

**BANK UPON YOUR BANK:
MAIN HEADINGS**

I BANK ON YOUR BANK- GENERAL

II DEPOSITS

III. LOANS & ADVANCES

!V. Latest Technology Oriented Services.

IV. OTHER SERVICES

V. ESSENTIALS TO KNOW OF BANK

Latest technology oriented service:

Money today has been reduced to zeros and ones. Most of the world's 'money' flows from a paycheck to a bank to a store and then, through the store's supply chain, only to be deposited in another business's account.

Without question, electronic money has helped the world's economy grow and prosper. This digitization has contributed to advances like ATMs, credit cards and online banking. The transformation happening underneath is far more profound. Unprecedented computing power and advanced analytics turn oceans of ones and zeros into insights, in real time. Which means we could have a safer, more transparent and intelligent financial system for a smarter country.

We see many of these changes happening in India today. By embracing Information Technology, banks in India are today servicing customers better and making forays in previously untapped markets – like rural areas. Risk reduction, real time application of data and transparency are some of the benefits that the industry is enjoying today.

RTGS: Real time Gross Settlement, in other words settlement of funds on order of the account holder. The Account holder advise to this banker to debit his account by giving "Yourself Cheque" and credit the account of the payee by giving the following details:

The remitting customer has to furnish the following information to a bank for effecting a RTGS remittance:

1. Amount to be remitted
2. Remitting customer's account number which is to be debited
3. Name of the beneficiary bank
4. Name of the beneficiary customer
5. Account number of the beneficiary customer
6. Sender to receiver information, if any
7. The IFSC Number of the receiving branch

The transaction happens through the system through RBI and this could be done across the country with in minutes and therefore very popular mode of settlement with very minimal charges. There is no comparison to the Bank Draft/Pay Order as it takes not only time, efforts and the charges are abnormal. The minimum limit fixed for RTGS is Rs.2 lakhs and no limit for the maximum. The charges is Rs.25/- upto 5 lakhs and Rs.50/- beyond 5 lakhs. The receiver will not pay any charges to his banker. Even though two hours time is given for the receiver bank to credit the account, it happens almost immediately as many of the customers are not utilizing such a popular service. The payer get the IFSC Code number and in case for any technical reason the funds are not transferred to the payees account the funds are put back to the account of payer.

For a funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch would have to be RTGS enabled. The lists are readily available at all RTGS enabled branches. Besides, the information is available at RBI website (<http://rbidocs.rbi.org.in/rdocs/RTGS/DOCs/RTGEB1110.xls>).

NEFT: National Electronics Funds Transfer. This settlement of all transactions till one pre determined cut off time, mostly on hourly or two hour basis. Unlike RTGS this happens for the number of transactions with in the stipulated time and not individual transaction of RTGS.

Core banking is a general term used to describe the services provided by a group of networked [bank](#) branches. Bank customers may access their funds and other simple transactions from any of the member branch offices. Core Banking is normally defined as the business conducted by a banking institution with its retail and small business customers. The advancement in technology, especially internet and information technology has led to new ways of doing business in banking. These technologies have cut down time, working simultaneously on different issues and increasing efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here, computer software is developed to perform core operations of banking like recording of transactions, [passbook](#) maintenance, interest calculations on [loans](#) and [deposits](#), customer records, balance of payments and withdrawal. This software is installed at different branches of bank and then interconnected by means of communication lines like [telephones](#), [satellite](#), [internet](#) etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions. This new platform has changed the way banks are working.

Retail Banking: Implementing technology to effectively enhance mobility, security, efficiency and customers' experience in retail banking

Increasing globalisation and modernisation, coupled with the rising needs of retail banking services and products in Asia, have increased the need for retail banking innovations. Retail banks are now driven to explore newer technologies that can more effectively increase mobility, enhance security, support new products and services, and improve customers' banking experience, whilst minimising costs, in order to reinforce their competitive edge.

I. BANK ON YOUR BANK

GENERAL INFORMATION:

BANK is a business establishment that safeguards depositor's money and uses it to make loans and investment and earn profits. Banking existed in India in some form or other in ancient times. Indigenous banking system of India is centuries old in tradition.

Banks are reservoirs of resources necessary for Economic Development. Banks are contributing very significantly for the expansion of Industrialization. Bank advances helps entrepreneurs to start new industries, which results in more employment and income generation. It also helps to push up the production of goods. Banks ensure that the credit is not used for non-development purposes.

History of Bank

Banking is nearly as old as Civilization. Started in Rome, modern bank began to develop between 1200 and 1600 in Italy. The word Bank comes from the Italian word 'Banco' meaning Bench. Early Italian bankers conducted their business on benches therefore it is called Bank.

Nationalisation of Bank on 19th July 69.

The objectives of Nationalisation :-

1. Expanding bank credit to priority sector
2. Remove the capture of Banking by a few groups.
3. To give Professional Bank Management.
4. To encourage new classes of Entrepreneurs.
5. To provide adequate training and service to staff.

Nationalization & Liberalisation:

In the year 1969, 14 major banks which had large deposit base were nationalized by passing suitable amendment in the Parliament. Some more banks were added under the nationalization. In the year 1994, Reserve Bank of India liberalised the Indian Banking Industry. Only under liberalisation, the private sector banks have come in large numbers.

INNOVATION ERA

The banking system in India has gone through two important phases of development – one before nationalization and the other post-nationalisation. Now, it has entered the third phase of development which can be characterized as innovation and diversification because of entry of multinational banks and a liberalized branch expansions.

Bank Crisis

The Great depression hit the whole world in 1933. The business firms failed, workers lost their jobs, farmers lost their farms, Bank who have made loans to thousands of people have lost money and could not repay the deposits. President Franklin D. Roosevelt declared bank holiday and slowly public confidence returned and the crisis ended.

Reforming Committee's: In India: Several committees' were appointed to look into several aspects of banking. Notable among them are 1) Narasimhan Committee 2) Padmanabhan Committee 3) Jilani Committee. RBI is also a member of the International Committee on Banking Based Committee.

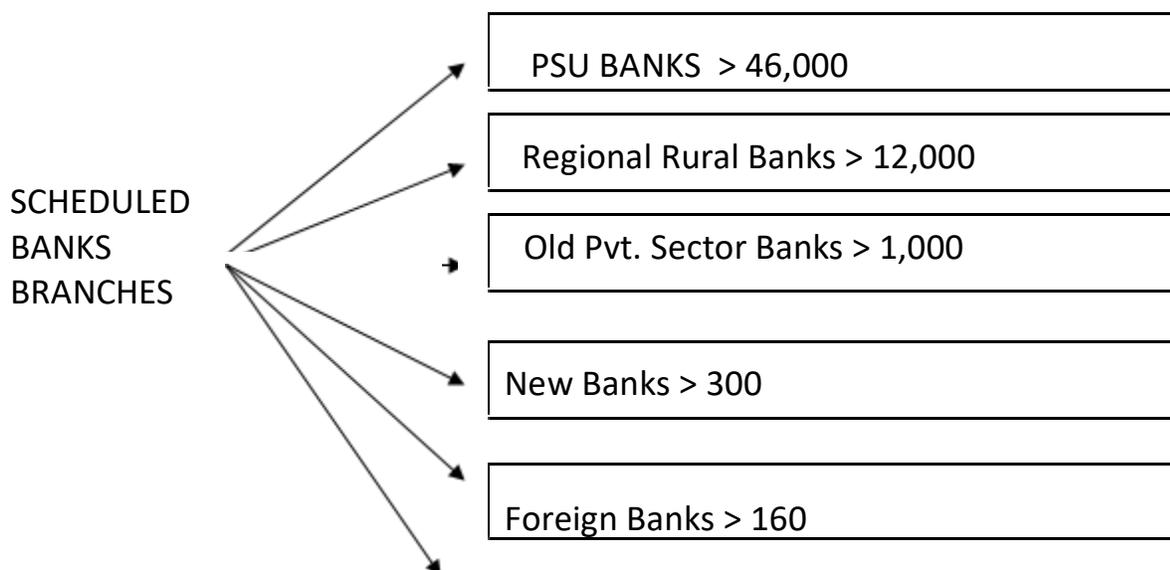
Prudential Norms: Our financial system will also have to prepare for a tightening of the prudential norms as the new Basel accord becomes effective. Upgrading technology, technical skills, research and human capital, developing effective 'front office' strategies and fortifying internal rules of governance and responsibility assumes a renewal priority on the fast changing scenario.

Banks in the modern sense may be defined as Financial Institutions that accept funds, principally in the form of deposits, repayable on demand or short notice.

Various Services of Banking Institutions

The objects of a bank are as provided in the Banking Companies Act. Further a Bank operates under a license issued by RBI. The objects of a bank cannot therefore be outside the personalized basis.

1. The borrowing, raising or accepting up of money in the form of deposits in time, current or savings accounts.
2. The drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debenture certificates, scrip's and other instruments whether transferable or negotiable or not.
3. Granting and issuing letters of credit, traveller's cheques and circular notes.
4. The buying and selling of foreign exchange including foreign bank notes.
5. Acquiring, holding, issuing on commission, underwriting and dealing in stocks, funds, shares, debentures, bonds, obligations, securities and investments of all kinds.
6. The purchasing and selling of bonds, scrip's or other form of securities on behalf of others, and the negotiation of loans and advances.
7. The receiving of all kinds of bonds, scrip's or valuables on deposits or for safe custody or otherwise.
8. The provision of safe deposit vaults.
9. The collecting and transmitting of money and securities.
10. Acting as agent for government or local authority.
11. Carrying on and transacting every kind of guarantee and identity business.
12. Undertaking and executing trusts, acting as Trustee
13. Contracting for public and private loans and negotiating and issuing the same.
14. Acquiring, underwriting the whole or any part of the business of any company or person, when such business is of a nature enumerated or described as banking.
15. Any other form of business which the Central Government may by notification in the 'Official Gazette', specify as a form of business in which it is lawful for a banking company to engage.



Commercial Co-operative Banks > 500

Focus of Major Banks:

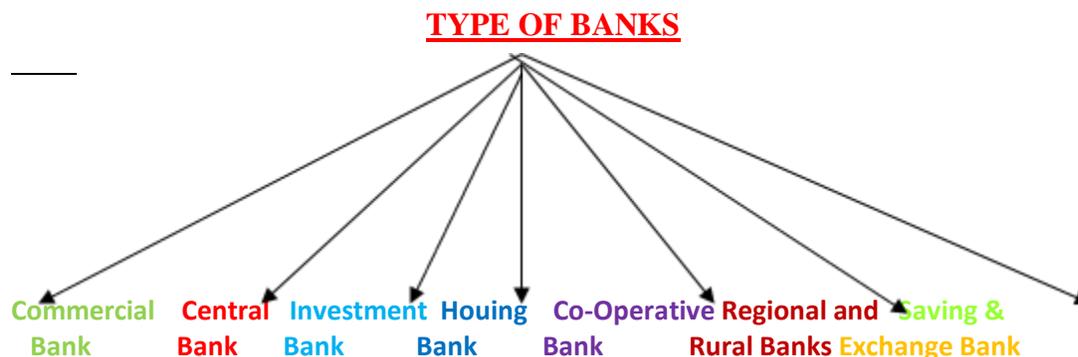
Aim of most of the banks is to built a Sound Customer Franchise across the world and using the latest technology, communication system, Internet, they want to give the best services at lowest cost possible. The banks are looking for their customers utilising maximum services so that more and more number of customers using the services, the fixed overhead cost gets distributed and the customers will have the privilege of having best services at lowest cost.

Banker-Customer Relationship

Essentially the relationship between the banker and the customer is that of a contractual relationship. This relationship is of two types – General Relationship and Special Relationship.

General Relationship may further be classified as ‘primary and secondary relationship’.

Primary general relationship is in the form of a ‘Debtor’, which arises out of a contract between the banker and customer. Banker is neither a bailee nor a trustee nor an agent but only a debtor. The banker discharges agency functions like collection of bills, cheques, etc., acts as a bailee by keeping valuables in safe custody and acts as trustee by administering the property for the benefit of defined beneficiary.



**&
Land Mortgage
Banks.**

Commercial Banks

Commercial Banks perform all the business transactions of a typical bank. Commercial banks accept three types of deposits – the savings bank deposits, fixed deposits and current deposits. They accept these deposits, which are repayable on demand or on short notice. As such, they lend or invest only for short durations. They provide funds only for short-term needs of trade and commerce.

Investment Banks or Industrial Banks

Investment banks are those banks which provide funds on long-term for industries. The investment banks are also called industrial banks. These banks have specialised in providing long term loans to industries with a view to buy plant and machinery. The investment banks obtain funds through share capital, debentures and long-term deposits from the public.

Exchange Banks

Exchange banks are known as foreign banks or foreign exchange banks which provide foreign exchange for import trade. Their main function is to make international payment through the purchase and sale of exchange bills. They convert home currency into foreign currency and vice versa.

Co-operative Banks

Co-operative banks are promoted to meet the banking requirements of consumers not only in urban areas but also in the rural areas. The co-operative banks function like commercial banks receiving deposits and lending money. In the rural areas, these banks supply finance to agriculture, while in the urban areas they provide finance to buy consumer goods. They provide short and medium-term loans. They are formed on the co-operative principles and as such they are more service-oriented than profit-oriented.

Land Mortgage Banks

In the case of co-operative banks, loans are provided for small duration only. Whenever agriculturists require investment loans, they have to approach land development banks, where the loans are given on long-term basis. Modern land mortgage banks provide long-term loans on the security of the land to initiate permanent improvements on the land and to buy agricultural machineries.

Savings Banks

Savings banks are specialised financial institutions established to mobilise savings from the people. Generally they pool the savings of the small incomes of the community. The primary object of the commercial banks is to promote thrift among the low and middle income groups. The banks also offer interest on these deposits. The depositors are allowed to withdraw from their accounts as and when necessary.

Central Banks

Central Bank is an apex bank in the country, which brings the entire banking system unified, controlled and regulated. In fact, the central bank is the main source of an efficient banking system in the country. The monetary policy of a country is formulated and enforced by the central bank. These banks are responsible for monetary stability in the country.

❖ RESERVE BANK OF INDIA

Regulatory

Banking Regulation Act

Currency

Banker to Government

Banker's Bank

Monetary Policy

Exchange

Control, Reserves etc.,

TYPICAL BANK STRUCTURE

- Head Office
- Corporate Office / Central Office
- Zonal Office
- Regional Office
- Branches

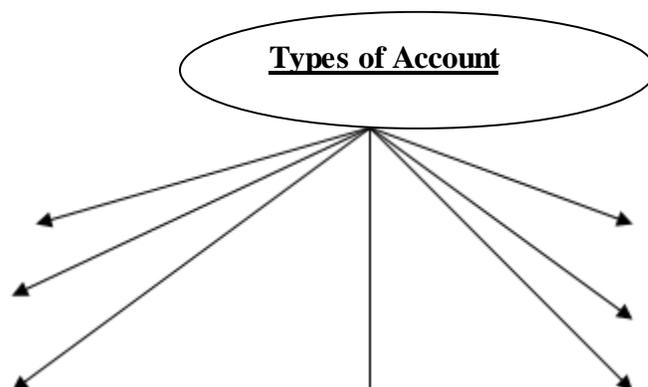
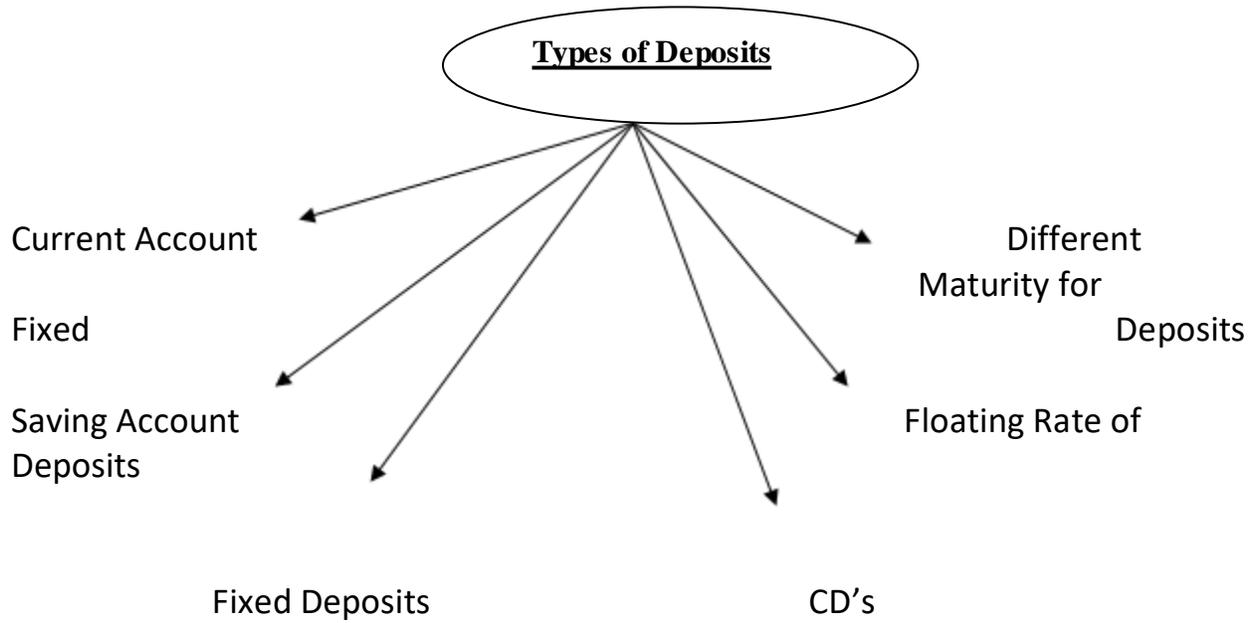
BRANCH NETWORK

- ⇒ Rural
- ⇒ Semi-Urban
- ⇒ Urban
- ⇒ Metro
- ⇒ International Branches in different time zones

Primary Function of Banks

Acceptance of Deposits
Lending
Remittances
Issuance of Letters of Credit and Guarantees
Safe Custody
Safe Deposit
Collections

II. DEPOSITS



Individual	Trusts
Joint Account	Institutions / Clubs
Partnership	Association
Pvt. And Public	

Savings Bank Account:

A Savings option that combines the benefits of a savings bank account with additional security in the form of a personal accident insurance and an accident hospitalization cover.

Term Deposit:

Interest on interest is what the Akshaya Deposit Scheme offers you. This re-investment deposit scheme is the ideal way to save towards a long term objective like children's education, marriage, owning a house etc.

Liquid Term Deposit:

A term deposit that provides for premature withdrawal of the deposit in units of Rs.1,000 to meet exigencies. This prevents premature closure and the consequent loss of interest on the entire deposit.

The Deposit Scheme for Senior Citizens:

A senior citizen friendly deposit scheme Prashanti helps secure your post-retirement life by making your hard earned wealth work for you while you enjoy your well-deserved retirement.

Cumulative Deposit:

A recurring deposit scheme for those with regular monthly incomes, it is the perfect way to save a fixed sum every month for huge expenditure on consumer durables like refrigerator, television, etc.

Fixed Deposit:

The fixed deposit allows you to earn interest on your surplus funds, for periods ranging from 15 days to 10 years.

Current Account:

Current Account is a convenient account without restrictions on operation. This can be opened by individuals (either singly or jointly), firms, corporates and organizations.

NRI Accounts:

A range of accounts that provide NRIs with added banking convenience and ease of operation.

While accounts like the Non-Resident Ordinary Account (NRO) and the Non-Resident External Account (NRE) are Indian Rupee Accounts, the Foreign Currency Non-Resident Account (FCNR) and the Resident Foreign Currency (RFC) Account can be held in any of the specified foreign currencies.

Money Transfer:

Now you can receive money from anywhere in the world, through banking channels. Thanks to advanced electronic technology and a sophisticated computer network, you can receive money in minutes. Yes, the fastest way to receive money worldwide.

Internet Banking / Phone Banking:

Using the power of the Internet you can instantly be updated about the banking transactions. You can use the net banking facility to find out the account balance, generate an account statement, etc.

Phone Banking brings you convenience banking at your fingertips. This service enables you to get information regarding your account and its activities over the telephone. (available only in select centers).

Aim of Banks : Safe keeping of people's money

Help the process of economic development

Help to mobilise the savings

Help to assist agriculture, industry and trade.

Net Banking:

[mi-b@nk](#) Net Banking Service lets you access your bank account at your convenience, and from the location of your choice 24 hours a day, 365 days a year.

Banking through SMS:

Using Technology at its best, the banks can provide banking anywhere, anytime, using the mobile phone. The access to account by SMS messages, to get Balance, Transaction Enquiry, Bill Presentment and Payment, Cheque Enquiry and Blocking Cheque, Request for Cheque Book, Demand Draft, Pay Order, Funds Transfer etc.

Providing Account Statements:

Unlike previously, Statement of account could be given on frequent intervals or as and when required by the customers. Previously the banks were giving only at the fag end of the month. Most of the times give facility of viewing transactions of customers account, dealing proper codes and password. The facility of unknown balance and previous pre-transactions of deposits as well as withdrawals can also be utilised by using Phone Banking mechanism.

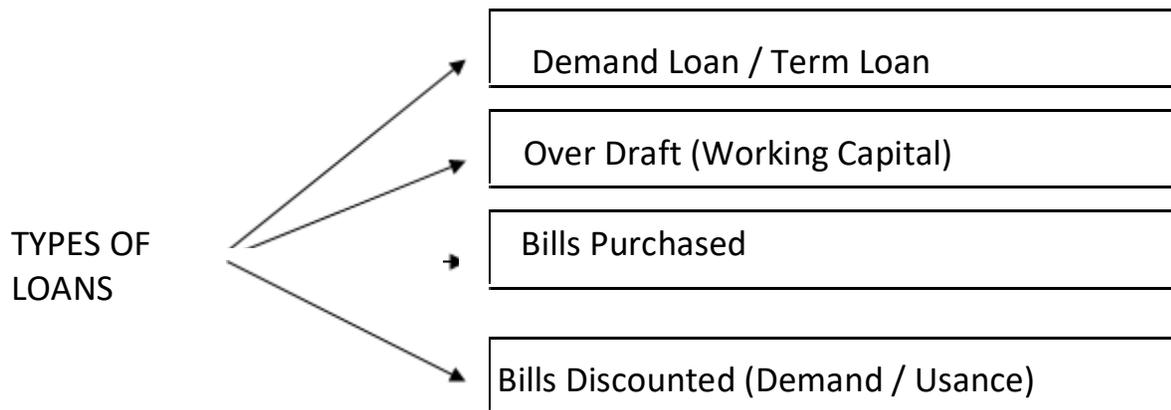
Certificate of Deposit

Certificate of Deposit is a document of title to a time deposit. This is distinct from the conventional time deposit in respect of its free negotiability and marketability. CDs can be issued at a discount to face value determined freely with a maturity ranging from 3 months to one year and the minimum amount received from a single depositor is Rs. 1 crore and in multiple of Rs.25 lakh beyond Rs. 1 crore. CDs can be issued to individual corporations, companies, trusts, funds, associations etc.

Bill Payments:

The smart and convenient way of paying bills. You have the option of making payments online through the mi-b@nk service or offline, through standard instructions. You can pay Telephone, Electricity, Cell Phone, Credit Card, Insurance, Gas Bills, etc., and make payments to the Depository.

III. LOANS AND ADVANCES



Loans and advances are considered to be important for banks to deploy the funds. They are of several kinds: Cash Credit, overdrafts, demand loans, term loans, packing credit, export bills purchased discounted / advances against inland bills, advances against import bills etc.

Cash credit is a simple loan where cash is given against the promissory note.

Category of Advances (Segmented – Broadly)

- ➔ Commercial and Institutional (Corporate)
- ➔ Small Scale Industries and Small Business (SME)
- ➔ Agricultural
- ➔ Retail / Personal
- ➔ International Banking

OVERDRAFT

This is an agreed line of credit or borrowing facility (in writing) that a customer may use by drawing on a specified current account. Basically customer will be able to overdraw the balance in a normal current account within a certain limit. Legally overdrafts are repayable on demand but in practice banks rarely call in any overdrafts where the customer keeps within agreed limits. The customer can draw from the overdraft limit even though he does not have

any credit balance in his account. Generally this credit facility is given for working capital needs of the customer. Interest would be based on PLR (Prime Lending Rate) + margin. The overdraft is generally valid for a period of 1 year. The credit limits are reviewed / renewed at the end of each year.

Demand Loans are simple loans which have no stated maturity and may be asked to be paid on demand. The salient feature of this loan is that the contracted amount is paid to the customer at one time either in cash or by transfer to his current account. Immovable property shares, debentures, fixed deposit receipts may be offered for security of the loan.

Term Loans are defined as loans given by the bank to customers whose final maturity period is longer than one year. A term loan enables the party to buy plant and machinery or any equipment of durable character.

Personal Loan:

A customized and friendly personal loan scheme convenience and utility written all over.

Easy 4-wheeler Loan:

An attractive finance scheme that helps you own the 4-wheeler of your choice with minimal worries and documentation.

Easy 2-wheeler Loan:

A friendly finance scheme that is designed for maximum convenience. This tailor-made scheme enables you to get the key to your dream bike.

Consumer Durable Loan:

A customized consumer durable loan that helps you enhance your lifestyle and bring more smiles on the faces of your family members.

Transportation Vehicle Loan:

Bus and truck loans for fleet operators and individuals at attractive interest rates. Loan amounts range from Rs.1 lakh to Rs.15 lakhs and are available for tenures ranging from 12 to 48 months.

Education Loan:

An education loan scheme that enables students to pursue higher education. The loan covers a range of courses and offers attractive interest rates and easy repayment options.

Investment Products:

The bank provides personalized services and expert advice on bonds and government securities.

Through tailor-made schemes from various asset management companies, small investors can easily access the stock, debt, gilt and money markets and reap monetary benefits.

Securities in Electronic Form:

An account that helps you hold all your stock market securities in the electronic format. The Demat service lets you carry out capital market transactions without fear of loss of share certificates and risk of bad deliveries.

Sambandh International Debit Card:

A Debit Card that combines the acceptability of a Credit Card and prudence of an ATM Card.

Stock Invest

This is an instrument newly designed and brought into circulation by the banks to avoid the difficulties faced by the investors in corporate securities. This is an instrument which provides special payment system for investors in the primary capital issues.

Bills Purchased

Banks lend money against bills, or documentary of the customers. Banks purchase the bills or hold the bills against a bank loan. This facility is given only to trust worthy customers. The bills are sight bills and payable on presentation.

Bills Discounted

Discounting of usance bills / promissory notes constitutes a clean exchange advance against the signatures of two parties known to the bank, of whom one becomes the endorser and the other becomes drawer or the maker.

Packing Credit

Packing credit is a short term advance granted by a bank to an exporter to assist him in packing and shipping the goods. The loans against such items are given for a maximum period of 3 months. Packing Credit is given against export trust receipt or hypothecation of goods.

Consumer Credit

The banks provide consumer loans to their customers to buy household goods. The amount of loans is recovered by suitable instalments.

Clean Advance

It is a short period advance given to customers taking into consideration their net liquid resources since there is no security offered to these loans – they are granted against personal security.

Hire Purchase

Hire Purchase is a form of instalment loan in which the hire purchaser agrees to take the goods on hire at a stated rent which includes the principal and the interest with an option to buy the goods.

Loans to Women Entrepreneurs

Women entrepreneurs are not neglected by commercial banks. Understanding the greater economic reliance of women, particularly of weaker sections, banks are providing credit assistance to the women who are engaged in small trades and services like knitwear, tailoring

and embroidery, preparing processed foods by adopting transitional and latest techniques, etc. Banks also conduct entrepreneurial development programmes for women to motivate them to take up self-employment programmes. Banks have been implementing special schemes for women to initiate self-employment programmes. Banks are implementing special schemes for women for self-employment especially in the area of information technology.

TERM LOAN

Term Loans are granted for a fixed period of time and are repayable either in installments or in full at the maturity date. The interest rate is normally predetermined for short term loans and is likely to be of a floating nature for medium to long term loans. Interest is generally fixed on PLR (Prime Lending Rate) plus a margin. Tenor of loan depends upon the category of the loan as under:

A Short term loan is generally regarded as being a loan which is repayable within one year from the date loan is granted. A medium term loan is generally regarded as being repayable after atleast one year but before the expiry of five years. A long term loan is generally regarded as one that is not finally repayable until at least five years after it was granted.

NON-CONVERTIBLE DEBENTURES

This is a medium term debt instrument which companies can issue to finance Project Expenditure, Long Term Working Capital Expenditure or any other acceptable purpose viz refinance of existing debt. It can be issued for short term also by companies in lieu of normal bank borrowings for working capital. These are called Non-Convertible Debentures because these are without an option to be converted into equity or preference shares.

BONDS

The 'bonds' are short term to medium term debt instruments issued by large corporate or institutional clients to finance working capital requirements or specific project finance needs or general corporate finance needs. In other words these are investments in / subscription to, the bonds of corporate customers by the bank. The currency of bonds will be Indian Rupee (INR). Tenor of the bonds is normally in the range of 1 year to maximum of 10 years. These are generally repayable in one installment at the end of the tenor i.e., 'Bullet' repayment. The interest rate is fixed at the time of issue of bonds.

DEBENTURES

The 'Debentures' are medium to long term debt instruments issued by large corporate or institutional clients to finance working capital requirements or specific project finance needs or general corporate finance needs. In other words these are investments in / subscription to, the debentures of corporate customers by the bank. The currency of debentures will be Indian Rupee (INR). Tenor of the debentures is normally in the range of 1 year to maximum of 10 years. These are generally repayable in one installment at the end of the tenor i.e., 'Bullet' repayment. The interest rate is fixed at the time of issue of debentures.

FCNR FUND TERM LOAN

This is a product offered by C&IB segment. Term loans are granted in four main foreign currencies viz USD, GBP, EURO, Yen. Term loans are made for a fixed period of time and can be repayable either in installments or in full at the maturity date. The interest rate is normally predetermined for short term loans and is likely to be of a floating nature for medium to long term loans. Principal and interest has to be repaid in foreign currency, hence the Fx

risk is with the customers. However, when the loan is granted, customer can avail funds in INR or in FCY. The interest is driven by the market rates for FCY term lending and is fixed with reference to benchmark rates 'LIBOR' (London Inter Bank Offer Rate) plus margin of 1 to 2%. A Short term loan is generally regarded as being a loan which is repayable within one year from the date it is granted. A medium term loan is generally regarded as being repayable after atleast one year but before the expiry of five years. A long term loan is generally regarded as one that is not finally repayable until at least five years after it was granted.

PREFERENCE SHARES

The product basically involves the investment in the 'Preference Shares' of a company. As per current local regulations companies can only issue redeemable preference shares i.e., shares are redeemed after a certain fixed period. The bank purchases preference shares from corporate clients. The bank

earns preference dividend yearly on the shares. The rate of dividend is fixed at the time of purchase of shares. Sometimes the Bank may also receive shares as bonus shares after a few years. Many times these investments carry a fixed rate of return guaranteed by the promoters of the company. Any shortfall in the actual return is provided in the form of premium payable at the time redemption of these investments. These shares are redeemable within the range 5 to 10 years. The dividend rate is fixed by the corporate at the time of issue of the shares.

INVESTMENT IN PASS THROUGH CERTIFICATES

The product involves investment in the 'PASS THROUGH CERTIFICATES (PTCs)' issued by a Special Purpose Vehicle (SPV). The SPV uses the funds raised through PTC'S to acquire financial assets as part of securitisation of receivables of term loans, debentures or any other debt obligations. SPV holds the securitised assets in 'trust' for the PTC holders. Therefore, PTC is a title to pro-rate share in the ownership of the assets held by the SPV.

SPV will receive the principal invested as well as the return on the investment as per the schedule of payments stated in PTCs. These are generally linked to the timing of receipt of financial assets securitised and return on those assets. SPV does not normally promise a specific return on the investment, however, SCB intends to invest in the PTC where the returns are clearly specified.

Some of the PTCs carry credit enhancements in the following ways:

- A credit guarantee normally by the originator of the financial assets.
- Trust issues PTCs of different seniority viz. Senior PTC and Subordinate PTC. The former ones carry a right of preferential payment of receivables over the latter. SCB desires to subscribe only to Senior PTCs.

No specific restriction on the tenor of lending through PTCs. It depends upon the prevailing market scenario.

SHIPPING GUARANTEE AND DELIVERY ORDER

The Shipping Guarantee or the Delivery Order is normally issued where the goods arrive before the Exporters original title documents reach the LC issuing Bank. Importer would like to take possession of the goods immediately. For this purpose, the importer needs to provide a bank guarantee called ' Shipping Guarantee' (in case of sea transport) or the Delivery Order (in case of air transport) favouring shipping company or airline. The customer approaches the

bank with the duplicate copies of the Invoice, Bill of Lading or the Airway Bill, and an insurance policy covering the carriage by land or air. The Bank (SCB) takes appropriate margin (say 110% margin) from the customer (importer) and issues SG or DO. There is no fixed tenor for these guarantees. The commission charged in the Shipping Guarantees and Delivery Order varies from party to party.

ADVANCE AGAINST SHARES

This is product whereby either a term loan or overdraft would be granted against collateral security of shares / debentures. The term loan or overdraft would be against other primary security, which has to be decided on the nature of the facility provided. Shares / Debentures can be taken only as additional security / collateral. The shares / debentures pledged to the bank should be well spread, fully paid up and marketable. The advance should normally be limited to not more than 50% of the current market value of the shares. The pledged shares shall be valued every week and any shortfall has to be mitigated through pledge of additional shares. Normally renewed on annual basis. Interest would be based on the existing money market conditions and tenor of the loans with a minimum spread.

IMPORT LETTER OF CREDIT (ISSUANCE)

A **Letter of Credit** is an arrangement whereby a bank acting at the request and instructions of a customer undertakes to comply with the following, provided the terms and conditions of the credit have been fully met:

- To make payment to or to the order of a third party (beneficiary) or to accept and pay bills of exchange drawn by the beneficiary.
- To authorize another bank to effect such payment or to accept and pay or to negotiate such bills of exchange against stipulated documents.

The Trade Documents to be presented by the seller to his bank include invoices, bills of lading or other shipping documents. LCs issued by the banks are subject to rules / regulations of UCP-500 (Uniform Customs & Practices) issued by ICC (International Chamber of Commerce & Industry)

Generally, following are the specific terms used in a LC transaction:

LC Issuing / Opening Bank : The Bank opening the LC
LC Applicant : Customer of the Bank at whose request LC is opened
LC Beneficiary : Party (exporter/seller) in whose favor the LC is opened
LC Advising Bank : The Bank who is nominated in LC to communicate
the Existence of LC to LC Beneficiary.

LC Confirming Bank	: A Bank other than LC issuing Bank who undertakes to Honour the commitments under LC in the event of refusal by LC issuing Bank.
LC Negotiating Bank	: A Bank through whom trade documents are sent to LC issuing bank and who passes on LC proceeds to the beneficiary.
Reimbursing Bank claims	: A Bank who is nominated to honour LC payment On behalf of the LC opening Bank.
Partial Shipment Allotted	: Goods under LC can be shipped/sent in more than one consignment.
Third Country Shipment	: Goods under LC can be sent to a country / other than the Location of the LC applicants.

Following are the main different forms of classifications of Import LCs.

1. **REVOCABLE LC**: The issuing Bank in opening a revocable credit does not become legally liable until it accepts or negotiates the seller's drafts, so that the seller has no rights against the Bank until his drafts are both tendered and accepted. The basis of a revocable credit is that the issuing bank is entitled to terminate the credit without notification to the seller.
2. **IRREVOCABLE LC**: An irrevocable credit constitutes definite undertaking of the issuing bank, provided that the terms and conditions of the credit are complied with and such undertakings can neither be amended nor cancelled without agreement of all parties thereto.
3. **SIGHT LC**: Sight LCs are those LCs which are payable on Sight i.e., Upon presentation of document under LC. If the documents are as per LC Term (which gives 7 working days for the bank to check) then the liability turns into actual liability (on the 8th day) from the contingent liability.
4. **USANCE L/C**: L/Cs are said to be on Usance Basis if the LC becomes payable after certain specified period from the date of acceptance of the draft.

5. **TRANSFERRABLE LC:** Where the LC expressly authorizes the beneficiary to transfer the benefit of a LC to another party, the credit is said to be "Transferable". Transferable credits are mostly used where the seller of goods is not the manufacturer or supplier of those goods, but is a dealer or exporter who arranges with a manufacturer or supplier to supply goods to the ultimate purchasers at a higher price than the dealer or exporter pays for them thus enabling the latter to obtain a dealing profit. The ultimate purchaser will procure a transferable credit in favour of the dealer or exporter and the latter then instructs the issuing bank to issue a credit in favour of the manufacturer or supplier for an amount less than the original credit. In effect, the right of the original beneficiary is transferred from Original beneficiary to the transferee/s.

6. **BACK TO BACK LC:** When an LC is opened on the security of another LC, the transaction is called to be 'Back to Back LC'. The first LC is called 'Master LC' and the second one is known as 'Slave LC'. The purpose achieved by a transferable LC is also achieved by a back-to-back credit arrangement, and the advantage of such an arrangement is that the credit opened by the issuing bank need not be expressed to be transferable or divisible. This type of credit arrangement is usually used to finance a string of contracts for the sale of the same goods through several intermediaries, as well as the type of transaction for which a transferable credit is normally used, namely to finance the acquisition of goods from sub-contractors. Eg. if A sells goods to B, and B sells the same goods to C and C to D, D's bank may open a credit in favour of C which he uses as a security to induce his own bank to open a credit in favour of B, and B in turn may use this credit as a security to induce his own bank to open a credit in favour of A.

7. **REVOLVING LC:** A revolving Credit is one the amount of which remains constant for a specified period, so that, whenever during that period it is drawn upon, it becomes automatically available again for the full amount of the credit.

8. **REDCLAUSE LC**: This term refers to the advances made on the strength of the LCs. These advances are made by bankers abroad to enable suppliers or agents of purchasers to acquire raw materials or produce. The advances are made to the beneficiary of the LC and the letter expressly provides in a Red Clause that the goods for which anticipatory advances are made or the products into which they are incorporated shall be shipped and the relevant documents delivered to the issuing bank.

Tenor of different types of Letter of Credits varies according to normal life cycle (tenor) of the underlying obligation. However, LCs are generally for a period of 90 days to 180 days.

The commission charged in the Letter of Credit varies from party to party and charged differently to different party based on the Specific waivers of the customer.

IMPORT LETTER OF CREDIT USANCE BILLS

This is a Sub-product of Import LCs. In case of Usance LCs, settlement of documents or drawing stage comprises of two steps as under;

- a) Acceptance of drafts drawn under LC by the Customer which will be paid on its due date.
- b) Payment of drafts on maturity date accepted in (a) above.

Tenor of the Usance Bills under Letter of Credits depends upon the period of credit availed in the Bill. It varies from 90 to 180 days.

The commission / interest charged varies from party to party based on credit facility terms agreed with the customers.

IMPORT LETTER OF CREDIT SIGHT BILLS

This is a sub-product of import LCs. It is the 'Payment' stage where the documents are settled by the LC opening bank / customer upon presentation of the bills by the LC beneficiary. In case of Sight Bills, settlement of (Payment of Bills) bills depends upon the 'Reimbursement Clause' in the LC.

Tenor of the Sight Bills under Letter of Credits expires upon presentation of the bills. However, normal time allowed for settlement of clean bills by the customer is 10 days from the date of presentation.

The commission / interest charged varies from party to party based on credit facility terms agreed with the customers.

IV. OTHER SERVICES

Causal Transactions

Several transactions are carried on by a person with the banker without opening an account. Example, purchasing a draft, payment of LIC Premium, payment of electricity bills, encashment of cheque (bearer cheque which is not crossed or open cheque) purchase of traveller's cheques etc., can be done even without opening a current account. If such transactions are done regularly, even then the person cannot be called a customer. Therefore, a person can become a customer when he opens any type of account with the bank which is likely to have frequent operations.

Cash Management Services:

It is called CMS and it is a very focused activity and with latest technology, the banks could provide flawless services. This service enhanced liquidity and ensure optimum utilisation of resources for any organisation. It provides faster transfer of funds and necessary requisite date for reconciliation.

Forex Business:

The inward and outward remittances could be made in a very efficient and cost effective manner. On-line connectivity and direct SWIFT access will enable to pass on immediate credit for inward remittances. The banks can also arrange for collection of foreign currency cheques.

Collection of Direct and Indirect Taxes:

Most of the private and public sector banks are authorised by the State and Central Government to accept direct taxes and indirect taxes which include corporate tax, income tax, interest tax, wealth tax, gift tax, expenditure tax, advance tax, tax deducted at source, sales tax, service tax, entry tax, professional tax and such other similar taxes.

Relationship Managers:

Most of the banks are appointed Relationship Managers whose nature of work is to be in constant touch with the customers to take care of the needs of a customer. This services is in addition to the Helpdesk, 24 hours call center.

Bank Drafts

Amongst the modes of money transfer in banks, bank drafts are the most popular instruments. Banks issue demand drafts (DD) on their branches at the destination. This instrument is issued by the banker at the request of his customer to ensure payment to payee at the destination.

Mail Transfers

Another mode of transfer of funds from one branch to another is Mail Transfer. A bank's branch, after receiving the money from the remitter, informs its another branch at a required destination (if it has a branch at that place) to pay the specified money to a specified person at the destination.

Telegraphic Transfers

Telegraphic transfer is similar to MT. But transfer in this case takes place through telegram, telephone, telex or Email. Transfer charges will be more compared to Mail Transfer or Demand Draft. But transfer takes place at a faster rate. Again it is not a negotiable instrument and only a transfer mode between two bank offices. International telegraphic transfer also takes place.

Safety Lockers

One of the agency services rendered by commercial banks is providing safety lockers to the needy customers to deposit their jewels and other valuables. Banks have strong rooms and safe lockers with watch and ward facility. These rooms are insured against fire and theft. Banks install specially built locker cabinets in these strong rooms or safe deposit vaults. Each cabinet contains individual lockers. The needy customers can hire these lockers to keep their jewels and other valuable articles like securities, wills, bonds and such other valuables.

Custody of Articles

Banks also safely preserve articles and documents of customers like bonds, shares, government bonds, UTI certificates, corporate debentures etc. These articles may be deposited with banks for safe custody openly or in a sealed cover. If it is in a sealed cover, the banker issues a receipt marked 'Contents unknown'.

GIFT CHEQUES

This is a general utility service rendered by the commercial bank. Gift cheques of different denominations are issued by commercial banks to their customers. This helps the customers to make presentations to their friends or relatives or affectionate ones on happy occasions like marriage, birthday, religious functions and other memorable occasions.

TRAVELLERS CHEQUES

Travellers's cheques are issued by banks to their customers who travel for business purposes or any other purpose. It is dangerous to carry heavy cash while on travel. Therefore, banks issue these cheques which minimize the danger. These cheques are printed in different denominations and are issued to customers for a required sum. The customer has to deposit the definite sum before obtaining the travellers' cheque.

TELLER SYSTEM

Because of the vast expansion of the banking activity, there is a huge rush in every bank. The customers cannot either deposit or withdraw cash quickly. They have to spend precious time at the counter for remittance or withdrawal. However, banks have tried to provide good service to customers and one such subsidiary service provided is the 'Teller System'. Under this system, 'the teller examines the cheques presented to him and pays the cheques to the holders on identification'. If he has any doubt, he will refer to the records.

AUTOMATIC TELLER MACHINE (ATM)

ATM has revolutionised the withdrawal facility of the customers. Banks of India have introduced ATMs to facilitate their customers to withdraw and deposit cash without any waiting time. The credit card holders can withdraw cash in emergency from ATMs installed in important places of cities and big towns. The drawings can be made day and night.

CREDIT CARDS

Credit Cards are playing a vital role in consumer credit business of Indian banks. Although the credit card operation is not a new one, it has gained importance only recently in the Indian market. Credit cards help a certain class of conscious consumers of the largest salaries group in the world to enhance their purchasing power.

Types of Credit Cards

There are many types of cards. They are (i) Credit cards (ii) Smart cards (iii) Cash cards (iv) Debit cards (v) Gold card (vi) Co-branded card (vii) Switch card etc.

Functions of Credit Card

1. It is a means of paying for goods and services.
2. It is a means of obtaining cash.
3. It is a source of revolving credit.

Credit Card

This card facilitates the holder to obtain either goods or services from sellers where arrangement is made for reimbursement of purchase consideration to the sellers by the issuing agency. The card holder reimburses the amount to the issuing agency over a period of time stipulated at the time of issue. This credit utilization by the holder carries interest.

Smart Card

This is known as chip card. This possesses personal information about the card holder. It is operated with a Personal Identification Number (PIN). Pre-recorded information is stored in the card. This card will be popular by 2004 / 05 as most of the banks are mechanizing their operations.

Cash Card

This is issued in addition to a credit card to facilitate the card holder to use ATM (Automatic Teller Machine).

Debit Card (ATM)

This is a payment card which facilitates the easy availability of cash, goods and services automatically debiting the payments to the account of the cardholder as soon the facility is availed.

Gold Card

This is a type of card issued only to the affluent class.

Switch Card

This is another type of debit card. The mechanism is that holders of cards make payment at retail outlets directly to the account of retailers debiting their personal account. This is an electronic debit card.

Co-branded Card

It is a jointly issued card by a bank and another non-financial institution. This is used like any other credit card.

CENTRAL BANK

In the interest of Government, the Public, Financial and Banking communities, the Central Bank - in India Reserve Bank has come into existence.

Objectives:

- 2) Regulation of the issue of Notes and Coins
- 3) Maintenance of Sound Monetary, Credit and Banking System
- 4) Prevention of the external stability of the national currency
- 5) Maintenance of External Reserves and Safeguard International Value of the Currency.
- 6) Acting as Bankers Bank
- 7) Financial adviser to Government

- 8) To Plan for raising of National Income
- 9) To have control on the balance of payments
- 10) To promote a rising level of Production, employment and real income in the country.

Reserve Bank controls all banks and issue directions, which are mandatory.

- Directions could be in the Public interest or interest in a banking policy.
- To prevent detrimental to the interest of the depositors or to the banking company.
- To secure proper management of banking company.

The banker is an intermediary and deals with the money belonging to the public.

As per the Banking Regulation Act, the following businesses may be undertaken by Bank.

Main functions:

- Borrowing, raising or taking of money
- Lending or advancing of money

- Drawing, making accepting, discounting, buying, selling, collecting and dealing in bills of exchange. Handles Promissory Notes, Coupons, drafts, bill of lading Railway receipts, warrants, debentures, scripts.
- Granting and issuing of letter of credit, Travellers cheque and circular notes.
- Buying, selling and dealing in bullion and specie.
- Buying and selling of foreign exchange.
- Acquiring, holding, issuing on commission, underwriting and dealing in Stocks, funds, shares debentures, bonds, securities and investment of all kinds.
- Negotiating of loans and advances.
- Providing of Safe Deposit Vaults.
- Collecting and transmitting of money and securities.

Other Functions: Acting as agent

- Could give guarantees and indemnity business
- Many undertake and execute trusts, administration of estates as executor.
- Banks may do all such business, which are incidental, conducive to the advancement of the business of the company.

Money at Call: and short notice – They are short period loans to Speculators, brokers in the money market and capital market.

Bank Rate:

Is the official rate at which the Central Bank of a country rediscounts the approved bills or the securities brought by the Commercial banks. Therefore the bank rate is base for fixing, lending and deposit rate of interest.

What is what! (Frequently used Abbreviations)

C.C	Cash Credit
O.D	Over Draft
L.C	Letter of Credit

D.D.	Demand Draft
N.A.V	Net Asset Value
T.Q.M	Total Quality Management
M.M.M.F	Money Market Mutual Funds
A.T.M	Automatic Teller Machine
P.S.U	Public Sector Undertaking
M.I.C.R	Magnetic Ink Character Recognition
A.O.D	Acknowledgement of Debt
M.T	Mail Transfer
D.P	Demand Promissory Note
W.W.W	World Wide Web
Ex. Im	Export Import
D.I.R	Differential Rates of Interest
I.B.A	Indian Institute of Bankers
C.R.M	Customer Relationship Management
C.P.	Commercial Paper
C.D	Certificate of Deposit
N.P.A	Non-performing Asset

Loan - Money lent to be returned with interest;

Letter of Credit -

Liquidity - Easily convertible into cash.

Long Term -
ATM - Automated Teller Machine – to draw cash without a man
Bill of Exchange -
Hypothecation - Pledge, Mortgage
High Value Clearing – Cheques exceeding Rs.50000/- in specified areas and specific banks gets cleared on same day.
Credit Note -

Crossed Cheque – could be negotiated but credited to bank account only
Credit Card - Auto take goods services for payment to be made by bank
Current A/c - When deposits and withdrawals made frequently
Currency - (of money) circulation; money current in actual use in a country,
Clearing - banker's institution in London at which cheques and bills are Exchanged, the balances only being paid in cash.
Investment - Investing of money, money invested, property in which money is Invested
Interest - Money paid for use of money lent or for forbearance of debt
Mortgage - Conveyance of property by debtor to creditor as security for debt,
Overdraft - is to draw more than credit balance

Pay Order	-	is a bankers cheque give to a local party – never bounces.
Debit Card	-	Drawing or utilizing from the funds already deposited
Debit Note	-	is an intimation of charging Commission, Charges etc.
Debt	-	is a loan repayable with interest
Fixed Deposit	-	is a deposit made for interest for fixed period.
Security	-	thing deposited or hypothecated as pledge for fulfillment of undertaking or payment of loan to be forfeited in case of failure; document as Evidence of loan
Savings A/c	-	is the savings made and deposited from time to time
Short Term	-	is for a very short period.

Circumstances in which cheque may be dishonoured

Cheque may be refused by the banker when:

1. The funds at the credit of the customer is insufficient.
2. The signature on the cheque does not tally with the specimen signature of the drawer.
3. A cheque is not dated, post dated or bears an incomplete date, or an impossible date (November 31) or it is a stale cheque.
4. A cheque is presented for payment after the banking hours.
5. There is an irregular endorsement in the cheque.
6. The words and figures stated in the cheque differ.

7. The cheque contains only the amount in words (legally the banker need not dishonour such cheques but by only convention he does so).
8. A mutilated cheque not confirmed by the drawer.
9. Cheque not drawn in proper form
10. Cheque not written in clear terms
11. Cheque having material alteration.
12. Cheques presented for payment in a branch; other than the branch in which the customer holds the account.
13. A customer's account subjected to banker's lien or set off.
14. Cheque not signed by all the signatories in case of joint account, when the account is to be jointly operated by the account holders.

Credit Cards: Customer to obtain credit upto certain limit and bank undertaken to settle the account of purchases and services.

Gold Cheques: Given to most trust-worthy customers, specified amount, honoured in any bank at any place and issue bank will honour the cheque.

Automated Teller Machine: Could withdraw cash any place any time with certain limits and using code number allotted.

Draft: An instrument given by bank for specified amount payable at specified place and guaranteed to pay on demand through account.

Pay Order: An instrument given by bank for specified amount payable in the city issued and guaranteed to pay on demand through the account.

Gift Cheque: A cheque issued by bank with undertaking to pay the person to whom given through account.

Mail Transfer: Transfer of funds from one place to other place withdrawable at destined place.

Cash Certificate: Certificate against deposit which earn cumulative interest may withdraw money even before the maturity date.

Cheque:

An order on a bank to pay money. It is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand – it is a written order given by an account holder to the bank to pay money from his account.

Lien - a right of lender to retain goods for payment of debt.

Pledge – is a bailment of goods as security for payment of a debt.

Hypothecation - is a charge which is floating by nature on the assets of the borrower

Mortgage – is a transfer of interest in specific property for purpose of security payment.

Bill of Lading – A bill of lading is a receipt for goods shipped on board by a person who undertakes to carry from one place to other and loan can be taken by lodging bill of lading.

Latest technology oriented service:

Money today has been reduced to zeros and ones. Most of the world's 'money' flows from a paycheck to a bank to a store and then, through the store's supply chain, only to be deposited in another business's account.

Without question, electronic money has helped the world's economy grow and prosper. This digitization has contributed to advances like ATMs, credit cards and online banking. The transformation happening underneath is far more profound. Unprecedented computing power and advanced analytics turn oceans of ones and zeros into insights, in real time. Which means we could have a safer, more transparent and intelligent financial system for a smarter country.

We see many of these changes happening in India today. By embracing Information Technology, banks in India are today servicing customers better and making forays in previously untapped markets – like rural areas. Risk reduction, real time application of data and transparency are some of the benefits that the industry is enjoying today.

RTGS: Real time Gross Settlement, in other words settlement of funds on order of the account holder. The Account holder advise to this banker to debit his account by giving "Yourself Cheque" and credit the account of the payee by giving the following details:

The remitting customer has to furnish the following information to a bank for effecting a RTGS remittance:

8. Amount to be remitted
9. Remitting customer's account number which is to be debited
10. Name of the beneficiary bank
11. Name of the beneficiary customer
12. Account number of the beneficiary customer
13. Sender to receiver information, if any
14. The IFSC Number of the receiving branch

The transaction happens through the system through RBI and this could be done across the country with in minutes and therefore very popular mode of settlement with very minimal charges. There is no comparison to the Bank Draft/Pay Order as it takes not only time, efforts and the charges are abnormal. The minimum limit fixed for RTGS is Rs.2 lakhs and no limit for the maximum. The charges is Rs.25/- upto 5 lakhs and Rs.50/- beyond 5 lakhs. The receiver will not pay any charges to his banker. Even though two hours time is given for the receiver bank to credit the account, it happens almost immediately as many of the customers are not utilizing such a popular service. The payer get the IFSC Code number and in case for any technical reason the funds are not transferred to the payees account the funds are put back to the account of payer.

For a funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch would have to be RTGS enabled. The lists are readily available at all RTGS enabled branches. Besides, the information is available at RBI website (<http://rbidocs.rbi.org.in/rdocs/RTGS/DOCS/RTGEB1110.xls>).

NEFT: National Electronics Funds Transfer. This settlement of all transactions till one pre determined cut off time, mostly on hourly or two hour basis. Unlike RTGS this happens for the number of transactions with in the stipulated time and not individual transaction of RTGS.

Core banking is a general term used to describe the services provided by a group of networked [bank](#) branches. Bank customers may access their funds and other simple transactions from any of the member branch offices. Core Banking is normally defined as the business conducted by a banking institution with its retail and small business customers. The advancement in technology, especially internet and information technology has led to new ways of doing business in banking. These technologies have cut down time, working simultaneously on different issues and increasing efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here, computer software is developed to perform core operations of banking like recording of transactions, [passbook](#) maintenance, interest calculations on [loans](#) and [deposits](#), customer records, balance of payments and withdrawal. This software is installed at different branches of bank and then interconnected by means of communication lines like [telephones](#), [satellite](#), [internet](#) etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions. This new platform has changed the way banks are working.

Retail Banking: Implementing technology to effectively enhance mobility, security, efficiency and customers' experience in retail banking

Increasing globalisation and modernisation, coupled with the rising needs of retail banking services and products in Asia, have increased the need for retail banking innovations. Retail banks are now driven to explore newer technologies that can more effectively increase mobility, enhance security, support new products and services, and improve customers' banking experience, whilst minimising costs, in order to reinforce their competitive edge.