

“Banking in India”

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- Constitution of Banks

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- Present Scenario

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Part I : Evolution of Banking and The Regulator

Part I : Evolution of Banking and the Regulator

What is Banking?

Definition of Banking:

No exhaustive definition in common law.

The usual characteristics are:

- Conduct of current accounts
- Payment of cheques
- Collection of cheques for customers

However, this is not equivalent to a definition and these are not the sole characteristics- *Paget's Law of Banking, 12th edn. at 107-109.*

The Law of Lexicon defines Banking as, “the business or employment of a banker, the business of establishing a common fund for lending money, discounting notes, issuing bills, receiving deposits, collecting the money or notes deposited, negotiating the bills of exchange.”

It is wide enough to embrace every transaction coming within the legitimate business of a banker e.g. lending money on security of goods or documents (Tennant V. Union Bank of Canada, 1894, AC 31)

The Three Presidency Banks

- Bank of Calcutta (1809)
- Bank of Bombay (1840)
- Bank of Madras (1843)

The History

- ❏ In the year 1786, The General Bank of India was the first bank to come into existence in India. And then, almost a century later, in the year 1870, The Bank of Hindustan became the 2nd bank in India. Unfortunately, both these banks are now defunct.
- ❏ The Bank of Bengal which later became the State Bank of India.
- ❏ The oldest bank to be still in existence, that too as the largest bank in India, is the State Bank of India. Albeit, the name was not the same as today rather was "The Bank of Bengal which started its operations in Calcutta in June, 1806.
- ❏ Interestingly, if people think that the entry of foreign banks in India is only a post-reform phenomenon, they are absolutely incorrect. In fact, in as early as 1850s, foreign banks like Credit Lyonnais started their Calcutta (now Kolkata) operations. At that point of time, Calcutta was the most active trading port, thanks to the trade of the British Empire and due to which banking activity took roots there and prospered.

The History (contd..)

- ❏ The first fully Indian owned bank was the Allahabad Bank, which was established in 1865.
- ❏ By the 1900s, the market expanded with the establishment of banks such as Punjab National Bank, in 1895 in Lahore and Bank of India, in 1906, in Mumbai - both of which were founded under private ownership.
- ❏ The Reserve Bank of India formally took on the responsibility of regulating the Indian banking sector from 1935.
- ❏ At least 94 banks in India failed during the years 1913 to 1918. This was really a turbulent time for the world as a whole and the banking sector in India specially. This was the period which witnessed the First World War (1914-1918).
- ❏ Since then through the end of the Second World War (1939-1945), and two years thereafter until India achieved independence, were very challenging period for Indian banking.

The History (contd..)

Post-independence

- ❏ The partition of India brought about a social unrest throughout India in 1947. As a result, the banking activities had remained paralyzed for months. Till then the banking sector was wide open and there were almost no regulation.
- ❏ With Independence, things started changing. Rather the independence marked the end of a regime of the Laissez-faire for the Indian banking.
- ❏ The important banking regulatory steps were: a) In 1948, India's central banking authority the Reserve Bank of India (RBI) got nationalized and it became an institution owned by the Government of India. b) With the enactment of the Banking Regulation Act in 1949 (BR Act), the RBI got empowered "to regulate, control, and inspect the banks in India."
- ❏ The BR Act also provided that no new bank or branch of an existing bank may be opened without a license from the RBI, and no two banks could have common directors.
- ❏ Interestingly, despite these provisions, control and regulations, almost all banks in India except the State Bank of India, continued to be owned and operated by private persons.
- ❏ However, the situation changed dramatically with the nationalization of major banks in India on 19th July, 1969.

Innovation in Banking

- ❑ The establishment of the Bank of Bengal marked the advent of limited liability, joint-stock banking in India. So was the associated innovation in banking, viz. the decision to allow the Bank of Bengal to issue notes, which would be accepted for payment of public revenues within a restricted geographical area.
- ❑ It meant an accretion to the capital of the banks, a capital on which the proprietors did not have to pay any interest.
- ❑ The concept of deposit banking was also an innovation because the practice of accepting money for safekeeping (and in some cases, even investment on behalf of the clients) by the indigenous bankers had not spread as a general habit in most parts of India. But, for a long time, and especially upto the time that the three presidency banks had a right of note issue, bank notes and government balances made up the bulk of the investible resources of the banks.

Evolution of the Regulator

Evolution of the Regulator

- ❑ The presidency Banks of Bengal, Bombay and Madras were merged in 1921 to form the Imperial Bank of India.
- ❑ The RBI was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934.
- ❑ The establishment of the RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank by converting it into a purely commercial bank through an act passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955.

RBI under Government Control

- ❑ The RBI Act passed in 1934 constituted RBI as an apex bank without major government ownership.
- ❑ BR Act was passed in 1949. This regulation brought Reserve Bank of India under government control.
- ❑ Under the act, RBI got wide ranging powers for supervision & control of banks. The Act also vested licensing powers & the authority to conduct inspections in RBI.
- ❑ In 1959, SBI took over control of eight private banks floated in the erstwhile princely states, making them as its 100% subsidiaries.

Part II : Nationalization

Nationalization

- By the 1960s, the Indian banking industry became an important tool to facilitate the development of the Indian economy and a large employer, and a debate ensued about the possibility to nationalize the banking industry.
- Indira Gandhi, the-then Prime Minister of India expressed the intention of the Government in the annual conference of the All India Congress Meeting in a paper entitled "*Stray thoughts on Bank Nationalization.*" and then nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969.
- Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9th August, 1969.
- A second dose of nationalization of 6 more commercial banks followed in 1980.
- The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government controlled around 91% of the banking business of India.

Rationale For Nationalization of Banks

To achieve the socialist pattern of functioning within the society

In order to serve better the needs of development of the economy in conformity with the national policy and objective. Nationalization will channelise the credits to important areas like agriculture, small-scale and exports and banking units will expand in rural areas

Rules being violated

Restrictions imposed by social control measures were capable of being flouted-the purpose was to curb indirect influence (e.g. the restraints on the advances to directors and their interested concerns could be mutually adjusted amongst bankers in such way that the purpose of such restraints is lost).

Major banks operate on other people's money

The financial stake of the shareholders was almost negligible.

One of the Landmark Judgment on “Nationalization of Banks” is : *R.C. Cooper v. Union of India AIR 1970 SC 564*

Part III : Liberalization: A New Era

Entry of Private Sector Banks

Liberalization

- RBI is the Regulator
 - Private Sector Banks
 - Constitution of Banks
-
- Foreign Banks and the Challenges Ahead
 - Present Scenario
 - Some Frequently Asked Questions

RBI is the Regulator

RBI as the Central Bank and Regulator of Banks for enforcing the two main legislations regulating banks in India i.e The BR Act, 1949 and The RBI Act, 1934.

Post Liberalization

In the early 1990s, with the Narsimha Rao government embarking on a policy of liberalisation the situation started changing. The Narsimham Committee report suggested wide ranging reforms for the banking sector in 1992 to introduce internationally accepted banking practices.

Licenses were issued to a small number of private banks, such as Global Trust Bank (the first of such new generation banks to be set up) which later amalgamated with Oriental Bank of Commerce, UTI Bank (now re-named as Axis Bank - first private sector bank to obtain a banking license), ICICI Bank and HDFC Bank.

These banks also came to be known as New Generation tech-savvy banks because of their improved service condition and their extensive use of IT in the operations.

Constitution of Banks

Banks in India fall under one of the following categories:

- ❏ Body corporate constituted under a special statute (Public sector banks including nationalized banks, SBI and its associates (subsidiaries) and Regional Rural Banks)
- ❏ Company registered under the Companies Act, 1956 or a foreign company (Private banks and foreign banks)
- ❏ Co-operative society registered under a central or state enactment on co-operative societies and hence to do banking business.

Constitution of Banks (contd...)

Public Sector banks

By the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 the Central Government nationalized (took over the business undertakings) of certain banking companies and vested them in newly created statutory bodies (corresponding new banks) constituted under section 3 of the 1970/1980 Act.

These banks are governed by the statutes creating them as also some of the provisions of the Banking Regulation Act and the RBI Act, 1934. (Important judgment pertaining to bank nationalization - *R.C. Cooper v. UoI* AIR 1970 SC 564)

Constitution of Banks (contd....)

Banking Companies

- ❏ A banking company as defined in section 5 (c) of the BR Act is a company which transacts in the business of banking. Such a company may be a company constituted under section 3 of the Companies Act, 1956 or a foreign company within the meaning of section 591 of that Act.
- ❏ All private sector banks are banking companies.
- ❏ These banks are governed by the Companies Act, 1956 in respect of their constitution and by the Banking Regulation Act and the RBI Act with regard to their business of banking.

Constitution of Banks (contd....)

Cooperative banks

A cooperative bank is a cooperative society registered or deemed to have been registered under any Central Act relating to multi-state cooperative societies, or any other central or state law relating to cooperative societies.

The Banking Laws (Application to Cooperative Societies) Act, 1965 extended certain provisions of the Banking Regulation Act and the RBI Act to the cooperative banking sector.

Foreign Banks

Challenges Ahead

Phase I: (March 2005 to March 2009)

- Foreign banks wishing to establish presence in India for the first time could either choose to operate through branch presence or set up a 100% wholly owned subsidiary (WOS), following the one-mode presence criterion.
- Foreign banks already operating in India will be allowed to convert their existing branches to WOS while following the one-mode presence criterion. The WOS will be treated on par with the existing branches of foreign banks for branch expansion in India.
- In order to allow Indian Banks sufficient time to prepare themselves for global competition, initially entry of foreign banks will be permitted only in private sector banks that are identified by RBI for restructuring. In such banks, foreign banks is allowed to acquire a controlling stake in a phased manner.

Only one form of presence for foreign banks in India

Branch

100%
Subsidiary

Converting
existing
branch
into WOS

Acquiring upto 74%
stake in
Indian private sector
bank

Phase II: April 2009

- ❑ The removal of limitations on the operations of the WOS and treating them on par with domestic banks to the extent appropriate would be designed and implemented after reviewing the experience with Phase I and after due consultations with all stakeholders in the banking sector.
- ❑ WOS of foreign banks on completion of a minimum prescribed period of operation will be allowed to list and dilute their stake so that at least 26 per cent of the paid up capital of the subsidiary is held by resident Indians at all times consistent with Press Note 2 of March 5, 2004.
- ❑ The dilution may be either by way of Initial Public Offer or as an offer for Sale.

Present Scenario

- Currently , overall, banking in India is considered as fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks.
- With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector, the demand for banking services-especially retail banking, mortgages and investment services are expected to be strong.
- M&As, takeovers, asset sales and much more actions have been happening on this front in India.
- Indian banks, the dominant financial intermediaries in India, have made good progress over the last five years, as is evident from several parameters, including annual credit growth, profitability, and trend in gross non-performing assets (NPAs). While the annual rate of credit growth clocked 23% during the last five years, profitability (average Return on Net Worth) was maintained at around 15% during the same period, and gross NPAs fell from 3.3% as on March 31, 2006 to 2.3% as on March 31, 2011 (source: www.icra.in)

Present Scenario (contd....)

- While banks have benefited from an overall good economic growth over the last decade, implementation of SARFAESI , setting up of credit information bureaus, internal improvements such as upgrade of technology infrastructure, tightening of the appraisal and monitoring processes and strengthening of the risk management platform have also contributed to the improvement.
- Significantly, the improvement in performance has been achieved despite ~~several hurdles appearing on the way~~, such as temporary slowdown in economic activity (in the second half of 2008-09), a tightening liquidity situation, increases in wages following revision, and changes in regulations by the Reserve Bank of India (RBI), some of which prescribed higher credit provisions or higher capital allocations.
- Currently, Indian banks face several challenges, such as increase in interest rates on saving deposits, possible deregulation of interest rates on saving deposits, a tighter monetary policy, a large government deficit, increased stress in some sectors (such as, State utilities, airlines, and microfinance), restructured loan accounts, unamortized pension/gratuity liabilities, increasing infrastructure loans, and implementation of Basel III.

Population

According to the publication of RBI as on March 2011 -
“ India has a total of 163 Scheduled Commercial Banks and
4 non scheduled commercial Banks.”

RESERVE BANK OF INDIA

Central bank and supreme monetary authority

Scheduled banks

Commercial banks

Co-operatives

Foreign banks

Regional rural banks

Urban cooperatives

State cooperatives

Public sector banks

Private sector banks

Old

New

State bank of India and associate banks

Other nationalised banks

Entering into banking business in India?

Section 22 of BR Act, 1949 along with the RBI's rules have to be complied with:

- ❏ To carry on banking business, a license is required to be obtained from RBI.
- ❏ To obtain such license, an application in writing is to be made to RBI.
- ❏ RBI issues a license when it is satisfied from a perusal of requisite records that the company is adequately solvent and that its affairs and general character of management are not prejudicial to public interest or interest of future depositors.
- ❏ In case of a company incorporated outside India, RBI is required to assure itself that the government or law of the country in which it is incorporated does not discriminate in any manner against the banking companies registered in India.
- ❏ As per the RBI guidelines for entry of new banks in private sector vide press release dated 22.01.1993, only a public limited company registered under the Companies Act, 1956 can enter into banking business. The shares of such company must be listed on a stock exchange.

Banking company opening a new place of business in India or change the location of its existing place of business

As per section 23(1) of the BR Act, 1949, permission of RBI is required to:

- open a new place of business in India;
- change the location of an existing place of business;
- open a new place of business outside India; or
- change the location of existing place of business outside India.

Can a banking company engage in trade activity?

As per section 8 of the BR Act, 1949, a banking company is enjoined not to undertake any buying or selling or bartering of goods except in connection with the realisation of security given to or held by it.

However, a trade activity connected with a bill of exchange is allowed to be undertaken only to the extent of such connection.

Can a banking company hold immovable property in India?

As per section 9 of the BR Act, 1949, a banking company is prohibited from holding immovable property except as required for its own use for any period exceeding seven years from the acquisition thereof.

However, a banking company may within the above period of 7 years, deal with or trade in any property for facilitating the disposal thereof.

Can a banking company create a charge on its assets?

Section 14 of the BR Act, 1949 prohibits any creation of charge on unpaid capital of the banking company.

However, in order to create a floating charge on its assets, a banking company is required to obtain a certificate from the RBI under section 14 A of the said Act certifying that the charge is not detrimental to the interests of the company.

Unless such certificate is issued, the charge would be invalid, However, in case the issue of certificate is refused, the aggrieved banking company may appeal to the Central Government within 90 days of the communication of such refusal.

Is there any restriction on opening of branches by a banking company?

A banking company is free to open any number of branches subject to satisfaction of capital adequacy and prudential accounting norms and RBI's policy laid down from time to time.

Part IV: Some usual terms in banking business

1. Cheque: In simple words a cheque is a written instruction issued by a customer to his bank to pay the specified amount to the person named in the cheque. Section 6 of the N. I Act lays down the formal definition of cheque.
2. Negotiable Instruments: Section 13 of the Negotiable Instruments Act defines a negotiable instrument. It can be a cheque, a bill of exchange, promissory note.
3. Negotiability: (Why is it called a *negotiable* instrument?) It implies transferring ownership, free from defect, through endorsement and delivery in the case of an order instrument and mere delivery in the case of a bearer instrument.
4. Paying Bank: The bank on which the cheque is drawn and which pays the amount for which the cheque is written and deducts that sum from the customer's account.
5. Collecting Bank: The bank that assists in obtaining in accordance with draft payment terms. Collecting banks frequently route checks through intermediaries such as correspondent banks, which ultimately deliver the cheques to the banks making payment.

Part V: Core Banking Business

Business of Banking

In India, banking is defined in section 5 (b) of the BR Act as:

“(b) ‘banking’ means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.”

Under section 49A of the BR Act , no person other than a bank is authorised to accept deposits withdrawable by cheque.

The Savings Bank Scheme run by the Government, a Primary Credit Society and any other person notified by the government are exempted from this prohibition.

Form and business in which banking companies may engage: Section 6 (1) of Banking Regulation Act, 1949

- (a) the borrowing, raising, or taking up of money; ...
- (b) acting as agents for any government or local authority or any other person or persons;
.....
- (c) contracting for public and private loans and negotiating and issuing the same;
- (d) the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue....
- (e) carrying on and transacting every kind of guarantee and indemnity business.....;
- (f) managing, selling and realising any property which may come into the possession of the company.....
- (g) acquiring and holding and generally dealing with any property which may form the security or part of the security...
- (h) Undertaking and executing trusts;

Form and business in which banking companies may engage: Section 6 (1) of Banking Regulation Act, 1949

- (i) undertaking the administration of estates as executor, trustee or otherwise;
- (j) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees....
- (k) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the company;
- (l) selling, improving, managing, developing, exchanging, leasing, mortgaging,.... disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;
- (m) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;
- (o) any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

Conventional Banking Business

Services	Products
Payment and Remittance	Cheques Pay Orders/Banker's Cheques Demand Drafts Debit Card Credit Card
Collection	Transfer Local Clearing Cheque Collection National Clearing Bill Collection Cash Management Services
Forex	Foreign Exchange
Deposit	Current Accounts Savings Account Fixed Deposits Recurring Deposits

Conventional Banking Business (contd....)

Loans

Retail Loans

1. Housing/ mortgage Loans
2. Vehicle Loans
3. Consumer durable Loans
4. Personal Loans
5. Loan Against Shares
6. Loan Against Fixed Deposits

Business Credit

1. Term Loans
2. Working Capital Facilities

Trade Finance

1. Cheque Purchase
2. Bill Purchase
3. Bill Discount
4. Letter of Credit
5. Bill Negotiation
6. Guarantees

Part VI: Present Scenario: A Shift from the Core Banking Activities

New Age Banking consist of:

- ❑ Internet Banking/ Phone Banking/ Electronic clearing System (E-Banking)
- ❑ Pension Funds/ Mutual Funds/ Government Bonds
- ❑ Insurance Products
- ❑ Gold Coins/ Gold Loans
- ❑ IPOs
- ❑ Demat/ Share Account

New Age Banking consist of:

- ❑ Structured Products/Derivatives
- ❑ International Banking/ ECBs/ Forex Transactions
- ❑ Credit Information Companies
- ❑ Syndication
- ❑ Investment Services (Eg. Gold Mohurs/ Online Trading/ Demat/ Saving Bonds/ IPO etc.)
- ❑ Infrastructure Business
- ❑ Merchant Banking

E-Banking

Internet banking (or E-banking) means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. The term electronic banking or e-banking covers both computer and telephone banking.

In other words it is said that it is updated 'on-line, real time'. The system is updated immediately after every transaction automatically.

E Banking products and services Offered in a two tier structure;

A basic tier of Internet banking products includes

- Customer account inquiry;
- Funds transfer;
- Electronic/Utility bill payment etc.

E-Banking (contd....)

The second or premium tier includes

- basic services plus one or more additional services like brokerage
- cash management,
- credit applications,
- credit and debit cards,
- customer correspondence,
- demat holdings,
- financial advice,
- foreign exchange trading,
- insurance,
- online trading,
- opening accounts,
- requests and intimations,
- tax services,
- e-shopping,
- Mobile Recharge
- standing instructions,
- Online investments,
- asset management services etc.

E-Banking (contd....)

Advantages to Bank:

- Very low setup cost.
- Capability to cater to a very large customer base.
- Saves a lot of operational costs.
- Adds to the baseline.
- Banks can offer a lot of personalized services to their customers.
- Reduction of burden on branch banking.

Advantages to Customers:

- It is convenient and not bound by operational timings.
- No geographical barriers.
- Services can be offered at a miniscule cost.
- Check transactions at any time of the day and as many times.
- Getting statements/ quarterly statements from the bank.
- Availment of various services/ Informative products online.
- Password Protective transactions.
- Transferring funds to outstation.
- Other such activities can be done free of charge through online banking

Mutual Fund

- ❑ Bank can undertake business of mutual fund after obtaining approval from the RBI.
- ❑ The bank-sponsored mutual funds should not use the name of the sponsoring bank as part of their name.
- ❑ Where a bank's name has been associated with a mutual fund, a suitable disclaimer clause should be inserted.
- ❑ Banks should only act as an agent of the customers.
- ❑ Banks should not acquire units of Mutual Funds from the secondary market.
- ❑ Banks should not buy back units of Mutual Funds from their customers.
- ❑ In the event mutual fund business is done by the Bank through its subsidiary then Bank must maintain an “arm’s length relation” with its subsidiary.

Structured Products - Documentation Issues

❏ The market for credit derivatives is highly dependant upon legal enforceability, and since the 2006 amendment of the RBI Act now allows and recognizes derivative transactions, this legal enforceability would be impossible without stringent documentation norms.

❏ Banks and other financial institutions would wish to draft their own set of norms of documentation.

❏ One way to ensure efficiency in the derivative market is to standardize the documents used by the participants in the derivative market.

Entry of Banks into Insurance business

Entry by Banks into Insurance

Bancassurance

Distribution Alliance

Referral Arrangement

Deposit Linked Insurance

Corporate Agency

Joint Ventures/ M&A

Brokerage Model

Insurance business (contd....)

- ❑ Bancassurance symbolizes the convergence of banking and insurance. The term has its origins in France and involves distribution of insurance products through a bank's branch network.
- ❑ Private bancassurance is a wealth management process pioneered by Lombard International Assurance and now used globally.
- ❑ The concept combines private banking and investment management services with the sophisticated use of life assurance as a financial planning structure to achieve fiscal advantages and security for wealthy investors and their families.
- ❑ Optimal Integrated Financial Services (IFS) include the combination of insurance, banking and asset management under one holding company.
- ❑ There are numerous models that can be adopted for bancassurance, many of which are dependent on the structure, geographic spread and working practices of insurance companies and banks.

Insurance business - Regulation (contd...)

- ❑ The issuance of Government of India Notification dated August 3, 2000, specifying 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1)(o) of the BR Act, 1949, allows banks to enter into insurance business.
- ❑ Banks are required to obtain prior approval of RBI by adhering to certain guidelines.
- ❑ The RBI India has specified certain guidelines for banks to take up insurance business as an agent, on a fee basis and without any risk participation.
- ❑ Those banks that want to enter joint ventures with risk-participation have to satisfy the eligibility criteria.

Insurance business - Regulation (contd...)

- ❑ Other regulatory changes include the Insurance Regulatory and Development Authority (IRDA) regulations with respect to the licensing of corporate agents.
- ❑ The Insurance Act allows only those companies registered under the Companies Act to become corporate agents.
- ❑ The IRDA regulations specifies the institutions that can become corporate agents and the training and examination requirements for the individuals who will sell on behalf of the corporate agent.

International Banking

International Banking

Governed by FEMA and FEDAI Rules

Banks which are authorized by RBI to undertake forex transactions are called Authorized Dealers.

Remittance Services

Inward Remittance: There are no restrictions on receipt of inward remittances by residents of India from foreign sources except for receipt of funds by trusts/societies/associations etc- can be received in Rupees or foreign currencies.

Outward Remittance: RBI has imposed certain restrictions on foreign outward remittance to conserve foreign exchange- can be in Rupees or foreign currencies.

Documents used in Foreign Trade:

Bill of Exchange: A bill of exchange or "draft" is a written order by the *drawer* to the *drawee* to pay money to the *payee*. A common type of bill of exchange is the cheque, defined as a bill of exchange drawn on a banker and payable on demand. Bills of exchange are used primarily in international trade and are written orders by one person to his bank to pay the bearer a specific sum on a specific date. Prior to the advent of paper currency, bills of exchange were a common means of exchange.

A bill of exchange may be endorsed by the payee in favour of a third party, who may in turn endorse it to a fourth, and so on indefinitely. The "holder in due course" may claim the amount of the bill against the drawee and all previous endorsers, regardless of any counterclaims that may have disabled the previous payee or endorser from doing so. This is what is meant by saying that a bill is negotiable.

Documents used in Foreign Trade (contd....):

Invoice: An invoice or bill is a commercial document issued by a seller to the buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer. An invoice indicates the buyer must pay the seller, according to the payment terms. The buyer has a maximum amount of days to pay for these goods and is sometimes offered a discount if paid before the due date.

Documents used in Foreign Trade (contd...):

Shipping Document: Shipping documents are the documents used for the shipping transaction purposes like Export- Import, Ship Husbandry, Custom Clearance, Immigration, Loading- Unloading of cargoes, etc.

All appropriate papers and forms needed for international shipping. Necessary shipping documents vary with different goods, but common examples include permission to take the goods out of the country, a statement of inventory, and insurance documentation.

Letter of Credit: Letters of credit are often used in international transactions to ensure that payment will be received. Due to the nature of international dealings including factors such as distance, differing laws in each country and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect of international trade.

The bank acts on behalf of the buyer (holder of letter of credit) by ensuring that the supplier will not be paid until the bank receives a confirmation that the goods have been shipped.

NRI Services

Deposit Services

NRIs are indian citizens or persons of Indian Origin or foreign citizens of Indian Origin who are residents abroad for employment, business or vocation or the duration of their stay abroad is uncertain.

NRIs are permitted to have the following types of accounts:

1. Non Resident Ordinary A/C in Rupees
2. Non Resident External A/C in Rupees
3. Foreign Currency Non Resident A/C in Foreign Currency

Credit Information Companies

Credit Information Companies

- ❑ A credit information company is a company that collects data of borrowers of the bank and financial institutions.
- ❑ The company also makes list of defaulters who have not paid back to the bank and circulates this list so that other institutions do not lend to a defaulter.
- ❑ An efficient credit information system enhances the quality of credit decisions and improves the asset quality of banks, apart from facilitating faster credit delivery.
- ❑ In order to facilitate sharing of information related to credit matters, a Credit Information Bureau (India) Limited (CIBIL) was set up in 2000.
- ❑ The Credit Information Act was passed in May 2005.
- ❑ The RBI has specified detailed guidelines on the basis of which it would consider applications from Credit Information companies

Credit Information Companies (contd...)

Role of Credit Information Bureau

- ❑ Dissemination of credit information covering data supplied on suit-filed defaulters in the financial system is being undertaken by CIBIL.
- ❑ The RBI had issued instructions to banks and Financial Institutions to obtain the consent of all their borrowers for pooling of data for development of a comprehensive credit information system.
- ❑ The CIBIL Act envisages that all banks, FIs and other institutions as specified by the RBI, which are termed, as 'credit institutions' in the Bill should compulsorily become a member of at least one Credit Information Company.

Gold Loans by Banks

It seems all that glitters ultimately turns out to be gold. India's top banks are now vying for market share in the gold loan business, which has so far remained the forte of non-banking financial companies (NBFCs) and a few banks in the South.

At a time when credit demand has been dwindling because of high interest rates, banks have stepped up lending against the yellow metal.

Financing against gold being a secured form of lending, and higher margins are the key reasons why banks are expanding this portfolio.

Loans against gold are considered priority sector advances. This has also made the business attractive for many banks in India.

Syndication

A syndicated loan is one that is provided by a group of lenders and is structured, arranged, and administered by one or several commercial banks or investment banks known as arrangers.

Loan Syndication in India

An integrated network of financial institutions and Banks caters to the long and medium term financing needs of industrial projects, by way of project loans, underwriting, deferred payment, guarantees, leasing, venture capital, and a variety of other financial products. Moreover, debt funding from overseas can be obtained through External Commercial Borrowings, after prior permission from the Ministry of Finance/RBI.

Government Bonds/ Securities by RBI

❑ A Government security is a tradable instrument issued by the Central Government or the State Governments.

❑ It acknowledges the Government's debt obligation.

❑ Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or ~~dated securities with original maturity of one year or more~~).

❑ In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).

❑ Government securities carry practically no risk of default and, hence, are called risk-free gilt-edged instruments. Government of India also issues savings instruments (Savings Bonds, National Saving Certificates (NSCs), etc.) or special securities (oil bonds, Food Corporation of India bonds, fertiliser bonds, power bonds, etc.). They are, usually not fully tradable and are, therefore, not eligible to be SLR securities.

Management of Pension Funds by Banks

- ❑ In exercise of the powers conferred by Section 6 of the BR Act, Central Govt. issued a Notification on May 24, 2007 specifying “acting as Pension Fund Manager” as a form of business in which it would be lawful for a banking company to engage in.
- ❑ On June 28, 2007 RBI has stated that banks may now undertake Pension Funds Management (PFM) through their subsidiaries set up for the purpose subject to their satisfying the eligibility criteria prescribed by PFRDA for Pension Fund Managers.

IPO Services by the Banks

An Initial Public Offering (“IPO”) is a transaction whereby an investment banking firm raises investment capital and takes a company public. Since investment bankers earn large fees based upon the amount of capital raised, they need to ensure there is significant public interest before they can represent a private company. Generally, only large or well known companies are able to attract the interest of investment bankers.

Online IPO Services by Banks

IPO Online is an internet based platform which enables the investor to submit applications in the public issues (whether it is under Book Building/Fixed Price) through the various Banks’ website saving the trouble of submitting application in paper form to the bidding / collection centers & removing any time constraint.

Investment through Online IPO has following benefits:

24*7 available; Invest at customer’s Convenience; No Paperwork Involved; Apply with just few clicks; Track your previous order history; Secured payment transfer.

Merchant Banking

An Investment Banker is total solutions provider as far as any corporate, desirous of mobilising capital, is concerned. The services range from investment research to investor service on the one side and from preparation of offer documents to legal compliances and post issue monitoring on the other.

There exists a long lasting relationship between the Issuer Company and the Investment Banker. A "Merchant Banker" could be defined as "An organisation that acts as an intermediary between the issuers and the ultimate purchasers of securities in the primary security market"

Merchant Banker has been defined under the Securities & Exchange Board of India (Merchant Bankers) Rules, 1992 as "any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory service in relation to such issue management".

Banking Sector and Role of RBI

The Indian banking sector has become market driven since 1991 witnessing entry of new private sector banks and a host of reforms introduced by RBI.

RBI allows a liberal FDI Policy for investing in Indian private sector banks upto 74% with permissible FII investments upto 49%.

RBI has been taking gradual steps for Indian banks to be compliant with Basel III norms.

Foreign investments in public or nationalised banks in India are subject to a limit of 20%.

Brief range of products/ services by Axis Bank as on date:

A] Various Types of Accounts:

Savings A/c

Current A/c

Salary A/c

B] Deposits:

Fixed Deposit

Tax Saver Fixed Deposit

Recurring Deposit

Encash 24

C] Services related to safe deposit Locker

D] Loans

Home Loan/ Car Loan/ Educational Loan/ Personal Loans/ Loans against shares/ Loan against Property/Security

Brief range of products/ services by Axis Bank as on date (contd....):

E] Cards:

Credit Card
Debit Card
Prepaid Card

F] Forex Services

Travel currency Card
India Travel Card
Outward remittances
Foreign currency travellers cheques
Foreign currency cheques/ cash/ Foreign Exchange Rates

Brief range of products/ services by Axis Bank as on date:

G] Investment assistance/ services

Gold Coins/ Mohurs

Online Trading in shares

On line Mutual Fund/ Demat a/c

Saving Bonds etc.

H] Insurance Services

Life Insurance/ Health Insurance/ Home Insurance/ Travel Insurance/ Motor Insurance/ Jewellery Insurance/ Critical Illness/ Card Protection Plans/ Business Advantage/ Safeguarding of personal accident etc.

Part VII: Statutory Pillars of Banking

Recovery of Debts Due to Banks and Financial Institutions Act.

What is the DRT?

The Debts Recovery Tribunals have been established by the Government of India for

- expeditious adjudication and
- recovery of debts due to banks and financial institutions.

The DRTs function under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and as per the Debts Recovery Tribunal (Procedure) Rules, 1993.

Debt

Section 2(g) of the DRT Act defines debt as all monies that becomes due to the bank in the course of its business of banking is a debt under the DRT Act.

DRT: Jurisdiction

Pecuniary Jurisdiction:

As per Section 1 of the Act, read with section 31, all cases whose pecuniary value is Rs. 10 lakhs and above should be heard by DRT only. The civil courts cannot hear any claim of a Bank whose value is Rs. 10 lakhs or more.

Territorial Jurisdiction:

The notification establishing a Debts Recovery Tribunal will also state the area within which the parties should be residing for the DRT to hear their cases. This area, which is notified under S. 3 of the Act, is termed territorial jurisdiction of the DRT.

Who can be an applicant?

Any Bank or Financial Institution which files an application u/S 19(1) of the Debts Recovery Tribunal Act, before a Debts Recovery Tribunal is called the "Applicant". Further, Who ever, being aggrieved by an action taken u/S 13(4) of the SRFAESI Act by an the authorized of a Bank or FI, and approaches the Debts Recovery Tribunal u/S 17(1) of the said Act, is an applicant before the Tribunal.

Where a bank or financial institution has to recover any debt from any person, it makes an application called Original Application (OA) to the Tribunal against such person.

The Applicant with the Registrar within whose jurisdiction the Applicant is functioning as a bank or financial institution as the case may be, for the time being shall file the application.

The following persons can file an application before DRT

- a. Banks and notified Financial Institutions are entitled to file an original application u/s 19(1) of the DRT Act in respect of their debt arising out of banking business.
- b. Banks and notified Financial Institutions whose suit value is Rs. 10 lakhs and above, and pending in civil courts, which were transferred to DRT, are entitled to be applicants before the DRT.
- c. Banks and notified Financial Institutions who have a decree in their favor can come before the DRT as applicants and file an application for enforcement of the decree.
- d. A borrower/guarantor who is aggrieved by the actions taken by an authorized officer under S. 13(4) of the SRFAESI Act can be applicant before the DRT u/s 17(1) of the SRFAESI Act.

- ❏ There are a number of provisions where appeal can be filed within the Debts Recovery Tribunal against its own order.
- ❏ Review and Revision can be filed within the same Debts Recovery Tribunal, which passed the original order.
- ❏ In addition, there is provision for filing an appeal against the orders passed by the Registrar and the Recovery Officer of the Debts Recovered.
- ❏ An appeal against the order of the Registrar lies to the Presiding Officer of the same Tribunal.

Execution of Decree

Powers of Court to enforce execution.- Subject to such conditions and limitations as may be prescribed the Court may, on the application of the decree-holder, order execution of the decree-

- (a) by delivery of any property specifically decreed;
- (b) by attachment and sale or by sale without attachment of any property;
- (c) by arrest and detention in prison ;
- (d) by appointing a receiver ; or
- (e) in such other manner as the nature of the relief granted may require.

Review

S.22(2)(e) of the RDB Act empowers the Debts Recovery Tribunals and the Debts Recovery Appellate Tribunals to Review their own decisions. It is however not in the nature of an appeal. Every application has a time limit.

Enforcement of Security Interest under SARFAESI Act

SARFAESI Act

Section 13 of the SARFAESI Act states that security interest created in favour of secured creditor may be enforced without the intervention of the Court.

Preconditions for Initiation of action under Section 13 of SARFAESI Act

Conditions to be fulfilled before issuance of Section 13(2) Notice : -

- ❑ Borrower is under a liability
- ❑ Makes a default
- ❑ In repayment of secured debt to the secured creditor
- ❑ Account is classified as NPA
- ❑ A demand notice is sent in writing under the signature of the Authorised Officer appointed by the Board of Directors/authority of the Secured Creditor to discharge all the liabilities within 60 days of the date of notice.

Procedure

- ✓ Issue notice u/s. 13(2) giving 60 days time.
- ✓ If, on receipt of the notice under sub-section (2), the borrower makes any representation or raises any objection, the secured creditor shall consider such representation or objection and shall communicate within one week of receipt of such representation or objection the reasons for non-acceptance of the representation or objection to the borrower
- ✓ Keep track of acknowledgment cards.
- ✓ If not served paper publication in two news paper giving 60 days time.
- ✓ Procedure after issuance of notice : If Borrower fails to pay after demand notice, secured creditor may proceed to take possession of Secured Asset.
 - Draw Panchanama to be signed by two witness
 - Make an Inventory and deliver the copy thereof to the Borrower.
 - The Property should be kept in our possession/any person authorised by him to take care of it.
 - Take precaution to preserve and protect Secured Assets till it is sold.

Procedure (Contd....)

- ✓ Valuation of Secured Assets : After possession should obtain valuation report and fix up the Reserve Price.
- ✓ Sale of Secured Assets :
 - Take possession by delivering the Possession Notice and also by pasting.
 - Possession Notice should be published within 7 days in 2 News papers (English and Vernacular).
 - The Property should be kept in our possession/any person authorised by him to take care of it.
 - Take precaution to preserve and protect Secured Assets till it is sold.
 - Before sale obtain valuation form from approved valuer and fix Reserve Price. The Sale can be conducted by obtaining Quotations, inviting tenders, holding public Auction, or by private treaty.

One more important provision

Section 14 stipulates that

- if possession of any secured asset is required to be taken by the secured creditor or it is to be sold or transferred,
- the secured creditor may request the Chief Metropolitan Magistrate (CMM) or the District Magistrate (DM) within whose jurisdiction any such secured asset or other documents relating thereto may be situated or found,
 - to take possession thereof, and the CMM/DM shall, on such request being made to him -
 - (a) take possession of such asset and documents relating thereto; and
 - (b) forward such asset and documents to the secured creditor.

The CMM/DM can take such steps and use such force, as may be necessary in his opinion.

Any action taken by CMM/DM in pursuance of these powers cannot be questioned in any court or before any authority.

Appeal

Application to DRT within 45 days on which such measures are taken.

The DRT shall consider whether any such measures taken by the secured creditor for enforcement of security are in accordance with the provisions of the Act.

If the DRT concludes otherwise, it may order restoration of management and/or restoration of the possessed properties.

Appeal (Contd...)

- ❏ If the DRT concludes that the measures taken are as per the provisions, then the secured creditor shall be entitled to take recourse u/s 13.
- ❏ DRT shall decide within 60 days. DRT can extend the period to 4 months. If within 4 months also the application is not disposed of, then any party to the application can file an application to the DRAT for directing the DRT for expeditious disposal.
- ❏ Appeal to the DRAT within 30 days from date of receipt of the DRT order.
- ❏ Borrower to deposit atleast 50% of the amounts as claimed by the secured creditor or as determined by the DRT whichever is less.
- ❏ DRAT has the power to reduce this deposit to 25% from 50%.

Mardia Chemical Limited vs UOI...08/04/2004 by SC

In this particular case for the first time the constitutional validity of the SARFAESI Act was challenged on various grounds by filing special leave petition.

The SC has upheld the validity of the Act and its provisions except that of sub-section (2) of Section 17 of the Act, which is declared ultra vires of Article 14 of the Constitution of India.

SC has held that the requirement of deposit of 75% of amount claimed before entertaining an appeal (petition) under Section 17 of the Act is an oppressive, onerous and arbitrary condition against all the canons of reasonableness. Such a condition is invalid and it is liable to be struck down.

Transcore Vs. Union of India (UOI) and Anr

- It is for bank/FI to exercise its discretion as to cases in which it may apply for leave and in cases where they may not apply for leave to withdraw – Appeals filed by banks allowed.
- Withdrawal of suit pending before DRT under DRT Act is not a precondition for taking recourse to the SRFAESI Act.
- The SRFAESI Act is an additional remedy, which is not inconsistent with DRT Act.

Essentials of Negotiable Instruments Act, 1881

Action u/s 138 of The Negotiable Instruments Act, 1881

Criminal Liability

- ❏ The Criminal Liability of a drawer in case of dishonour of cheque is dealt with in Section 138 to 142 of Negotiable Instruments act, 1881.
- ❏ A drawer of a cheque is deemed to have committed a criminal offence when the cheque drawn by him/her is dishonoured by the drawer.
- ❏ The maximum punishment for such an offence is imprisonment upto Two years or fine upto twice the amount of the cheque or both. However, this has now been made a compoundable offence.
- ❏ Complaints under these provisions can be made only by the payer or holder in due course and not by any body else.
- ❏ Under such circumstances, the cheque holders of the bounced cheque will have a legal remedy to recover the cheque amount, if the dishonoured cheque was issued towards debt or legal liability. The fine imposed may be up to the double the bounced / dishonoured cheque amount and a whole or a part of it will be awarded to the cheque holders as compensation.

Action u/s 138 of The Negotiable Instruments Act, 1881

Criminal Liability (contd....)

- ❑ If the accused is incapable or refuse to pay fine and prefers imprisonment in civil prison, the Cheque holder will not get any money under this complaint. The alternative for him to file a separate suit for recovery of the cheque amount.
- ❑ The remedy under section 138 , is available only if the cheques are issued to clear debt or liability, a notice is sent properly demanding the payment of cheque amount and the demanded amount is not paid with in time by the cheque drawer.
- ❑ A complaint under this Section will not succeed if the bounced cheques have been issued to pay donations, to advance loan or towards allotment of shares , in short, not issued towards debt or liability.
- ❑ However when the cheque is issued , it will be presumed that it is towards the debt or liability and it is left to cheque drawers to establish in Courts other wise. They can avoid punishment only if they establish that the dishonoured cheques are not issued towards debt or liability and the filing of complaint is not in order . Otherwise they will be liable for punishment.

Action u/s 138 of The Negotiable Instruments Act, 1881

Criminal Liability (contd....)

- Thousands of cases are being filed every day in Indian courts under the Section 138 since the success is almost Guaranteed and there is no court fee/expenses , apart from advocates fee.
- Most of these cases are settled amicably before the final judgment for various reasons. Accused will come for settlement when he has no records to disprove legal liability and the complaint filed , is in order.
- The complainant agrees to settlement when he realizes that either it will take long time to get his money or he may not get it if the accused prefers imprisonment , opting not to pay fine.
- Our courts also encourage amicable settlements by the parties.

RBI as a Banker to Government (contd....)

RBI's role with regard to conduct of Government's banking transaction

In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of now, such agreements exist between RBI and all the State Governments except Government of Sikkim.

RBI's duty in discharging its statutory obligation of being 'Banker to Government

RBI maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section, Nagpur. It has put in place a well structured arrangement for revenue collection as well as payments on behalf of Government across the country. A network comprising the Public Accounts Departments of RBI and branches of Agency Banks appointed under Section 45 of the RBI Act carry out the Govt. transactions. At present all the public sector banks and three private sector banks viz. ICICI Bank Ltd., HDFC Bank Ltd. and Axis Bank Ltd. act as RBI's agents. Only authorised branches of Agency banks can conduct Govt. business.

RBI as a Banker to Government (contd....)

On-line Tax Accounting System (OLTAS) for Direct Taxes : It is a system introduced in April, 2004 for collection, accounting and reporting of the receipts and payments of Direct Taxes on-line through a network of bank branches. The tax payers' data flow from banks directly to Tax Information Network (TIN) maintained by National Securities Depository Ltd.

New procedure for payment of direct taxes at banks

The authorised bank branches accept Direct Taxes by cash or cheque/demand draft drawn on the same branch or on other banks/branches with Single Challan.

The bank immediately returns the tear off portion of the challan duly stamped with a unique Challan Identification Number (CIN) when the payment is made in cash.

In the case of challans presented with cheque/demand draft drawn on other banks/branches, tear-off portion of the challan will be released to the tax-payer only after the realisation of the cheque/demand draft but tax shall be deemed to have been paid on the date of tender.

RBI as a Banker to Government (contd....)

Benefit of new system to the tax payer

The new system is of immense benefit to the common taxpayer. Now a single copy simplified Challan has to be filled up replacing the earlier quadruplicate Challan.

Secondly, it would be possible to obtain an acknowledgement for taxes paid at your own bank branch immediately. Further, the acknowledgement counterfoil with the rubber stamp containing the Challan Identification Number (CIN) assures that the payment is properly accounted for.

The Tax payer can view the details of tax paid by him by logging on to <http://tinnsdl.com> and typing the unique CIN given by the bank.

Tax-payer is no longer required to attach copies/acknowledgement of challan with the Return. He should only mention the CIN details in the Income-tax Returns.

Whether old forms can be used by tax payers?

No. Tax is accepted only with the new prescribed challan forms.

BR Act and Corporate Governance

Section 10A of the BR Act, requires that no less than 51% of the directors of every banking company should possess expertise in the area of accountancy, economics, banking, finance, law and such other areas.

Indian banks' boards are to be predominantly comprised of persons with financial or banking background.

Further, when it comes to corporate governance, the banking sector is subject to greater regulation compared to other companies.

Clause 49 of the Corporate Governance

The non-mandatory recommendation - Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of a company.

BR Act

In terms of Section 10A(2-A)(i) of the BR Act, no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years;

BR Act and Corporate Governance (contd....)

It is a fact that corporate governance in banks (being in the financial sector) has very different implications compared to companies in other sectors. In India, banks are subject to the governance requirements prescribed by clause 49 of the listing agreement as well as those prescribed by the RBI. Other countries follow a slightly modified approach - e.g. Singapore has two sets of codes for corporate governance, one for banks and financial institutions and another for other companies. This approach takes into account the different governance requirements for different types of companies.

Lastly, as to independent directors, there conceptually seems to be a misplaced over-reliance by regulators, commentators and the media on this institution as if it is a panacea to all ills. That is perhaps not to be. Independent directors are only board members (and are not involved in the day-to-day management) who can provide strategic direction and oversight of the company's affairs. There is still considerable debate over the effectiveness of independent directors in corporate governance, although conventional wisdom suggests that independence in the decision-making process on board will make it objective, impartial and diligent.

What is required is to apply substance over form while examining the role of board members, whether independent or otherwise.

Part VIII: Job of an in-house legal counsel

Role of Inhouse Counsel and New Age Banking

- ❏ Growth of the financial sector.
 - ❏ The need to widen the range of financial services that could be offered to the customers under one roof.
 - ❏ Omnibus Section 6(1)(o) of the BR Act.
 - ❏ Specialist fields like private equity, insurance and mutual funds.
 - ❏ More aggressive business departments.
-
- ❏ Aforesaid factors, inter alia, have led to increased involvement and reliance on in-house legal counsel - starting right from the aspect of a possible board proposal - to the point of inking the deal - and the kick off for the business.
 - ❏ Reduction of outsourcing of legal functions- has led to huge cost savings for the Bank on legal advisory services and fast turn around times.
 - ❏ Increased involvement of the in-house legal counsel also helps keeps a check on pan-bank activity.

Overseas branches and cross border transactions

- ❑ Indian Corporates expanding overseas through acquisitions and investments, bidding for projects, etc.
- ❑ Even Indian banks are expanding their operations globally and meeting the funding requirements of the “Indian MNCs” and establishing businesses abroad.
- ❑ In-house legal counsel facilitates the legal compliance and documentation in such cross-border deals.
- ❑ In-house counsel also liaises with external legal counsels of other jurisdictions to ensure that all of the bank’s businesses abroad do not contravene/violate any of the concerned laws.
- ❑ Involvement of the Law Department is extended to liaising with external legal counsel. Also, have to ensure legal compliance within the bank.

Compliance and Operations

- ❑ This bank function forms the core business of the various business engaged in by a financial conglomerate bank in India today.
- ❑ Legal , compliance and banking operations virtually inseparable. The role of in-house legal counsel is ensuring that all such operations are within the permitted legal and regulatory regime.
- ❑ Impact of new legislations such as RTI and increased awareness of retails customers have led to increase in number of complaints and queries. All such issues are being dealt by the in-house legal counsel.

Any Questions???

Thank You
