



Customer Compensation Policy for the FY 2023-24

Contents

1. Policy Overview	2
2. Policy Details	2
2.1 Background:	2
2.2 Objective:	3
2.3 Scope and Applicability:	3
2.4 Policy Contents	3
A. List of Acronyms and Definitions	6
B. List of references including related policies/forms, RBI/SEBI Circulars, etc..	7

1. Policy Overview

The Customer Compensation Policy is designed to compensate customer in the events of unauthorized debits or delays during Banking transactions or cases related to Applications Supported by Block Amount (ASBA) wherein applicants (RII) in an Initial Public Offering (IPO) have failed to get allotment of specified securities and in the process may have suffered an opportunity loss. The policy is applicable to all the products and schemes. The policy is to be followed meticulously by the field functionaries while resolving complaints.

With reference to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated April 4, 2019 wherein it was proposed that the Reserve Bank would put in place a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation framework across all authorised payment systems.

After consultation with various stakeholders, the framework for TAT for failed transactions and compensation thereof has been finalised which will result in customer confidence and would bring in uniformity in processing of the failed transactions. (RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20)

The policy will be effective from 01.04.2023 and valid up to 31.03.2024.

2. Policy Details

2.1 Background:

The policy is based on the guiding principles enlisted in:

1. RBI "Master Circular on Customer Service in Banks" circulated vide RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1st July 2015.
2. RBI circular no. DBR. No.Leg.78/ 09.07.2017-18 dated July,6 2017 on Customer Protection – Limited Liability of customers in Unauthorised Electronic Banking transactions.
3. RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20
4. SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018.
5. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021
6. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02,2021
7. SEBI/HO/CFD/DIL2/CIR/P/2022/45 April 05,2022
8. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022

Compensation Policy of Bank is designed to cover areas relating to unauthorized debiting of account, unauthorized Electronic Banking transactions, Payment of interest to customers for delay in collection of cheques / instruments, payment of cheques after acknowledging stop payment instructions, remittances within India, foreign exchange services, lending, ASBA, etc. The policy is based on principles of transparency and fairness in treatment of the customers and regulatory guidelines.

2.2 Objective:

The objective of the Policy is to establish a system, whereby the customer is compensated for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the Bank.

The customer, as far as possible, will be compensated without having to ask for it.

The Policy covers only compensation for financial losses which customer might incur due to deficiency in the services offered by the Bank, which can be measured directly and as such the commitments under the Policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

2.3 Scope and Applicability:

The Customer Compensation Policy shall cover the Customer Compensation function of all the Offices of the Bank.

2.4 Policy Contents

The Customer Compensation Policy covers the following aspects, the details of the same have been outlined in the Operational Guidelines of the Policy.:

2.4.1 Erroneous Debits arising on fraudulent or other transactions:

If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In case, the unauthorized / erroneous debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on Savings Fund deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instruction due to insufficiency of balance on account of the unauthorized/erroneous debit (other than those on account of third-party breaches), the bank will compensate the customer to the extent of such financial losses after taking into consideration all relevant factors.

2.4.2 Payment of interest for delays in collection:

In cases of delay in collection of Cheques, the Bank would suitably compensate the Customer, the guidelines of which has been provided in the Operational Guidelines.

2.4.3 Payment of interest for delay in issue of duplicate draft:

For delay beyond the stipulated period, interest at the rate applicable for fixed deposit of corresponding period will be paid as compensation to the customer for such delay.

2.4.4 Customer compensation for delayed reversal of digital failed transactions

Bank has a detailed framework for auto-reversal of the failed Digital transactions and compensation, in events of delay beyond the prescribed Turnaround Time (TAT).

2.4.5 Customer Compensation for Retail Individual Investors who have failed to get allotment of a specified securities (ASBA/IPO) and in the process may have suffered an opportunity loss:

This section covers the following areas wherein investor may have suffered an opportunity loss due to the following factors:

- I. Failure on part of the Bank to make bids in the concerned Exchange system even after the amount has been blocked in the investors' bank account with the Bank.
- II. Failure on part of the Bank to process the ASBA applications even when they have been submitted within time.
- III. Any other failures on part of the Bank which has resulted in the rejection of application form.
- IV. Failure to unblock funds for cancelled/withdrawn/deleted cases in the Stock Exchanges platform
- V. Failure to unblock the funds in cases of partial allotment by the next working day from the finalization of Basis of Allotment (BOA).
- VI. Failure to unblock the funds in cases of non-allotment by BOA+1.
- VII. Self-Certified Syndicate Bank (SCSB) blocking multiple amounts for the same UPI application.
- VIII. SCSB blocking more amounts in the investors account than the application amount.

The following factors have been considered while calculating compensation to Retail Individual Investor-

- I. The opportunity loss suffered by the investor due to non -allotment of shares
- II. The number of times the issue was oversubscribed in the relevant category
- III. The probability of allotment; and
- IV. The listing gains if any on the day of listing
- V. Any applicant whose application has not been considered for allotment, due to failure on the part of the SCSB, shall have the option to seek redressal of the same within three months of the listing date with the concerned SCSB.
- VI. In case of issues which are subscribed between 90-100%, i.e., non-oversubscribed issues, the applicants would be compensated for all the shares which they would have been allotted.
- VII. No compensation would be payable to the applicant in case the listing price is below the issue price.
- VIII. Compensation to Investors in case grievances pertaining to Block/Unblock of funds of ASBA (IPO) applications submitted via using UPI platform

2.4.6 Other unauthorized actions of the Bank leading to a financial loss to Customer

A customer's entitlement to zero liability shall arise where the unauthorized transaction occurs in the following events:

- 2.4.6.1 Contributory fraud/negligence/deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).

2.4.6.2 Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication. Here, the communication means information to customer through SMS, mails, passbook and other means.

2.4.7 Customer Compensation in various incidents involving Safe Deposit Vault (Lockers):

The Customer Compensation Policy in respect of incidents involving Safe Deposit Vault (Lockers), shall be governed by RLBD Cir No. 23/2021 dated 31-12-2021, or any subsequent changes introduced from time to time.

2.4.8 Disclaimer Clause

Notwithstanding anything contained hereinabove, the Bank shall not pay any compensation in the following cases: -

- i) Any deficiency regarding loans and advances activities of the Bank.
- ii) Dishonor of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) Delays on account of non-functioning of business due to factors beyond the control of the Bank and the period covered by such events shall be omitted for calculation of delay, etc.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, Arbitrator, Government, and matter put on hold due to stay.

2.4.9 Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labor disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to Bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc.) beyond the control of Bank prevents it from performing its obligations within the specified service delivery parameters.

Appendix

A. List of Acronyms and Definitions

The words and expressions used in this policy but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, the SEBI Issue of Capital and Disclosure Requirement (ICDR) Regulations, the Security Contract (Regulations) SCRA, the Depositories Act, RBI Master Circular on Customer Service in Bank or the rules and regulations made there under:

1. FRMD: Fraud and Risk Management Division
2. DBTD: Digital Banking Transformation Division
3. ECS: Electronic Clearing System
4. FEDAI: Foreign Exchange Dealers Association of India
5. LAF: Liquidity Adjustment Facilities
6. FEMA: Foreign Exchange Management Act
7. SEBI: Securities and Exchange Board of India constituted under the SEBI Act, 1992.
8. IPO: Initial Public Offering.
9. Retail Individual Investor (RII): RII means an investor who applies or bids for specified securities for a value of not more than Rs.2.00 lacs.
10. Self-Certified Syndicate Bank (SCSB) means a banker to an Issue registered with the Board, which offers the facility of ASBA.
11. Specified Securities means equity shares and convertible securities.
12. ASBA: Application Supported by Blocked Amount
13. Allotment/Allot/Allotted: Unless the context otherwise requires, means the allotment of Equity Shares pursuant to the Initial Public Issue.
14. Applicant/Investor: Any Prospective Investor who makes an application pursuant to the terms of the Draft Prospectus and the Application Form.
15. Basis of Allotment: The basis on which the Equity Shares will be allotted to successful applicants under the Issue.
16. RTI/RTA (Registrar to an Issue/ transfer agent): The person appointed by a body corporate or any person or group of carry on the activities of collecting applications from investors in respect of an issue; keeping a proper record of applications and monies received from investors or paid to the seller of the securities and assisting body corporate or person or group of persons in determining the basis of allotment of securities in consultation with the stock exchange; finalizing of the list of persons entitled to allotment of securities; processing and dispatching allotment letters, refund orders or certificates and other related documents in respect of the issue.
17. Issue Price: The price at which Equity Shares will be issued by the Company in terms of this Draft Prospectus.
18. Listing Price: Listing price shall be taken as the highest of the opening price on the day of listing across the recognized stock Exchanges.
19. UPI: Unified Payments Interface (UPI) is an instant payment system developed by the National Payments Corporation of India (NPCI), an RBI regulated entity.

UPI is built over the IMPS infrastructure and allows you to instantly transfer money between any two parties' bank accounts.

20. TAT: Turnaround Time

B. List of references including related policies/forms, RBI/SEBI Circulars, etc.

1. RBI "Master Circular on Customer Service in Banks" circulated vide RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1st July 2015.
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