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**POLICY ON ENGAGEMENT OF BUSINESS CORRESPONDENTS
&
BUSINESS FACILITATORS**



(Approved by Board of Directors vide Board Agenda No.BM/623/2014-15 /
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CENTRAL BANK OF INDIA

Financial Inclusion

Central Office

Mumbai

Revised as on 26th July 2014

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PREAMBLE

In an era of heightened competition, thin profit margins and cost constraints, establishment of conventional bank branches in all locations cannot be a viable proposition. It is, therefore, imperative to explore the possibilities of other cost effective delivery mechanisms to reach out to remote locations and satisfy the financial needs of clientele at an affordable cost. Business Correspondent (BC) and Business Facilitator (BF) models have been introduced in the banking sector with this end in mind. This is an efficient and effective tool for implementation of Financial Inclusion programme of Government of India.

Though there are manifold challenges like credit risk, operational risk, legal risk, reputational risk, difficulty in assessing the integrity of the agents, managing cost on low volume of business, and effective supervision and control of the activities, there exists the potential to unleash employment generation, creativity and productivity in rural hinterlands for bringing about a comprehensive economic development in line with our avowed motto “Build a Better Life Around Us”, and a resultant benefit to the Bank.

The wholly outsourced BC – BF model should complement our strengths to increase business volume and improve efficiency of operation. We have to ensure that the Service Provider meets the benchmark performance standards at all stages of delivery of services, and should not dilute Bank’s values and principles, control mechanisms, business processes or goodwill and reputation.

The Bank formulated a policy on BC & BF during October 2010 and reviewed during April 2012 and now it is reviewed and updated incorporating policy guidelines issued by RBI/ MoF and learning out of our shared experience.

1. POLICY

Increasing our market share by improving our presence in locations where operating a conventional branch is unviable, through leveraging the Business Correspondent model of banking, and improving operational efficiency by leveraging on Business Facilitator model to supplement the infrastructure available at our branches.

2. OBJECTIVES

Objectives of the Policy are:-

- a) To increase our market share and penetration in upcountry locations, where establishing a brick and mortar branch is unviable, by leveraging the strengths of intermediaries,

- b) To frame operational guidelines for safeguards and controls in the activities of intermediaries ie, BCs and BFs,
- c) To improve process efficiencies and reduce transaction costs by adopting technology based solutions,
- d) To identify risks involved and suggest mitigation techniques to minimize probable loss,
- e) To translate the BC / BF unit into a profit centre,
- f) To increase the outreach of our Services by providing comprehensive financial services such as savings, credit, remittance, insurance, mutual funds and pension products at an affordable cost to the financially underprivileged masses across all under-banked and un-banked areas of the nation,
- g) To propagate financial literacy among the masses,
- h) To inculcate banking habit among the populace to increase their income and assets and thereby enabling them to contribute to the economic development of the nation,
- i) To instill entrepreneurial instinct in the BC agents and incentivize them for business expansion to make it a viable activity to them, and
- j) To implement Governments' / RBI's directives on Financial Inclusion and to achieve the targets allotted to the Bank.

3. ELIGIBILITY FOR BECOMING BC/BF

BCs / BFs are extended pool of our work force who deliver limited banking services. Basic capability to read, to write, do arithmetic, and to operate electronic smart-card reader, combined with personal integrity, soft skills and self motivation can make anyone a successful Business Correspondent.

1. Individuals

Preferably matriculate, conversant with the local dialect, without any criminal background, hailing from any of the villages of the area of operation, and able to handle and operate the electronic wi-fi devices. If candidates are not available from the area of operation, suitable candidate from nearby villages, preferably within 10 km, may be engaged with the approval of Regional Manager.

2. Entities

Entities should have capability, capacity, market standing, sound corporate management, sound financials and footprint in the proposed area of operation.

Track record as BC or BF would have weightage.

Aspirants should be from the categories permitted by RBI (**Annexure I**). Criteria for selection of BC and BF are given in **Annexure II**. Eligibility for BCA is same as that of Individual BC.

As per extant guidelines issued by RBI, Non-deposit taking Non Banking Finance Companies (NBFCs-ND) are permitted to be engaged as BCs, subject to the following conditions as under:

- a) It should be ensured that there is no comingling of bank funds and those of the NBFC-ND appointed as BC.*
- b) There should be a specific contractual arrangement between the bank and the NBFC-ND to ensure that all possible conflicts of interest are adequately taken care of.*
- c) Bank should ensure that the NBFC-ND does not adopt any restrictive practice such as offering savings or remittance functions only to its own customers and forced bundling of services offered by the NBFC-ND and the bank does not take place.*

4. SCOPE OF ACTIVITIES

BC/BF can be engaged only for activities specified by RBI. No cash transaction/cash handling is permissible for BFs.

The activities of the BCs should be those falling in the ambit of normal banking business and done at places other than the Bank premises / ATMs.

While BF / BC collects the PoI/PoA documents from the field, the responsibility for ensuring KYC and AML compliance rests with the Branch officials.

The individual BCs/ BCAs are permitted to act as BFs in their command area in respect of Non-Target-Group clients. Non-target-group clients are clients whose needs are beyond the scope of activity of BCs, and which are serviced by the branches. The commission as applicable for BF activities shall be offered to them in addition to their BC remuneration.

BCAs can also be engaged for Aadhaar seeding.

The list of permitted activities for BC/BF are given in **Annexure III**

5. AREA OF OPERATION

Area of operation should be based on Sub Service Area as decided by State Level Bankers Committee/LDM.

A Business Correspondent shall not be appointed in the village where our branch is located. The field BC / Individual BC may cover 2-3 contiguous villages and cater to 1000-1500 households based on sub service area approach. The Individual BC will be linked to a base branch, which would be our nearest branch to his area of operation, and would be under direct control and supervision of the Branch Manager of the Base Branch. The bank accounts serviced by the BC will have the Base Branch as its Home Branch and Base Branch should provide pass books to FI Customers.

The distance criterion between the BC-Outlet from the base branch is removed as per guidelines issued by RBI.

6. STANDARD OPERATING PROCEDURE AND LOGISTICS FOR BCA/CSP

The Standard Operating procedure and logistics to be provided at the CSP is attached as **Annexure IV**

7. SELECTION PROCEDURE

a) Entity – Corporate BC/BF (CBC/CBF)

i. The members of selection committee for CBC/CBF at different levels are given below:

| BC entity's operation | Selection made by | By committee comprising of |
|-----------------------|-------------------|----------------------------|
| National Level | Central Office | GM(PS), DGM(PS), DGM(FI) |
| State level | Zonal Office | DGM(ZO), CMRD, CMHRD |
| District Level | Regional Office | RM,ARM/LDM and BM |

ii. For appointment of CBC/CBF to work at National level/ State level/ District level, tenders shall be floated by CO/ZO/RO inviting applications from interested organizations.

iii. The CBC/CBF shall submit the tender documents to the prescribed authority as per tender.

iv. The selection / tendering process should be as per the extant provisions of CVC guidelines. The bidder quoting the lowest rate, providing security deposit or performance bank guarantee and satisfying eligibility criteria, will be selected after conducting due diligence. The financial status and other aspects as per our outsourcing policy shall also be taken into consideration in the selection process.

RO/ZO has to carry out preliminary exercises such as due diligence, obtaining legal report, collecting market information about promoters, and obtaining confidential report from Banks, before forwarding the application with their recommendations to higher authorities.

CBC/CBF shall appoint agents on the field. These agents shall function as BCAs/BFs. These BCAs/BFs shall be screened by a selection committee comprising of RM, ARM/LDM and Base Branch Manager. Proper due diligence, police verification and full KYC will be done before enrolling the individual as BCA by the base branch.

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The common BC selected in the clusters through RFP floated by the committee headed by Leader Bank of the respective clusters will have to be utilized first. In case of non-availability of such BCs, selection will be done through above procedure.

Bank has executed agreement with M/s CSC eGovernance Services India Ltd, the monitoring body of all the Common Service Centers in India. Wherever Common Service Centers exist, they have to be given priority over other BCAs.

Note :

- i Legal opinion is to be obtained for registered bodies and their eligibility to work as Business Correspondents should be ascertained (which should be in the object clause of their constitution)
- ii During the selection process, it should be made clear to the entities that they / their agents will render services to the Bank on contract basis with remuneration linked to their work / performance and that there will be no employer-employee relationship between the Bank and the BC/BF.
- iii Fidelity insurance policy with Bank Clause should be obtained by the CBC to mitigate outsourcing risk. Original policy should be held with the Bank and Regional Offices are to monitor its validity.
- iv After selection of the CBC, an agreement will be entered into by the Bank and the entity which will contain the terms & conditions, incentive structure and such other details of the engagement.
- v The clause of “Bank shall not be liable for any of the act of BCAs” should be incorporated in the service level agreement.
- vi The CBC/CBF should furnish a list of authorized agents employed by them with their bio-data containing photograph, address, age, educational background, present occupation, monthly income, details of existing banking arrangements, area of operation, and past experience related to banking & insurance. This has to be updated at least once in six months.

Advertisement formats are provided in **Annexure V**.

b) Individual

- i. For individual BC/BF appointment, filled in applications are to be invited at the Base Branches by displaying notices in public places of the villages/Panchayats. The required security deposit is also to be obtained.

ii. After scrutiny of the application forms (**Annexure VI**), the eligible individuals are to be short listed. Selection and appointment shall be after personal interview with a panel of three officers consisting of the Base Branch Manager, and a representative of Regional Office. Appointment shall be after due diligence and complying with complete KYC norms.

8. DUE DELIGENCE OF BC/BF

Before selecting the BC/BF the recommending and selecting authorities have to meticulously examine the antecedents and objectives of the applicant from the angle of regulatory frame work, integrity, capacity to perform and care for the interests of the Bank. Through this due diligence check we intent to minimize the risks involved in appointment of BC/BF. Broad Parameters for due diligence check is attached as **Annexure VII**.

9. SECURITY DEPOSIT

For directly appointed individual BCs/BFs, a security deposit not less than average monthly earning of the past six months should be built up in the base branch over a period of initial six months by deducting 15-20% from the monthly remuneration. Security deposit may be increased to cover the cost of equipments, cash and other assets of the Bank entrusted with the Direct BC for his functioning.

CBC/CBF/ end-to end service provider should provide for security deposit in respect of all agents appointed by them by way of cash deposit with the Bank or as performance bank guarantee for an amount not less than Rs.25000/- per BCA.

The security deposit shall be held as interest bearing Term Deposit Receipt in the name of the BC under Bank's lien at the base branch till the time BCA works with us.

10. AGREEMENT BETWEEN CBC/BF and BCA/BFA

The agreement to be entered into between the BC and the BCA (BF and BFA) has to be got vetted and approved by the Bank. No unsecured non- refundable deposit or any registration fee or any other kind of non- refundable money can be taken by the BC/BF from the BCA/BFA. In lieu of supplying the front end device to the BCA, the BC may obtain a refundable security deposit of an amount not exceeding Rs. 40,000/- which will have to be deposited as fixed deposit for a specified period in the name of the BCA in the local branch of the Bank and a lien will be marked in favour of the BC which can be exercised by the BC only when the BCA does not return back the device after due notice. Violation of these conditions will constitute deficiency in service.

11. TRAINING & CAPACITY BUILDING

After selection, the field BC/BF has to be trained to equip him to perform his duties effectively. Technical training in operating of Hand Held Device will be provided by the Technology Service Provider. Base Branch Manager has to mentor and hand-hold the BC/BF in banking principles and practices, and about our products.

BCs / BFs are to be encouraged to undergo IIBF certification course through the accredited institutions.

Indicative list of training topics is given in **Annexure VIII**.

12. CSP SPECIFICATIONS

1. Location and Office

The Customer Service Point (CSP) may be established at the residence of the BCA/BF or at any other convenient location owned or leased for that purpose. Base Branch has to explore the possibilities of opening Ultra Small Branch (USB) and also obtaining rent free premises from the Panchayats or Local Government Bodies.

2. Signboards

All CSPs should be distinguished with a sign board with Bank's Name and Logo. Displays showing name of CSP, Name of Base Branch, working hours, fees for all services available at the outlet, escalation matrix for grievance redressing mechanism with telephone numbers, and the address and phone number of Banking Ombudsman should be available. Bank's name should be in trilingual and all other displays should be in the regional language. Specimens of the boards and Grievance Escalation Matrix are given in **Annexure IX**. In case of opening of a USB in the location the signboard specified for USB need to be displayed.

3. Access

Public should have access to the CSP for availing services and there should not be any discrimination based on gender, caste, creed or social stratum.

4. Infrastructure Facilities

It is desirable to provide minimum facilities, such as a table, chairs, drinking water facility and wash room facility at the CSPs.

A cash box with lock and key has to be provided to the CSP for safe keeping and transport of cash and other valuables.

5. Suggestions and complaints

Customers desirous of making suggestions or complaints may be facilitated with a locked box at CSP with keys held by the Base Branch Manager. Complaints register to be maintained as per Bank's policy on grievance redressing.

6. Information on Bank's products & services

Bank's leaflets, pamphlets, brochures, flyers and banners about products and services are to be displayed at the CSP.

7. Working Hours

Normally the working hours of the CSP should be the office hours of the Bank. It could, however, vary depending on the local needs with prior consent of the Base Branch Manager and the TSP.

8. Leave of absence of BCA

The CSP would be functional on all days of operation of the Base Branch. The BCA shall be entitled to a day's leave for every month, non-cumulative, with prior approval of the Base Branch Manager. The BC entity should have contingency arrangements and back-up mechanism to continue the services in case of unanticipated absence of BCA for period in excess of six days due to death, illness or other untoward incidents.

(Also see the Standard Operating procedure and logistics to be provided at the CSP is attached as Annexure IV)

(Guidelines on Ultra Small Branch is attached as Annexure XXII)

13. AGREEMENTS

Service Level Agreements have to be entered into with the service providers before engaging them for the assignments. Specific terms and conditions in line with the prevailing local laws and our outsourcing policy are to be incorporated, and draft agreement has to be vetted by the Legal Department of the Bank before execution. A confidentiality agreement has to supplement the main agreement. Format of a model agreements are given as **Annexures X and XI**.

14. DUTIES AND RESPONSIBILITIES OF BCs / BFs

The Field BCs/BFs are to carry out their assigned jobs with utmost care, devotion, prudence, diligence and with the highest degree of integrity to enhance the Bank's interest and image.

The duties and responsibilities and code of conduct of BCs/BFs are attached as **Annexure XII**.

15. REMUNERATION / PAYMENT FOR ENGAGEMENT OF BC/BF

The rates payable for BC preferably based on transactions.

The BCA/BF should be adequately compensated for their subsistence and for their continued interest in the activity. They may be incentivized on business volume/transaction/milestone basis, with stipulation of a minimum threshold limit, to

encourage them for business development. While introducing new products, commission may be paid to the BCs for successful launch the product. Any such incentive or commission, over and above the agreed payments, is to be approved by the Board of Directors of the Bank. As the delivery of services and products are at the convenience of customers, we may recover the incentives and commission from the customers. However, BCAs/ BFs are prohibited from receiving or collecting any commission directly from the customers.

The agreement entered with the service provider should contain the remuneration and incentive structure for delivering different services.

While engaging CBC/CBF, we have to ensure prompt and reasonable payment to the field agents employed by them. Salary account of BCA shall be maintained with the Base Branch. It must be a full-KYC compliant account. The Base Branch Manager should make sure that the BCA is paid regularly by his employer as per their agreed terms, in time, and in a transparent manner.

The indicative remuneration structure of BF/BC for different activities is listed as **Annexure XIII**. It may be noted that the rates are indicative and the RO/Branch has to negotiate with the service provider for further reduction.

Monthly payments due to the TSP/BC shall be processed, approved and paid at the Regional Offices based on the certification done by the Base Branch Managers.

16. IDENTITY CARDS

Laminated Photo Identity Cards shall be provided to the Field BCs/BFs. This would be issued by the Base Branch Manager, jointly signed by him and the authorized person from the BC/BF entity and shall be valid for an year. A BCA/BF Control Register shall be maintained at the Base Branch for recording issuance of identity cards to the BCAs/BFs with their complete details.

On demitting the job, the BCA/BF has to surrender identity card at the Base Branch. The BCA will also submit the complete reconciliation details of cash, equipment, books, and registers and surrender them before leaving. Dispensing with the services of the BCA/BF is to be given wide publicity in the area so that the customers do not deal with him as an agent of the Bank.

We are in the process of issuing Unique Identity Number to the BCAs which will be used in our CBS as well. After finalizing the unique identity number the same will be used in the identity cards.

Specimen of identity card for BCA and BF is attached as **Annexure XIV**.

17. OVERDRAFT FACILITY TO BCA

The responsibility of cash management is with BC/BCA. However, for carrying out transactions in the field, all BCAs are permitted to retain up to Rs.10,000/- provided to them in the form of an interest-free, margin-less overdraft. All cash transactions done by BCA shall be routed through this account. The balance in this account represents cash held with BCA and is reckoned as Cash in Hand for the Bank for all regulatory purposes. The sanctioning authority of the OD limit is delegated to the Base Branch Manager. This cash holding limit shall be provided by the Base Branch Manager upon the joint request of BCA and CBC/end-to-end solution provider. CBC/end-to-end solution provider should indemnify the Bank against any loss arising out of this arrangement. The BCA would execute DPN and letter of continuity and would not have cheque book facility in this settlement account.

In case of outstanding amount of the OD exceeds the OD limit sanctioned, Bank will charge interest at commercial rate (Base Rate + 4 %) on the overdrawn amount and recover from the BCA/BC.

18. INSURANCE

1. Fidelity Insurance

Fidelity Insurance Policy covers losses caused by dishonest deeds of the BCAs. The insurance policy should have Bank clause. CBC/end-to-end solution provider has to obtain the fidelity insurance cover on their agents and the original has to be submitted to the Bank.

2. Insurance on cash

BCAs are required to receive/carry/store and travel with Bank's cash in their normal business activity. Insurance policy with Bank Clause for the maximum cash holding limit has to be taken covering all the risks for transit and holding, by the BC entity. Original Policy is to be held under safe custody by the Bank. Periodical renewal of the policy is to be ensured with premium being borne by the BC entity.

19. GRIEVANCE REDRESSING MECHANISM

For redressing grievances about deficiency in services rendered by Business Correspondents, a Grievance Redressing Mechanism is setup in our Bank. The grievances may be taken as a feedback on our services and used as a tool to improve the quality of our services.

All the complaints/ grievances have to be attended to expeditiously and the complainant should be informed about the action taken. No complaint should remain unattended beyond seven days of receipt of complaint. Bank has to take all efforts to settle/ close the

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issue within a reasonable period of time, not exceeding the limits set in the Customer Grievance Redressing Policy of the Bank. Nature of complaints have to be reviewed/ analysed quarterly at Regional Office and reported to OPR/FI/ RMD(ORM Cell) at Central Office.

The escalation matrix of grievance redressing mechanism is given in **Annexure IX**.

20. FRAUD AND EMBEZZLEMENTS

Immediately on detection of any fraud or embezzlement, a flash report should be sent to Fraud Investigation Cell, Central Office by the Branches through RO/ZO with copies marked to Financial Inclusion Department and RMD (ORM Cell). A detailed report in the specified format should be submitted as per extant guidelines.

21. KYC NORMS

Ensuring compliance of KYC norms is the responsibility of Bank and it cannot be delegated. The Base Branches have to ensure KYC compliance of the customers based on the documents submitted along with the applications.

- i Relaxed KYC norms as approved by RBI and modified from time to time should be ensured for Basic Savings Bank Deposit accounts opened through BCs /BFs.
- ii The Application Forms and supporting documents have to be verified and KYC compliance ensured by the Base Branch Officials.

22. TERMINATION OF ARRANGEMENT

Flouting any of the terms & conditions of the MOU/Code of Conduct entails cancellation of Bank's approval for the BC entity or BCA. The decision would be taken by the head of selection panel, not below the rank of RM, on the recommendations of the Branch Manager. The termination of service would be widely publicized through local newspapers and /or local TV network in the area of operation of the individual/entity.

In case of gross violation or recurring minor violations of the code of conduct, RM may summarily terminate the arrangement with the BCA/BF, after providing him an opportunity to explain the deeds.

In case of branch of any bank or our Bank is opened in the village where a CSP operates, Bank is at liberty to discontinue him or relocate him.

Bank reserves for itself the right to disengage with the BC without assigning any reason by giving them an advance notice as prescribed by the Service Level Agreement.

Alternate arrangements have to be ensured for continued operations and to protect the interests of the customers.

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23. PERIOD OF ENGAGEMENT & REVIEW

Initially the period of engagement as a BC shall be 5 years extendable for 2 years, with a clause of termination without assigning any reason at the option of the Bank by giving a 30 day's advance notice.

Performance will be reviewed on a monthly basis. The ineffective BC should be removed/ replaced. Satisfactorily performing BCs may be allowed to continue operations for further period of one year each at a time.

The lead indicators of performance would be business mobilization and absence of customer complaints.

The review/ renewal will be conducted by authorities as shown below:-

| BC/BF entity at: | Reviewing Authority | Approving Authority |
|------------------|----------------------------|---------------------|
| National Level | AGM Zonal Office | DGM-FI |
| State Level | Regional Manger | Zonal Manager |
| District Level | LDM / District Coordinator | Regional Manager |
| Individual BC/BF | Branch Manager | Regional Manager |

The performance indicators for review is attached as **Annexure XV**

Prior written notice of one month, or penalty equal to one month's average remuneration worked out for the immediately preceding six months, is necessary for voluntary resignation of BCA/BF.

Without prejudice to the banks' right to terminate the agreement, for any defective service or inability to provide the service for any reason or for non-functioning of the CSP for any reason, beyond 5 (five) working days continuously, a penalty @ Rs. 500/- per day will be levied for each of the Customer Service Point for the entire period, during which the CSP remains non-functional.

24. CONSUMER PROTECTION MEASURES

Customer satisfaction is of supreme importance while rendering Banking Services. The Bank would take all steps to protect the interests of the customers and to ensure fair, transparent and prompt delivery of services through BC/BF Channel.

Periodical visits by Bank officials to the CSPs are intended to get a feel about the services rendered by BCA/ BF.

Points for safeguard are attached as **Annexure XVI**.

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25. SURPRISE VERIFICATION SYSTEM

Surprise verification system as a monitoring and supervising tool provides unbiased, onsite, firsthand information about the functioning of the unit.

At Branch Level:-

- i. An official from the branch has to visit the BC location every week.
- ii.** The Base Branch Manager has to conduct surprise visit at least one BC location in every week. This is in addition to the weekly visit conducted by the designated officers
- iii. The Branch personnel has to carry out surprise verifications of the details of the account holders submitted by the BCA/BF, by visiting the residences of the customers and verifying on a random basis .
- iv. The market reputation, creditworthiness, honesty of the prospective borrower shall be verified by the Branch official through confidential sources.
- v. The Bank shall make surprise verification of the records of BCA in respect of disbursal of small value credit, recovery of Principal/collection of interest, etc. regularly.
- vi. The physical verification of cash held with the BCA has to be done during each visit.
- vii. Feedback has to be collected from the villagers about the quality of service rendered by the BCA. In case of any deficiency, proper guidance or corrective measures have to be initiated.

FI Coordinators

- i) FI coordinators appointed in the Non-lead Districts have to conduct periodic surprise visits to each BC location at least once in a month.
- ii) They have to inspect the overall functioning of the BC and organise awareness camps and FI Melas.

LDM/RM/ZM need to conduct surprise visits to the CSP locations in villages on a random basis, and all the CSPs in their command area should be visited at least once in a year by LDM or RM or ZM.

26. CONTROL, SUPERVISION AND MONITORING:

A multi-level monitoring and control mechanism, both onsite and offsite, is existing in our Bank. Effective adoption of it will strengthen the system and minimize the inherent risks associated with the project.

Offsite supervision measures

- Monitoring the daily reports generated by CBS and checking it with the relative transactions in the OD account for cash of Field BC is to be done at the Base Branches.
- Monitoring the reports at the Begin-Of-Day and at End-Of-Day of the BCAs.
- Audit and Inspection reports

Onsite monitoring methods

- Periodic field visits and verification of records by Branch officials, FI coordinator, LDM, RM and other Bank officials.
- Periodic Feedback received from customers and village level officials like Gram Pradhan, Mukhya, etc., about the conduct and delivery of services at the CSP.
- Inspection of registers and records held with the BCs and verification of cash in hand.
- Audit of functioning of CSPs

The authorities responsible for monitoring and supervision are:

| | |
|----------------|------------------|
| Level | Officer |
| Village Level | Branch Manager |
| District Level | Regional Manager |
| State Level | Zonal Manager |

27. BUSINESS CONTINUITY MANAGEMENT AND DISASTER RECOVERY PLAN

As a standby arrangement we may short list more BCAs from each village, train them, and keep them ready to serve during unexpected absence of incumbent BCA, meeting periodical or sporadic spurt in business activity and such other contingencies. Base Branch shall have a plan ready for extending services through the branch or another nearby BC outlet in case of shutting down of services at a BC unit.

Backup of all the records has to be obtained periodically, at least monthly, and preserved in hard form or soft form at the Base Branch.

An Escrow mechanism for the programmes and software used by the TSP has to be arranged until such time the operations migrate to CBS of the Bank.

Indicative measures are appended as **Annexure XVII**.

28. CONFIDENTIALITY AND SECRECY

The maintenance of confidentiality and secrecy of the customer information in the custody of BC/BF is of paramount importance. Confidentiality cum non-disclosure agreement is a part of the Service Level Agreement. The monitoring authorities have to keep close watch to prevent any action which may hamper or dilute maintenance of secrecy.

Measures to be taken are given in **Annexure XVIII**.

29. RISKS AND RISK MITIGATION TECHNIQUES

The engagement of BC/BF by the Bank to carry out financial transactions and other financial inclusion activities on behalf of the Bank exposes the Bank to various risks. The Bank is exposed to vicarious liabilities on acts of commission and omission by the BC/BF. Therefore, risk identification, assessment, monitoring and mitigation techniques are necessary. Different types of risks and their mitigations techniques are given in **Annexure XIX**.

30. CASH MANAGEMENT BY BC

The entire cash management should be done by BC/BCAs. No cash management will be done by the Bank. Bank will allow an overdraft limit at the prevailing limit.

Business Facilitator is not permitted to handle cash. The cash balance with the BCAs is reckoned as Cash in Hand of Bank for all regulatory purposes. The responsibility of receiving cash, making payments to customers, and managing the stock within permissible levels would lie with the BCA

The cash held with BCA and cash in transit have to be insured with bank clause with premium borne by BC. The policy has to be in safe custody of the Bank.

All the cash transactions will be routed through the OD account of the BCAs. The debit balance in the OD account represents the cash on hand of the BCA at any point in time.

Surprise checking of cash held by the BCA has to be done by the officials from Base Branch, officials from RO, LDM and auditors.

31. TRANSACTION LIMIT BY CUSTOMERS THROUGH BCA

The cash withdrawal limit by customers through BCAs has been increased to Rs.40,000/- per account per day in line with ATM transactions.

For deposits of cash to the accounts through BCAs there is no ceiling. However, the cash transactions should be within the overall limit prescribed by KYC/AML guidelines pertaining to the account.

32. AUDIT

Audit is necessary to ensure compliance to systems and procedures, and to sense warning signals about weak links. This is an effective supervisory and monitoring tool for risk mitigation.

The BC activities, both in the field and at the back office, have to be audited periodically. Branch audit should include the audit of FI activities and the internal auditor should visit the BC locations. The back office activities have to be audited preferably by a specialist system auditor.

Considering the perpetuity of operations through FI channel, audit should be an ongoing process piggybacked to routine internal audits of the branches.

Indicative scope of audit is attached as **Annexure XX**.

33. ROLES AND RESPONSIBILITIES OF OFFICES AT VARIOUS LEVELS

The success of BC/BF model of delivery is lies in utilizing BC /BF agent to increase the transactions on an environment of closed monitoring. For this we have to properly nurture and motivate BCAs and BFAs. Through proper capacity building and motivation of our BCs it is possible to convert them as a contributor to our business/ profit. We attach an indicative list of roles and responsibilities of offices at various levels to attain the above as **Annexure XXI**

34. FINANCIAL LITERACY

It is our endeavour to make each Customer Service Point act as financial counselling centre for the village. It should spread knowledge about the need for availing of services and products of formal financial channels and ill effects of informal moneylenders. Bank has to equip BCA/ BF with knowledge and skill through training and certification by IIBF.

35. ARRANGEMENT WITH EXISTING SERVICE PROVIDERS

The terms and conditions entered with the existing service providers (TSPs/BCs) will continue till the expiry of their arrangement and we have to make suitable amendments as per this policy documents during the review / revision of their arrangements.

36. WAY FORWARD

Command Area or Service Area of a BCA has been defined as a Gram Panchayat. The BCA, for all practical purposes, would function as our branch office in the Gram Panchayat. It is possible to achieve Break Even Business volume for each BCA outlet in a short span of six to nine months. For it to happen, we have to realize the potential, build pride in the BCA as a representative of the Bank, and provide him guidance and support for generating quality business. Our aim is to make all our CSPs economically viable by contributing to holistic development of the Gram Panchayat.

“Build a Better Life Around Us”.

RBI directives

| Business Facilitator Model: | Business Correspondent Model: |
|--|---|
| (a) Eligible individuals and entities | |
| <p>Individual:</p> <ul style="list-style-type: none"> • Retired Government and PSU Servants • Ex-service men • Individual owners of kirana / medical / fair price shops • Small Savings Schemes agents • Individual Petrol Pump owners • Well run SHGs • Individuals operating Common Service Centres • Insurance Agents | <p>Individual:</p> <ul style="list-style-type: none"> • Retired Government and PSU Servants • Ex-service men • Individual owners of kirana / medical / fair price shops • Small Savings Schemes agents • Individual Petrol Pump owners • Well run SHGs • Individuals operating Common Service Centres • Insurance Agents |
| <p>Entities:</p> <ul style="list-style-type: none"> • NGOs • Farmer's Clubs • Functional cooperatives • Community based organizations • I.T. enabled rural outlets of corporate entities • Well functioning Panchayats • Rural Multipurpose kiosks / Village Knowledge Centres • Agri-Clinics/Agri-Business Centres • Krishi Vigyan Kendras • KVIC / KVIB units • Post Offices • Insurance agents • Any other entity, as may be specified by RBI from time to time. | <p>Entities:</p> <ul style="list-style-type: none"> • NGOs set up under the Indian Societies / Trusts Acts • Cooperative Societies registered under Mutually Aided Cooperative Societies (MACS) Act or the Cooperative Societies Acts of States/Multi State Cooperative Societies Act. • Section 25 Companies. • Companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets, excluding NBFCs. • Post Offices • Primary Agricultural Cooperative Society (PACS) • Customer Service Centres (CSCs) • Authorised Functionaries of well run Self-Help Groups (SHGs) linked to Banks. • <i>Non-Deposit taking Non Banking Finance Companies (NBFCs) subject to the conditions given in Page-5</i> |

(b) Selection Criteria:

| Business Facilitator | Business Correspondent |
|---|---|
| <ul style="list-style-type: none"> • Should know the local language/dialect. • Should satisfy the norms of due diligence. • Should have knowledge about the area. • The individual should be a permanent resident of one of the villages in the area of activity. • Should not be actively associated with any political organization. • The organization / office bearers / members should not have any criminal record (Police verification must be done in respect of each applicant found suitable). The selection may however not be withheld for delay in receipt of the police verification report. • Past dealings, if any, with the Bank should have been satisfactory. • Should not be a Director or officer/employee of the Bank or a relative having the same meaning under Section 6 of the Companies Act 1956, in the case of individuals and in the case of entities, be owned or controlled by such person(s). • Wherever felt necessary suitable sworn affidavit may be obtained. • Age should not be above 65 years at the time of selection. Continuation in service, subject to satisfactory performance, till the age of 75 years. | <p>In addition to the selection criteria prescribed for Business Facilitators the following aspects would also be considered while selecting Business Correspondents:-</p> <ul style="list-style-type: none"> • Should be well established, enjoying good reputation and stature and having the confidence of the local people. • Should have significant presence in the area. (For entities) • Should have a satisfactory track record and should be able to generate the funds required for this service. • Should not be owned or controlled by any Director or officer / employee of the bank or a relative having the same meaning under section 6 of the Companies Act, 1956. • Age of individual BC should not be exceeding 65 years at the time of selection. Continuation as BC, subject to annual performance review, till the age of 75 years. • In case of BC entities desirous of appointing sub-agents in the field, branches have to ensure that such Field BCs are appointed only after proper due diligence process. • Where individuals have been appointed as BCs, they cannot in turn appoint sub agents. • Preference should be given to well regulated entities. |

Annexure III

| (c) Permitted Activities: | |
|--|--|
| Business Facilitator | Business Correspondent |
| <ul style="list-style-type: none"> • Conducting only non-cash business activities. • Identification of potential customers. • Collection account opening forms, preliminary processing of loan applications, including verification of primary information / data. • Filling of loan applications / account opening forms including nomination clause and submission to the Bank. • Assisting in pre and post-sanction monitoring and follow-up for recovery (only after complying with RBI instructions on recovery agents). • Promoting and nurturing Self Help Groups (SHGs) / Joint Liability Groups (JLGs), wherever relevant. • Creating awareness about savings and other products and education and advice on managing money and debt counseling • Promoting various products of the Bank. • Aadhaar seeding. | <p>In addition to the activities listed under the BF Model, the scope of activities to be undertaken by the BC will include:</p> <ul style="list-style-type: none"> • Cash receipt and cash payment of bank accounts within the prescribed limit per transaction • Disbursal of small value credit • BCAs should not be allowed to recover the amount from NPA borrowers directly. They can facilitate recovery. Here the role of BCA and BFs are the same. This is subject to fulfillment of conditions as stipulated by RBI. • Collection of small value deposits • Sale of micro insurance/ mutual fund products/ pension products/ other third party products and • Receipt and delivery of small value remittances and other payment instruments. • Any other service on behalf of the Bank, duly authorized by the appropriate authority. • The activities to be undertaken by the BC would be within the normal course of the Bank's banking business, but conducted through and by the entities at places other than the Bank's premises/ATMs. • The BC/his agent will be authorized to accept / deliver cash either at his place of work or at any convenient location subject to the ceilings per day / per customer as laid down. • BCAs are permitted to appoint as "specified persons" under the Bank's Corporate agency ship, if they have undergone the requisite 100 hours training and successfully completed the certificate examination as stipulated by IRDA. • Aadhaar seeding |

*Note

- i The institution and /or its office bearers should not be defaulter of any Bank/Financial Institutions.
- ii While a BC can be a BC for more than one bank, at the point of customer interface, a retail outlet agent or Field BC shall represent and provide banking services of only one Bank.

CENTRAL BANK OF INDIA APRIL 2014

**STANDARD OPERATING PROCEDURE (SOP) FOR BUSINESS
CORRESPONDENTS**

A. Logistics at the BC / CSP outlets -

- a. Display of signage as approved by the Bank.
- b. Display of BC certificate as an authorized Bank's BC.
- c. ID card for BC and BCA to be issued by the Bank and BC respectively.
- d. Ensure availability of required Stationery – Account opening forms, loan application forms, check lists, publicity materials / pamphlets / job cards for banking products.
- e. Display of Phone numbers of Help line, Bank officials (link Branch / Channel Manager/Regional Office)
- f. Maintenance of Registers:
 - ✓ Records of customers enrolled;
 - ✓ Account opening forms sent to link branch;
 - ✓ Account opening forms pending to be sent;
 - ✓ Customer contact register;
 - ✓ Applications received and disposals register; and,
 - ✓ Visitors/Bank officials visit register.
- g. Name of grievance redressal official and contact no to be displayed.
- h. Ensure provision like box, almirah for safe upkeep of finger print scanner / device etc and other stationery registers.
- i. List of Do's and Don'ts for customers to be displayed.
- j. Provide enough space for a bank officer to work at the outlet during his visit.

B. Image building and trust -

- a. BCs to create awareness about the channel among the public.
- b. BCs to market the banking products and a pull for the customers.
- c. BCs to do due diligence for CSP selection.
- d. Arrange mass enrollments to reduce cost.
- e. Arrange for training of CSPs.

C. Technical Requirement -

- a. Safe upkeep of frontend device viz. PoT / PoS, Mobile, PC Kiosk.
- b. Keeping the device battery charged / in ready mode for providing services.
- c. Maintaining help line number of technology / device provider.
- d. Downloading the updated versions of the frontend applications.
- e. Uploading the transactions on daily basis.
- f. Downloading the card summary / account balances on the device as per the process which may differ channel to channel.

- g. Keeping the PIN / CSP cards secret to obviate any possibility of unauthorized use of the technology device.
- h. Handheld device should be owned by BC /BCA

D. Operational Requirement –

- a. Approval from the Bank for establishing a CSP outlet at any centre.
- b. Account opening form filling up and collection of required KYC documents / photograph of the customer.
- c. Enrollment of the customer as per the process approved by bank.
- d. Digitization of customer details within 2 days of customer enrollment and transmission of data to the bank.
- e. Sending account opening forms to the link branches.
- f. Coordinating with link branches for expedite verification and upload of customer data in CBS for account creation.
- g. Distribution/delivery of card / CBS account number to the customers after account creation in bank's CBS.
- h. Arranging removal of objections raised by the link branches in account creation.
- i. Maintaining secrecy about customer account information.
- j. Maintenance of sufficient balance in the BC settlement account to support customer transactions and fund settlement with the bank.
- k. Expedite increase of BCA electronic limits to ensure continuity in customer services.
- l. Arrange for availability of sufficient cash at CSP outlets.
- m. BCs will ensure replenishing / collection of surplus cash from the CSP outlets.
- n. BCs will ensure to regular payment of remunerations to the CSP/BCAs.
- o. BC will not collect any interest free deposits from the BCAs
- p. BC will not collect any non-refundable deposits from BCAs
- q. BCs will ensure availability of consumables like printing paper etc at the CSP outlets.
- r. BC will arrange for reconciliation of customer account balances with the bank.
- s. BCs to ensure issuance of PoS / technology device generated receipt to the customers on successful transaction.
- t. To define dispute resolution mechanism
- u. Forwarding any feedback / complaint received from the customers to the bank.
- v. Risk mitigation process in operations
- w. Arranging insurance for cash and devices at the CSP outlets.
- x. In case of temporary / permanent termination of CSP at any outlet, BC to make alternate arrangement to ensure continuity of banking services to the customers.

E. Legal Requirement –

- a. Persons / BCAs engaged by BC shall not be the employees of the bank and the bank shall not be responsible in any manner for payment of wage remuneration nor for payment of PF, EPF due to such persons.
- b. BC should not in any way convey to the BCA that they can hope to get jobs with the Bank.
- c. BCs will have to enter into an agreement with the bank.
- d. Banks will vet and approve the agreement between BC and BCA.

DRAFT ADVERTISEMENT FOR BUSINESS CORRESPONDENTS

Offers are invited from the following individuals / entities for their engagement as Business

Correspondents (BCs) delivering banking services:

- NGOs set up under the Indian Societies / Trust Acts.
- Cooperative Societies registered under Mutually Aided Cooperative Societies (MACS) Act or the Cooperative Societies Acts of States/Multi State Cooperative Societies Act.
- Companies registered under Section 25 of Companies Act.
- Post Offices
- Individual kirana/medical/fair price shop owners
- Individual Public Call Office (PCO) operators
- Agents of Small Savings Schemes and Insurance Companies
- Individuals who own Petrol Pumps
- Retired Teachers
- Retired Bank Officials
- Retired Govt. Employees
- Ex-Servicemen
- Primary Agricultural Cooperative Society (PACS)
- Customer Service Centres (CSCs)
- Authorised Functionaries of well run Self-Help Groups (SHGs) linked to Banks.
- Companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets, excluding NBFCs.

Preference will be given to such entities which have presence and activity throughout the State/District of _____ (Here mention the name of the relevant State/District).

The terms and conditions will be as per the agreement to be entered into with the Bank.

The Bank reserves the right to empanel any individual / entity at its discretion. The Bank also reserves the right to reject any offer without assigning any reason. Interested persons / entities may submit their application at the following address within 10 days in the prescribed application form.

For eligibility criteria, services required to be offered on behalf of the Bank and application form, log on to www.centralbankofindia.co.in

Application forms can also be collected from the address below:

Central Bank of India

DRAFT ADVERTISEMENT FOR BUSINESS FACILITATORS

Offers are invited from the following individuals / entities for their engagement as Business Facilitators (BFs) delivering banking services:

- NGOs
- Farmer's Clubs
- Functional cooperatives
- Community based organizations
- I.T. enabled rural outlets of corporate entities
- Well functioning Panchayats
- Rural Multipurpose kiosks / Village Knowledge Centers
- Agri-Clinics/Agri-Business Centers
- Krishi Vigyan Kendras
- KVIC / KVIB units
- Post Offices
- Insurance agents

Preference will be given to such entities which have presence and activity throughout the State/District of _____ (Here mention the name of the relevant State/District).

The terms and conditions will be as per the agreement to be entered into with the Bank. The Bank reserves the right to empanel any individual / entity at its discretion. The Bank also reserves the right to reject any offer without assigning any reason.

Interested individuals / entities may submit their application at the following address within 10 days in the prescribed application form. For eligibility criteria, services to be offered on behalf of the Bank and application form, log on to www.centralbankofindia.co.in

Application forms can also be collected from the following address:

Central Bank of India

APPLICATION FORM FOR BUSINESS FACILITATORS (INDIVIDUALS)

I apply for engagement as Business Facilitator for Central bank of India

- 1. Location (Village / Town) -
- 2. Name (IN BLOCK LETTERS) -
- 3. Father's / Husband's Name -
- 4. Date of Birth -
- 5. Gender - Male/Female
- 6. Marital Status - Married/Unmarried
- 7. Education qualification -
- 8. Permanent Address -

- 9. Address for communication -

- 10. Telephone No. -
- 11. E-mail ID -
- 12. Currently Banking with -
- 13. Bank Account Number -
- 14. Proof of identity -
- 15. Proof of address -
- 16. Present Business/Occupation -
- 17. Computer Literacy -
- 18. Present monthly income -
- 19. Languages known -
- 20. Period of stay at the current address -
- 21. Names, addresses and occupation of two persons who know me.
 - i.
 - ii.

I certify that the information given above is true to the best of my knowledge and belief.

Signature of the applicant

Place:

Date:

APPLICATION FORM FOR BUSINESS CORRESPONDENTS (INDIVIDUALS)

I apply for engagement as Business Correspondent for Central bank of India

- 1. Location (Village / Town) -
- 2. Name (IN BLOCK LETTERS) -
- 3. Father's / Husband's Name -
- 4. Date of Birth -
- 5. Gender - Male/Female
- 6. Marital Status - Married/Unmarried
- 7. Education qualification -
- 8. Permanent Address -

- 9. Address for communication -

- 10. Telephone No. -
- 11. E-mail ID -
- 12. Currently Banking with -
- 13. Bank Account Number -
- 14. Proof of identity -
- 15. Proof of address -
- 16. Present Business/Occupation -
- 17. Computer Literacy -
- 18. Present monthly income -
- 19. Languages known -
- 20. Period of stay at the current address -
- 21. Infrastructure available -
- 22. Details of previous employment -

- 23. Details of assets in own name -

- 24. Details of liabilities -
- 25. Names, addresses and occupation of two persons who know me.
 - i.
 - ii.

I certify that the information given above is true to the best of my knowledge and belief.

Signature of the applicant

Place:

Date:

**APPLICATION FOR ENGAGEMENT AS BUSINESS CORRESPONDENT
/FACILITATOR ENTITY WITH CENTRAL BANK OF INDIA**

REQUIREMENTS

- Request letter on company's letter head
- Memorandum & articles of association
- Background of the company/Names of Promoters Directors / Market reports etc.
- Statement of Net worth of promoters along with ITR, computation of income and statement of affairs.
- Financial Statement for the last three years along with auditors' report and annexures
- Comments on Auditors observations/ adverse feature, as noticed in the company's last available audited accounts
- Statement of copy of account with existing banker for the last 6 months
- Details of credit limits enjoyed if any with details of bankers, addresses of contact persons and their phone numbers
- Brief note on experience in this line with other banks and names and phone numbers of references.

Broad parameters of due diligence check in selection of BC/BF

- i Interview the applicant
- ii Obtain details of track record and present activities undertaken
- iii Obtain copy of registration certificate, copy of bye-laws, constitution, list of office bearers, office address, financial statements of last three years etc. and check whether the proposed activity is in conformity with its objective.
- iv Visit office of the institution and verify relevant registers: meeting register, minutes book, financial account books, etc., and verify registration certificate, constitution, bye-laws, list of office bearers, etc., with the original documents.
- v Make market enquiries about the reputation, work culture of the institution and its office bearers.
- vi The branches shall recommend and forward the applications if found fit, along with due diligence check report duly signed by the Branch Officials.
- vii The Regional Office shall scrutinize the proposal and if need be interact with the applicants and take a decision on approval.

Indicative list of topics for training

- The first phase of training programme should include:
 - Introduction to Banking Services
 - General Banking Including Deposits
 - Principles of Lending with special reference to Rural and Retail Lending
 - Introduction to Financial Inclusion
 - Role of Business Correspondents and Business Facilitators
 - Brief Profile of the Bank
 - Filling up of Application Forms (incl. KYC guidelines)
 - Reconciliation and preparation of daily reports
 - Cash Handling and Security Measures


- The second phase of training programme shall include:
 - Attitudinal enhancement
 - Customer Relationship Management
 - Customer Query Handling

- Periodic meetings of the BCAs/BFs/CSPs should be called at the base branch every month on the Second Saturday and at the District level on quarterly interval (Cent FI Mela) to discuss about products, bottlenecks, targets, achievements, customer feedback, etc.

- Apart from the above, BCAs/CSPs should be trained by the Technology Service Providers on the operation and maintenance of Hand Held Devices / Enrolment Kits.

- BCAs/BFs should be encouraged to undergo the IIBF certification course. The classes may be arranged by ROs / LDMs through NABARD/IIBF accredited institutions empanelled by our Bank.

Specimen of Name Board at CSP

| | | |
|---|---|--------------------------------|
|  | Central Bank of India Customer Service Point (In English) (In Hindi) (In Local Language) | Name of the BC Entity |
| | Gram Panchayat: | |
| Base Branch:..... | | |

In case an Ultra Small Branch opened at the CSP, the Name Board specified for Ultra Small Branch has to be given.

Grievance Escalation Matrix

| Sl No. | Level | Officer in charge |
|--------|---|--|
| 01 | All complaints/ grievances of FI customers first to be addressed to | Base Branch Manager Name of BM :..... Phone Number:..... |
| | If not satisfied with the reply/action taken by the above, they can escalate the matter to: | |
| 02 | Regional Office | Regional Manager, with contact details Name of RM :..... Phone Number :..... |
| 03 | Central Office | Dy. General Manager-FI Department, Central Office, Mumbai. Mob: 09619226813 Email: dgmprisec@centralbank.co.in |

Other mandatory displays required at CSP:

1. Name and contact No. of BCA.
2. Working days and working hours of CSP.
3. Products on offer at the CSP.
4. Service Charges levied to customers.
5. Rates of interest charged/paid.
6. Address and Phone No. of Banking Ombudsman.

MEMORANDUM OF UNDERSTANDING

(Between Business Correspondent and Bank)

This Memorandum of Understanding (hereinafter referred to as the "MOU") made and entered into this _____ and on this ____ day of _____ 2013 (hereinafter referred to as "effective date) at _____ by and among :

Central Bank of India, (CBI) a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, having its Central Office at Chander Mukhi Building, Nariman Point, Mumbai 400 021 and its Zonal Offices /Regional Offices /Branch Offices situated all over India (hereinafter referred to as "**Bank**" which expression shall unless repugnant to the context or meaning thereof, include its successors, and assigns) of the FIRST PART

and

M/s. _____, a Company incorporated under the Companies Act, 1956/Society/Trust _____ having its Registered /Corporate Head Office (or one of its offices) at _____, OR Mr/ Ms _____ S/o, D/o, W/o _____ aged ____ years resident of _____ village _____ District _____ State, the Business Correspondent (hereinafter referred to as "BC" which expression, unless repugnant to the context or meaning hereof, shall include its successors, administrator(s) or permitted assigns) as the party of the SECOND PART.

"WHEREAS the parties have experience and capabilities for implementation of Financial Inclusion Programme of Govt. of India and therefore the parties desire to join their skill, experience and resources to work together for mutual interest and benefit.

That said BC has requested the Bank to appoint him / her /them as a "Business Correspondent" for _____ (Areas). The Bank has agreed to appoint them as BC in terms of the Reserve Bank of India guidelines issued from time to time for the Financial Inclusion by Extension of Banking Services- Use of Business Correspondent _____ (Areas). The BC shall be assisting the Bank in providing financial and banking services as specified in this MOU.

Now this MOU witnesses as follows:

1. The Service area of the Business Correspondent shall be _____. Business Correspondent agrees that the Bank has the right to modify/change the service area from time to time as required by the Bank and intimate the same to Business Correspondent and accordingly BC will work under said area.

2. The engagement of BC would be initially for a period of one year from _____ to _____ and renewable for a further specified period on satisfactory performance and as mutually agreed by the above parties.

3. The individual BC will be linked to a base branch of Bank and would be under direct control and supervision of Bank in terms of contract.

Responsibilities of Business Correspondent

- They shall serve as "Pass through Agents" for Financial Services.
- Shall identify customers for opening "no frills/zero/very low/minimum balance SB accounts, SHG- SB accounts & Current accounts as per Bank guidelines so the bank takes up further steps for providing these facilities.
- Shall collect loan application from such identified borrowers and take up preliminary processing of loan applications (conforming to norms of the Bank) including verification of primary information/data and on completion of verification shall submit the loan application to Bank.
- Shall market/create awareness about savings and other products and educate and advise the customers on managing money and debt counseling.
- Shall agree for promoting, nurturing, monitoring and handholding of Self Help Groups/ Joint Liability Groups.
- Shall follow up for recovery of loans disbursed by the Bank. The BC shall not use any undesirable violent methods for recovering Bank dues. The guidelines prescribed by the Banking Codes and Standards Board of India/RBI/NABARD /Government of India from time to time shall be strictly adhered to.
- Shall take up any other assignment as may be entrusted /negotiated by the Bank for the purpose.
- That the bank may accept deposit/advance the genuine loan requirement of the farmers and/or other eligible borrowers identified by BC at its sole discretion and as per its guidelines for the financial inclusion by Extension of Banking Services- Use of Business Correspondent. Such financing may be renewed from time to time and if Bank is satisfied with the progress and activities of the customers continue the financing at its sole discretion. The bank reserves to itself the right to reject applications, which do not conform to the bank guidelines or norms for financing such activities.
- The selection of the customers by the BC shall be based on their credentials, credit needs for their genuine requirements, and any other criteria decided by Bank.
- The BC shall certify each deposit/loan application with regard to the bonafide of the customer and authenticity of the particulars furnished.
- The BC shall help the customers in furnishing the information and in such form as required by the Bank in the format prescribed by the Bank from time to time.

- The BC shall assist the Bank in completing the prescribed set of documents, duly executed by the customers, in such form, as required by the Bank for such deposit to be accepted and loan to be sanctioned by the Bank as per the general terms of sanction.
- The BC shall endeavor to see that the borrower takes up the project as per the recommendation in the application / project proposal submitted to the Bank.
- For customers / applicants within the BC command or service area, who are interested in the Bank product, the Bank will make an effort to process their applications for credit within reasonable period from the date of completion of all the formalities / requirements.
- The sanction of the loan to customers shall be directly informed by the Bank with information to Business Correspondent.
- That BC shall monitor the customer's loan accounts and intimate to the Bank from time to time any adverse feature, which may affect the advance and recovery of Bank dues. If need arises, the BC shall assist the customers to overcome the adverse feature.
- That in the event of non-payment, the BC shall assist in recovering the dues/regularizing the loan a/c with the Bank within a period of 6 months from the date of default by the customer/s.
- The BC shall assist the Bank in disposing of such assets seized through public auction or otherwise to be appropriated for liquidation of the dues of the customers to the Bank.
- The BC shall arrange to remit the entire outstanding dues of the borrower / customer arising as a result of improper identification of borrower, due to non - utilization of the loan amount by the borrower for the purpose for which it was granted and other unlawful acts leading to default.
- The BC shall treat as confidential all the records, information, data which comes to their knowledge in the normal course of day to day business, terms and conditions of the Bank and of this Agreement. BC shall not disclose, divulge the same to any third party otherwise than for the specific purpose authorized by the Bank even after termination of this MOU
- BC shall disburse small value credit up to a limit of Rs. (as decided by the Bank) per borrower.
- BC shall recover principal/collect interest in accounts up to Rs. (as decided by the Bank) per borrower.
- BC shall collect small value deposits up to Rs. (as decided by the Bank) per borrower
- BC shall sale micro insurance/ mutual fund products/ pension products/ other third party products (as decided by the Bank).

- BC shall receive and deliver small value remittances/other payment instruments up to Rs. (as decided by the Bank) per borrower per remittance/instrument.
- BC should encompass clients irrespective of class, creed and religion and its activities should be available to all eligible citizens of India.
- BC should have adequate management capability even for enlarged operations.
- BC should have adequately trained and motivated field staff for close observance/monitoring.
- BC shall ensure that all the transactions are accounted for and reflected in the Bank's books by end of day or next working day.
- BC shall not work as BC for other Banks in the district/area where they will be working as BC for our Bank.

Representation & warranties by Business Correspondents

- 1) That the BC is incorporated under Indian Company Act, 1956 and has been approved by the competent authority, Asstt. Registrar of Companies (_____) having registration No.....dated
- 2) That the BC is not a defaulter of any Co-operative Credit Society/Bank/any other financial Institution.
- 3) That the BC has knowledge of local area/ people/ socio-economic condition/ language in the areas of operation.
- 4) That the BC is not affiliated with political/ religious organizations.
- 5) That there is no criminal record/criminal / any other proceeding pending in any court adverse, reports against BC.
- 6) That the BC is being referred by two persons known to the bank / a proven track record.
- 7) That BC is not owned/related or controlled by any director or officer/employee of the bank or their relatives.
- 8) Notwithstanding what is stated in this MOU, this MOU does not create any relationship of Master and Servant or Employer and Employee as between the Bank on the one hand and BC and / or the personnel employed / engaged by the BC on the other. The parties expressly understand and agree that this MOU broadly covers in respect of specific job/s to be performed by the BC.

The Bank agrees to offer the BC:

The remuneration entitled for the various types of services to be rendered by the BCs are enumerated under:

1. Mobilization of small value credit as per the requirements in the operational area and disbursement of small value credit up to a limit of Rs(as decided by the Bank): The BC shall be entitled for a service charge of as per Bank guidelines subject to minimum of Rs. (as decided by the Bank) per borrower in addition to the pre-sanction fee of (as per Bank guidelines) of the loan amount sanctioned besides a post-sanction fee

(including recovery) of(as per Bank guidelines) of the amount recovered payable at the time of loan repayment.

2. Recovery of principal/collection of interest in loan accounts up to Rs. (as decided by the Bank) per borrower per day. The BC shall be entitled for a service charge of (as per Bank guidelines) of the amount recovered in all accounts as specified above.
3. Collection of small value deposits upto (as decided by the Bank) other than SB accounts deposited for a period of not less than 1 year: In case of higher amount mobilized, cash to be directly accepted in the Base branch/ or any other branch of the Bank. The BC shall be entitled for a service charge of Rs ... as per Bank guidelines per deposit account of upto Rs. (as decided by the Bank) All other term deposit accounts of value up to Rs. (as decided by the Bank) opened for period of not less than one year and SB accounts: Rs. (as decided by the Bank) per account with balance not below Rs. (as decided by the Bank) SB accounts under Financial Inclusion to be paid Rs (as decided by the Bank) per account.
4. Sale of micro insurance/ mutual fund products/ pension products/ other third party products: as per Bank guidelines of the commission received by the Bank.
5. Cash transaction limit: the BC is permitted to handle any permitted cash transaction up to a limit of Rs. (as decided by the Bank) per day per BC Agent (both payment and receipts put together). This limit would be reviewed after one year for any increase required. The transactions between the Bank and the customer will be routed through the overdraft account of the Business Correspondent. Where the Business Correspondent meets all the cash transactions out of its / his resources, no funding of cash requirements would be made by the Bank. However, in case the Bank has to fund the cash requirements of the BC, it would be treated as our cash in hand given to him at no interest or margin, for which necessary agreements / indemnity have to be furnished by the BC.
6. Recovery of Principal/ collection of interest in NPA borrowal accounts: As per policy of the Bank for engagement of Recovery Agencies.

General Terms and conditions for BC

1. Prior approval/consent by the Bank shall be obtained by BC for the use of Subcontractors for all or part of the financial or banking services for which the MoU is entered into.
2. BC (Organization) may appoint their Sub-agents at the grass root level to render the services of BC. However, BC will ensure that
 - i. The agents of BCs fulfill all relevant criteria as stipulated for BCs
 - ii. Proper due diligence in respect of the agents is carried out to take care of the reputational and other risks involved.
 - iii. verification of the antecedents of their agents which may include pre-employment police verification is carried out as a matter of abundant caution and re verification of antecedents is done within fixed periodicity i.e. 2 years

3. The BC shall arrange for inspection of the customer's area/activity etc, as and when required by the Bank officials.
4. BC shall preserve all documents and data that are left in their hands in accordance with the requirements of the Bank depending on the legal and regulatory obligation and also allow free access of the same by the officials of the Bank, RBI, NABARD or persons authorized by these organization/Bank, etc., for their verification/audit and other necessary information given to, stored or processed by the BC within a reasonable time.
5. BC shall ensure that their authorized staff will maintain customer data confidentiality and BC accepts liability in case of breach of security in leakage of confidential customer information.
6. The BC or its authorized staff while dealing with customers, present or prospective shall not resort to intimidation or harassment of any kind either verbal or physical against any person, including acts intended to humiliate publicly or intrude the privacy of the family members, referees, guarantors and friends, making threatening and anonymous calls or making false or misleading representations. The guidelines prescribed by the Banking Codes and Standards Board of India/RBI/NABARD/Government of India from time to time shall be strictly adhered to.
7. That the BC shall get issued identity card from the bank if it is an individual or to the persons authorized for the purpose in case BC is an organization.
8. Such identity cards will be withdrawn by the BC as and when such employees or personnel leave the employment for any reason whatsoever of BC. Intimation to that effect will be sent to the bank from time to time and identity cards so issued will be surrendered to the bank.
9. That the personnel employed by the BC shall not have any claim whatsoever against the bank and shall not raise any industrial dispute either directly or indirectly, with or against the bank, in respect of any of the service conditions or otherwise.
10. That in case of death or bodily injury to any personnel appointed by the Business Correspondent in the course of performance under this agreement/MOU, the bank shall not be liable or bound to pay any monetary compensation or otherwise be responsible in any manner whatsoever.
11. That the BC shall obtain from its employees, involved in the activity covered under this agreement/MOU, from time to time or as the bank may require, an undertaking to the effect as stated above and also an undertaking not to disclose to any 3rd party any information or knowledge concerning the business of the bank. The BC shall take such steps at its own expenses.
12. No BC should charge any fee to the customers directly for the services rendered by them on behalf of the Bank.
13. BC shall, in case of engaging a staff for the performance specified in this MOU shall obtain a declaration cum undertaking to comply with the model code of

conduct, as specified by the Bank. Such staff shall always remain under employment, supervision and control of the BC and provide such services as may be agreed between the BC and their staff. Such contract shall exist between such staff and the BC and in no manner whatsoever will be connected with the Bank.

14. Access to customer information by staff (if any whose name and address shall be informed to the bank) of the BC shall be on "need to know basis" i.e. limited to those areas where the information is required in order to perform the relevant function.
15. The BC shall not set up defense or claim in any plaint, petition, complaint, written statement, application to the affect that the personnel engaged by the BC are the employees of Bank.
16. The BC shall pay all wages, salaries, employee payments .of any kind including terminal benefits which shall include notice salary, retrenchment compensation, bonuses, leave salaries, provident fund, employees state insurance contributions, and other contributions directly and the bank shall not be liable in this regard to the BC or the personnel in any manner whatsoever. In respect of the personnel hired by the BC, the BC shall comply with all the statutory responsibilities and obligations as prescribed under relevant rules and statutes for the time being in force and ensure that no nexus, either direct or indirect, shall be established between the personnel and the bank which may lead to any presumption or conclusion to the effect that the personnel may be treated as the employees of the Bank.
17. The BC undertakes to indemnify the Bank and keep Bank and its officers/employees fully indemnified and harmless from and against all the consequences of any action leading to breach of any of the terms and conditions of this agreement as also of any of it representations or warranties not being found to ,be true at any point of time including any actions, suits, claims proceedings, damages, liabilities, losses, expenses or costs (herein after referred to as "claims") faced, suffered or incurred by the Bank. The BC hereby accepts and acknowledges to have clearly agreed and understood that this indemnity would cover all the acts and omissions on the part of personnel and/or false representations and warranties of the BC.
18. Similarly, in the event of any claims being made on Bank, on account of any breach of warranty, representations, non-compliance of any applicable law, unauthorized act, fraud, deed or thing done or omitted to be done or undertaking made or deficiency in service by the BC, its employees, officers, agents, the BC undertakes to pay on first demand made by Bank of any amount on this account without any demur, contest, protest whatsoever within 7 working days of the demand being made. Bank may at its discretion settle any or all claims made on it and recover the amount so paid from the BC and /or make deductions from the amount payable by Bank to BC.
19. Notwithstanding anything contained in this MOU, nothing shall restrict the right of the Bank to do the same activities on its own or to appoint any other BC in relation to such activity of the bank and to carry on such similar activities on similar or any other terms and conditions as bank may deem fit and proper, which may be at

variance with the terms and conditions contained herein the specified service area/areas of BC already undertaking the assignment.

20. The BC shall, at its sole discretion, risk and liability, employ on its rolls such number of personnel and provide and depute such number of suitable and qualified personnel/executives to carry on such activities for and on behalf of the BC, undertaken by the BC in this MOU.
21. In the event of non-satisfactory performance of the arrangement and if the activities of BC are found prejudicial to the interests of the Bank or its customers, this MOU can be terminated even before the expiry of period of this MOU, by giving 30 days written notice to other party. Security Deposit of BC may be forfeited even if a default is committed in any of the projects being undertaken. The BC will not be discharged from the MOU, unless full repayment is received by the bank from all the customers and all the records maintained by the BC are handed over to the bank.
22. That this MOU shall not be construed as joint venture. Each party shall be responsible for all its obligations towards its respective employees. No employee of any of the two parties shall claim to be employee of other party.
23. That no party shall use the logo, trademark, trade name, copyrights, etc., (Proprietary rights) of the other party in any advertisement or material without the written consent of the party owning such proprietary rights.
24. Other Banking services except as assigned to BC shall be done/rendered by the Bank.
25. The activities to be undertaken by the Business Correspondents would be within the normal course of the bank's banking business, but conducted through the entities indicated above at places other than the bank premises.
26. The Business Correspondents would be not only instrumental in identifying farmers/borrowers and responsible for follow up, monitoring and recovery but also channelize or route the credit through them.
27. All the BCs should maintain the records/registers such as Cash Payment/Cash Receipt register; account-wise Receipts/Payments Registers etc. The BC will also use the stationery such as Receipt/Payment/Reimbursement vouchers.
28. BC will provide the bank with the right to conduct audits on BC whether by its internal or external auditors or by agents appointed to act on his behalf and to obtain copies of same audit or review reports and findings made on the BC in conjunction with the services performed for the bank.
29. BC will allow the Reserve Bank of India or person authorized by it to access the bank's documents, records of transactions and other necessary information given to, stored or processed by the BC within a reasonable time.
30. BC will recognize the right of Reserve Bank of India to cause an inspection to be made of a BC of a Bank and its books and account by one or more of its officers or employees or other persons.

31. BC will maintain the confidentiality of customers' information even after the MoU expires or gets terminated.
32. BC will provide for preservation of documents and data in accordance with the legal/regulatory obligation of the bank in this regard.
33. Business Continuity and Management of Disaster Recovery Plan:
34. Bank will require BC to develop and establish a robust framework for documentations, maintaining and testing business continuity and recovery procedures and ensure that BC periodically tests the plan and may also consider occasional joint testing and recovery exercises with BC.
35. In order to mitigate the risk of termination of the MoU or liquidation of BC, Bank will retain an appropriate level of control over the activity assigned to BC and the right to intervene with appropriate measure to continue its business operation in such cases without incurring prohibitive expenses and without any break in the operations of the Bank and its services to the customers.
36. In establishing a viable contingency plan, Bank may consider the availability of alternative BC or the possibility of bringing the assigned activities back in-house in an emergency and the costs, time and resources that would be involved.
37. In adverse conditions, all documents, records of transactions and information given to BC, and assets of the Bank, can be removed from the possession of the BC in order to continue its business operations, or deleted, destroyed or rendered unusable.
38. BC will in no way impede or interfere with the ability of the bank to effectively oversee and manage its activities nor will it impede the Reserve Bank of India in carrying out its supervisory functions and objectives.
39. BC should adhere to the extant instructions on Fair Practices Code and also their own code.
40. Assignment: Assignment by a party of its rights and obligations under this MOU to any other party shall be subject to the consent of the other parties to the MOU.
41. Dispute Settlement: In the event of any difference(s) or dispute(s) arising out of interpretation or application of the provision of this MOU, the parties shall immediately consult each other with the view to expeditiously resolve such differences or dispute in a spirit of mutual understanding and cooperation and in case the same still persist then it shall be settled by the parties in accordance with the Arbitration and Conciliation Act, 1996 as amended from time to time and shall be subject to exclusive jurisdiction of Courts in Mumbai.
42. Any and all correspondence made or notices to be sent or required to be made under this MOU shall be in writing, signed by the party giving such notice and shall be delivered personally or by facsimile transmission or by registered mail, to the other parties as its address set forth here below or at such other addresses as such other parties may subsequently notify.

Effect of Termination of this MOU: that termination of this MOU will not in any event release any of the parties from the obligation arising out of the loans disbursed by the Bank to the customers under this arrangement in the selected area.

In witness whereof the Parties hereto have executed these on the day, month and year first herein above written and the parties have caused the same and the said duplicate to be executed by the hand of **Shri** _____ of the Bank as hereinafter appearing.

Signed and delivered by the within name - BC by its _____ of Mr/Ms/M/s _____ in the presence of _____.

Signed and delivered by the within name Central Bank of India, by the Hands of **SHRI** _____ their Authorized official.

(For BC)

(For Central Bank of India)

Witnesses

1. Shri _____
2. Shri _____

Witnesses

1. Shri _____
2. Shri _____

MEMORANDUM OF UNDERSTANDING

(Between Business Facilitator and Bank)

This Memorandum of Understanding (hereinafter referred to as the "MOU") made and entered into _____ on this _____ day of _____ 2013 (hereinafter referred to as "effective date") at _____ by and among :

Central Bank of India, (CBI) a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, having its Central office at Chander Mukhi Building, Nariman Point, Mumbai 400 021 and its Zonal Offices /Regional Offices /Branch Offices situated all over India (hereinafter referred to as "**Bank**" which expression shall unless repugnant to the context or meaning thereof, include its successors, and assigns) engaged in the business of banking of the FIRST PART

and

Mr _____, s/o Mr _____, aged _____ years, _____ (profession) and permanently residing at village _____, Post Office _____, Distt. _____ (address) hereinafter referred to as "**Business Facilitator**" which expression shall, unless repugnant to the context or meaning hereof, include its successors, administrators OR permitted assigns), as the party of the SECOND PART

Whereas, "**Business Facilitator**" is an individual and has an unblemished track record, enjoys good reputation in the area and is capable of providing social support to poor and marginalised sections of society

Whereas the "Bank" and "Business Facilitator" have agreed to enter into agency relationship for the purpose of the Bank's business promotion all over the country and the Business Facilitator shall play a key role in effective and efficient delivery of non-financial services to the farm and non-farm sectors.

In recognition of these facts Bank and Business Facilitator witness that, in consideration of the mutual covenants set out in this MOU the parties hereby agree as follows:

1. Purpose of this Memorandum:

This MOU is intended to recognize the Business Facilitator as agent for extending non-financial services of the Bank, and the objective of the proposed relationship is to enable the Bank to promote banking business among people of low-income groups in rural, semi-urban, urban and metropolitan areas and the services of the Business Facilitators are being engaged by virtue of this MOU for delivery of non-financial services to farm and non-farm sectors, for which the Business

Facilitator has agreed to involve and act as agent.

2. Scope of Activities:

The Business Facilitator shall provide the following services to the Bank :

- i. Identifications of customers and due diligence as per "Know Your Customer" norms of Reserve Bank of India and fitment of activities.
- ii. Collection and preliminary processing of loan applications including verification of primary information/data.
- iii. Creating awareness about savings and other products.
- iv. Imparting education and advice on managing money and debt counseling.
- v. Processing and submission of applications to Bank's branches.
- vi. Promotion and nurturing of Self Help Groups/Joint Liability Groups.
- vii. Post-sanction monitoring.
- viii. Monitoring and handholding of Self Help Groups/Joint Liability Groups/Credit Groups/others.
- ix. Follow-up for recovery.

3. Contractual Obligations:

The Business Facilitator shall have the following obligations to comply with:

- i) To allow access to its records to the Bank, Reserve Bank of India or any other agency permitted by either of them.
- ii) The Business Facilitator shall not collect from, or charge to, the customers any fee directly for services rendered by it on behalf of the Bank
- iii) This contractual relationship is exclusively with the Bank and it shall ensure customer confidentiality. However, Bank may permit in writing the Business Facilitator to have relationship with other bank/s in different areas on case-to-case basis.
- iv) The Business Facilitator shall compensate for any loss/damage caused to the Bank by its unlawful acts / frauds and for violating this MOU.
- v) The monthly accounts and records shall be submitted by the Business Facilitator to the Bank.
- vi) The Business Facilitator shall strictly follow the list of "Do's and Don'ts" which would be given by the Bank.
- vii) The Business Facilitator will have no power to agree for any compromise or strike any deal independently with the borrowers.
- viii) The Business Facilitator shall follow the Fair Practices Code.
- ix) The Business Facilitator shall not use the Bank's name, logo, or symbol in any office, document, letter head, paper, ID, signboard, etc.
- x) The Business Facilitator, if an NGO, SHG, Co-operative Society or any other associate body, should ensure that it is duly registered and has valid permissions and its bye-laws should contain such clauses to undertake similar work.
- xi) The Business Facilitator will have the requisite infrastructure like adequate office space, man power, etc. to efficiently deliver its obligations.

4. Reimbursement of Legitimate expenses to Business Facilitator:

- 4.1 In lieu of the services rendered by the Business Facilitator, the Bank will reimburse its legitimate expenses at the end of each month as per the approved schedule of commission.
- 4.2 Reimbursement will be provided only in case of individual loans sponsored or

- loans to Self Help Groups. Loan applications of HUF/Partnership firms etc., canvassed by the Business Facilitator will not be considered for reimbursement.
- 4.3 Loan application for a maximum amount of Rs._____ lacs only will be considered for reimbursement.
- 4.4 The Business Facilitator will carry out the following activities for each loan application to qualify for the reimbursement.
- a. Identification of borrowers and fitment of activities.
 - b. Educating the prospective borrower on the products of Principal and helping him / her to select Bank's product/s as per his/her needs.
 - c. Helping the borrower in filling loan application forms and complying with other procedural requirements of the bank for obtaining the loan.
 - d. Collection and preliminary processing of loan applications including verification of primary information/data as per KYC norms.
 - e. Submission of applications to Bank.
 - f. Verification of assets created out of the loans disbursed.
 - g. Promotion and nurturing of Self Help Groups/Joint Liability Groups/Credit Groups/Others.
 - h. Follow-up-for recovery.
- 4.5 The reimbursement payable to the Business Facilitator will be in accordance with the reimbursement structure of the bank.

5. Validity:

This MOU will be valid for an initial period of one year from date of signing. The parties shall meet to decide a possible renewal of this MOU two months before its expiry.

6. Disqualification:

In case the information and/or records furnished/produced by the Business Facilitator is found to be incorrect, incomplete or inaccurate on any material aspect, or in the event of eligibility criteria being changed by RBI the Business Facilitator named herein shall stand disqualified/ rendered ineligible forthwith on being notified of the same.

7. Indemnity:

The Business Facilitator indemnifies the Bank and keeps it indemnified against any loss, damage, claim, costs, charges, expenses incurred by or made against Bank due to breach, misuse, etc. of this Agency relationship.

The Bank shall have right of lien over the monies, fees payable to the agent and in case of any breach or violation of any condition of this MOU, the Bank shall have the right to hold and or to deduct any amount in part or full out of the fees or any amount payable to the agent.

8. Termination:

- 8.1 The Bank shall be entitled to discontinue the services provided by the Business Facilitator at any point of time without assigning any reason whatsoever and without any Notice there for, i.e. with immediate effect.
- 8.2 This MOU may be terminated by either party in the event of breach of terms of this MOU by the other party upon providing a prior written notice of one month.

9. Confidentiality:

The Business Facilitator acknowledges the confidentiality of the information, which may be transferred from the Bank from time to time as being essential to this MOU and agree not to disclose the same to any third party without the prior written consent of the Bank. In the event of such disclosure or violation of confidentiality, the Business Facilitator shall indemnify for any loss/damage caused to the Bank or to the Customer.

10 Notices

Any and all correspondence made or notices to be sent or required to be made under this MOU shall be in writing, signed by the party giving such notice and shall be delivered personally or by facsimile transmission or by registered mail, to the other parties as its address set forth here below or at such other addresses as such other parties may subsequently notify.

11. Arbitration Clause:

In case of any dispute or objection or differences arising between the Bank and agent it shall be first settled through negotiations and mutual discussions failing which it shall be referred to arbitration for which purpose the Bank's Zonal Manager shall be the sole arbitrator and shall take all possible steps and actions to conduct arbitration proceedings under the provisions of the Indian Arbitration Act, to resolve and settle the issues amicably through reconciliation. The award passed by the sole arbitrator shall be final and binding on both parties.

12. Jurisdiction:

For any dispute relating to the subject matter of this MOU the Indian Laws shall be applicable and Courts in Mumbai and the Courts situated within the jurisdiction of the place of execution of the MOU shall be applicable.

- 13.** This MOU may be amended by mutual agreement of the parties in writing by exchange of letters, which shall form integral part of this MOU.

IN WITNESS WHERE OF, the parties hereto have executed this Memorandum of understanding on the date and place mentioned herein above.

For Central Bank of India

**Authorised Signatory
(NAME)**

**Business Agent
as Business Facilitator.**

CONFIDENTIALITY - CUM - NON DISCLOSURE AGREEMENT

This Confidentiality cum- Non disclosure Agreement is entered into at _____ on this _____ day of _____ 2013, between _____ (Insert Name of the Service Provider) a company within the meaning of Companies Act, 1956/Society/Trust _____, having its Registered Office at _____ (herein after called 'Service Provider') and Central Bank of India, (CBI) a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 having its Central Office at Chandermukhi, Nariman Point, Mumbai 400 021 (herein after referred to as 'Bank').

The Service Provider and Bank would be having discussions and negotiations concerning the establishment of and during continuance of a business relationship between them as per Agreement dated _____ (hereinafter referred to as 'Agreement'). In the course of such discussions and negotiations, it is anticipated that either party may disclose or deliver to the other party certain of its trade secrets or confidential or proprietary information for the purpose of enabling the other party to evaluate the feasibility of such a business relationship. The parties have entered into this Agreement, in order to assure the confidentiality of such trade secrets and confidential and proprietary information in accordance with the terms of this Agreement. As used in this Agreement, the party disclosing Proprietary Information (as defined below) is referred to as the 'Disclosing Party' and will include its affiliates and subsidiaries, the party receiving such Proprietary Information is referred to as the 'Recipient', and will include its affiliates and subsidiaries.

Now this Agreement witnessed:-

1. Proprietary Information: As used in this Agreement, the term 'Proprietary Information' shall mean all trade secrets or confidential or Proprietary Information designated as such in writing by the Disclosing Party, whether by letter or by the use of an appropriate prominently placed Proprietary stamp or legend, prior to or at the time such trade secret or confidential or Proprietary Information is disclosed by the Disclosing Party to the Recipient. Notwithstanding the forgoing, information which is orally or visually disclosed to the recipient by the Disclosing Party or is disclosed in writing unaccompanied by a covering letter, proprietary stamp or legend, shall constitute proprietary information if the disclosing party, within 10 (ten) days after such disclosure, delivers to the Recipient a written document or documents describing such Proprietary Information and referencing the place and date of such oral, visual or written disclosure and the names of the employees or officers of the Recipient to whom such disclosure was made.
2. Confidentiality:
 - a. Each party shall keep secret and treat in strictest confidence all confidential information it has received about the other party or its customers and will not use the confidential information otherwise than for the purpose of performing its obligations under this Agreement in

accordance with its terms and so far as may be required for the proper exercise of the Parties' respective rights under this Agreement.

- b. The term 'confidential information' shall include all written or oral information (including information received from third parties that the 'Disclosing Party' is obligated to treat as confidential) that is (i) clearly identified in writing at the time of disclosure as confidential and in case of oral or visual disclosure, or (ii) that a reasonable person at the time of disclosure reasonably would assume, under the circumstances, to be confidential. Confidential information shall also include, without limitation, software programs, technical data, methodologies, know-how, processes, designs, new products, developmental work, marketing requirements, marketing plans, customer names, prospective customer names, customer information and business information of the 'Disclosing Party'.
3. Non-Disclosure of Proprietary Information: For the period during the Agreement or its renewal, the Recipient will:
 - a. Use such Proprietary Information only for the purpose for which it was disclosed and without prior written authorization of the Disclosing Party shall not use or exploit such Proprietary Information for its own benefit or the benefit of others.
 - b. Protect the Proprietary Information against disclosure to third parties in the same manner and with the reasonable degree of care, with which it protects its confidential information of similar importance: and
 - c. Limit disclosure of Proprietary Information received under this Agreement to persons within its organization and to those 3rd party contractors performing tasks that would otherwise customarily or routinely be performed by its employees, who have a need to know such Proprietary Information in the course of performance of their duties and who are bound to protect the confidentiality of such Proprietary Information.
 4. Limit on Obligations: The obligations of the Recipient specified in clause 3 above shall not apply and the Recipient shall have no further obligations, with respect to any Proprietary Information to the extent that such Proprietary Information:
 - a. is generally known to the public at the time of disclosure or becomes generally known without any wrongful act on the part of the Recipient,
 - b. is in the Recipient's possession at the time of disclosure otherwise than as a result of the Recipient's breach of a legal obligation;
 - c. becomes known to the Recipient through disclosure by any other source, other than the Disclosing Party, having the legal right to disclose such Proprietary Information.
 - d. Is independently developed by the Recipient without reference to or reliance upon the Proprietary Information; or

- e. Is required to be disclosed by the Recipient to comply with applicable laws or governmental regulation, provided that the recipient provides prior written notice of such disclosure to the Disclosing Party and takes reasonable and lawful actions to avoid and/or minimize the extent of such disclosure.
5. Return of Documents: The Recipient shall, upon the request of the Disclosing Party, in writing, return to the Disclosing Party all drawings, documents and other tangible manifestations of Proprietary Information received by the Recipient pursuant to this Agreement (and all copies and reproductions thereof) within a reasonable period. Each party agrees that in the event it is not inclined to proceed further with the engagement, business discussions and negotiations, or in the event of termination of this Agreement, the Recipient party will promptly return to the other party or with the consent of the other party, destroy the Proprietary Information of the other party.
6. Communications: Written communications requesting or transferring Proprietary Information under this Agreement shall be addressed only to the respective designees as follows (or to such designees as the parties hereto may from time to time designate in writing)

M/S _____ (Central Bank of India)

Attn: _____

Attn: _____

7. Term: The obligation pursuant to Clause 2 and 3 (Confidentiality and Non-Disclosure of Proprietary Information) will continue even after the contract/agreement /MOU dated _____ expires or gets terminated.

Nothing herein contained shall be construed as a grant by implication, estoppel, or otherwise or a license by either party to the other to make, have made, use or sell any product using Proprietary Information or as a license under any patent, patent application, utility model, copyright or any other industrial or intellectual property right covering same.

8. Damages

The provisions of this Agreement are necessary for the protection of the business goodwill of the parties and are considered by the parties to be reasonable for such purposes. Both the parties agree that any breach of this Agreement will cause substantial and irreparable damages to the other party and, therefore, in the event of such breach, in addition to other remedies, which may be available, the party violating the terms of Agreement shall be liable for the entire loss and damages on account of such disclosure.

Each party agrees to indemnify the other against loss suffered due to breach of contract and undertakes to make good the financial loss caused directly or indirectly by claims brought about by its customers or by third parties.

9. Miscellaneous

- a) This Agreement may not be modified, changed or discharged, in whole or in part, except by a further Agreement in writing signed by both the parties.
- b) This Agreement will be binding upon and ensure to the benefit of the parties hereto and it also includes their respective successors and assigns
- c) The Agreement shall be construed and interpreted in accordance with the laws prevailing in India.

In witness whereof, the parties hereto have agreed, accepted and acknowledged and signed these presents, on the day, month and year mentioned herein above.

For M/s _____

Authorised Signatory

Shri _____

Designation _____

For Central Bank of India

Authorised Signatory

Shri _____

Designation _____

DUTIES AND RESPONSIBILITIES OF BCS/BFS

For both BCs/BFs:

- i To conduct financial awareness programmes in the villages allotted.
- ii To identify the potential customers and fitment of activities.
- iii To initiate the enrollment process by collection of master data, filling up of forms, preliminary processing of loan applications / account opening forms for deposits including verification of data.
- iv To submit duly filled in application forms and other support documents at the Base Branch in physical form and without any delay, as specified by the Bank for authentication of the customer data and authorizing the beneficiary for opening the account.
- v To assist in post-sanction monitoring and follow-up for recovery (only after complying with RBI instructions on recovery agents).
- vi To promote and nurture Self Help Groups (SHGs) / Joint Liability Groups (JLGs), wherever relevant.
- vii To market Bank's other products, education and advice on managing money and debt counseling.

In addition to the above responsibilities, the following duties are to be imparted by the BC:

- i The BC will ensure proper delivery of smart cards to correct person against acknowledgement in a register to be maintained for the purpose.
- ii BC will ensure to exercise due care in avoiding landing of cards into wrong hands. Any loss arising out of wrong delivery will be entirely borne by the BC.
- iii Handling of customer transactions at Customer Service Point (CSP) / Point of Sale (POS).
- iv Handling of Enrolment devices and Hand-held devices at CSPs (POS) locations, uploading / downloading of transactions.
- v Physical custody, care, safety and upkeeping of systems / devices provided for front-end operations at Customer Service Points (Points of Sale).
- vi Disbursal of pre-sanctioned small value credit/loans. The loans will be sanctioned by the official at Base Branch.
- vii Collection and payment of small value deposits and withdrawals.
- viii Receipt and delivery of small value remittances/ other payment instruments.
- ix The BC will be linked to an identified base branch. In respect of all such transactions, the BC/his agent will be authorized to accept / deliver cash either at

- his place of work or at any convenient location subject to the ceilings per day / per customer as laid down.
- x Monitor the customer's loan accounts and intimate to the Bank from time to time any adverse feature which may affect the advance and recovery of Bank dues and also assist the Bank in disposing of the assets as per instructions of the Bank
 - xi BC (entities) will ensure that BCAs conduct all financial transactions online. If transactions are conducted in off-line mode, in case connectivity is temporarily not available, then they should ensure to account for and transfer all the receipts and payments to FI server as soon as connectivity is restored. Under no circumstance should transfer to FI server of such off- line transactions be delayed beyond 24 hours of the restoration of connectivity
 - xii BC will be required to handle recovery of principal / collection of interest in respect of borrowal accounts.
 - xiii Cash Management Services including receipts / payments, movement, safety and security of cash, etc. will be arranged at their own cost, expenses and risks. The BC will indemnify the Bank of all losses / risks associated with the cash in transit, cash balances held or handled by the BC / his agents, including misconduct, negligence, fraud etc. on the part of the BC's personnel.
 - xiv BC will be required to obtain Fidelity Insurance Policy for their business agents, insurance for cash retention and cash transit, with bank clause.
 - xv The BCAs should not hold cash more than what is reasonably required by them, which will be determined by the Bank from time to time based on the volume of transactions at each CSP.
 - xvi The BC will be responsible for the security of the cash held by them for customer payments and of the cash deposited by the customers in their accounts.
 - xvii The BC will account for all such cash received by providing a daily statement to the Bank detailing all cash payments made to customers, cash receipts from the customers and cash balances held at each of the locations at the start and the end of the day.
 - xviii The formats and the details to be furnished, accounting system, procedure for balancing and reconciliation, etc. will be prescribed by the Bank. The BC will meticulously adhere to the instructions of the Bank in this regard or he will be penalized
 - xix BC will be responsible for cash and accounting of transactions, maintenance of record of lost cards, requests for issue of new cards, receipts of transactions, details of exceptional transactions, etc.
 - xx The BC will tally cash balances as per the POS terminal with the physical cash available at any point of time during the day, and also during the surprise visit/audit conducted by the Bank.
 - xxi The BC will take a printout, in duplicate, of the opening balance of cash, closing balance of cash and the list of all transactions every day.

- xxii One copy of the printout will be retained by the BC for records and the second copy will be handed over to the Base Branch as a supporting document for the disbursements / deposits.
- xxiii Maintenance of records as prescribed by the Bank.
- xxiv Settlement of every CSP's account on day to day basis.
- xxv In case the card is lost by the cardholder, the matter will be reported to the BC at the CSP, who will record the necessary information and send the application / request to the Bank for issuance of duplicate card.
- xxvi Where a customer wishes to close his/her account, a proper written request will be given to the BCA at the CSP, who will note the instructions in a separate register and the status of the account as 'caution account closure request pending' may be made in the handheld device. Acknowledgement of the customer will also be obtained in the register.
- xxvii All dues between the Bank and the customer will be settled before closure of the account.

Note:

- i Any other assignment as may be entrusted by the Bank subject to payment of adequate fees to be decided mutually.
- ii The BC or its agents while dealing with customers, present or prospective, shall not resort to intimidation or harassment of any kind against any person. The guidelines prescribed by the Banking Codes and Standards Board of India/RBI/NABARD/Government of India from time to time shall be strictly adhered to.
- iii The BC and BCA shall maintain confidentiality and secrecy of data / information which comes to their knowledge in the normal course of day to day business operations.

DO'S AND DONT'S FOR BCS/BFS

Do's

- Treat every customer with due respect
- Maintain friendly relations with the Bank's Branch Manager
- Protect oneself well while traveling to and from Bank with cash
- Perform Day End and Settlement as per the terms
- Maintain the cash registers and transaction receipts carefully
- Read the manuals carefully and clarify doubts
- If there is any problem with the terminal or branch, report to Field Supervisor immediately
- Keep the terminal clean, safe and well charged

Do's For Disbursal

- Complete the disbursals effectively and efficiently
- Before the disbursal period starts, ensure the terminal is ready for disbursals
- Take measures to protect the cash meant for disbursal
- Disburse the amount to all the intended recipients. If required, take the terminal to the customers location or keep late hours

Dont's

- Do not discriminate the customers based on religion, caste, creed, political party, family feuds, social status, personal friendship
- Do not charge the customers for any transaction or providing any help
- Do not exploit customers – do not solicit or extract any favour in return for services you provide in cash or kind
- Do not give an impression that you are a benefactor of a customer, you are doing your duty
- Do not encourage informal borrowing or lending
- Do not reveal transaction details of the customers to anybody else
- Do not complete a cash transaction in the terminal until cash actually changes hands
- Do not mix up personal money with Bank's or customers' money
- Do not keep large amounts of cash for long time
- Do not leave the cash or terminals in unsafe places
- Do not keep customer's card or customer's copy of transactions with you.

CODE OF CONDUCT AND RESPONSIBILITY

- (i) BCA / BF will handle their responsibilities with care, diligence and sensitivity.
- (ii) During recovery procedures, BCAs/BFs will adhere to the Bank's Fair Practices Code for Lenders. The BCAs / BFs will refrain from any action that could damage the image and reputation of the Bank and observe strict customer confidentiality. The BCA/BF must provide services on behalf of the Bank in a manner befitting the status of Bank as the most trustworthy and customer oriented Bank in the country.
- (iii) The BCAs/BFs will not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their recovery efforts.
- (iv) The BCs/BFs will be solely responsible for the acts of their agents who conduct financial/nonfinancial transactions.
- (v) The BCA/BF will not charge any fee from the customer directly for services rendered by them on behalf of the Bank.
- (vi) The BCs / BFs should adhere to the Code of Conduct in letter & spirit failing which penal provisions including termination of arrangement would be invoked.
- (vii) A complaint book will be maintained by the BCA/BF at their outlet to enable customers to record their complaints, if any.

Annexure XIII

**INDICATIVE REMUNERATION TO BUSINESS CORRESPONDENTS /
BUSINESS FACILITATORS**

The indicative remuneration structure shall be performance based for the BC/BF:

| Sr. No. | PARAMETERS | INCENTIVES | | | | | | | | |
|------------|--|--|---------------------|-------------------|---------------------------------|---------------------|------------|-----|-------|-------|
| i | Conducting survey assigned by Bank and customer acquisition cost (BC/ BF activity) | Minimum Rs. 3/- Maximum – not exceeding Rs. 5 per household surveyed and customer acquired. | | | | | | | | |
| ii | Opening of Savings Accounts (BC activity) | Rs. 10/- shall be paid on opening of account and the balance Rs. 10/- on monitoring the transactions in the account for six months. | | | | | | | | |
| iii | Opening of SHG-Savings Fund Account (BC activity) | Minimum- Rs 15/- Maximum- not exceeding Rs. 20/- per account opened. | | | | | | | | |
| iv | <p>Loans and Advances (Only For Business Facilitator Services given by BCAs and not for individual BFs appointed)</p> <p>Commission will be payable after the stage of Sanction and Disbursement.</p> <p>For rejected loan applications (rejection on technical grounds)</p> | <p>0.25% of the disbursed amount</p> <p>Rs 5/- per application</p> | | | | | | | | |
| v | <p>Deposit accounts: (Business Facilitator activity)</p> | <p>The incentives are payable for canvassing/ facilitating deposits to the branches.</p> <table border="1" data-bbox="716 1556 1412 1738"> <thead> <tr> <th data-bbox="716 1556 914 1703">Period</th> <th data-bbox="920 1556 1068 1703">Less than 6Months</th> <th data-bbox="1075 1556 1256 1703">6 months to less than 12 months</th> <th data-bbox="1263 1556 1412 1703">12 months and above</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1711 914 1738">Commission</td> <td data-bbox="920 1711 1068 1738">NIL</td> <td data-bbox="1075 1711 1256 1738">0.15%</td> <td data-bbox="1263 1711 1412 1738">0.20%</td> </tr> </tbody> </table> <p>A maximum commission of Rs.1000/- per deposit per person is stipulated. However, in case of premature closure of the deposit, the applicable commission for the period the deposit remained with the Bank will be</p> | Period | Less than 6Months | 6 months to less than 12 months | 12 months and above | Commission | NIL | 0.15% | 0.20% |
| Period | Less than 6Months | 6 months to less than 12 months | 12 months and above | | | | | | | |
| Commission | NIL | 0.15% | 0.20% | | | | | | | |

| | | |
|-------------|--|---|
| | | <p>paid and the balance will be recovered from the BC/BF.</p> <p>For RD and Variable RDs the commission may be at 0.20% of the amount of installment. The commission will be payable half yearly on an actual basis. Minimum period of RD should be for one year. Maximum commission is at Rs.500/- per account, per month.</p> |
| vi | <p>Follow up and recovery:</p> <p>Recovery in identified NPA accounts and Recovery in written off accounts</p> <p>For facilitating recovery.</p> | <p>Recovery in Sub Standard Accounts: 1% or amount recovered</p> <p>Recovery in Doubtful accounts: 2% of the amount recovered</p> <p>Recovery in Loss and Written Off accounts: 10% of amount recovered</p> <p>No commission to be paid for upgradation of NPA Accounts.</p> |
| | <p>In order to weed out the possibility of payment of charges on recovery received in walk in customers and recovery through efforts of Bank staffs, we suggest pre-allotment of identified NPA accounts to BC/BF by the Branch Managers which could be recovered through BC/BF. To clarify further, the existing accounts with outstanding balance of Rs.10 lacs and below as on 30 September 2013, may be considered for allotment to BC/BF. However, for written off accounts, the above cap may not be stipulated. The payment of charges will be subject to the applicable TDS.</p> <p>The engagement of BC/BFs should be as per the guidelines of Bank/ Reserve Bank of India.</p> | |
| vii | <p>Sale of micro insurance/mutual fund / pension products/third party products</p> | <p>Minimum – 10% and Maximum – 15% of the commission earned by the Bank</p> |
| viii | <p>For Self Help Groups (SHG) and Joint Liability Groups (JLG) the rates are given below:</p> | |
| | <p>For formation, nurturing and credit linkage of SHGs and Joint Liability groups.</p> <p>a) For stationary and overhead expenses after</p> | <p>Not exceeding Rs. 1,000 per SHG/ JLG formed and credit linked with the Bank in stages as under:</p> <p>a) Rs.300/-</p> |

| | | |
|-----------|---|---|
| | saving linkage of SHG b) 4 months after saving linkage of SHG c) Immediately after credit linkage | b)Rs.300/- c) Rs.400/- |
| ix | Aadhaar Seeding | Rs 5 per account seeded with Aadhaar for Business Facilitator. For BC Aadhaar seeding commission is permitted only for existing accounts. For new accounts opened by BC ,there would be no commission for Aadhaar seeding |
| X | Coin Distribution | Busniess Correspondent can distribute coins and notes |


All rates given above are indicative and we need to negotiate with the service provider to reduce further. In case any enhancement required, the proposal has to be forwarded to Central Office for approval.

Additional Incentive for achieving the target: The selected BFC/BF will be allocated quarterly targets by the Base Branch Manager depending on the potential available in the area allocated to him. If the BCA/BF achieves the target from his assigned area of operation, he may be offered additional incentive of Rs. 500/- for that quarter.

Annexure XIV

SPECIMEN OF LAMINATED IDENTITY CARD TO BE ISSUED TO THE BCA

Front-side information


| | | |
|---|------------------------------|-------|
|  | CENTRAL BANK OF INDIA | Photo |
| Name of the Business Correspondent Entity | | |
| Name of the BCA: | Date of Issue: | |
| Father's Name: | Valid Up to: | |
| Village: | Post Office: | |
| District: | State : | |
| Tel. No. : | Mobile No. : | |
| BCA ID NUMBER: | | |
| Signature of the BC Agent | | |
| <u>Signature of Issuing Authority (with Seal)</u> | | |
| <u>For Bank:</u> Name : | <u>For CBC:</u> Name..... | |
| Designation..... | Designation..... | |

Back-side information

| | |
|---------------------------------|---------------------|
| Name of Base Branch: | Branch Code: |
| Regional Office: | Zonal Office: |
| Names of the villages allotted: | |
| 1. | |
| 2. | |
| 3. | |

SPECIMEN OF LAMINATED IDENTITY CARD TO BE ISSUED TO THE BF

Front-side information

| | | |
|---|--|-------|
|  | CENTRAL BANK OF INDIA | Photo |
| Name of the Business Facilitator Entity (if any) | | |
| Name of the BF: | Date of Issue: | |
| Father's Name: | Valid Up to: | |
| Village: | Post Office: | |
| District: | State : | |
| Tel. No. : | Mobile No. : | |
| BF ID NUMBER: | | |
| | Signature of Business Facilitator | |
| | <u>Signature of Issuing Authority (with Seal)</u> | |
| <u>For Bank:</u> Name : | <u>For CBF:</u> Name..... | |
| Designation..... | Designation..... | |

Back-side information

| | |
|----------------------------|---------------------|
| Name of Base Branch: | Branch Code: |
| Regional Office..... | Zonal Office: |
| Area to be covered: | |

Annexure XV

Performance Indicators for Review and Conditions there of:

The performance of the Service Provider will be reviewed, CSP wise, by the Bank on a monthly basis initially for three months from the beginning of operations and thereafter at a periodicity prescribed by the Bank. The Bank reserve the right to terminate the contract at any point of time if,

- a. The services are found to be unsatisfactory;
- b. There is a consistent failure to maintain customer satisfaction;
- c. The desired levels of output by the Service Provider are not met;
- d. There is a discrepancy found in the accounts maintained by the Service Provider and the records of the Bank;
- e. The customers serviced by the Service Provider complain to the Bank that the Service Provider is inefficient;
- f. There is fraud in the accounts handled by the Service Provider; or
- g. If the NPAs in the loans sourced by BCA are abnormally high, that is, the percentage of NPAs in the loans sourced by the BCA is higher than the Gross NPAs of the branch.
- h. Any other reason which, in the opinion of the Bank is not conducive to the continuation of the Services of the Service Provider.

However, before terminating the contract, the Bank will give a written notice specifying the defects in services to the Service Provider and ask him to rectify the defects within a period of 10 days. In case the defects are not rectified, the contract with the Service Provider will be terminated as at the end of 10 days from the date of notice of defects or after a specified period (of more than 10 days) as specified by the Bank.

SOME POINTS FOR SAFEGUARD

- BCAs shall be personally introduced to the villagers by the bank officials in the presence of village elders and Govt. functionaries in a public meeting so that there is no misrepresentation/impersonation.
- All the products and processes at the CSP shall be those approved by the bank and the CBC/CBF shall not introduce any new product/process without the approval of the Bank.
- Bank shall provide village wise details of BCA/ BF in Bank's website.
- The BCA details of the branch shall be displayed in all base branches.
- Address of Banking Ombudsman and the fees for services rendered at CSP shall be displayed at the outlets.
- Financial services offered by the retail outlets/BCA shall not be tied-up to the sale of any product/service of the CBC/CBF.
- No charge shall be levied directly by the BCA from the customer.
- Bank shall develop suitable training modules in local languages to provide attitudinal orientation and skills to the BCAs.
- FI Melas shall be viewed as a measure of social audit in the functioning of BCAs.

Annexure XVII

INDICATIVE MEASURES FOR BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN

- i We may keep the backup of all the data of each Technology Service Provider, periodically updated atleast once in a month.
- ii The Bank shall require the BC/BF to develop and establish a framework of keeping records of the activities and file a report every fortnight to the designated Branch/Regional Office.
- iii In the event of BC facing staff crisis, they should be able to continue the business on the basis of records available.
- iv The Bank shall exercise an appropriate level of record keeping with itself to mitigate the risk of unexpected termination of the BC/BF and for disaster recovery exercise.
- v As a standby arrangement we may short list more BCAs from each village, and train and keep them ready to serve during long leave of absence or at the time of resignation/ retirement of the existing BCA.
- vi An escrow mechanism of the utilities programmes and software used by the Technology Service Provider should be in place till such time all operations are migrated to CBS platform.

MEASURES FOR ENSURING CONFIDENTIALITY AND SECRECY

- i Access to the customer information by the BC/BF should be limited to specified fields required to perform the outsourced function.
- ii The BC/BF should be able to isolate and clearly identify the Bank's customer information, documents, record and assets to protect the confidentiality of the information.
- iii The Bank shall have the right to review and monitor the practices and control processes of the BC/BF on a regular basis.
- iv The minor breaches if any shall be brought to the notice of the BC for immediate correction. Any major breach will make the BC/BF liable for termination of the agreement and payment of penalty.
- v Any loss/damage caused to the customer due to breach of confidentiality/secretcy by the BC/BF may render the Bank liable for damages and the Bank will be authorized to recover the loss/take appropriate action against the BC/BF.

RISK AND RISK MITIGATION

| Sr. No. | Risk | Risk Mitigation Techniques |
|---------|--|--|
| 1 | <p>Strategic Risk</p> <ul style="list-style-type: none"> • The service provider may conduct activities on its own behalf, which are inconsistent with the overall strategic goals of the regulated entity. • Inadequate expertise to oversee the service provider | <p>Provide sufficient publicity among the public about the delegated duties and responsibilities of BC / BF, so that public will refrain from dealing with BC / BF in inconsistent activities.</p> <p>The agreement should include the stipulation that they shall not conduct any activities on their own behalf or any other inconsistent activity.</p> <p>Proper training shall be given to the Bank personnel.</p> |
| 2 | <p>Reputation Risk</p> <ul style="list-style-type: none"> • Poor service from the service provider. • Customer interaction by the service provider may not be consistent with the overall standards of the regulated entity. | <p>A strong feedback structure has to be developed. The base branch officials should independently interact with the public to get unbiased feedback about the activities and services rendered by BC/BF</p> <p>Proper Training shall be given to the BC/BF</p> |
| 3 | <p>Compliance Risk</p> <ul style="list-style-type: none"> • Customer Privacy and prudential laws not adequately complied with, by the service provider. • Service provider has inadequate compliance system and controls. | <p>In the event of breach of prudential laws he may be penalised or black listed. An undertaking to this effect shall be obtained.</p> <p>The compliance system/control requirements shall be ensured by the Branch while engaging BC/BF.</p> <p>The activities of BC / BF should be audited periodically through our internal auditors and specialised external auditors.</p> |

| | | |
|---|---|---|
| 4 | <p>Operational Risk</p> <ul style="list-style-type: none"> • Due to technology failure • Inadequate financial capacity to fulfil obligations and provide remedies • Fraud/error • Robbery/Dacoity of cash in transit | <p>While selecting BC/BF it shall be ensured that they have business continuity/ disaster recovery plans/systems.</p> <p>BC selected should not be defaulter of any other Bank/Branch. The financial soundness of the BC shall be ensured at the time of their engagement.</p> <p>Fidelity Insurance coverage should be obtained.</p> <p>The Blanket Insurance policy can be obtained to mitigate the risk.</p> |
| 5 | <p>Exit Strategy Risk</p> <ul style="list-style-type: none"> • Appropriate exit strategies are not in place. • Over-reliance on a Single Agency • Loss of relevant skills in the regulated entity | <p>The role/duties of BC/BF are not highly technical. Their replacement is possible. Stand by arrangement should be kept available by the Branch/Regional Office.</p> <p>For technology, escrow mechanism should be in place to ensure business continuity.</p> |
| 6 | <p>Contractual Risk</p> <p>Inability to enforce the contract</p> | <p>The contractual capacity of the BC/BF shall be ensured through due diligence check at the time of engagement.</p> |
| 7 | <p>Access Risk</p> <p>Hinders ability of the regulated entity to provide timely data and other information.</p> | <p>Bank Officials should have an access to their Data Centre.</p> <p>Bringing transactions on CBS platform would solve this problem.</p> |
| 8 | <p>Concentration and systemic Risk</p> <ul style="list-style-type: none"> • Lack of control of individual firms over a service provider. • Systemic risk when considerable exposure to one single service provider. | <p>CSPs/ BCAs would work under tight monitoring with Begin of Day and End of Day procedures, and limits set for cash holding and transaction value.</p> <p>The business shall be distributed through many service providers.</p> |

SCOPE OF AUDIT

TSP level activities-

- Enrollment process of the account holders
- Procedure for End to End transaction at the TSP level and any shortcomings there of
- System audit of the TSP
- All customer transactions at field level
- Transfer of information relating to all the transactions to our CBS – procedure and its security aspect
- Reports generated by the TSP, its periodicity, conformity with our directions,
- Suggestion for any other reports for better supervision and control of FI activities
- Checking of interest charged in accounts and its correctness
- Time taken for enrolment and card issuance- in case of Biometric Smart Card Model
- Level of implementation of FI activities and reasons for low level of implementation, if any.

Branch Level Activities-

- Whether copies of Fidelity insurance, Transit Insurance & Police verification report of BCA are held on record.
- Whether all the cash transactions pertaining to BCA operations are routed through the OD account and properly reconciled at the branch
- Whether the OD account is operated within the limit permitted. Details of instances of excess allowed, if any.
- Comment on Nature of Transactions in OD account (cash of BCA). No transaction, other than those pertaining to BCA-POS transactions, is permitted to be routed through that account.
- Comment on prescribed records /registers maintenance by BCA - Maintenance of registers and records on enrolments made, smart cards issued and the daily transactions.
- Instances of any transaction other than those permitted. Any noticed to be specified, and action taken by the Branch to be commented upon.
- Accounting of transactions in our CBS system.
- Accounts opened in CBS and monitoring of these accounts
- Accounts of BCA/BC/TSP maintained with our CBS branches. Ensuring compliance of operation within the limit.
- Supervision of the accounts by our Branch Officials
- Ensuring verification of reports generated by TSP

- Surprise visit by the Branch Officials / LDMs/ RMs/auditors to villages and feedback, grievance redressing mechanism, etc and the registers thereof.
- Periodic Meeting with TSP/ Corporate BC/ BCA by the Branch/LDM/RO and the register of minutes
- Surprise verification of Cash balance with BCA
- Whether the branch is verifying the details of number of accounts opened, card issued, card activated given in the Invoice/ Bill submitted by TSP while forwarding it to RO.

BCA level

- Whether BCA is a resident of the village (with population over 2000) in which he is functioning.
- Age of the BCA. (Should not be more than 65 years on the date of initial appointment)
- If his age is more than 65 years, whether his competency is being reviewed by the Bank every Year.
- Whether BCA is following the prescribed systems & procedures for enrolment and opening of accounts as per norms.
- Whether the BCA is working as per the laid down norms narrated in the BC policy
- Whether hard copy of the account opening form and KYC details collected are safely handed over to the branch
- Whether Field BC has filled in all the columns in the account opening form.
- Comments on functioning of BCAs in identification & facilitating in opening of accounts.
- Issue of smart card – Whether smart cards collected from branch are distributed to the account holders against their acknowledgement and activated for facilitating transactions - whether proper records/registers are maintained- If any card is kept undelivered, the details and reasons for it to be furnished.
- Verification of Cash Balance - Whether Overnight Cash holding is more than the Prescribed limit. Instances of delay in remittance to base branch, if any, with details
- Whether the BCA has done transactions on all working days. In case of no transaction on any working day, its reason.
- Whether sign Boards displayed indicating the name of the Bank, name of BC, Phone numbers, timing of Field BC operation, charges applicable for services, grievance redressing mechanism, address of ombudsman and rates of interest.
- Comments on maintenance of Point of Sales (POS) machine /micro ATM and security features like auto lock/ auto logout.
- Brief of publicity and awareness campaigns carried out by Branch/RO in the villages along with the Field BC

- Comment on efforts at imparting financial literacy
- Discreet Market report on the functioning of BCA
- Any other observation of relevance on the functioning of BCA

Zonal Office/ Regional Office Level

- Activities of FI cell at RO/ ZO and its effectiveness in monitoring
- Submission of MIS reports to CO and its compliance/ correctness/ promptness.
- Timely payment of bills and its conformity with the Purchase order and SLA executed with the TSP / BC

CENTRAL BANK OF INDIA APRIL 2014

Annexure XXI

Indicative list of role and responsibilities of offices at various level in implementation of Financial Inclusion and monitoring and control of BC/BF activities

BRANCH LEVEL

- Primarily responsible for implementation of Financial Inclusion in allotted villages and monitoring and control of all activities of Business Correspondent and Business Facilitators.
- Identification of Field Business Correspondent/ BC Agents jointly with the Service Provider
- Completing all due diligence process including full KYC and police verification report about the BCA aspirants
- Conducting Interview jointly with SP and officers from RO/LDM
- Notifying the selection of BCAs in prominent places of the village and the Branch
- Issue identity cords jointly signed by the service provider
- Hand Holding of BCAs
- Arranging trainings to the BCAs
- Convening awareness campaign in the villages and introducing BCA to villagers.
- Supply of stationery to the service provider
- Preparation of FI implementation plan for the villages and ensure execution within the timelines.
- Identification of premises for Ultra Small Branches
- Providing Furniture to USBs
- Coordinating with village and district authorities to sensitize villagers for improving number of transactions.
- Ensuring weekly visit to the BC locations of the allotted villages / USBs by an officer of the Base Branch
- Ensuring one weekly visit to the allotted village by the Base Branch Manager
- Ensuring opening of savings account of the BCAs for crediting the salary.
- Ensuring prompt payment of salary to the BCAs by the service provider.
- Opening of OD account and sanctioning of limit to the BCAs for routing the transactions
- Authentication of Account Opening Form and Verification of KYC
- Authentication of FI accounts in CBS
- Processing and sanction of FI loan products.
- Receiving cards from the Service Provider and keep a record of it
- Delivery of Smart Cards to the FI customers through BCAs
- Monitoring the transactions in the FI accounts and their reconciliation.
- Uploading the files relating to transactions through CBS. (EBT, NREGA etc)
- Conducting inspection on a random basis of a minimum of 10% of all the accounts opened through BCAs.
- Safekeeping of laptops provided to the designated officer
- Providing cash to the BCAs based on their requirements

- Arrangement of transit insurance and fidelity insurance of the BCAs (Keep a copy of the insurance policy with the Branch)
- Display the details of allotted villages, BCAs appointed, and their contact details in the branches.
- First tier of Grievance redressal of all FI customers
- Arranging weekly meeting with the BCAs in the branch
- Ensuring participation of BCAs, Village Authorities in the Quarterly FI Mela
- Gathering feedback from the FI customers and take remedial measures if required.
- Providing monthly report on the BCAs and cards distributed to ROs enable them to process the invoices of the Service Providers
- Assist executives of our Bank / RBI / NABARD etc in conducting Out Reach Visit in the FI villages.
- Explore the possibilities of engaging BCAs for other permitted activities for business development, outside the scope of his primary allotted duties, by defining separate remuneration structure. (eg. For acting as Business Facilitators in non allotted villages, and canvassing high value retail products).
- Ensuring opening of accounts of all households in all the service area villages allotted to the branch.

LEAD DISTRICT MANAGERS

- Overall monitoring of FI implementation of all banks in the District.
- Coordinating with the Service Provider
- Coordinating with the Village and District Authorities
- Assisting the branches in conducting awareness campaign in villages
- Taking initiatives to increase the pace of FI activities
- Grievance redressal of FI customers
- Monthly review of BCAs
- Coordinating for Training and IIBF Certificate courses to the BCAs in consultation with NABARD
- Liaison with District Authorities for routing of Govt. benefits through the cards and also for the float funds of various Govt. funds
- Conducting FI Melas
- Preparation of FI implementation plan of the District
- Ensuring opening of accounts of all households in all the service area villages allotted to the Bank
- Guide the Branch staffs in issues relating to Financial Inclusion
- Ensure opening of account of all scheme beneficiaries and linkage of aadhaar number of the customers to their account

FI COORDINATORS

- Submission of the tour plan to Regional Office in advance and visit the allotted villages in the Districts allotted.
- Surprise visits to villages to ascertain the activities of CSPs
- Verification of cash holding with CSPs

- Facilitate in opening of accounts in base branches
- Monitoring of data file upload related with transactions and account opening based on TSP report
- Coordination with Panchayat Head / Mukhiya for maximum enrolment in villages
- To verify the time taken between enrolment and actual activation of accounts and strategize for reducing the turn- around period.
- Organizing awareness camps and to increase financial literacy among rural people
- To facilitate weekly meeting of BCs at Base Branch
- Monthly meeting with all the CSPs in a district for way forward with District Coordinator
- Coordinating FI Mela in the districts
- Handling grievances of customers
- Ensuring opening of accounts of all households in all the service area villages allotted to the Bank
- Training and hand holding of BCAs/ CSPs
- Guide the Branch staffs in issues relating to Financial Inclusion

REGIONAL OFFICE

- Overall monitoring FI implementation and control of BC & BF engaged by our Bank in the Region.
- Preparation of implementation plan for FI of the entire Region.
- Participating in the selection process of BCAs for the allotted villages
- Creation of a dedicated FI cell at RO level
- Designation of officers of the Base Branches for conducting weekly visit to villages/ USBs
- Ensuring opening of Ultra Small Branches.
- Arranging training to Base Branch Managers and BCAs
- Processing, sanctioning and payment of invoices submitted by the Service Provider as per the purchase order and agreement executed with them.
- Ensure prompt payment of salary to BCAs through the Branches before making payment to the service provider.
- Arrangement of fidelity and cash transit insurance of the BCAs from the corporate BC.
- Coordinating with the service providers of the Region
- Follow-up with the Service Providers and branches for implementing FI Plan within the timelines
- Taking initiatives to increase the number of transactions
- Coordinating with SLBC, state government, RBI etc
- Conducting outreach visit in the allotted villages by Regional Managers atleast 10% of the number of allotted villages in the region.
- Timely submission of MIS reports to Zonal Office / Central Office/ SLBC/ RBI / Ministry
- Coordinating with executives at Central Office / Zonal Office / RBI / Ministry for execution of outreach visit
- Arranging monthly review meeting of all the BCAs in the Region

- Second tier of redressal of grievances of FI customers
- Providing internet connectivity to the laptops provided for USBs
- Reconciliation of accounts with the BCAs
- Sanction of higher OD limit to BCAs on a need based manner within the permitted level.
- Reporting authority of FI coordinators appointed in the Region. Payment of remuneration and other reimbursements to FI coordinators.
- Supervise and assist Branches / LDMS & FI coordinators in performing their allotted duties.
- Participating in the meeting of Leader Banks in the process of Common RFP for BC (wherever required)
- Providing T-shirts, caps and other materials to the BCAs from rural publicity budget
- Sanctioning and payment of commission of Business Facilitators engaged in the region
- Ensuring opening of accounts of all households in all the service area villages allotted to the Bank
- Ensure linkage of aadhaar number to the accounts with emphasize on the scheme beneficiaries
- Periodical review of the BCs, BCAs and other service providers and send the minutes/suggestions to Central Office
- Periodical review of performance of FI coordinators and send the minutes/suggestions to Central Office

ZONAL OFFICE

- Overall monitoring FI implementation and BC BF activities in the Zone
- Coordinating with the service providers
- Timely submission of MIS reports to Central Office.
- Third tier in Grievance Redressal of FI customers
- Liaison with Government Officials / RBI / NABARD / SLBC etc
- Supervising and assisting the Regional Office to perform their duties.
- Participating in the meeting of Leader Banks in the process of Common RFP for BC (wherever required)

Guidelines on Ultra Small Branches (USB)

1. As per instructions and guidelines issued by Ministry of Finance (MoF) we have decided to set up USBs in FI villages covered or to be covered through BC agents on a phased manner. We give below the guidelines for opening USBs in the villages:-
2. Where USBs have to be opened?
 - Ultra Small Branches have to be set up in all FI villages covered or to be covered through BC agents.
 - The Ultra Small Branches have to be converted to a regular branch on attaining the desired level of business.
3. Characteristic of Ultra Small Branches (USB)
 - The Bank has to identify space in each village for the USB with area 100 to 200 square feet. Local bodies such as the Panchayat, Schools etc. may be requested to provide for rent free premises.
 - FBC appointed in the village operates from the USB and deals with all cash transaction and other routine works.
 - The base branch would designate a specific officer to visit the village on a pre-notified fixed day and time every week, with a laptop which should have VPN connectivity to the CBS. He would clear applications for new account opening, loans, recovery and follow-up and business development. This is to instill greater confidence among the customers and facilitate increased banking transactions through BCAs.
 - MoF defined appropriate security mechanism to be implemented at the Laptop as well as to protect information flows over communication links from USBs to bank level branch.
4. Procurement of Laptops
 - Sanction for 800 laptops have already been informed to regional offices which are to be distributed in select branches in our ROs. For remaining, DIT will arrange for supply/ issuance of order in due course of time.
 - Internet connection is to be made available in the laptops for accessing the CBS system through VPN facility. Regional Managers are permitted to procure the internet connection (data card) from the service providers available at respective locations within their non-lending powers.
5. Utilities to be delivered through the laptops
 - The laptops will have VPN connectivity with our CBS and we have to provide the facility to view the details of the accounts in the CBS using the laptops. We may also provide additional utilities, such as printing the

statement of account, pass books etc through the laptops. DIT to incorporate these utilities in the laptops. RCCs have to coordinate with DIT to arrange for the utilities in the laptops

6. Space for opening USBs

- We may approach Local bodies such as Panchayats, Schools etc. to provide rent free premises.
- Wherever the Service Provider is willing to provide the space for USBs it may be make use of.
- If the FBC outlets have separate room satisfying the criteria of USBs and they are ready to offer it for free of rent to the Bank we may open USBs there as well.
- In extreme situations where premises are not available without rent, we may offer a nominal rent up to a maximum of Rs.500/- per month for starting the USBs. We have to explore the all possibilities of reduction of the rates through negotiation.

7. Furniture and lock and keys of USBs

- We may provide minimum furniture at the USBs
 - One Table (size 3'x 2')
 - 3 ordinary chairs
 - One small almirah / rack to keep the stationery
- This furniture have to be accounted in the inventory of base branches.
- The room must be kept secured under lock and key and the keys must be under the custody of both the FBC and the officer designated to visit the USB to have an independent access to them.

8. Designation of officers to visit USB

- All Regional Offices have to designate an officer from the base branch to visit the allotted village / ultra-small branch once in a week on a fixed day and time to collect application for opening account, loans of all types and such. The monitoring authority would be the nodal officer of Financial Inclusion at RO.
- We request the ROs to relocate the officers in the Region if required, to ensure the designation of officers from the base branch to visit the USBs.

9. Uniform Brand Name and Design for the sign boards

- Bank has approved a uniform brand name "CENT PRAGATI" to our Ultra Small Branches. A uniform design is also devised for the sign boards of USBs. We have provided the design of the board (size 6'x3') and advised all the ROs to use the brand name and signage only in our USBs. The design of the board is given below for your ready use.



सेन्ट्रल बैंक ऑफ़ इंडिया
Central Bank of India

1911 से आपके लिए "केंद्रित" "CENTRAL" TO YOU SINCE 1911



स्वाभिमान
ग्रामीण भारत को
समृद्ध करने की पहल



ग्राम: धनौत

आधार शाखा: रुकनपुरा

Abbreviations used

| | |
|---------|--|
| A/c | : Account |
| AOF | : Account Opening Form |
| BC | : Business Correspondent |
| BCA | : Business Correspondent Agent |
| BF | : Business Facilitator |
| BFA | : Business Facilitator Agent |
| BM | : Branch Manager |
| CBC | : Corporate Business Correspondent |
| CBF | : Corporate Business Facilitator |
| CBI | : Central Bank of India |
| CO | : Central Office |
| CSP | : Customer Service Point/Provider |
| CVC | : Central Vigilance Commissioner |
| DPN | : Demand Promissory Note |
| FBC | : Field Business Correspondent |
| FI | : Financial Inclusion |
| GoI | : Government of India |
| HHD/HHT | : Hand Held Device / Terminal |
| IBA | : Indian Banks Association |
| ICT | : Information & Communication Technology |
| ITeFI | : Information Technology enabled Financial Inclusion |
| KYC | : Know Your Customer |
| LDM | : Lead District Manager |
| MoF | : Ministry of Finance |
| MOU | : Memorandum of Understanding |
| NBFC-ND | : Non-Deposit taking Non Banking Finance Companies |
| OD | : Overdraft |
| OPR | : Operations Department at Central Office |
| POS | : Point of Service / Sale |
| RBI | : Reserve Bank of India |
| RMD | : Risk Management Department at Central Office |
| RM | : Regional Manager |
| RFP | : Request for proposal |
| TSP | : Technology Service Provider |
| USB | : Ultra Small Branch |
| ZM | : Zonal Manager |