions at a Glance

Feature	District	State	National
Pecuniary limit	Up to Rs 50 lakh	Rs 50 lakh-2 crore	Above Rs 2 crore
Unfair contracts	None	Up to Rs 10 crore	Above Rs 10 crore
Appeal from order	State, 45 days	National, 30 days	SC, 30 days (original)
Review	s.40	s.50	s.60

Complaints to District/ State/ National Commissions

- Filed in writing or **electronically** (s.35(1)).
- **Fee** (**17 Aug 2023**): **nil up to Rs 5 lakh**; Rs 200 to **Rs 7,500**.
- Version: **30 + 15 days**, max **45** (**Hilli**, SC, 4 Mar 2020); lab report **45 days**.
- Decide in **3 months** (no testing) / **5 months** (testing).
- Civil court powers (s.38(9)); deemed criminal court (BNS/BNSS from **1 Jul 2024**).
- Reliefs include **punitive damages**, corrective ads; unidentifiable class: **at least 25%** of value (s.39(2)).

Appeals against Orders

- Pre-deposit **50%**, **no cap** (1986: Rs 25,000/35,000/50,000).
- State appellate orders reach National only on **substantial question of law**; National's appellate orders: Article 227 (**Ibrat Faizan**, 2022).
- No appeal against mediation settlement; appeal disposal endeavour **90 days**.

Key Time Limits

Event	Limit	Section
Filing complaint	2 years (condonable)	s.69
Admissibility	21 days	s.36
Mediation consent/reference	5 / 5 days	s.37
Review	30 days	ss.40, 50, 60
Settlement order	7 days	s.81

Other Aspects

- Orders enforced as decree (**Order XXI CPC**); s.72 offences tried **summarily** as **JMFC**.
- Transfer: State Commission (**s.48**); National (**s.62**).
- No 2019 provision for frivolous-complaint costs (1986: Rs 10,000).
- **e-Jagriti** from **1 Jan 2025** (e-Daakhil 7 Sep 2020); Helpline **1915**.

Mediation Process

- Not referable: medical negligence (grievous/death), fraud, non-compoundable offences, public interest.
- Mediators: advocates **10 years**, mediators **5 years**, experts **15 years**; panel valid **5 years**.
- Within **3 months** of first appearance (extendable); confidential, no recording.

Product Liability, Unfair Contracts and Data Protection

- Against **manufacturer (s.84)**, **service provider (s.85)**, **seller (s.86)**.
- **s.87**: seller not liable if product **misused, altered or modified**.
- Unfair contracts: State/National only; terms declared **null and void**.
- Data disclosure is UTP (**s.2(47)(ix)**); DPDP Rules **13 Nov 2025**.

The CPA 2019 and Banking Services

- Deficiency: deposit refund delay, wrongful dishonour, non-credit, **BC default**.
- Rates, charges, security are bank discretion (**Narsuns Battery**, 1992).
- Home-loan case (Mumbai, 2022): arbitrary rate/tenure change is deficiency and UTP; **Rs 4 lakh** compensation.
- **Amitabha Dasgupta** (SC, 19 Feb 2021): locker liability, **Rs 5 lakh**.
- Commission **or** Ombudsman, not both. **RB-IOS 2021** in force on 30 Jun 2026; **RB-IOS 2026** effective 1 Jul 2026.

Commission vs RBI Ombudsman

Feature	Commission	RB-IOS 2021
Time limit	2 years	1 year (90 days, 2026)
Compensation	No cap	Rs 20 lakh + Rs 1 lakh (2026: Rs 30 lakh + Rs 3 lakh)

Most Likely in Exam

- CPA 2019 in force **20 Jul 2020**; CCPA **24 Jul 2020**.
- Limits **Rs 50 lakh / Rs 2 crore**; unfair contracts **Rs 10 crore**.
- Admissibility **21 days**; version **45 days** max.
- Appeals **45/30/30 days**; **50%** pre-deposit.
- Fee **nil up to Rs 5 lakh**.
- Guarantor is not a consumer.

CHAPTER 21. THE RIGHT TO INFORMATION ACT, 2005

Introduction

- Aim: **transparency and accountability**; contain corruption.
- **Act No. 22 of 2005**; assent **15 Jun 2005**; fully in force **12 Oct 2005**; **6 Chapters, 31 sections, 2 Schedules**.
- Repealed **Freedom of Information Act, 2002** (s.31); amended by **RTI (Amendment) Act, 2019** and **DPDP Act, 2023**.

Applicability and RTI in Banks

- J&K and Ladakh covered from **31 Oct 2019**.
- **Public authorities**: RBI, SBI, nationalised banks, RRBs, NABARD, SIDBI, NHB, EXIM Bank, LIC, PSU general insurers.
- **Not**: private, foreign, private SFBs/payments banks, non-Government co-op banks.
- **Thalappalam Ser. Co-op. Bank (SC, 2013)**: regulation alone insufficient; control must be deep and pervasive.
- Account details denied under **s.8(1)(e)**, **(j)**; **(d)** for competitive position.
- **RBI v Jayantilal N. Mistry (SC, 16 Dec 2015)**: RBI does not hold bank information in fiduciary capacity.
- **HDFC Bank v Union of India**: pending in SC as on 30 Jun 2026.

Definitions and Right to Information

- **Information [s.2(f)]**: any material in any form, incl. private-body information accessible under law.

- **Public authority [s.2(h)]**: set up under Constitution, law or notification; includes bodies/NGOs **substantially financed** by Government.
- **Right to information [s.2(j)]**: inspection, notes, certified copies, certified samples, electronic form.
- **Third party [s.2(n)]**: person other than applicant; **includes a public authority**.
- **Competent authority [s.2(e)]**: Speaker, Chairman, CJI, HC Chief Justice.
- **s.3**: right of **citizens** only; a company cannot apply, its office-bearer may.

Obligations of Public Authorities (Section 4)

- **s.4(1)(a)**: records catalogued, indexed, computerised.
- **s.4(1)(b)**: **17 items** suo motu within **120 days** of enactment; updated yearly.
- Reasons for decisions to affected persons (**s.4(1)(d)**).

Designation of Public Information Officers (Section 5)

- **PIOs** and **APIOs** designated within **100 days** of enactment (s.5(1), (2)).
- Officer assisting PIO is treated as PIO for contravention (s.5(5)).

Procedure for Obtaining Information (Section 6)

- Request in **English, Hindi or official language**, written or electronic, with fee (s.6(1)).
- **No reason** needed; only contact details (s.6(2)).
- Ordinarily **500 words**, but not rejected on that ground alone.

Disposal of Request (Section 7)

- Silence = **deemed refusal** (s.7(2)); further-fee period excluded (s.7(3)).
- Time limit missed: information **free** (s.7(6)); rejection must state reasons and appeal details (s.7(8)).
- **Partial access (s.10)** after severance of exempt part.
- **Third party (s.11)**: disclosure if public interest outweighs harm, except protected trade/commercial secrets.

Fees under RTI Rules 2012

Item	Fee
Application	Rs 10
A-4/A-3 page	Rs 2 per page
Diskette/floppy (CD)	Rs 50 each
Inspection	First hour free; Rs 5 per later hour
Postage	Actual, where over Rs 50
BPL applicant	Nil

RTI Timelines at a Glance

Event	Time limit	Section
Transfer of application	5 days	6(3)
Reply / life or liberty	30 days / 48 hours	7(1)
Via APIO	35 days	5(2)
Third party: notice / representation / decision	5 / 10 / 40 days	11
Human rights (s.24 bodies)	45 days	24
First appeal / disposal	30 / 30 (max 45) days	19(1), (6)
Second appeal	90 days	19(3)

Information Exempt from Disclosure (Sections 8-10)

- **s.8(1)**: **10 clauses** - (a) security/economic interests; (b) court-forbidden; (c) legislative privilege; (d) commercial confidence; (e) fiduciary; (f) foreign Government; (g) life/safety; (h) investigation; (i) Cabinet papers; (j) personal information.
- **(j)** substituted by **DPDP Act s.44(3)**, in force **13 Nov 2025**; referred to larger SC Bench **16 Feb 2026**, no stay.
- **s.8(2)**: public interest override, even over **Official Secrets Act, 1923**.
- **s.8(3)**: **20-year** rule, except clauses **(a), (c), (i)**.
- **s.9**: copyright of a person other than the State.

Complaints and Appeals (Sections 18 and 19)

- **s.18 complaint** direct to Commission (no PIO, refusal, no reply, unreasonable fee, false information); has **civil court powers**.
- **First appeal** to officer senior to PIO; **second appeal** to CIC/SIC; delay condonable in both.

- **Onus** on PIO (s.19(5)); decision **binding** (s.19(7)); may order compensation, penalty (s.19(8)).

Information Commissions (Sections 12-17)

- **RTI (Amendment) Act, 2019** (in force **24 Oct 2019**): term/salary by Central Government (originally **5 years**).
- No MP/MLA or party link; IC may become Chief IC; **HQ Delhi**.
- **Raj Kumar Goyal** CIC from **15 Dec 2025**; full strength **11**.

Central vs State Commission

Feature	Central (CIC)	State (SIC)
Composition	CIC + up to 10 ICs	State CIC + up to 10
Appointed by	President	Governor
Committee	PM, LoP Lok Sabha, Union Minister	CM, LoP Assembly, Cabinet Minister
Term	3 years (Rules 2019); age 65; no reappointment	Same
Monthly salary	CIC Rs 2,50,000; IC Rs 2,25,000	Rs 2,25,000
Removal	President, SC inquiry (s.14)	Governor, SC inquiry (s.17)

Penalties (Section 20)

- **Rs 250 per day**, max **Rs 25,000**, on PIO **personally**; burden on PIO (s.20(1)).
- Defaults: refusal, delay, mala fide denial, misleading information, destruction, obstruction.
- Persistent default: **disciplinary action** recommended (s.20(2)).
- Example: 120 days = Rs 30,000, capped at **Rs 25,000** (reached at **100 days**).

Overriding Effect and Other Provisions

- **s.22**: overrides Official Secrets Act, 1923; **s.23**: civil courts barred, writs (Art. 32/226) not.
- **s.24**: **Second Schedule** bodies excluded, except **corruption and human rights** information (CIC approval).
- **s.21** good faith protection; **s.25** annual report.

Most Likely in Exam

- Reply 30 days; life or liberty 48 hours; APIO 35 days.
- Penalty Rs 250/day, max Rs 25,000, on PIO.
- First appeal 30 days; second appeal 90 days.
- s.8(1)(j) amended by DPDP Act from 13 Nov 2025.
- Private and foreign banks are not public authorities.

India's trusted banking exam prep platform

Clear JAIIB & CAIIB with MyOnlinePrep

Expert-led courses, live classes, mock tests and practice — kept current with the latest RBI, SEBI and Government updates.

Popular Courses

JAIIB Complete Course

Video lectures for all 4 papers, chapter-wise notes, practice MCQs

View course →

JAIIB Mock Test Series

Full-length mocks in exam pattern, detailed solutions, all-India ranking

View course →

CAIIB Complete Course

ABM, BFM, ABFM, BRBL plus electives: notes, case studies, mocks

View course →

Use code COUPON5 for 5% off on your enrolment

Latest Exam Pattern
100% aligned content

Live + Recorded
Learn anytime, anywhere

Performance Analytics
Track. Analyse. Improve.

SCAN TO ENROL

Connect with us

Website	www.myonlineprep.com
WhatsApp	+91 92641 49917
Email	support@myonlineprep.com
WhatsApp Group	@MyOnlinePrep_WhatsApp
YouTube	@MyOnlinePrep_YOUTUBE
Instagram	@MyOnlinePrep_INSTAGRAM
Android App	Get it on Google Play

MyOnlineprep

© 2026 MyOnlinePrep · Free to share unaltered · Not affiliated with IIBF