

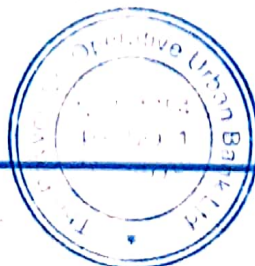


Payyoli Co-op Urban Bank Ltd.

THE PAYYOLI CO-OPERATIVE URBAN BANK LIMITED

CHEQUE COLLECTION POLICY

**AS APPROVED BY THE BOARD OF DIRECTORS MEETING
(BR NO: 52, DATE 16/06/2017)**



CHEQUE COLLECTION POLICY

Background

Reserve Bank of India, vide its Circular DBOD. No. Leg.BC.55/09.07.005/2004-05 dated November 01, 2014, advised the banks to formulate a comprehensive and transparent policy for cheque collection, covering all the relevant aspects of collection process. It was further advised that the Cheque Collection Policy (C C P) should clearly provide for liability of the bank by way of payments of interest when there is a delay in collection of cheque as against the standards set by the Bank themselves. Technological developments such as Electronic Clearing Service, Speed Clearing, Cheque Truncation System, etc., have brought in speed and efficiency in the clearing process and therefore a comprehensive CCP needs to be made available for the benefit of the customer and also to appropriately sensitise the dealing officials of the Bank. The instructions are reiterated by RBI every year in its Master Circular on Customer Service.

This policy is a sequel to the said instructions.

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1. Introduction

1.1 The Payyoli Co-operative Urban Bank is a Primary Co-op Urban Bank in Koyilandy Taluk, Kozhikode District.

1.2 As customers are the biggest stake holders of the bank, the vision statement truly reflects the commitment of the bank to enhance value to the customers.

1.3 The Mission Statement of the Bank, interalia incorporate the following:

- a) Delighting customers with excellent service and comprehensive suite of best-in-class financial institutions;
- b) Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
- c) Deploying world class technology, systems and processes to improve business efficiency and exceed customer's expectations.

1.4 Thus, the Bank acknowledges that the customers is the core constituent of the bank and every action of the bank should be aimed at Customer Delight.

1.5 The bank understands that one of the important requirements for customer delight to have ethical and transparent policy in all its dealings.

1.6 Collection of Cheques, and other payment instruments like Demand Drafts, Pay Orders, Dividend Warrants, Interest warrants etc., (cheques) for customers is an important service provided by the bank. Collection of cheques is governed by Negotiable Instrument Act, 1881 and 'The Payment and Settlement Systems Act, 2007'. Various modes of collection include Local Collection, and Outstation Collection.

1.7 Reserve Bank of India (RBI), has instructed to put in a Board approved policy on cheque collection.

1.8 Towards this end, the bank has formulated a 'Cheque Collection Policy (CCP)' that gives the right and responsibilities of the Customer and Bank, in matters relating to cheque collection.

1.9 The Policy has been made to ensure that the dealing officials at all levels in the bank are aware of the Policy of the bank in this regard, so that the interactions with the Customer is uniform across geography and all types of customers and is based on transparent standards/procedures.

2 Objectives of the Policy

2.1 To lay down a policy framework for abiding by RBI guidelines on "Cheque Collection".

2.2 To enable the customer to know before or during a relationship, his rights and responsibilities in matters relating to "Cheque Collection".

2.3 To reiterate existing system/put in place an appropriate system in a transparent manner so that the customer can take an informed decision in matters relating to 'Cheque Collection'.

2.4 To educate customers about the advantages of electronic modes of funds transfer which are faster, efficient and risk free.

3 Scope of the Policy.

3.1 This policy is applicable across all branches/business segment of the bank, and is to be read in conjunction with related operational guidelines issued from time to time.

3.2 The contents of the Policy shall always be read in tandem/auto-corrected with the changes/modifications that may be advised by RBI and/or by any regulator and / or by the bank from time to time.

4 Explanation of various terms used in the Policy.

4.1 **Customer** : For the purpose of CCP, customer is defined as a person or entity that maintain an operative account(Savings, Current, Overdraft etc.) or loan/advance account with the bank. A person who maintains only a Term Deposit Account with the bank will be considered as a customer for the limited purpose of dealing with the initial cheque tendered for opening the Term Deposit.

4.2 **Outward clearing – Local clearing** : Collection of cheques that are deposited by the customer of the bank for realization from the drawee banks, on behalf of the former. These cheques are drawn by the customer of the other banks and are presented by the bank, to the drawee banks concerned through the banker's Clearing House. These cheques will be collected by the bank, subject to the

compliance of the rules and the guidelines issued by the Reserve Bank of India (RBI) on collection of the cheques. The bank, while handling outward clearing cheques, acts as a collecting bank.

- 4.3 **Outward clearing returns:** Cheques received by the bank for collection as mentioned in para 4.2 above, but dishonored by the drawee bank for various reasons.
- 4.4 **MICR Clearing:** This is a type of cheque clearing process using clearing support machines operating on Magnetic Ink Character Recognition (MICR). However, this mode of clearing is being discontinued across India, after introduction of Cheque Truncation System (CTS).
- 4.5 **Cheque Truncation System (CTS):** CTS is the facility devised for faster processing of cheque by doing away with the requirement of physical movement of the instruments to the drawee bank. The system uses the technology of scanning the cheque and passing on the images of the cheques for clearing. The system is operational in the form of three 'Clearing Grids' covering the entire country, with the nodal operational centers at Delhi, Mumbai and Chennai.
- 4.6 **Non MICR Clearing:** This is a type of cheque clearing process operational in centers that are not covered under MICR clearing. The clearing process is same as that of MICR with the difference that Non MICR system is a semi manual process with limited automation in accounting and settlement aspects, done through specially designed software viz., Magnetic Media Based Clearing System (MMBCS).
- 4.7 **Inland Outstation Cheques for collection (IOCC):** Collection of cheques drawn and payable at up-country centers in India (not covered by local and speed clearing) is referred to as 'Inland Outstation Cheques for Collection. Processing of IOCC would mean sending the cheque to the drawee bank location physically and getting the realization of funds by means of DD/NEFT/RTGS and crediting the proceeds to the customer's (payee's) account.
- 4.8 **Cheque :** The term 'Cheque' includes all payment instrument such as Demand Draft, Personal cheques, banker's cheques, cashier's cheques, traveller's cheques, interest/Dividend Warrants etc., unless otherwise the situation warrants a specific reference.

5. Standardization and Enhancement of Security Features in Cheque Forms : CTS 2010 Standards:

5.1 RBI has prescribed certain benchmark towards achieving standardization of cheque forms issued by various Banks across the country, which insists provisions of some mandatory security features and also some desirable/additional features on the cheque forms. The prescription includes quality of paper, watermark, Bank's logo in invisible ink, void pantograph, etc. and standardization of field placements on cheque forms. These security features would not only ensure uniformity across all cheque forms issued by the banks in the country, but also helps presenting banks to ensure genuineness of the instruments while scrutinizing/recognizing cheques of drawee banks in an image based processing scenario. The homogeneity in security features is expected to acts as a deterrent against cheque frauds, while standardization of field placements on cheque forms also enables straight – through-processing by the use of optical/image character recognition technology. The bench mark prescriptions are known as "CTS S2010 Standard". As advised by RBI, all banks have adopted CTS 2010 Standard in cheque forms. Bank has adopted CTS 2010 Standard in all cheques as per specification prescribed by RBI.

5.2 CTS Grid Centers are now conducting two types of clearings. One clearing is for CTS compliant instruments and the other clearing is for CTS Non-compliant instruments. RBI has advised that while clearing is for CTS cheques will be on all applicable working days, clearing for Non CTS cheques would be done only of every Monday w.e.f. November 01, 2014. If the day is a holiday under N I Act, the cheques shall be processed on previous working day.

6. Arrangement for Inland Outstation Cheque for Collection (IOCC).

6.1 Outstation cheque would be sent in local clearing, if the drawee bank on which the outstation cheque is drawn, is listed under speed clearing centre. Only those cheques that cannot be presented through speed clearing locally shall be sent through IOCC.

6.2 If a cheque is drawn on a centre where the bank does not have any arrangements, the said cheque would be sent for collection directly to the drawee bank or to a correspondent bank.

6.3 Where the proceeds are received by means of demand drafts from other collecting bank, the same would be processed in local clearing/IOCC and the depositor's account will be credited in realization of clear funds from the drawee bank.

6.4 On receipt of clear credit in the books of the bank, the customer's account would be credited net of charges of agency bank and our charges.

6.5 If the IOCC cheques are returned unpaid by the paying branch/Bank, the original cheque and the return memo would be returned to the customer after recovering charge levied by the drawee/correspondent bank and those due to our Bank.

7 Suo Moto Payment of Compensation on delayed collection of IOCC.

7.1 Banks shall pay interest on the value of the cheque without waiting for any demand from customer, if there is a delay in crediting funds to the depositor's account beyond the time period prescribed for realization. The following time norms are applicable for cheques sent for collection to outstation centers within the country.

7.2 Cheques drawn on Banks located in State Capitals : Maximum period of 7 days.

7.3 Cheques drawn on Banks located at major cities : Maximum period of 10 days.

7.4 Cheques drawn on Banks located at other locations : Maximum period of 14 days.

7.5 Bank will pay interest if there is a delay in giving credit beyond the time period mentioned above. The interest is to be paid for delayed period beyond 10/14/20 days, excluding maximum permissible period as mentioned above, as the case may be, at the following rates:

- a) Savings bank rate for the period of delay beyond 10/14/20 days, as the case may be, in collection of outstation cheque.
- b) If the delay is beyond 14 days, interest will be paid at the rate applicable for term deposit for the period.
- c) In case of extra ordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding term deposit rate.
- d) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer interest will be paid at the rate applicable to the loan account. For extra ordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

8. Collection of Account Payee Cheque – Prohibition on Crediting Proceeds to Third Party Account.

8.1 In consonance with the legal requirements in particular in the intent of the Negotiable Instrument Act, 1881 and in accordance with the Reserve Bank of India directives, Bank shall not collect cheques having account payee crossing, for any person other than the payee named therein.

8.2 Where the drawer/payee instruct the bank to credit the proceeds of collection to any account other than that of the payee, the instruction being contrary to the intended inherent character of the "account payee" cheque. Bank shall ask the drawer/payee to have the cheque or the account payee mandate thereon withdrawn by the drawer. This instruction shall also apply with respect to the cheque drawn by a bank payable to another bank.

9. Payment of compensation for delay in Clearance of Local Cheques.

9.1 Local cheques subjected to clearing process as per the clearing cycle of the respective location. Thus the cheques accepted a cross counter and cleared for drop boxes before the cut off time shall be sent on clearing on the same day while those accepted beyond the cut off time shall be taken up for clearing the next day.

9.2 If there is any delay in collection of local cheques beyond the period mentioned above, the bank will pay compensation as per the Compensation Policy of the Bank.

10. The bank reserves the right to recover the amount of the cheque/Instrument already credited to the customers' account with all costs and charges, if the cheque/instrument that was sent for collection/realization is subsequently dishonored for valid reasons as per the prevailing laws of the country on whose currency the Cheque/Instrument is drawn.

11. Cheques/instruments lost in transit/in clearing process/at paying bank's branch.

11.1 In the event of a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying banks branch, the bank shall immediately on coming to know about the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment, obtain duplicate cheque in lieu of the lost cheque and also take

care that cheques, if any, issued by him/her are not dishonored due to non-credit of the amount of the lost cheques/instruments.

- 11.2 If the outstation cheque sent for collection is not received by the paying bank/branch, and after making proper enquires with post/courier company, the bank reasonably satisfied that the cheque is irretrievably lost, the drawee bank/ branch will be advised about the fact and requested to exercise caution. Bank shall also bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and obtain duplicate cheque in lieu of the lost cheque.
- 11.3 The bank shall provide all assistance to the customer to obtain a duplicate cheque from the drawer of the cheque, if required.
- 11.4 Bank shall compensate the account holder in respect of cheques lost in transit as per the Compensation Policy of the bank.
- 12. Responsibility of the Bank**
- 12.1 Whenever the customer deposits the cheque at the counters of the Branch, bank shall give an acknowledgement on counterfoil by affixing appropriate stamp with legend 'Received for clearing/Collection' indicating date of receipt and authentication by the receiving staff.
- 12.2 The bank will take all steps to send outward cheques in the immediate next clearing/collection (subject to conditions mentioned above) through the process which enables quick realization of funds in the most cost effective manner.
- 12.3 As the payment processing is done on the basis of images, under the CTS environment, the onus of due diligence shifts to the Presenting Bank, as provided under explanation II to Section 131 of Negotiable Instruments Act. bank shall enforce Know Your Customer norms in letter and spirit. As a prudent banker, the bank shall observe all precautions like verifying prima facie genuineness of the cheque, checking the apparent tenor of the instrument, physical feel of the instrument, any tampering visible to the naked eye with reasonable care, ensure verification of cheque under Ultra Violet Lamp (UUVL), etc. For enhanced attention, based on exceptions, the bank shall employ suitable risk management techniques like scrutiny of high value transactions, limit based checking by officials, new accounts alerts, etc. The bank shall take full responsibility for collecting on behalf of the intended

payee and shall exercise due diligence as per the conditions laid down in the amended Negotiable Instrument Act.

12.4 In case of outward cheque return, an advice will be prepared by the bank wherein the reason for return of the cheque will be indicated. The advice along with the dishonored cheque will be sent to the customer by registered post/local delivery/across counter. The bank shall return/dispatch the dishonored cheques to the customer at his/her last recorded address available with the branch.

12.5 Since all branches are networked in CBS platform, cheques drawn on Bank's own branches at outstation will be collected locally as a transfer cheque. If a cheque presented to the bank for settlement of transaction by way of transfer between two accounts within bank is returned, the same shall be returned to the payee within one working day by observing the above process.

12.6 For the purpose of adducing evidence to prove the fact of dishonor of cheque on behalf of a complainant (i.e. payee/holder of a dishonored cheque) in any proceeding relating to dishonored cheque before a court, consumer forum or any other competent authority, bank shall extent full co-operation and shall furnish then documentary proof of the fact of dishonor of cheques.

12.7 As per the extent RBI directives, banks shall not levy any outward cheque return charge to the customer, if such cheque is returned for no fault of the customer.

12.8 Cheques that need to be presented again without any reference to the payee, shall be presented again in the immediate next clearing cycle, with due notification to the customers of such action through SMS alert, e-mail etc.

13. Responsibility of the customer

13.1 Cheque tendered for collection (across the counter or deposited in cheque drop box) should be accompanied by a Deposit slip (Pay-in-slip) duly filled-in and signed by the customer or his/her representative. Separate deposit slips are required to be filled for local and outstation (separate for each centre) cheques. Customer/his/her representative should write the contact phone number for easy contact in case there is a need for the same.

13.2 The deposit slip and counterfoil should be legible. All the columns in the cheque and deposit slip should be completed in full. Cheques/deposit slips not fulfilling these criteria cannot be taken up for clearing at the sole risk and responsibility of the customer.

- 13.3 Customer shall ensure that cheque is not mutilated and does not give any indication of alteration/forgery.
- 13.4 Any over writing/alteration in cheque should be avoided. In case of CTS Centers overwriting/alteration in cheques is not allowed.
- 13.5 The cheque should not bear crossing or clearing stamps of other banks, which are not cancelled.
- 13.6 The bank may at its direction, enquire about large value cheques tendered for collection/payment and may seek a declaration/proof regarding the transaction/source of funds, from the customer. The customer has to provide such details to the bank, along with proof, on demand.
- 13.7 Customer should use only CTS 2010 standard cheque forms.
- 13.8 Customers are not permitted to print/scan the signature of their authorized signatories on the cheques issued to them unless there is written agreement between the bank and customer to the effect.
- 13.9 Through the Electronic Clearing System, the customer gets credit (such as Dividend, Interest,, Refunds etc.) based on the MICR Sort Code. Account number, Type of account, Bank's name and branch. All this information is available in the cheque book. Customers are advised to ensure that proper details are given to the remitter so that the credit is received properly into his account. The bank would not be able to process any ECS Credit or ECS Debit requests if the information provided is insufficient/wrong and could not be matched with its records.
- 13.10 Customers belonging to corporate and CMS business segment should personally hand over the cheque to the bank across the counter and get acknowledgement.
- 14. Force Majeure**
- 14.1 The bank shall not be liable to compensate customer for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockouts, strike or other labour disturbances, accident, fire, 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 the bank, prevents it from performing its obligations within the specified service delivery parameters.

15. Customer Grievances Redressal

- 15.1 The policy seeks to provide transparency in dealing with customer and to minimize their inconvenience. Any customer having grievances against the bank on any of the above grounds or having complaints due to non-payment or inordinate delay in the payment or collection of cheques may approach the Branch Head of the Payyoli Co-operative Urban Bank Ltd. No. F 1354.

The Payyoli Co-operative Urban Bank Ltd.

Asst. General Manager

Director

Director

Chairman

The Payyoli Co-op Urban Bank



**PAYYOLI
URBAN
BANK**



Payyoli Co-op Urban Bank Ltd.

**BANK'S POLICY ON INOPERATIVE / DORMANT ACCOUNTS
&
UNCLAIMED DEPOSIT**

Board Resolution No. 25 Dated 03/10/2024



Classification: **Internal**

Bank's Policy on Inoperative / Dormant and Unclaimed Deposit

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BANK'S POLICY ON INOPERATIVE / DORMANT ACCOUNTS AND UNCLAIMED DEPOSIT

1. INTRODUCTION:

Accepting of deposits from the public is an important function of the Bank. It is quite possible that some of the accounts are not operated upon by the customers for quite a long period under circumstantial compulsions and become oblivious of their deposits.

Accounts which are not operated for a continuous period of two years by the customers are required to be classified as inoperative / dormant accounts as per the guidelines of Reserve Bank of India. Such inoperative / dormant accounts attract inherent risk and also pose difficulties to the Bank, Customers and / or to their legal heirs in tracing the account to make it operative and /or for making payment to the customers / legal heirs.

In view of increasing volume of inoperative accounts in the banking sector & amount of unclaimed deposit i.e. deposit accounts which are not operated since last 10 years and the inherent risk associated with such deposits, RBI has directed banks to put in place a policy and should play a more pro-active role in strengthening the regulatory frame work for inoperative/dormant accounts i.e. accounts which are not operated for the last two years and unclaimed deposits. Accordingly, this policy document on inoperative / dormant accounts has formulated to outline the principles of various safeguards and obligations on the part of the bank to fulfill its commitments towards the customers and recognizing the rights of the customers.

2. OBJECTIVE OF THE POLICY:

The objective of the policy is to put in place a framework for classification of inoperative / dormant accounts & unclaimed deposits and efforts for activation, grievance redressal mechanism for quick resolution of complaints related to inoperative account, record keeping and periodic review of these accounts.

3. SCOPE OF THE POLICY:

The policy covers guidelines and procedures for dealing with potential dormant accounts, inoperative accounts and unclaimed deposits

4. CLASSIFICATION OF INOPERATIVE / DORMANT ACCOUNTS:

4.1 Potential Dormant Accounts: Accounts in which there are no customer induced operations (i.e. no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year. Though such accounts are in active status, it is called potentially dormant account. If such accounts are operated in time, it will not turn into dormant accounts.

4.2 Inoperative / Dormant Accounts: A savings as well as current account shall be treated as inoperative / dormant if there are no transactions in the account for over a period of two years. In case of term deposits, the 2-year period shall be reckoned after the date of maturity. For the purpose of classifying an account as "inoperative" both the type of transactions i.e. debit as well as credit transactions induced at the instance of customers as well as third party will be considered. However, the service charges levied by the bank or interest credited by the bank will not be considered.

Classification: **Internal**

Bank's Policy on Inoperative / Dormant and Unclaimed Deposit

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There may be instances where the customer has given a mandate for crediting the interest on term deposit account and / or crediting dividend on shares to the savings bank account and there are no other operations in the savings bank account. Since the interest on term deposit account and / or dividend on shares is credited to the savings bank accounts as per the mandate of the customer, the same shall be treated as a customer induced transaction. As such, the account should be treated as operative account as long as the interest on term deposit account and /or dividend on shares is credited to the savings bank account. The savings bank account can be treated as inoperative account only after two years from the date of the last credit entry of the interest on term deposit account.

4.2 Unclaimed Deposits:

Current and Savings account where no customer induced transactions has taken place for last 10 years and Time Deposit or Other Credits which is not withdrawn in 10 years after its maturity date are classified as unclaimed deposits.

5. ANNUAL REVIEW AND STEPS TO BE TAKEN IN ACCOUNTS WHICH ARE NOT OPERATED FOR MORE THAN ONE YEAR:

5.1 Branches shall make an annual review of accounts in which there are no operations (i.e., no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year. The branches may approach customers and advise them in writing that there has been no operation in their accounts and ascertain the reasons for the same. In case the non-operation in the account is due to shifting of the customer from the locality, they may be asked to provide the details of the new bank account to which the balance in the existing account could be transferred.

5.2 If the letters are returned undelivered, the customers shall immediately be put on enquiry to find out their whereabouts or their legal heirs in case they are deceased.

5.3 In case the whereabouts of the customers are not traceable, branches will consider contacting the persons who had introduced the account holder. Branches may also consider contacting the employer / or any other person whose details are available with bank's record. Branches may also consider contacting the account holder telephonically in case his telephone number / cell number has been furnished to the bank. In case of Non-Resident accounts, the branches may also contact the account holders through email and obtain their confirmation of the details of the account.

5.4 In case, any reply is received from the account holder giving the reasons for not operating the account, bank / branch may continue classifying the same as an operative account for one more year within which period the account holder shall be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, bank / branch shall classify the same as inoperative account after the expiry of the extended period.

5.5 Bank / branches will also communicate the account holders through SMS / e-mail / letter on their registered contact details with the Bank, three months prior to categorization of such accounts as Inoperative / Dormant. In case of joint accounts, joint holders will also be communicated as per time stipulated above i.e., three months prior to categorization as Inoperative / Dormant Account.

6. IDENTIFICATION OF THE INOPERATIVE / DORMANT ACCOUNTS:

6.1 The Identification of the inoperative accounts is from the point of view of reducing risk of frauds, etc. in such accounts. However, the customers should not be inconvenienced in any way, just because his / her account has been rendered inoperative. The classification is there only to bring to the attention of dealing staff, the increased risk in the account. The transaction may be monitored at a higher level both from the point of view of preventing fraud and making a Suspicious Transactions Report. However, the entire process should remain un-noticeable by the customer.

6.2 Interest on savings bank accounts shall be credited on regular basis whether the account is operative or not. If a Term Deposit Receipt matures and proceeds are unpaid, the amount left unclaimed with the bank will attract savings bank rate of interest if auto renewal facility at the time of placing the deposit was specifically refused by the customer.

6.3 Amounts lying in inoperative accounts shall be properly audited by the Internal / Statutory Auditor of the bank.

7. BANK'S EFFORTS FOR ACTIVATION OF INOPERATIVE ACCOUNTS:

7.1 Campaigns focusing on activation of inoperative accounts will be launched twice during a year in the month of May and November to upgrade the accounts to operative status.

7.2 All inoperative accounts, which are not operated for more than 2 years with a balance above Rs.1,000 /- will be identified through the system every half year and suitable communication exhorting the customers to activate their accounts or to indicate their other bank account number, in case they cannot continue banking relationship with our Bank for any reason.

7.3 In all such cases, where the accounts continue to be inoperative even after sending a written reminder, the customers will be contacted over phone or in person for getting the accounts activated and a record thereof shall be maintained at the branch. In cases where the letters sent by the Bank are returned undelivered, the branch should make efforts to contact the customer immediately thereafter by approaching the introducer or the neighbors in the vicinity and getting information on his present whereabouts.

7.4 In all other cases, i.e. accounts with balances up to Rs.1,000/-, system generated reminders will be sent every year from the date of categorization of accounts as inoperative and necessary follow-up through phone calls / personal visits to the address given at the time of account opening / modification for getting the account activated. Help of the introducer or the neighbors will also be taken to contact the customer for activation of the account or to get the details of legal heirs in case the account holder is deceased.

8. OPERATIONS IN INOPERATIVE / DORMANT ACCOUNT:

8.1 Operations in inoperative / dormant accounts may be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity etc. However, it has to be ensured that the customer is not inconvenienced as a result of extra care taken by the bank.

8.2 When a request for activation of a dormant account is received, approval for activation should be accorded by a designated officer at the branch. He / she will verify and satisfy himself / herself that the account was opened in a KYC compliant manner and the reasons adduced by the account holder for not operating the account are genuine. Documentary evidence of new residential proof shall be obtained, if the depositor could not be contacted at the last address furnished to the Bank. Further, the amount of deposit available in the account should commensurate with the occupation level of the customer, as declared in the account opening form.

Note: As the account turns to dormant since no customer induced transactions are done in the account for last two years, branches should invariably advise the customer to do the at least one transaction after activation of account else account will continue to be classified as dormant

8.3 Charges for account activation and penal charges for non-maintenance of minimum balances are not applicable in inoperative / dormant accounts.

9. DEPOSITOR EDUCATION AND AWARENESS FUND SCHEME (DEAF) - 2014:

9.1 In terms of announcement of Monetary Policy 2013-14 and pursuant to the enactment of the Banking Laws (Amendment) act , 2012, Section 26A has been inserted in the Banking Regulation Act, 1949, which inter alia empowered Reserve Bank of India to establish **The Depositor Education and Awareness Fund (the Fund)**. The same is notified by Government of India on May 24, 2014 and the scheme is operationalized from 24th May 2014.

9.2 Under the provisions of this section, the credit amount of any accounts with bank which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years, including the accrued interest that the bank would have been required to pay to the customer / depositor as on the date of transfer shall be credited / transferred to the Fund maintained with RBI on monthly basis. Bank has carried out first transfer to the Fund on 30th June 2014. Since onwards, Bank is needed to transfer / credit the fund to RBI on monthly basis. Monthly statement on the amount transferred / credited in the fund shall be submitted to RBI, after duly certified by concurrent auditor.

9.3 The credit balances of following (Interest bearing Deposit, Non-Interest bearing Deposit & Other Credit items) accounts including customer accounts shall be credited / transferred to the fund.

- ❖ saving bank deposit accounts;
- ❖ fixed or term deposit accounts;
- ❖ recurring deposit accounts;
- ❖ current deposit accounts;
- ❖ other deposit accounts in any form or with any name;
- ❖ cash credit accounts;
- ❖ loan accounts after appropriation by the banks;
- ❖ margin money against issue of Letter of Credit / Guarantee etc., or any security deposit;
- ❖ outstanding telegraphic transfers, mail transfers, demand drafts, pay orders, banker cheques, sundry deposit accounts, inter-bank clearing adjustments, unadjusted National Electronic Funds Transfer (NEFT) credit balances and other such transitory accounts, unreconciled credit balances on account of Automated teller Machine (ATM) transactions, etc.;

❖ such other amounts as may be specified by the reserve Bank from time to time.

10. PROCEDURE FOR TRANSFERRING / CREDITING THE AMOUNT TO THE DEAF.

10.1 Own Account

Bank shall transfer the eligible amount to the Fund in electronic form through portal facility of the E-Kuber (CBS portal of RBI) by furnishing Bank's DEAF Code and detailed break up (number of accounts and amount) of the deposits viz. Interest bearing, non-interest bearing deposits and other credits on the last working day of the month.

11. RETURNS PRESCRIBED FOR SUBMISSION TO RESERVE BANK OF INDIA (RBI)

Bank shall furnish different returns as below to Reserve Bank of India, even if it is nil return at the periodicity indicated by RBI in the form and manner as prescribed by Reserve Bank of India (RBI) from time to time certified by Concurrent Auditor.

FORM I- Monthly return of unclaimed deposits/credits/accounts/in India which have not been operated upon/remained unclaimed for 10 years or more as on the date of return and transferred to DEA Fund Account. (to be submitted online to the Reserve Bank of India by 15th of the succeeding month).

FORM II- Monthly return claiming refund from the DEA Fund. (to be submitted online on or before 10th of the succeeding month to which the claim pertains and original hard copy duly signed by Board Approved authorized signatories and audited by Concurrent Auditor, to be submitted by 25th of the succeeding month to which the claim pertains.

FORM III- Certificate of Reconciliation of balances for the half year ended September/March, original hardcopy duly signed by 2 executives other than the authorized signatories and audited by the Concurrent Auditor (to be submitted in of the succeeding).

Other Credit Items (Amount in Internal Office Accounts etc.)

12.3 In respect of unclaimed amount (other credit items like amount in Internal Office accounts etc.) transferred to the Depositor Education and Awareness Fund (DEAF), Zones/NBGs /Department at Head Office shall follow below guidelines for claiming the amount:-

12.4 The interest payable, if any, from the Fund on a claim shall accrue only from the date on which the balance in an account was transferred to the Fund to the date of payment to the customer / depositor. No interest shall be payable in respect of amounts refunded from the Fund, where no interest was payable by the bank to customer / depositor.

12.5 As per Reserve Bank of India (RBI) direction, Bank has authorized any two (jointly) out of the designated officials as authorized signatories to operate the account for the claims / refund on behalf of the bank from the Fund. Accordingly refunds made by the bank in each calendar month shall be claimed for reimbursement from the Fund on the last working day of the subsequent month by authorized signatories.

12.6 Claim from DEA Fund: HO- Administration Operations Dept. shall claim the amount (on monthly basis, 10th of succeeding month) transferred to DEA fund and credit the G/L suspense account upon receipt of the funds from RBI to reconcile the account.

13. AUDIT

13.1 The accounting year for the Fund shall be from April 1 to March 31 of the subsequent year.

13.2 With respect to non-interest bearing deposits and other credits transferred to the Fund, customer-wise details, duly audited, shall be maintained with the bank.

13.3 The concurrent auditor shall also verify and certify that, as per the banks' books, the returns have been correctly compiled by the bank in the monthly and yearly returns submitted to RBI.

13.4 All the returns shall be verified by the statutory auditors at the time of annual audit and an Annual Certificate shall be obtained from statutory auditors and shall be forwarded to RBI, certifying that the returns have been correctly compiled by the bank.

14. DISCLOSURE IN NOTES TO ACCOUNTS

As per the Reserve Bank of India's direction, Bank shall reflect all unclaimed liabilities (where amount due has been transferred to DEAF) as "Contingent Liability – Others, items for which the bank is contingently liable" under Schedule 12 of the annual financial statements.

15. DISPLAY OF LIST OF INOPERATIVE / UNCLAIMED ACCOUNTS ON BANK'S WEBSITE:

15.1 As per the RBI Notification No. RBI /2011-12/389 DBOD. No. Leg. BC. 81 / 09.07.005 /2011-12 dated 07.02.2012 and RBI /2014-15/442 DBR. No. DEA Fund Cell.BC.67/30.01.002/2014-15 dated 02.02.2015 regarding display of list of unclaimed/inoperative accounts, Bank shall display the name and address of account holders of unclaimed deposit accounts, which are inactive / inoperative for ten years or more on Bank's Website with find option. In case such accounts are not in the name of individuals, the name of individuals authorized to operate the accounts should be indicated.

15.2 Bank shall also display the information on the process of claiming the unclaimed deposit/activating the inoperative account and necessary forms and documents for claiming the same on the Bank's Website.

16. TREATMENT OF CERTAIN SAVINGS BANK ACCOUNTS OPENED FOR CREDIT OF SCHOLARSHIP AMOUNTS AND CREDIT OF DIRECT BENEFIT TRANSFER UNDER GOVERNMENT SCHEMES:

16.1 In view of difficulties faced by State / Central Government in crediting Cheques / Direct Benefit Transfer / Electronic Benefit Transfer / Scholarships for students, etc. into accounts / accounts opened with zero balance for the beneficiaries under various Central / State Government schemes due to non-operation of such accounts over two years and thereafter classification of such account as dormant / inoperative, RBI had advised not to classify all such accounts as Inoperative / Dormant by allotting a different "product code" in Bank's Core Banking System.

16.2 In order to reduce the risk of fraud etc., in such accounts, while allowing operations in these accounts, due diligence should be exercised by the branches to ensure genuineness of transactions, verification of signature and identity, etc. However, it has to be ensured that the customer is not inconvenienced in any manner.

17. REPORTING TO RBI:

Section 26 of the Banking Regulation Act, 1949 provides, inter alia, that every banking company shall, within 30 days after close of each calendar year submit a return in the prescribed form and manner to the Reserve Bank of India as at the end of each calendar year (i.e., 31st December) of all accounts in India which have not been operated upon for 10 years.

18. PRESERVATION OF RECORDS:

Notwithstanding anything contained in the Banking Companies (Period of Preservation of Records) Rules, 1985, bank shall preserve records / documents containing details of all accounts and transactions, including deposit accounts in respect of which amounts are required to be credited to the Fund permanently; and where refund has been claimed from the Fund, bank shall preserve records / documents in respect of such accounts and transactions, for a period of at least five years from the date of refund from the Fund.

19. COMPLAINTS AND GRIEVANCE REDRESSAL:

Complaints and Grievances received if any from the customers / legal heirs will be addressed as per the existing complaints and Grievance Redressal mechanism of the Bank.

20. SUNSET CLAUSE

The above Bank's Policy on Inoperative / Dormant Accounts & Unclaimed Deposits will be in force until the next review. The policy will be reviewed annually or at an earlier date, as may be required by the Bank.

"Post the approval of the Policy, any changes made by the RBI on the rules and regulations in respect of Inoperative Accounts and Unclaimed Deposits shall form an integral part of the Policy, pending their formal inclusion at the time of the next renewal of the Policy."

UNCLAIMED DEPOSITS / INOPERATIVE ACCOUNTS- CLAIM FORM

| | | |
|--|-----------------------------------|-------|
| To, The Branch Manager, Bank of India _____ Branch | Address for correspondence | |
| | Name: | |
| | Address: | |
| | Contact No. | |
| | Email ID. | |
| | | Date. |

Dear Madam / Sir,

I / We the undersigned Mr. /Mrs. / Ms. _____ in the capacity of self / Nominee / Legal Heir / Others (please specify) request for the activating / payment of the balance amount from my / our / deceased account held with your bank in the name of Mr. / Mrs. /Ms. _____.

| No. | Nature of Deposits | Account No. | Nature of Liability to the Bank, if any | Amount |
|------------|--------------------|-------------|---|--------|
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| Total Amt. | | | | |

Document Submitted: Pass Book / Account Statement / TDR receipt / Official Valid Doc (OVD)
 / Death Certificate of deceased depositor (if claimant is Nominee / Legal heir(s))

| Type of Document | Name of Official Valid Doc. (OVD) | Reference no. |
|---|-----------------------------------|---------------|
| Identification Proof | | |
| Address Proof | | |
| Death Certificate of Deceased Depositor | | |

Declaration:

Classification: **Internal**

Bank's Policy on Inoperative / Dormant and Unclaimed Deposit

- I / We declare that the facts stated above are true and correct to the best of my/our knowledge and belief.
- I / We certify that the unclaimed account as per details displayed on the website of the bank belongs to me / us and as owners of the account i/we claim the amount from the account.
- I / We also understand that i/we will be required to procure all documents desired to establish my/our claim till settlement and agree to execute the required documents to settle the claim
- I / We understand that claim will be settled post due diligence and authentication of documents and in subject to bank's process & policy.

Signature (s) of the claimant (s):

| S. No. | Name of the Claimant | Signature |
|--------|----------------------|-----------|
| | | |
| | | |
| | | |
| | | |

Place: _____

Date: _____

Encl: As above.

(Two Bank acceptable witness is required in case of claimants(s) are illiterate)

Note : The Bank is not responsible for any delay in disposal of the claim due to lack of full particulars furnished in this application (If the space provided is insufficient, please use additional sheet)

Customer Acknowledgment slip (to be filled in by Bank official)

Date: _____

Received a request from Mr./Mrs./Ms. _____ for claiming
Unclaimed Deposits/Inoperative Accounts.

Bank of India
_____ Branch

Signature of Bank Official with Bank seal

FOR OFFICE USE

I have made necessary inquiries / verification about the claim made by the self / nominee / survivor(s) & satisfied that the claim can be settled. All the necessary documents have been obtained. The claim may be paid to the self / nominee / survivor(s).

Any other remarks:

Place:

Date:

| | |
|--|--|
| <p>Signature</p> <p>Name Designation: (Recommending Authority)</p> | <p>Signature</p> <p>Name Designation: (Verifying Authority)</p> |
|--|--|

Note: Branches are advised to use **BRDEAF** menu for claim of unclaimed deposits of depositor/s.

CLAIM FORM

FOR AMOUNT TRANSFERRED TO DEA FUND UNDER OTHER CREDIT ITEMS

Subject: Claim of amount transferred to DEA Fund from GL/PL account no. _____

Synopsis/Summary:

With reference to above we would like to inform you that as per RBI DEAF Guidelines following amount was transferred to DEA fund from GL/PL account no. _____ of branch/office _____.

| S.N | Date | GL/PL account no | Amount |
|-----|------|------------------|--------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Now, we request you to claim back the above amount from DEA Fund.

Reason / Justification and Recommendation for seeking refund:

In this regard, you undertake that:-

- Claim back of fund is as per RBI DEAF guidelines.
- The said claim has not been made earlier or received from the DEA Fund.

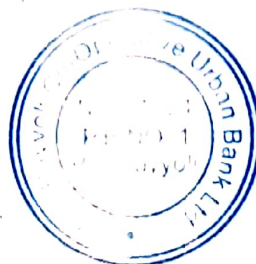
| | |
|--|---|
| | |
| Signature of Recommending Authority at Zones / NBGs/ Owner Department at Head Office | Signature of Approving Authority at NBGs/ Owner Department at Head Office |

Chief Executive Officer

Director

Director

Chairman



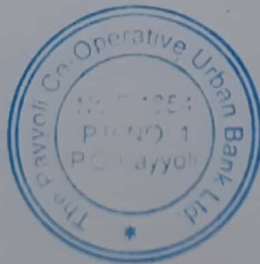


**PAYYOLI
URBAN
BANK**

Payyoli Co-op Urban Bank Ltd.

THE PAYYOLI CO-OPERATIVE URBAN BANK LIMITED

LOAN POLICY



**AS APPROVED BY BOARD OF DIRECTORS MEETING
(BR NO: 10, DATE: 22/07/2024)**



LOAN POLICY

(APPROVED BY THE BOARD OF DIRECTORS AS PER BR No 10 dt 22/07/2024)

Reserve Bank of India in its master circular on management of advances dated 25/07/2023 has advised all urban co operative banks to put in place a proper loan policy duly approved by the Board of Directors for credit dispensation keeping in view of credit exposure norms and various other guidelines issued by Reserve Bank of India from time to time

Although the basic objective of the loan Policy would be to maximise yield on advances and minimise the risk thereon, various factors such as lendable resources available for deployment, capital adequacy requirement, increasing non-fund based business, direction to flow of credit, sectoral, industry and groupwise exposure, nature of credit etc are taken in to account while framing the loan Policy of Bank. Organisational aspects of credit management such as organisational set up, delegation of authority, credit appraisal, documentation, monitoring and review of borrowal accounts etc would also form as integral part of loan Policy. This Policy will act as a guiding tool to all functionaries in operation as well as administration in effective management of credit portfolio.

The loan Policy of the Bank has been reviewed by the Board taking in to consideration the guidelines/circulars issued by RBI from time to time and approved the revised Policy in its meeting held on 10/10/2023 vide Resolution No. as under.

Objectives:

1. To define clearly the strategies to distribute credit to different sectors of the economy.
2. To strengthen the credit monitoring system so that there is continuous monitoring of the borrowal accounts with a view to contain NPAs and keep loan portfolio healthy.
3. To build up a qualitatively good, yielding but sound credit portfolio with more focus on retail segment.
4. To evolve strategies to improve systems and procedures, sharpen skills and develop human resources in the field of credit administration and management.
5. To provide adequate delegation of authority at all levels to exposures and avoid asset concentration.
6. To evolve systems and procedures for portfolio management, loan review mechanism risk monitoring and evaluation.

Exposure norms: Bank shall have at least 50% of the aggregate loans and advances comprising loans not more than Rs 25 lakhs or 0.2 percent of Tier I capital, whichever is higher subject to a maximum of Rs 1 crore per borrower. This exposure will change as and when changes are made by Reserve Bank of India from time to time.

Exposure ceiling to individual \group borrowers:

The exposure to individual borrower does not exceed 15% of the tier I capital fund and the exposure to group borrowers does not exceed 25% of Tier I capital fund. The exposure ceiling be conducted every year after finalisation of audit. Credit exposure shall not include loans and advances granted against Bank's own term deposit.

Bank may extend individual housing loans up to maximum of 1.40 crore per beneficiary subject to prudential exposure limit and individual maximum borrowing power. Maximum exposure to housing, real estate, and commercial real estate loans should be limited to 10% of the Total assets as on March 31 of the preceding financial year. This ceiling of 10% of total assets can be exceeded by an additional limit of 5% of total assets for the purpose of grant of housing loan to individuals for purchase or construction of dwelling house costing up to Rs 25 lakh.

Advances to Directors and their relatives: The Bank have been prohibited to make, provide or renew either secured or unsecured loans and advances or any other financial accommodation to its directors or their relatives and firms/companies/concerns in which they are interested. Loans to Directors and their relatives against fixed Deposit and LIC policies are exempted.

The relative of a Director of the Bank shall mean any relative of a director of the Bank as indicated hereunder.

1. A person shall be deemed to be relative of another if and only if
 - (a) They are members of a HUF
 - (b) They are husband and wife, or
 - (c) The one is related to the other in any manner indicated below.
 - (1) Father
 - (2) Mother
 - (3) Son
 - (4) Son's wife
 - (5) Daughter
 - (6) Daughter's husband
 - (7) Brother
 - (8) Brother's wife
 - (9) Sister
 - (10) Sister's husband

Maximum ceiling on advances to members (IMBP): Individual maximum borrowing power of a member will be 50 lakh.

General conditions:

1. Period of each type of loans will be decided by the Board of Directors from time to time.
2. All the loans and advances shall be secured in any one or all of the following ways.
 - (a) Creating a first charge on the assets, articles and commodities etc purchased/created/produced by the utilisation of the financial accommodation.
 - (b) Obtaining collateral security by mortgage of unencumbered immovable property of the borrower or co-borrower.
 - (c) Pledge of articles such as gold, goods, title to goods etc.
 - (d) Assignment of approved securities such as national savings certificate fixed deposit receipt, insurance policy etc.
 - (e) Hypothecation of articles, things or machinery or vehicles acquired, purchased or produced out of the financial assistance granted by the Bank or other such articles or things.
 - (f) Financial accommodation may also be granted on the basis of personal surety and or such number of additional personal securities.

- (g) Loans may be granted to 'A' class or 'D' class members. Co-obligants also should be a member.
- (h) Loans shall be provided only for the purpose and in the manner as specified in the rule regarding that type of loan.
- (i) Interest rates shall be fixed by the Board of Directors considering the RBI directives issued from time to time.
- (j) During the pendency of term loan if any instalment or instalments falls overdue, penal interest shall be levied on the instalment/which remained overdue. However once the period of loan is over interest at the bond rate and penal interest will be charged on the entire outstanding.
- (k) The Board of Directors is competent to fix the bank charges to cover the expenses in respect of forms, insurance, inspection of security, legal scrutiny and such other incidental expenses with reference to various types of loans.
- (l) Bank shall maintain a loan application register and every application received shall be entered in the register.
- (m) Repaying capacity of the borrower should be ensured before sanctioning any type of loans. Income of borrower should be properly assessed and the documents for the proof of income should be obtained.
- (n) All loans shall be sanctioned on the strength of the recommendations of the concerned officers.
- (o) Applicants should have the required amount of share in accordance with the purpose and type of loan before availing the loan.
- (p) Valuation of the security (collateral) should be done by professionally independent valuer approved by the Board of Directors.
- (q) All loans sanctioned by the branch manager, general manager and executive officer should be ratified by the Board of Directors.

Delegation of Powers:

1. The Branch manager or the officer in charge of branch manager is authorised to sanction gold loans, loans against banks own fixed deposits, all other loans up to Rs. 1 lakh.
2. The General manager is authorised to sanction loans up to 3 lakhs.
3. The chief executive officer is authorised to sanction loans above 3 lakhs and up to 5 lakhs.
4. All loans above 5 lakhs except gold loan and deposit loans shall be sanctioned by the Board of Directors.
5. All loans sanctioned by Branch manager, General manager and Chief executive officer shall be ratified in the meeting of Board of Directors.

The internal auditors should examine during the course of inspection of branches whether powers have been exercised properly and any unauthorised exercise of powers should immediately be brought to the notice of Head office. Similarly, sanctions beyond discretionary powers by the General manager and chief executive officer should be reported to the Board of Directors.

Credit information reports:

The Bank should obtain credit information reports of the borrower from one or more credit information companies so that the credit decisions are based on information available in the system to include in their credit appraisal process.

Priority sector lending

Priority sector lending targets should be fixed every year according to the Reserve Bank of India guidelines every year.

Type of loans and general conditions:

1. Advances against Banks own Deposits:

- a) Advance can be granted/sanctioned to any person at 2% above the deposit rate with a margin of 10% of the Deposit.
- b) If the Deposit is in the name of more than one person, the loan application as well as the documents should be signed jointly by the concerned parties along with the deposit receipt duly discharged by all of them.
- c) Loans may also be granted against deposit standing in the name of a minor. In this case bank should obtain a declaration from the guardian that the amount advanced will be utilised for the benefit of the borrower.
- d) After making the advance, the bank's lien will be noted on the fixed deposit receipt.
- e) On maturity of the relative deposit, the bank is at liberty to adjust the loan taken against the deposit receipt and balance will be credited to the borrowers account.
- f) Branch manager or officer in charge of manager is authorised to sanction advances against bank's own fixed deposit subject to ratification by the Board of Directors.

2. Advances against N S C

Advances against the security of National Savings Certificate may be granted by the Branch manager/General manager After getting bank's lien registered on the NSC by the respective post office.

3. Surety loans:

1. Surety loans are granted only to credit worthy borrowers
2. The Bank should insist two or more salary earning sureties for grant of advance above Rs 50000.00
3. The individual maximum borrowing power under surety loan is Rs200000.00
4. When surety loans are sanctioned to salaried persons, the Bank should obtain an authorizing letter from the borrower to authorise the employer to deduct the monthly instalments from the salary of the borrower and remit to the Bank.
5. Over all percentage of surety loan should not exceed 10% of the bank's total loans.
6. The period of loans issued against the personal sureties should not exceed 60 months.

Secured loans:

Mortgage loan :

Eligibility :

1. Borrower should be member of of the Bank and residing within the area operation of the Bank
2. Borrower should be mentally and physically sound in health and should enjoy good credibility and have sufficient means to repay the loan amount.

Purpose :

1. To acquire additions and alterations/construction of residential/commercial property .
2. For enhancement of business activities.
3. For any other purpose not specifically restricted by Reserve Bank of india

Conditions:

1. Loan can be considered for sanction against the property/properties which are having clear marketable title in the name of borrower or borrowers.
2. Preference will be given to the existing borrower who had been regular good pay master in repayment of earlier loan.
3. Members availing loans for the first time from the bank would be required to produce the document proving their repaying capacity.
4. Valuation of the properties shall be done by the professional valuers as per the valuation policy of the Bank.
5. Rate of interest will be fixed by the Board of Directors from time to time.
6. Maximum limit of the loan will be 50 lakh or the amount fixed by the Board of Directors from time time .
7. Maximum limit will be fixed by the Board of Directors of the Bank in accordance with the directives issued by Reserve Bank of India from time to time to a single borrower and group borrowers.
8. Equitable mortgage will be created in favour of the Bank.
9. Margin of 50 percent of the value as certified by the valuer is considered reasonable.
10. The bank should obtain a non encumbrance certificate for a period of 15 years.
11. The Bank should collect the fees for scrutiny of the documents of title to property as well as for valuation of property at the rate fixed by the Board of Directors from time to time.
12. The maximum Period of this loan shall be 120 months or the period fixed by the board of Directors time to time.

Hypothecation Loan:

1. The individual maximum borrowing power under this loan shall be Rs 2 lakhs or the limit fixed by the board of directors from time to time.
2. The commodity offered as security should not be of a perishable one.
3. Bank should carefully ascertain the value of the stock hypothecated wherever possible.
4. Banks board should be displayed prominently on the premises to serve as a notice to the public about the Bank's charge on the stock.
5. The goods should be insured in the joint names of borrower and the Bank.
6. Bank should inspect the goods frequently
7. The borrower is required to submit a stock statement on a quarterly basis declaring the quantity, rate and value of goods.
8. The Bank is competent to take possession of stock of the borrower, without notice to the borrower in case of default.
9. The following documents are required to obtain while granting loans against hypothecation of goods.
 - a. Demand Promissory note
 - b. Hypothecation deed
 - c. Security letter
 - d. Declaration of ownership of goods.
 - e. Letter of lien and set off.

Cash credit limit/working capital loan against hypothecation of Goods and book Debts.:

A cash credit limit should be granted to the proprietary concern, partnership firm, company or any other body corporate constituted under law for the time being except co operative society registered under the co operative societies Act.

The Board of Directors shall have power to sanction to deserving members of the bank cash credit on the security of hypothecation of stocks or on the security of immovable property or on both.

A cash credit may be granted to the proprietary concerns, partnership firm, company or any other body corporate constituted under law for the time being in force except co-operative society registered under co-operative societies Act.

Working capital requirement:

(a) The assessment of working capital requirement of borrowers, requiring fund based working capital limits up to maximum limit fixed by Board may be made on the basis of the Projected annual turnover of the applicant.

(b) In accordance with these guidelines, the working capital requirement is to be assessed at 25% of the projected turnover to be shared between the borrower and the Bank i.e., borrower contributing 5% and the Bank provide 20% of the turnover. Gross sales will be the turnover.

(c) The Bank may at their discretion, carry out assessment based on projected turnover basis or the traditional method. If the credit requirement based on traditional method is higher than the one assessed on projected turnover basis, the same may be sanctioned as the borrower must be financed up to the extent of minimum 20 percent of their projected annual turnover. The projected annual turnover would be estimated on the basis of annual statements of accounts or other

documents such as returns filed with sales tax authorities. Actual drawals may be allowed on the basis of drawing power to be determined by the bank considering the stock statements.

(d) Drawals against the limits should be allowed against the usual safeguards including drawing power and it is to be ensured that the same are used for the purpose intended. Bank will have to ensure regular and timely submission of monthly statements of stocks, receivables, etc., by the borrowers and also periodical verification of such statements with physical stocks by the manager or other officer deputed by him, wherever necessary.

Process of renewal of cash credit facilities.

1. As all the CC/OD facilities are generally sanctioned for a period of one year, If the customer requires to continue the facility, and if agreed by the bank, the facility may be renewed for a further period of one year.
2. The bank may consider the annual credit total in OD/CC accounts, financial statements, income tax statements, GST data, stock etc..to determine the quantum of CC/OD limit. For clean OD/CCs, the facilities may be renewed if operations are satisfactory in the account.
3. To enhance the limit, enough annual turnover/projected turnover, stock and value of security is necessary. The bank may, if necessary, reduce the limit on renewal, considering the annual turnover of account holders. In case of clean OD/CC, some more flexibility may be given in this regard.
4. For renewal the borrower shall submit an application in the prescribed format alongwith the stock statement, annual financial statements, income tax statements, tax receipts of properties, licence renewal certificates etc at least one month before the due date.

Rate of interest:

Rate of interest will be as fixed by the Board of Directors from time to time.

Maximum credit limit:

The maximum amount of overdraft / cash credit shall be Rs50 lakh for all purposes.

Vehicle loan

1. Vehicles loans can be sanctioned to members
2. Maximum limit is fixed at Rs 10 lakh
3. The period of the loan will be 60 months
4. Repayment will be on monthly instalments
5. Loans under this scheme will be given to the purchased of new vehicles only
6. Maximum loans that can be sanctioned under the scheme is 10 lakhs or 75% of the value of the vehicles whichever is less.
7. The cost of vehicles shall be paid directly by the bank to the supplier of vehicle.
8. Vehicles hypothecated to the Bank should be insured in the joint names of the bank and the borrower for the sum not less than the value of the vehicle.
9. The charges of Bank on the vehicles in the form of hypothecation should be registered with regional transport authority.

Gold loans :

1. Loans may be given against the pledge of gold jewels belonged to the borrower not exceeding 75% of the value as estimated by the appraiser.
2. Purpose: to meet the credit needs of trade, commercial activity, other general business or any other bonafide requirements of members.
3. Anyone who owns gold ornaments can avail the loan provided he/she is a member of the Bank.
4. Procedure: submit the gold ornaments(within a karat range of 18 to 24 k) with the branch. The loan will be sanctioned on the basis of the gold valuation by appraiser which involves verification of its purity.
5. Loans above 4 lakhs should not be given as bullet repayment mode.
6. Maximum limit for this type of gold loan will be 50 lakhs subject to IMBP
7. Maximum period shall not exceed 12 months.
8. Bank will periodically review and fix the maximum advance amount payable per gram of gold which nevertheless will exceed 75% of the market value of the gold.
9. Customers are free to repay part amount of loan and/or accrued interest thereon at any time.
10. Interest will be fixed by board of directors from time to time. The bank will charge a minimum interest for 15 days and beyond that the interest will be calculated per day basis.
11. The gold jewels pledged with the bank shall be under the joint custody of the appraiser, accountant and branch manager and shall be kept in strong room.
12. When the loan becomes overdue the board of Directors shall have the right to sell the ornaments pledged after giving sufficient notice to the borrower. The sale shall be conducted through public auction and sale notification should be published in a prominent daily newspaper.
13. The auction sale shall be conducted by CEO or any officer authorised by him in the presence of atleast one director at the notified time and place. If the amount realised in the sale is not sufficient to satisfy the dues to the Bank in full, the balance will be treated as a debt due by the borrower to the bank and realisable with interest and costs according to the rules of the bank.

Golden cash credit

Cash credit may be granted on the pledge of gold ornaments.:

1. Maximum cash credit limit under this scheme will be 50 lakhs subject to IMBP of the borrower.
2. Period of CC shall be 12 months and renewable option after every 12 months for a maximum of 3 years.
3. The person having absolute right over the gold/gold ornaments are eligible to avail the CC accommodation.
4. The amount cc accommodation/drawing power shall not exceed 75% of the realisable market value of the gold ornaments.
5. Interest rate will be fixed by the Board of directors from time to time.
6. The bank shall always have the power to reduce, withdraw or cancel the cc limit sanctioned as and when deemed necessary without a prior notice to the borrower.
7. The Branch manager/person in charge of the branch, on request of the loanee has the power to release a certain portion of the gold /gold ornaments pledged by receiving sufficient amount to the cash credit account to reduce the limit of the cc

Housing loans

Bank may grant loans to the members residing in the area of operation of the Bank. loans may be granted for the construction of a new house or to repair or extension of the existing house.

Repayment period should be 20 years or the year in which the borrower attains the age of 70 or whichever is less.

Limit : maximum limit of housing loan will be 50 lakh for new house construction and Rs15 lakh for repair or 80% whichever is less.

Interest rate: as decided by the Board of directors from time to time.

Loans will be disbursed in the following manner

1st instalment : 20%

2nd instalment : 50% (completion up to lintleleve in case of single storied house and up to 1 storie

In case double stories house)

3rd instalment : 30% on completion of the construction

The house so constructed or repaired should be insured in the joint name of bank and the borrower before disbursing the final instalment.

Loans for repair may be disbursed in 2 instalments

Documents to be submitted:

Original deeds, back documents,

Encumbrance certificate for 15 years

Possession certificate

Tax receipt

Site plan, sketch, location certificate

Approved plan of the house and estimate

While sanctioning the loan the repayment capacity of the borrower should be assessed and documents for the proof of income should be obtained.

For all housing loans credit score of the borrower should be obtained and score should be atleast 700.

Value of the property mortgaged together with 50% of the estimate of the house under construction can be taken in to account for valuation.

For all instalment proper utilisation report from the manager or the officer concerned should be kept in the loan file.

accommodation to 75% of the realisable market value of the remaining gold/gold ornaments pledged.

8. The Branch manager/or the officer in charge of the branch on request of the borrower has the power to allow to replace the existing gold/gold ornaments either in whole or in part with new items of gold/gold ornaments given by the borrowers having equal value.
9. Any shortfall in market price is incurred the branch manager should take immediate steps to collect the deficit amount from the loanee to maintain the margin.
10. All other terms and conditions applicable to gold loan of the bank are also applicable to this cc accommodation.

Gold loan (agricultural)

1. **Eligibility :** All members of Bank who are individual farmers will be eligible for this loan.
2. Loan can be sanctioned to meet the short term credit requirement for crop cultivation, repairs of farm assets, allied activities like Dairy, fisheries, and poultries, purchase of inputs like fertilizers, pesticides, seeds etc.
3. **Quantum of loan:** 75% of market value of gold ornaments pledged or scale of finance whichever is less. Maximum amount will be fixed by the Board of Directors.
4. **Repayment period :** 12 months.
5. **Rate of interest :** concessional interest rate fixed by Board of directors from time to time.
6. Proof of agricultural land owned or taken under lease for cultivation should be produced by the borrower.
7. All other terms and conditions applicable to gold loan of the bank are also applicable to the Gold loan (agricultural)

M S M E LOAN

This loan scheme is for micro small and medium enterprises. Loan will be given to small scale traders, businessmen. This scheme will help youths and new entrepreneurs who are self employed in ensuring financial security. This is given for starting new enterprises and for renovation of existing enterprises. This is given as term loan for fixed capital requirement and as cash credit for working capital requirements.

Eligibility :

1. Business men residing or operating business in the area of operation of the Bank who may be individual or partnership firm.
2. Borrower should obtain all certificates from the local authorities for starting the business .
3. Borrower should be below the age of 65 and the loan repayment should be completed before he attains the age of 75.
4. **Limit :** term loan : minimum 1 lakh and maximum 50 lakh subject to IMBP
Working capital loan : minimum 2 lakh and maximum 50 lakh subject to IMBP.

Working capital loan : quantum of loan: 20% of annual turnover or 80%

Of stock Whichever is less.

For new projects: turnover will be projected turnover.

Term loan : term loans may be granted for purchasing or acquiring the movable /

Immovable properties for the business enterprises.

1. 65% of movable properties or 75% of immovable properties may be given as loan.
2. If the turnover of the business is above 1 crore the borrower should submit 3 years audited balance sheet.
3. For all others attested balance sheet and accounts is sufficient.
4. For new units 3 years projected balance sheet should be submitted by the borrower.
5. Interest rate : rate of interest will be fixed by the Board of directors from time to time.
6. Period: working capital loan : as cash credit for 1 year and thereafter it should be renewed .
For term loan: 7 years.
7. Security : mortgage of property in addition of the hypothecation of property acquired by using the loan. Value of the property pledged should be 200% of the loan.
8. Assets acquired by using the loan amount or constructed with the loan amount should be insured in the joint name of bank and customer.
9. Financial ratios : for working capital loans : current ratio – not below 1
For term loans above 10 lakh : DSCR(Debt service coverage ratio) -not below 1.5

Vehicle loans to staff

Vehicle loans can be granted to the permanent employees of the Bank for the purchase of private vehicle.

Loan amount : for the purchase of new vehicle 75% of the price.

For vehicle with not more than 4 year old 60% of the price.

Maximum Rs700000.00

Term of loan : 5 years or date of retirement whichever is less.

Rate of interest :highest rate of interest of normal fixed deposit prevailing at the time of sanctioning the loan.

Eligibility : employee should have at least 5 year service in the Bank.

20 time of basic pay or 7 lakh whichever is less.

Employee should have at least 35% take home salary.

Vehicle so purchased should be hypothecated to the Bank and the same should be registered with RTA.

All loans to the employees shall be sanctioned by the Board of directors.

Housing loans to staff.

1. Term of loan : 180 months or up to the retirement date of staff whichever is less.
2. Interest rate : prevailing highest rate of normal fixed deposit at the time of sanctioning the loan.
3. Purpose : for construction of new house or for repair of the existing house.
4. All other terms and conditions of housing loans will also be applicable to the housing loans to staff.
5. Maximum amount : 10 lakh subject to the limit of 15% of the own fund of Bank.
6. Eligibility : 50 times of basic pay or 10 lakh whichever is less.
7. Employee should be completed 5 years of service.
8. House after construction should be insured in the joint name of bank and the employee.
9. Completion certificate should be submitted after completion of the construction.
10. The proposed house should be constructed in the land owned by the employee.
11. Sanctioning authority will be the Board of Directors.

Overdraft to employees

1. This scheme is an overdraft facility for permanent employees of the bank on the surety of another employee.
2. Maximum amount that can be sanctioned and period will be fixed by the board of directors from time to time on the basis of the circulars of Registrar of co operative societies and guidelines of RBI and subject to the provisions of bye law.
3. For staff loans no share linking is insisted.
4. Interest due will be recovered from the salary every month.
5. Interest rate will be fixed by the Board of Directors from time to time.
6. The borrower should open a recurring deposit account at the time of sanctioning the overdraft and the maturity amount of the recurring deposit should be equal to or more than the amount of overdraft.
7. Monthly instalment of recurring deposit shall be recovered from the salary of the employee.
8. Period of the overdraft will be the maturity period of recurring deposit.
9. On maturity of recurring deposit the maturity amount shall be adjusted against the overdraft.

LOANS TO SELF HELP GROUPS (SHGs)/JOINT LIABILITY GROUPS(JLGs)

Objective: The SHG Bank linkage programme is in operation in the country since last several years. The objective of the programme is to provide Micro Finance to the poor in rural, semi-urban areas for enabling them to improve their living standard by generating income through employment of very small fund indifferent services and productive activities.

An SHG is a small , economically homogenous group of poor people having a common perception of need and impulse towards collective action, voluntarily formed to save and mutually agreed to contribute to a common fund to be lent to its members as per group decision for meeting the emergent needs of the members, both for productive and consumption purposes to raise their income and improve their living standards.

1. The bank may lend to SHGs/JLGs as per the prescribed RBI guidelines in this regard.
2. The concerned SHG/JLG should open account in the bank.
3. The period and maximum amount of loan will be fixed by the Board of Directors as per provisions of byelaw and the directions of RBI and registrar of co operative societies.
4. The SHG would normally consist of 10 to 20 members whereas a JLG would normally have between 4 and 10 members.
5. The maximum amount of loan to SHGs should not exceed four times of the savings of the group. The limit may be exceeded in case of well managed SHGs subject to a ceiling of 8 times of savings of the group. The group may be rated on the basis of certain objective parameters such as proven track record, savings pattern, recovery rate, housekeeping etc. JLGs are not obliged to keep deposits with the bank and hence the amount of loan granted to JLGs would be based on the credit needs of the JLG and the bank's assessment of the credit requirement.
6. Loans granted to SHGs/JLGs would be governed by the extant guidelines on individual exposure limit.
7. Interest rate of the loan will be fixed by the Board of directors from time to time.
8. Loans will be given on the personal surety of the members of the group.


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR


CHAIRMAN



Payyoli Co-op Urban Bank Ltd.

THE PAYYOLI CO-OPERATIVE URBAN BANK LIMITED

INVESTMENT POLICY

**AS APPROVED BY THE BOARD OF DIRECTORS MEETING
(BR NO: 24, DATE: 17/09/2022)**



The PAYYOLI CO OPERATIVE URBAN BANK LTD No.1354

P.O. Payyoli-673522

INVESTMENT POLICY

INTRODUCTION

The RBI vide its circular NO. Co.BS.D.I.PCB.44/12.05.05/2000-01 dated 23.04.2001 has instructed the UCBs to formulate Investment Policy for undertaking transactions in securities. Accordingly the investment policy of the Payyolico operative urban bank is framed. The investment policy has taken into account the instructions of the RBI and the co operative societies Act and Rules. This Investment policy is an amended policy of the existing policy effected from 16/06/2017 and framed as per RBI circulars UBD.BPD.(PCB)Cir.No.68/16.26.000/2013-14 dtd 05-06-2014, UBD.BPD.(PCB)MC.No.12/16.20.000/2013-14 dtd 01/07/2013, & DOR.MRG.REC.10/02/.04.141/2022-23 dtd 01/04/2022. The amended policy will take effect from ~~17-09-2022~~

1. INVESTMENT OBJECTIVE:

- (a) To invest in Government and other approved securities to maintain the required rate of SLR prescribed by RBI from time to time.
- (b) To invest in PSU bonds and other Trustee securities up to 20% of demand and time liabilities of the bank up to the limit as may be prescribed by the RBI from time to time in order to get better return on investible funds of the Bank.
- (c) To invest in Government and other approved securities for the purpose of trading and to keep the SLR prescribed by RBI.
- (d) To invest the day to day surplus funds in call/notice/term money, Liquid funds and fixed Deposits and other Non SLR securities approved by RBI from time to time.
- (e) To invest the funds as term Deposits/cumulative Deposits with Kerala Bank, Scheduled Banks, Commercial Banks, Small Finance Banks and any other banks approved by RBI for this purpose, to get better returns on investable funds.
- (f) Any other purpose as may be deemed fit by the Board of Directors of the Bank subject to the provisions contained in Circulars and directions issued by RBI from time to time.

2. TYPES OF PERMISSIBLE INVESTMENTS:

The Bank shall invest in the following types of Investments.

- (1) Government securities issued by Central and State Government (Primary issue/secondary Market)
- (2) SLR and Non SLR Bonds/Debentures of the nature of Trustee Securities floated by Financial Institutions and Public Sector Undertakings.

- (3) Call/term Deposits in Apex Banks, Commercial Bank and other banks approved by RBI for this purpose.
 - (4) To invest in the shares of Umbrella organisation up to 10% of banks total deposits as on march 31 st of the previous year.
 - (5) To invest the surplus funds in approved Liquid funds/overnight funds and any other type of investment as permitted by RBI and the Kerala co operative societies Act and Rules from time to time.
3. INVESTABLE FUNDS:

Investable funds of the Bank shall be arrived at by taking the following factors in to account.

Deposit Position of the Bank.

Credit requirement of the members of Bank.

Borrowings from Kerala bank.

Inter Bank Exposure Limits and other restrictions prescribed by RBI

Statutory commitments of the Bank.

Any other commitment as envisaged by the Bank and as per the directives of the RBI/Register of Co operative societies.

4. INVESTMENTS IN LIQUID/OVERNIGHT FUNDS

Surplus funds of the bank may invest in Liquid or Overnight funds adhering the provisions and restrictions prescribed by RBI

5. INVESTMENTS IN CALL/NOTICE/TERM MONEY

The bank shall consider investing in Call/Notice/Term money, whenever it has surplus funds for short period. The bank shall consider the following factors while investing in Call/Notice/Term money.

No Brokers are involved for Call /Notice/Term money operations.

Investments in Call/Notice/Term money can be made with any bank approved by RBI for this purpose.

ALM of the Bank should be considered while investing in Call/Notice/Term money.

Money intended for Call/Notice/Term money can be remitted by cheques, NEFT/RTGS/INTERNET BANKING or any other modes may be deemed fit by the Bank.

The Bank shall monitor the repayment of principal and payment of periodical interest on such money invested in Call/Notice/Term money on the due dates.

The bank should ensure that all investments made are as per the exposure limits prescribed by RBI. In the case of call money the maximum amount that can be invested at a time will be 10 crores.

6. INVESTMENT IN SECURITIES

Investment in Securities:

The Bank shall invest in :

1. Central Government securities
2. State Government securities
3. T-Bills
4. Other approved securities as notified by RBI.
5. Other Trustee Securities/PSU Bonds where in repayment of principal and payment of interest are guaranteed by the state/central Governments. The Bonds should also be rated by leading Rating Agencies like CRISIL, ICRA etc. with reasonably fare ratings.
6. Any other securities as permitted by RBI for the purpose of:
 - (a) Statutory requirements
 - (b) Trading in Securities
 - (c) Earmarking towards Reserve Fund
 - (d) The Bank can invest the surplus funds for getting better yield in any other manner as prescribed by RBI from time to time.
7. MODE OF INVESTMENT/PURCHASE OF GOVERNMENT SECURITIES

The Bank shall invest/purchase Government Securities issued by the Government of India/state governments by way of :

- (a) Auction (Yield based, Price based or Floating rates)
- (b) Sale of securities with pre-announced rates
- (c) On-tap-sale
- (d) Any other mode as may be notified by the RBI/GOI/SEBI.

8. PARAMETERS FOR INVESTMENT/PURCHASE OF GOVT. SECURITIES

The Bank shall consider the following factors while investing/purchasing Government Securities.

1. The yield to Maturity(YTM) for the security proposed to be purchased shall be at a minimum of 2.5% (The YTM shall be fixed by the Board of Directors considering the cost of funds of the Bank. Rate of return on alternative investment avenue etc.)
2. The maximum premium that can be paid for security for face value of Rs100.00 shall be 110 (The Management may fix a maximum ceiling for payment of premium over and above face value(Rs100.00 per security) so that the Bank shall exercise more caution on their investment)
3. The maximum value of security that can be invested/purchased in a deal shall be 10 crores.
4. The total book value of the same security with the same ISIN should not exceed 50% of the total book value of all government securities kept in the investment portfolio of the bank at any point of time.

9. PROCEDURE FOR INVESTMENT/PURCHASE OF GOVERNMENT SECURITIES.

The bank shall adopt the following procedures for investment/purchase of Government securities.:

1. INVESTMENT IN PRIMARY MARKET:

- (a) The Bank after obtaining necessary approval from the General Manager/Director/other officer designated for this purpose, shall request the Federal Bank with whom holding CSGL A/c by Email or any other approved mode for the purchase of Government Securities. The purchase/investment request should be signed by the Authorised Officers of the Bank.
- (b) The Bank should ensure that, the adequate fund maintained in the current account with the Federal Bank, with whom the CSGL A/c is maintained, to meet the cost of investment proposal of the Bank.
- (c) Purchase of Government Securities shall be only in Demat form and DVP basis. The Government securities so purchased shall be kept in the SGL Account with RBI or CSGL Account with the Federal Bank.
- (d) The Bank shall not purchase Government securities in physical form except for the specific purpose as approved by the Board.

2. PURCHASE OF GOVERNMENT SECURITIES IN SECONDARY MARKET

- (a) The Bank shall identify Government securities to be purchased based on the reports published in the financial Dailies, activeness of the Government securities, YTM etc.
- (b) The Bank shall then call up the Federal Bank to ascertain the latest price for the Government securities identified by the Bank. It shall also ascertain the latest price trend in the Debt Market and decide on the Government Securities to be purchased.
- (c) Based on the quotes obtained and other relevant factors the Authorised Officials of the Bank, after getting necessary approval of the general Manager/Other officers designated for this purpose, shall place orders with the Federal Bank with whom holding CSGL account for purchase of the Government Securities over phone followed by confirmation mail.
- (d) The Bank shall ensure the adequacy of fund with the Federal Bank with whom holding CSGL account at the time of placing deal, to meet the cost, interest accrued on the Government security etc.
- (e) The Bank shall receive the deal confirmation/deal slip from the Federal bank. On receipt of which the bank shall pass necessary entries in the books. It shall check the deal confirmation for correctness of transactions and if found in order, the Bank shall return the deal confirmation duly signed by the Authorised Officials.
- (f) The bank shall receive a statement of account from the federal Bank by whom the transaction was done showing the transactions during the period.

3. SALE OF GOVERNMENT SECURITIES

The Bank can sell the surplus securities in the AFS category through Federal Bank. The Bank shall sell a security or securities at a price higher than the book Value of the security. However the Bank may, with the prior permission of the Board of management, sell the securities at a price less than the Book value in Order to maintain liquidity of the Bank or to meet unforeseen circumstances of Bank or to minimize the loss in anticipation of steep fall in the price of the Securities in the market.

4. CUT LOSS/STOP LOSS LIMIT

The Cut loss/stop loss limit in each security will be Re 1 below the book value/purchase value whichever is less.

5. PROCEDURE FOR SALE OF GOVERNMENT SECURITIES

- a) The Bank shall identify the government securities to be sold from among the Government securities portfolio of the bank.
- b) It shall obtain the bids from the identified scrips from the federal bank. Or watch the online NDS-OM Platform by the bank official and decide about to sell a security or not. Based on the bids obtained and by considering other relevant factors, the authorised Officials of the Bank shall get the necessary approval of the GM/Other Officers designated for this purpose and inform about the offer to the Federal Bank for the sale of the identified Government securities over phone followed by confirmation over fax/Email.
- c) The Bank shall ensure that the intended Government security is in the credit of our CSGL account with the Federal Bank.
- d) The Bank shall receive the deal confirmation from the Federal Bank. On receipt of which the Bank shall pass necessary entries in the books. It shall also check and verify the deal slip/ confirmation received from the Federal Bank.
- e) The Bank shall receive a statement from the Federal Bank, with whom the transaction was done, showing the transactions done in the CSGL account during the fortnight.

6. INVESTMENT IN NON-SLR BONDS

THE Bank may invest their surplus funds in PSU/Non-SLR bonds up to 10% of Demand and Time liabilities subject to the conditions as contained in RBI circular NO.BR(CIR)72/16.20.00/93-94 dated 16/05/1994.

7. DELEGATION OF POWERS

The Board of Management of the Bank shall authorise officials of the bank to deal in Government and other securities. The officials shall be authorised in such a way that any transaction in securities will be executed by minimum of two authorised officials jointly.

DELEGATION OF POWERS FOR INVESTMENT/PURCHASE/SALE OF SECURITIES

The delegation of powers with financial ceiling shall be fixed by the Board of Management of

The Bank for taking appropriate decision regarding investment/purchase/sale of securities.

The ceiling per deal may be fixed as under

| Quantum of Transaction | Deciding Authority | Executing Authority |
|------------------------------|-------------------------|-------------------------|
| Face value of up to 10 crore | General manager and CEO | TREASURY IN CHARGE |
| Face value over 10 crore | Investment committee | General manager and CEO |

8. MONITORING OF INVESTMENTS

THE Board of management shall form an investment committee to review the existing portfolio and to recommend changes if any required in the portfolio to get better returns to the bank.

The Investment committee shall review the investment portfolio and investment decisions at least once in every three months or more frequently if possible and ratify the decision on the utilisation of the funds of the bank.

a) Non Performing Investment(NPI)

A Non Performing Investment (NPI), similar to a Non Performing Advance, is one where:

- Interest/instalment(including maturity proceeds) is due and remains unpaid for more than 180 days. The delinquency period has become 90 days with effect from March 31, 2004.
- If any credit facility availed by the issuer is NPA in the books of the Bank. Investment in any of the securities issued by the same issuer would also be treated as NPI.

9. REPORTING OF TRANSACTIONS

A report on the investment transactions done during the period should be placed before the Board of Management for ratification.

1. Quarterly report :

A report on the transactions done during the quarters ended June, September, December and March ... investments in primary issues and purchase in secondary market sale/redemption of securities shall be placed in

the Board Meeting on or before 15th of the following month of the quarters for information.

2. Half-yearly Report:

A report on the transactions done during the half year ended September and march ...investments in primary issues and purchase in secondary market sale/redemption of securities shall be placed in the Board Meeting on or before 15th of the following month of the half-year for information. Similar reports as required by RBI shall be sent to RBI, Thiruvananthapuram.

10 AUDITING

Securities Transactions and investment portfolio of the Bank shall be audited by

The concurrent auditor/s and report of the audit shall be placed before the Board of management.

11 VALUATION ,CLASSIFICATION AND SHIFTING OF SECURITIES AND EXPOSURE LIMITS FOR INVESTMENTS IN SECURITIES /NON SLR INVESTMENT/DEPOSITS WITH OTHER BANKS

For valuation, classification and shifting of Securities and Exposure limits for Investments in securities/Non SLR Investments/Deposits with other Banks, the Bank shall follow the guidelines issued by the RBI from time to time.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN



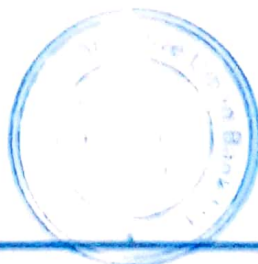


Payyoli Co-op Urban Bank Ltd.

THE PAYYOLI CO-OPERATIVE URBAN BANK LIMITED

SAFE DEPOSIT LOCKER POLICY

**AS APPROVED BY THE BOARD OF DIRECTORS MEETING
(BR NO: 20, DATE 01/11/2022)**



SAFE DEPOSIT LOCKER POLICY

Introduction:

Reserve Bank of India vide Circular dated 18/08/2021 issued revised guidelines/ instruction on safe deposit locker / safe custody articles. These instructions are applicable to both new and existing safe deposit lockers and came into with effect from 01/01/2022. This revised safe deposit locker policy is drafted to incorporate the revised guidelines of RBI.

1. Allotment of locker : bank lockers may be allotted to any person having contractual capacity ie capacity to enter into contract.
2. Existing customers of the bank who have made an application for locker facility and who are truly Compliant with KYC directions may be allotted safe deposit locker subject to on-going compliance.
3. Customers who are not having any other banking relationship with the Bank may also be allotted the locker after complying with the KYC directions and subjected to on-going compliance.
4. Bank shall maintain branch wise list of vacant lockers as well as wait list if any and displayed in branches.
5. Bank shall acknowledge the receipt of all applications for lockers and provide a waitlist number if lockers are not available.
6. Due diligence shall be carried out for all customers in whatever rights and capacities they may be hiring the locker.
7. Locker may be allotted to the following constituents. Necessary KYC documents are required to be collected from the applicants.
 - A) Individuals
 - B) Two or more individuals (Joint)
 - C) Firms
 - D) Companies
 - E) Associations
 - F) Trust
 - G) Illiterate person

Individuals:- can be hired by a single person. Nomination in such cases is mandatory. If the locker holder insists on not giving nomination, a letter for such refusal should be obtained. If he refuses to give a letter the same should be recorded in the account opening form.

Joint hirers :- can be hired by two or more individual jointly. Clear instructions should be collected on mode of operations.

Firms :- Duly signed by all partners. Clear Instructions on mode of operations. An authority letter to this effect should be obtained signed by all partners.

Companies :-

Documents :

1. Certificate of incorporation.
 2. Memorandum & Articles of association.
 3. Resolution of the Board of Directors to open an account and list of officials authorized to operate.
 4. Identification of authorized signatories should be based on photo and signature card duly attested by the company.
 5. Power of attorney if granted to its managers, officers, to transact business on its behalf.
 6. PAN allotment letter.
 7. List of directors and copy of form 32.
- In case of firm/ company is reconstituted, The locker may be allowed to be continued in the reconstituted firm's/ companies name after obtaining fresh operational instructions and fresh application form.
 - In case of dissolution of firm by operation of law by death, after obtaining proof of death, surviving partner, may be permitted to operate the locker for closing the same.
 - In case of insolvency of the firm/company instructions of the liquidator should be followed.
 - A locker should not be hired to a minor.

Locker rent :

- Rent value will be fixed and revised from time to time by the head office.
- Rent will be recovered annual basis.
- Locker rent will be recovered in advance for a minimum period of one year at the time of hiring the locker.
- To facilitate recovery of rent on yearly basis, it is necessary to obtain letter of authority to debit his SB/CA on the due date at the time of allotment of locker.
- Memorandum of letting of locker (locker agreement) executed and signed by all the locker holders.

Bank shall incorporate a clause in the locker agreement that the locker holder shall not keep anything illegal or any hazardous substances in the safe deposit locker. If the bank suspects the deposit of any illegal or any hazardous substance by any customer in the locker, the bank shall have the right to take the appropriate action against such customer as it deem fit and proper in the circumstances.

Fixed deposit as security for lockers

To ensure prompt payment of locker rent, Bank will obtain fixed deposit at the time of allotment which would cover three years rent and the charges for breaking open the locker in case of such eventuality

Bank shall not insist on such fixed deposits from the existing locker holder, or those who have satisfactory operative account.

Fixed deposit shall be in the name of locker holder. It should be duly discharged on revenue stamp and a letter of discharge should be taken from the customer. Letter of lien signed by all the locker holders and FD receipt should be kept with the bank.

Locker operation:

The locker hirer and/or the persons duly authorized by him/her only shall be permitted to operate the locker after proper verification of their identity and recording of the authorization by the officials concerned. The bank shall maintain a record of all individuals, including locker hirers, who have accessed the lockers and the date and time both (check in and check out) on which they have opened and closed the locker and obtain their signature.

The Bank's officers authorizing the locker hirer to access the locker, after unlocking the first key shall not remain present when the locker is opened by the locker hirer. Adequate privacy should be provided to the locker-hirer in the operations when customer access the locker at the same time.

Addition and deletion of names

Deletion/addition of new names to the hired lockers, can be made only when all the existing hirer agree in writing to such a proposal. A fresh agreement with regards to addition should be executed by all the locker holder including the new member. Request for deletion of name should be recorded in the register and branch official should affix the stamp and put his signature.

Nomination facility

Bank shall offer nomination facility in case of safe deposit lockers in accordance with the provisions of section 45 ZC to 45 ZF of banking regulation act 1949 and banking companies (nomination) Rule 1985/ co-operative Banks (nomination) Rule 1985. In case nominee is a minor, the same procedure as prescribed for the bank accounts shall be followed by the bank. A passport size photo of the nominee attested by the customer may be obtained from the customers, at his/her option and preserved in the records.

- Nominee means entity named or appointed by another to act on its behalf in a limited capacity or in a specific manner, in other words he is an agent or a trustee
- Nomination facility is intended only for individuals. Nominee should also be an individual.
- Addition / Variation / Cancellation in the nomination in case of lockers shall be made by all the locker hirers jointly.
- Nomination can be changed any time during the currency and should be signed by all the locker holders.

For forms SL 1, SL 2, SL 3 and SL 3A prescribed under banking companies (Nominations) Rule 1985/ Co-operative Banker (Nomination) Rule 1985, only by Thumb-impression shall be required to be attested by two witnesses. Signature of the account holders need not be attested by witness acknowledgment to nomination/ cancellation, and /or variation of the nomination shall be given to the customer.

Settlement of claims in case of death of a customer :

All settlement of claims shall be done with proper note and written consent form the head office.

Time limit :

claims in respect of deceased locker hirer and contents shall be released to survivors/nominees as the can may be within 15 days from the date of receipt of claim subject to the production of proof of death and suitable identification of claimants to the bank's satisfaction.

Bank shall report to the customer service committee of the board at appropriate intervals, on an ongoing basis, the details of the number of claims received pertaining to deceased locker hirer and those pending beyond stipulated period with reasons therefor. Customer service committee shall review the settlement of claims and make suggestion to ensure that the claims are settled on early as possible unless there is any litigation pending before the courts or any difficulty is being faced in identifying the true claimant with reference to nomination.

Access to the safe deposit lockers :

If the sole Locker hirer nominates an individual to receive the contents in the locker ,in case of his death ,after verification of the death certificate and satisfying the identity and genuineness of such individual approached, the bank shall give access of the locker to such nominee with liberty to remove the contents of the locker , after an inventory was taken in the prescribed manner. In case the locker was hired jointly with the instruction to operate it under joint signatures and the locker hirer nomination any other individuals, in the event of death of any of the locker hirers, the bank shall give access to the locker and the liberty to remove the contents jointly to the survivors and the nominee after an inventory was taken in the prescribed manner. In case the locker hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given to "either or survivor", "anyone or survivor" , or " former or survivor" ,or according to any other survivorship clause permissible under the permission of the Banking Regulation Act 1949. The bank shall follow the mandate in the event of death of one or more of the joint locker-hirers.

Precaution to be taken :

1. Exercise due care In establishing the identity of the survivor/ nominee and the fact of death of the locker-hirer by obtaining documentary evidence.
2. Make diligent effort to find out whether there is any court order restraining it from giving access to the locker of deceased.
3. Make it clear to the nominee/ survivor that access to the articles in the locker /safe custody articles is given to them only as a trustee of the legal hirers of them shall not affect the right or claim which any person may have against the survivor/nominee to whom access is given.

The bank shall ensure that the contents of locker, when sought to be removed on behalf of a minor nominee are handed over to a person who is in law competent to receive the articles

on behalf of such minor. Further, the bank shall prepare an inventory of the articles in the presence of two independent witnesses, one officer of the bank who is not associated with the locker facility and the claimants, who may be a nominee or an individual receiving the articles, on behalf of a minor.

A separate statement should be obtained from the nominee or the person competent to receive articles on behalf of a minor as the case may be, that all the contents in the locker or in the safe custody of the bank as the case may be, are received and the locker is empty and they have no objection to allotment of the locker to any other customers as per norms. While giving access to survivor /nominee of the deceased locker-hirer. Production of succession certificates or bond of indemnity or surety should not be insisted unless there is any discrepancy in nomination.

Closure and Discharge of locker items :

Breaking open of the locker maybe under the following circumstances

1. If the hirer loses the key and requested to break open the locker at his cost.
2. If the locker-hirer is not co-operating or not complying with the terms and conditions of the agreement.

An undertaking may be obtained from the locker-hirer that the key lost, if found in future, will be handed over to the bank. All cost for breaking the locker and changing the key may be recovered from the hirer.

Break open should be carried out by an authorized technician and proper recording of the fact of lost and written authorization by the customer only after proper identification of the hirer proper recording of the fact of loss and written authorization by the customer of breaking open a locker.

The break open shall be done in the presence of customer and an authorized officer of the bank and the contents of the locker should not be exposed to any individual other than the locker-hirer.

In case attachment of locker by any authority under the orders of a court, the bank shall co-operative to implement the order. The customer shall be informed that the government authorities have approached for attachment or seizure of the locker. An inventory of the contents of the locker and articles seized and recovered by the authority shall be prepared in the presence of such government authorities. Two independent witnesses and an officer of the bank and shall be signed by all. A copy of the inventory may be forwarded to the customer.

Valuables found in locker room :

Customer by mistake or in a hurry may leave certain valuables in the locker room. Such valuables found in the locker room must be kept under proper safe custody. A register with title "valuables found in the locker room" shall be maintained by the bank as follows.

| <u>Date</u> | <u>Description of valuables</u> | <u>Signature of manager & officer in charge of locker</u> |
|--------------------|--|--|
| | | |

Valuables found in locker should be kept in a cover and properly sealed and manager and officer in charge of locker should put their full signature on the cover. The manager through a confidential letter will have to inform the same head office. In case any claim is received or a reference to this loss is made by any of the locker customers, the manager will have to satisfy himself beyond any doubt that the person claiming is the genuine person. After identifying the genuine person the manager will get the permission from the appropriate officer at head office to relax the valuables. An acknowledgement should be obtained from the hirer, in writing giving full descriptions of the articles received bank by him.

Discharge of locker contents by banks due to non-payment of locker rent

- Bank shall have the discretion to break open any locker following due procedure if the rent has not been paid by the customer for three years in a row.
- The bank shall notify the existing locker-hirer prior to any changes in the allotment and give him/her reasonable opportunity to withdraw the articles deposited by him/her.
- Before breaking open the locker, the bank shall give due notice to the locker-hirer through a letter and through email and SMS alert to the registered email id and mobile phone number demanding to pay the rent immediately.
- If the rent is still unpaid, at least three Reminders should be sent at an interval of 10 days, under certificate of posting. -
- Even after the reminders the hirer does not pay up the rent, then issue a final letter giving notice that the Bank would break open the Locker. This letter should be sent by Register Post with Acknowledgement due.
- If there is no response for the Registered letter the Branch should depute a responsible staff member to ascertain the following information of the hirer.
 - latest address of the hirer,
 - whether the hirer is available at this address,
 - if not, what do the enquiries at the address reveal.
- If the letter is returned undelivered or the locker-hirer is not traceable, the bank shall issue public notice in two newspaper dailies (one in English and another in local language) giving reasonable time to the locker-hirer or to any other person's who has interest in the contents of locker to respond.
- If all the above efforts to collect the Locker rent fail then the Bank may wait for a further period of 3 months.
- After expiry of this 3 months period, another registered letter may be issued informing him that the Locker hired by him will be broken open, without further intimation to him, if the rent is not paid within 10 days from the date of notice.
- If the rent is not paid within the notice period, then the Bank will have to break open the Locker.
- Note is to be placed to head office prior to Breaking open of the locker.

- The locker shall be broken open in the presence of an officer of the bank and two independent witnesses.
- Bank shall also ensure that the details of breaking open of locker is documented in Locker Software Module apart from locker register.
- After breaking open of locker, the contents shall be kept in sealed envelope with detailed inventory inside fireproof safe in a tamper-proof way until customer claims it under the joint custody of the Manager & another Officer / Cashier of the Branch.
- The fact shall be recorded in a separate Register called "Register of Lockers Broken Open" which will be authenticated by both the custodians.
- After breaking open the Locker due notices are to be sent to the concerned hirer
- A report inventory should be prepared and signed by all the persons in whose presence the Locker was broken open
- While returning the contents of the locker, the bank shall obtain acknowledgement of the customer on the inventory list to avoid any dispute in future.
- Bank shall not open sealed/closed packets found in locker while releasing them to the nominee(s) and surviving locker hirers / depositor of safe custody article, unless required by law.
- In such cases, the Bank shall recover its dues on account of rent till the quarter in which the locker is broken open, Charges for breaking open the locker and repair / replacement and other handling charges, service charges, to cover losses of rental income owing to immobility of the locker shall be recovered by exercising Bank's lien over the contents / deposit with the Bank.

Discharge of locker contents if the locker remains inoperative for a long period of time

- If the locker remains inoperative for a period of seven years and the locker-hirer cannot be located, even if rent is being paid regularly, the bank shall be at liberty to transfer the contents of the locker to their nominees/legal heir or dispose of the articles in a transparent manner, as the case may be.
- Before breaking open the locker, the bank shall follow the prescribed procedure.

Dealing with cases of missing person:

- While Section 107 of the Indian Evidence Act, 1872 deals with presumption of continuance of life, Section 108 deals with presumption of death. As per section.108 of the Indian Evidence Act, when the question is whether a man is alive or dead and it is proved that he/she has not been heard of for seven years by those who would naturally have heard of him/her if he/she were alive, the burden of proving the existence of the person will be shifted to the person who affirms it.

- Again as per the provisions of Section 108 of the Indian Evidence Act, presumption of death can be raised only after a lapse of seven years from the date of his/her being reported missing. As such, the nominee of a missing depositor has to raise an express presumption of death of the subscriber under Section 107 & 108 of the Indian Evidence Act before a competent Court. If the court presumes that the person is dead, then, the nominee will be entitled for settlement of outstanding amount or the safe custody article of the missing subscriber.

General guidelines:

- The hirer should not be permitted to stay in the strong room for unreasonably long time. There should be proper watch during his presence inside.
- For ensuring that hirers who come to the Bank for operating the locker are not trapped inside the strong room, IBA has advised that
- The operative timings for safe deposit vaults / strong room should be restricted to Banking / Business Hours;
- The Officer should go around the 'Strong Room' / Vault where the lockers are kept and inspect each and every locker that has been operated during the day for ensuring that every locker has been locked properly and that no one was inside the Vault.

Guidelines to be followed in case of specific instances:

- In case there is only one nominee, and nominee is not alive at time of death of deceased, case needs to be settled as case where no nomination has been registered.
- Before settling the claim branch should recover arrears of rent and locker break open charges if any, from the claimant.
- In case of each claim branch will have to check that there is no amount outstanding against the deceased.

Secrecy and confidentiality:

- The Bank will ensure utmost secrecy of the Safe Deposit Lockers hired by the customer and will not divulge any information about hiring of lockers, mode of operation etc. to anyone, except when the disclosure is required to be made with the clear consent of the hirer(s) or in compliance of the orders of a competent authority having statutory powers.

Disclaimer:

- The Bank will, in no way, be responsible / liable for the contents kept in the locker by the hirer. In case of theft, burglary or similar unforeseen events, action will be initiated as per law.

System recording:

- It is very crucial that a record has to be maintained in the system with regard to letting out the lockers, their mode of operations, change of mode of operations, deposits for lockers, rent applicable, type of locker hired, operations as regards the locker hired, etc.
- This recording shall enable the Bank officials to keep a track on the operative as well as non-operative lockers, as well as the expiry of locker deposits, etc.

Books to be maintained:

- Register of Locker Hirers (customers).
- Locker Rent Collection Register.
- Rent Over Due Lockers Register.
- Register of Lockers Broken Open.
- Key Register.

Liability of Bank :

The Bank owe the responsibility for any loss or damage to the contents of the lockers due to the negligence as bank owe a separate duty of care to exercise due diligence in maintaining and operating their locker or safety deposit systems. The duty of care includes ensuring proper functioning of the locker system, guarding against unauthorized access to the lockers and providing appropriate safeguards against theft and robbery. Further, bank shall adhere to the Master Directions of RBI on Frauds for reporting requirements about the instances of robberies, dacoities, thefts and burglaries.

- **Liability of bank arising from natural calamities like earthquake, flood, thunderstorm, lightning etc. or due to sole negligence of the customer**

The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. Bank shall, however, exercise appropriate care to their locker systems to protect their premises from such catastrophes.

- **Liability of banks arising from events like fire, theft, burglary, dacoity, robbery, building collapse or in case of fraud committed by the employees of the bank**

Bank shall take all steps for the safety and security of the premises in which the safe deposit vaults are housed. It has the responsibility to ensure that incidents like fire, theft/ burglary/ robbery, dacoity , building collapse do not occur in the bank's premises due to its own shortcomings, negligence and by any act of omission/commission.

As bank cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker.

Customer guidance and publicity:

- The bank shall display the model locker agreement with all the Terms & Conditions and the Standard Operating Procedures (SOPs) on various aspects on the website for public viewing. The bank shall ensure that the customers are made aware of the bank's terms and conditions to avail those facilities.
- Bank shall display updated information on all kinds of charges for safe deposit lockers and safe custody articles on the website.
- Bank shall place on the website, the instructions together with the policies / procedures put in place for giving access of the locker/safe custody article to the nominee(s) / survivor(s) / legal heir(s) of the deceased locker hirer/safe custody article.


Chief Executive Officer
The Payyoli Co-operative Urban Bank Ltd.


Director


Director


Chairman
The Payyoli Co-op Urban Bank

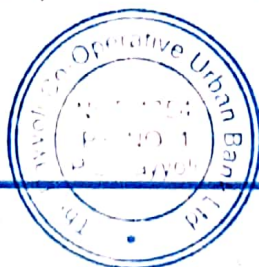


Payyoli Co-op Urban Bank Ltd.

THE PAYYOLI CO-OPERATIVE URBAN BANK LIMITED

VALUATION POLICY

**AS APPROVED BY THE BOARD OF DIRECTORS MEETING
(BR NO: 37, DATE 12/06/2023)**



Policy dealing with valuation of properties and empanelment of valuers

1. Purpose of Valuation and Appointment of Valuers:

- To ascertain the value of the property offered as security.
- To periodically ascertain the value of the asset that has been mortgaged, whether it is increasing or decreasing over the mortgage period
- To realize the value of non-performing assets (NPAs)
- Redemption of properties in cases of default.

2. General guidelines on Valuation:

2.1. The valuation should always be got done by an empanelled independent valuer i.e., the valuer should not have a direct or indirect interest in the asset being valued.

2.2. All the necessary / relevant papers / documents should flow directly from the branch to the valuer & vice versa without routing the same through the borrower / guarantor concerned.

2.3 The Valuation Report to be submitted by the valuers should be in the prescribed format. It should also be ensured that the report invariably contains the Fair Market Value, the Book Value, the Distress Value and the Net Realisable Value of the property being valued. However, for the purpose of determining the present value of the property mortgaged / to be mortgaged, the Net Realisable Value should be taken into consideration. Also in the case of Plant & Machinery, Net Realisable Value to be accepted for valuation purposes.

2.4 In valuation report, Branch officials make a comment on "fair and reasonable market value" which should not be construed as "Fair Market Value" of the property. The Branch official to use their judgment for ascertaining the fair and reasonable value of the property.

2.5 Valuation of security property for sanctioning loan shall be carried out by the competent valuers of the bank

2.6 Two independent valuations are to be obtained from the panel valuers in cases where the value of any particular property (ies) is Rs 5 crores and above. This condition applies when any individual (single) property value is Rs 5.00 crs and above. In such a case the value which is lower as per report to be taken into cognizance.

2.7 Properties mortgaged / Fixed Assets hypothecated are to be got revalued at least once in 3 years.

2.8 Property shall be valued at or less than the current fair value under which the asset could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation. Valuation based on potential value after the development when the development is yet to take place shall be avoided.

2.9 Further, following modalities should also be adhered to:

2.9.1 As soon as the valuation reports are obtained, it should be verified and ensured that they contain all the details. Blanks and cursory reports should not be accepted. Further, all the columns in the format of valuation reports should be duly filled in with remarks and finding of the valuer and if column is not applicable then a notation to that effect should be made. A valuation report containing blanks should not be accepted.

2.9.2 As a measure of strengthening the Due Diligence of the applicable primary/collateral securities which are Land & Building /Plant & Machinery/Other tangible assets, valuers to include photograph of owner with the property in the background, in the report submitted to Branches for all property(ies). In case owner is not available his/her representative may be considered for obtention of photograph.

2.9.3 For easy identification of the applicable primary/collateral securities which are Land & Building/Land in nature/Plant & Machinery/Other fixed tangible assets, valuers to mention longitude/latitude and co-ordinates of the properties valued in the valuation report. If possible screen shot (in hard copy) of Global Positioning System (GPS)/Various Applications (Apps)/Internet sites (eg Google earth)/etc is to be included in the valuation report.

2.9.4 Valuers are engaged by the Bank for taking valuation report on the asset offered as security. As per International Valuation Standards 2017, Valuer has been defined as "an individual, group of individuals, or a firm possessing the necessary qualifications, ability and experience to undertake a valuation in an objective, unbiased and competent manner. Hence, valuation report procured directly by the borrowers should not be relied upon even if the report is from our panel valuer. If the borrower produces a valuation report issued by one of our panel valuers, the property should be referred to another valuer on our panel for fresh and independent valuation.

2.9.5 Valuation Report must contain specific views / comments on the impending threat, if any, of Road Widening, Take-over of property for public service purposes, Sub-merging etc.

2.10 Guidelines for valuation of land applicable to all proposals including Real Estate proposals are as detailed below:

- i. The net realizable value assessed by the Bank's approved valuer should be taken as value of the property. In case where acquisition / purchase cost of the land is

Rs.5 crores and above, and there is wide variation between acquisition / purchase cost and net realizable value assessed by the Bank's approved valuer, valuation of such land should be obtained from two Bank's approved valuer and lowest valuation should be taken as net realizable value of the property.

- ii. In respect of any particular property/ies offered as prime/collateral security valued at Rs.2 crores and above, Title Search Report from two advocates shall be obtained.

2.11 Valuation Report/s by empanelled valuer/s (MBA) may be accepted by the Bank unless otherwise specified by the Sanctioning Authority. The valuation report/s should be kept on record.

2.12 Branches/Offices to ensure that residual age of the immovable property should be at least 5 years more than the tenure of the loan.

2.13 As and when the Bank decides to value its own property/s as per the Policy for Purchase / sale of immovable property, the valuation shall be done by the empanelled valuers of the Bank.

2.14 At the time of substitution of existing property with new property, fresh valuation of existing property should be obtained, irrespective of when the last valuation was obtained. The higher of the above i.e. existing or fresh valuation should be considered for the purpose of substitution.

3. Criteria for Empanelment of Valuers

3.1 The valuers should be registered under Section 34 AB of the Wealth Tax Act, 1957.

3.2 In order to ascertain the value of properties, external independent valuer/s are appointed by the Bank for undertaking the valuations. The empanelled valuers shall carry out valuation of different types of assets as under:

- i. Land and Building
- ii. Plant & Machinery
- iii. Agricultural Land
- iv. Any other class of Asset

3.3 Educational Qualifications and Previous Work Experience

3.3.1 The valuer should possess proper educational qualifications to make him / her competent to carry out the task of valuation of securities. In addition, relevant work experience is also important. Hence, persons possessing the following Educational Qualifications and Work Experience shall be eligible for empanelment as valuers:

3.3.2 Valuation of Land & Building etc

3.3.2.1 There is no Act to regulate profession of valuation of real estate in our country. However, from 01.01.2020, for fresh empanelment, preferably only academically qualified valuers possessing following qualifications in valuation of Land & Building / Real Estate shall be empanelled:

- Post Graduate degree in valuation of real estate from a recognised university i.e. the universities established under State or Central Acts with 2 years" experience in valuation of real estate.

3.3.2.2 The educational qualifications for empanelment as valuers of Land & Building / Real Estate shall be as under:

| S. No. | Educational Qualifications | Work Experience | Remarks |
|--------|---|---|--|
| 1 | Bachelor's degree in Civil Engineering/Architecture/ Town Planning or equivalent. | 5 years" work experience in the field of valuation of real estate after completion of the degree or equivalent. | The Applicants with these qualifications should preferably possess an additional qualification in the form of a certification examination on or before 31.12.2019 of duration of one semester or above in the subjects which are vital for valuation of real estate and not covered in course curriculum of civil engineering, architecture and town planning from recognized university established under |

| | | | |
|---|--|---|---|
| | | | state or central acts. Note: The applicants empanelled on the basis of criteria laid down under Sr.no.1 shall be eligible for empanelment even after 01.01.2020. |
| 2 | Diploma in Civil Engineering / Architecture. | 8 years' work experience in the field of valuation of real estate after completion of the diploma | They should preferably complete course in valuation of real estate as prescribed under Sr.no.1 above. Note: The applicants empanelled on the basis of criteria laid down under Sr.no.2 shall be eligible for empanelment even after 01.01.2020. |
| 3 | Pass in examination in valuation of real estate recognized by the Govt.of India for recruitment to superior services or post conducted by any institution | 2years' work experience in the field of valuation of real estate after completing the examination | |
| 4 | Master's degree in Valuation of real estate awarded by recognized University of India i.e. University established under State or Central Act | 2years' work experience in the field of valuation of real estate after completing the examination | |
| 5 | Chartered/ Professional membership of the Royal Institution of Chartered Surveyors (RICS) of American Society of Appraisers (ASA) or Appraisal Institute (AI), USA / Other internationally reputed | | Since the process of procurement of membership with these organizations |

| | | |
|--|--|--|
| institutional players who fulfill the criteria-obtained by passing an examination equivalent to examinations mentioned under Sr. No.(3) & (4) above. | | includes training as an integral component, no further experience requirement is being prescribed. |
|--|--|--|

(*present guidelines to continue till further instructions from IBA)

3.3.3 Valuation of Plant and Machinery:

3.3.3.1 There is no Act to regulate profession of valuation of plant & machinery in our country. However, from 01.01.2020, preferably only academically qualified valuers possessing following qualifications in valuation of plant & machinery shall be empanelled:

- Post Graduate degree in valuation of plant & machinery from a recognized university i.e. the universities established under State or Central Acts with 2 years" experience in valuation of plant & machinery.

3.3.3.2 The educational qualifications for empanelment as valuers of Plant & Machinery shall be as under:

| S. No. | Educational Qualifications | Work Experience | Remarks |
|--------|--|--|--|
| 1 | Bachelor's degree in mechanical, electrical, chemical, production, electronic, computer, industrial engineering and any other stream of engineering as required by the Banks for conduct of valuation of Plant & Machinery and other equipments. | 5 years work experience in the field of Valuation of Plant & machinery after Completion of the degree or equivalent. | The Applicants with these qualifications should preferably possess an additional qualification in the form of a certification examination of duration of one semester or above on or before 31.12.2019 in the subjects which are vital for valuation of plant & machinery and not covered in course curriculum of mechanical, electrical, electronics, chemical, production, computer, industrial engineering, and any |

| | | | |
|---|---|--|---|
| | | | <p>stream of Engineering as required by the Banks for conduct of valuation of Plant & Machinery and other equipments and which is conducted by recognized university established under state or central acts.</p> <p>Note:The applicants empanelled on the basis of criteria laid down under Sr.no.1 shall be eligible for empanelment even after 1.1.2020</p> |
| 2 | <p>Diploma in mechanical, electrical, production, Chemical, electronic, computer, industrial engineering and any other stream of engineering as required by the Banks for conduct of valuation of Plant & Machinery and other equipments.</p> | <p>8 years work experience in the field of valuation of plant and machinery after completion of the diploma</p> | <p>They should preferably complete course in valuation of plant & machinery as prescribed under Sr.no.1 above.</p> <p>Note: The applicants empanelled on the basis of criteria laid down under Sr.no.2 shall be eligible for empanelment even after 01.01.2020.</p> |
| 3 | <p>Master's degree in Valuation of plant & machinery awarded by a recognized University in India i.e. University established under State or Central Act</p> | <p>2 years work experience in the field of valuation of plant & machinery after completing the examination</p> | |

(*present guidelines to continue till further instructions from IBA)

Valuers of Agricultural land

There is no Act to regulate profession of valuation of agricultural land. 4.3.1.3.2As there are no courses available in our country, at present to qualify as a

valuer of agricultural land, the Valuer of agricultural land ought to have knowledge of following principles of valuation -

- i. Cost, price, value and worth
- ii. Various types of value
- iii. Value elements – ingredients – characteristics
- iv. Annuities – capitalization – rate of capitalization – redemption of capital
- v. Three approaches to value viz. Income, Market and cost
- vi. Laws applicable to agricultural land

Minimum Age Requirement

The minimum age for empanelment shall be 25 years and there is no maximum age limit for a valuer to remain on the panel.

Categories of Valuers

Categorization of valuers is made to ensure that lesser value assignments are handled by relatively junior valuers and senior valuers handle higher order valuations. Hence, empanelment of valuers therefore shall be in the following categories:

| Sl. No | Category of Valuers | Work Experience / Qualification in Undertaking Valuation | Value of property for assignment of Valuation Work |
|--------|---------------------|--|--|
| 1. | A | More than 10 years | No limit |
| 2. | B | More than 5 years and upto 10 years | Upto Rs.50 crore |
| 3. | C | Up to 5 years | Up to Rs.5 crore |

| | | | |
|----|---|---|--------------------|
| 4. | D | Diploma holders in engineering/ architecture | Upto Rs.1.00 crore |
|----|---|---|--------------------|

For IBBI registered valuers, category A will be applicable irrespective of work experience.

Registration with Government

Registration with the Central / State Governments is desirable but not compulsory. However, for undertaking valuations under the SARFAESI Act, valuation has to be obtained from Registered Valuer under the Wealth Tax Act (Sections 34 AA to 34 AE).

While assigning / outsourcing valuation work to valuers, it is necessary that provisions of SARFAESI Act are to be taken into account and compliance is made accordingly. The subject policy is approved by the Board of the Bank and the committee to empanel as given in para 8 is hereby authorized by the Board of Directors to exercise the power conferred to it by the Board. The valuers empanelled by the Committee shall be deemed as Board approved valuers and sufficient compliance under The Security Interest (Enforcement) Rules 2002.


Chief Executive Officer


Director


Director


Chairman

**Payyoli Co-operative Urban Bank
Ltd.**

Audit Policy

(Approved by the BoD on 19/05/2023 : Vide Resolution No.7)

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I. Introduction

Efficiency in the maintenance of accounting records, effectiveness of internal control, modern auditing practice s and introduction of management accounting techniques in the Bank are essential conditions for improving its working to achieve the desired objectives. In this context, an attempt has been made in the present policy to ensure the guidelines provided by our regulatory authorities to find out the suitable measures for the improvement of the existing accounting and auditing systems of the Bank.

Audit or auditing is a critical and intelligent examination of the books of accounts and verification of correctness of accounts with relevant vouchers and documents in order to ensure that the entries in the books have been made correctly so as to constitute a true record of the transactions and that the Profit and Loss account and the Balance Sheet have been properly drawn up so as to exhibit a true and fair view of the state of affairs of the institution at the end of the year and the profit or loss for the financial year ended on that date. Such examination should not be confined to a mere arithmetical check of the books of accounts. It should go beyond the books of accounts to ensure that the transactions recorded therein are genuine, properly authorized and correctly entered.

II.

Internal Audit Machinery

As per the recommendations of the Ghosh Committee, a sound system of internal audit needs to be introduced by the Bank. With a view to strengthening the credibility of the inspection system in detecting cases of frauds/malpractices, steps need to be taken to gear up the inspection/audit machinery and to improve the quality of officers of the inspection department.

The Inspection / Audit Department at the Head Office level should be headed by a sufficiently senior person (Branch Manager Cadre / Senior Accountant Cadre or above) and proven integrity who should report directly to the CEO. The officers posted to this department should have sufficient experience and exposure.

a) Periodicity of Internal Audit

The periodicity of the comprehensive internal audit of the branches & head office should be at least once in every financial year, which should be really of surprise character.

b) Coverage of Internal Audit

i) The coverage of such inspections should also be made more comprehensive, inter alia, to include a thorough examination of the internal control system obtaining at the branches including the various periodical control returns submitted to the controlling offices.

ii) The internal inspection report should specifically comment, on the position of irregularities pointed out in the inspection report of Reserve Bank of India.

iii) The inspection/audit officials should also critically analyse and make in-depth study of the corruption/fraud prone areas such as appraisal of credit proposals, balancing of books, reconciliation of inter-branch accounts, settlement of clearing transactions, suspense accounts, premises and stationery accounts during the course of inspections leaving no scope for any malpractices/irregularities remaining undetected.

iv) The internal inspector should scrutinise the suspense account during inspection / visit and give specific instructions for early reversal of entries.

v) The banks should ensure that the system evolved for recording the details of off-balance sheet transactions are properly followed by all branches. These records should be periodically balanced and internal inspectors should verify the same and offer critical comments.

vi) Proper inventory of dead stock articles, stationery should be maintained and subjected to surprise check at periodical intervals by the officials of the branch as also internal inspectors.

c) Compliance with Prudential Norms

Internal auditors should bring out non-compliance with the prudential norms relating to income recognition, asset classification and provisioning for taking suitable action in the matter.

d) Cheque Purchase Transactions

The internal inspectors should verify all the cheque purchased/discounted beyond the sanctioned limit. They should be asked to conduct a sample checking of transactions.

e) Supplementary Audit / Inspections

The yearly internal audit / inspection may be supplemented by surprise short inspection / audits, revenue audit, credit portfolio audit etc. in the branches and head office. Surprise short audit may be carried out by the internal auditor at least bi-monthly to ensure that branch officials are not indulging in mala-fide practices. This bi-monthly short audit shall include verification (vouching) of transactions and day book of at least one-third working days on a random basis. The verification of files pertaining to the fresh loans / restructured loans sanctioned during the period of short audit shall also be carried out during the short audits. Cash verification, random verification of gold loan packets & files may also be done during the short audits. These short audits shall be a semi-concurrent audit in nature.

f) Revenue Audit

The reasons of leakage of income unearthed during such audit should be examined in-depth and action taken against the officials responsible for the lapses.

g) Credit Portfolio Audit

To highlight and pinpoint the existence of gross and serious irregularities such as improper credit appraisal, disbursement without observing the terms of sanction, failure to exercise proper post-

disbursement supervision, even suppression of information relating to unauthorised excess withdrawals allowed, kite flying in bills and cheques, etc. or bring to light frauds, a system of exclusive scrutiny of credit portfolio with focus on larger advances and group exposures at regular intervals needs to be introduced in the Bank.

A special scrutiny of high value accounts shifted to the bank along with executives/officials including General Managers/ Chief Executive Officer/ Managing Directors transferred from other banks should be done. Similarly the accounts transferred from other branches along with the officials should be subjected to thorough scrutiny during the internal inspection. The summary of the important findings may be submitted to the Committee of the Board.

h) Other Areas of Importance

Investment Portfolio Audit

The following measures are to be included in investment portfolio audit :

a) The reconciliation of the balances of accounts with other Banks/Institutions/SGL transfer forms as per bank's books should be periodically checked by the internal audit department.

b) Purchase and sale of government securities etc. should be separately subjected to audit by internal auditors (and in the absence of internal auditors by Chartered Accountants out of the panel maintained by the Registrar of Co-operative Societies) and the results of their audit should be placed before the Board of Directors once every quarter. The intention of this act is to prevent the possibility of abuse.

c) The audit should ensure that:

- i) adherence to the aggregate upper contract limit for each of the approved brokers is within a limit of 5% of total transactions (both purchase and sales) entered into by the bank during a year.
- ii) disproportionate part of the business is not transacted through only one or a few brokers and that aggregate contract limits for each of the approved brokers are not exceeded. The limit should cover both the business initiated by the bank and the business offered/brought to the bank by broker. The business put through any individual broker or brokers in excess of the limit of 5% of total transactions entered into by the bank during the year with the reasons there for, should be covered in the half-yearly review to the Board of Directors; and
- iii) the deals have been undertaken in the best interest of the bank.

Risk assessment framework:

Risk assessment is an important part of any internal audit process that is used to understand the impact of risk and the probability for the risk to be realized. The results of a risk assessment must be used to prioritize efforts to counteract the risks.

The process of risk assessment is not a one time activity but an ongoing process, which is dynamic and responds to changes in the internal and external environment facing an organization at a point of time. Therefore, while risk assessment may be classified as a point in time exercise, an organisations' ability to assess and manage its risk continuously is a key challenge.

The risk assessment process will cover the following activities:

- identification of inherent business risks in various activities undertaken by the bank.
- Evaluation of the effectiveness of the control systems for monitoring the inherent risks of the business activities
- Drawing risk matrix for considering both the factors viz., inherent business and control risks.

The risk assessment may be quantitative or qualitative approaches.

1. Quantitative - credit, market and operational risks
2. Qualitative - assessing the quality of controls in various business activities.

Risk assessment methodology:

The Risk assessment methodology shall involve but not limited to processing the following information:

- Previous internal audit reports and compliance.
- Proposed changes in business lines or changes in focus.
- Significant change in management /key personnel
- Results of the latest regulatory examination report .
- Report of external auditors
- Industry trends and other environmental factors
- Time lapsed since the last audit.
- Volume of business and complexity of activities.
- Substantial performance variations from the budget.

Risk assessment matrix

| | | | | |
|---------------|--------|-----------------|--------------|------------------|
| Inherent risk | High | A : high | B: very high | C:Extremely high |
| | medium | D: medium | E: High | F: very high |
| | low | G: low | H: medium | I: High |
| | | Low | Medium | High |
| | | Control of risk | | |

- High risk- although the control risk is low, this is a High-Risk area due to high inherent business risks.
- Very high risk – the high inherent business risk coupled with medium control risk makes this a very high risk area.
- Extremely high risk – Both the inherent business risk and control risk are high which makes this an extremely high risk area. This area would require immediate audit attention, maximum allocation of audit resources besides ongoing monitoring by the top management.
- Medium risk – Although the control risk is low this is a medium risk area due to medium inherent business risks.
- High risk – Although the inherent business risk is medium this is a high risk area because of control risk also being medium.
- Very high risk – Although the inherent business risk is medium , this is a very high risk area due to high control risk.
- Low risk – Both the inherent business risk and control risk is low.
- Medium risk – The inherent business risk is low, and the control risk is medium.
- High Risk – Although the inherent business risk is low, due to high control risk this becomes a high risk area.

Risk based audit plan :

The Bank should prepare internal audit plan based on the risk assessment. The frequency of audits/prioritization of areas will be determined based on the Risk Assessment Process.

The plan should cover the followings:

1. The audit schedule.
2. The Rationale for audit work planned.
3. All the risk areas as per level and direction.

Audit in shorter intervals :

Areas and activities determined as high, very high or extremely high risk.

Audit in longer intervals :

Areas and activities determined as medium and low risk.

The frequency of audit will be decided based on the following matrix.

Risk Audit matrix

| | | | | |
|-----------------|--------|-----------------------------------|------------------------------------|--------------------------------------|
| Inherent risk | High | A : high Once in 6 to 12months | B: very high Once in 6-9 months | C:Extremely high Once in 6 months |
| | medium | D: medium Once in 12-15 months | E: High Once in 6 to 12 months | F: very high Once in 6-9 months |
| | low | G: low Once in 12- 18 months | H: medium Once in 12 -15 months | I: High Once in 6-12 months |
| | | Low | Medium | High |
| Control of risk | | | | |

III. Concurrent Audit System

a) General

Briefly, the main objectives of concurrent audit include that any violation of procedure is brought to light. Ascertaining whether sanction for advances and expenditures is taken from competent authority. Examining books of accounts records and registers to ensure that they are maintained in accordance with the prescribed systems ensuring compliance of laid down systems, procedures and policies and instructions of supervisory agencies.

Adequate measures are being taken in advance to prevent future frauds, etc. to avoid difficulties, which may arise. To check cash, securities, etc., to ensure that they are in due order and in agreement with books. Detection and arresting of any leakage of income, if any. Evaluating the quality of customer services provided and giving useful suggestions.

Assessing overall performance of the branch while assessing productivity and profitability and to offer useful comments on the basis of audit conducted. Restriction of matter discussed on the spot with the help of concerned official, Reporting any inefficiency in any operational level, Reporting any irregularity in working which may result in financial or other loss to branch.

Reporting to appropriate levels of management for appropriate actions for remedial measures. Scrutinizing the completeness of documents submitted for availing advances and other facilities and physical checking of stocks and other assets at relevant places. To follow up with authorities to ensure timely rectification of irregularities reported which were not rectified on the spot. Verify prompt timely and regular submission of the periodical and statutory returns

- i) The concurrent audit system is introduced in all the branches of the bank to serve as administrative support to branches, help in adherence to prescribed systems and procedures and prevention and timely detection of lapses/irregularities. The concurrent audit shall be carried out by a Chartered Accountant having sufficient expertise and exposure to banking and administrative audit functions.
- ii) The concurrent audit system is to be regarded as part of a bank's early-warning system to ensure timely detection of irregularities and lapses, which helps in preventing fraudulent transactions at branches. The Board of Directors of the bank is of the view that serious attention shall be there to the implementation of various aspects of the system such as selection of branches, coverage of business operations, appointment of auditors, appropriate reporting procedures, follow-up/rectification processes and utilisation of the feed-back from the system for appropriate and quick management decisions.
- iii) The Board should once in a year review the effectiveness of the system and take necessary measures to correct the lacunae in the system.
- iv) The concurrent auditors shall certify that the investments held by the bank as on the last reporting Friday of each quarter as reported to the Reserve Bank of India are actually owned / held by it as evidenced by physical securities or the custodians statement. The certificate should be submitted to the Regional Office of the Reserve Bank of India, having jurisdiction over the bank, within thirty days from the end of the relative quarter.
- v) The concurrent auditors should specifically verify compliance to the instructions contained in RBI circular UBD.BPD.SUB No.5/09.80.00/2003-04 dated 28 April 2004 regarding transactions in Govt. Securities.
- vi) Serious irregularities brought out in the concurrent audit report should be immediately reported to the Department of Supervision, Reserve Bank of India, Thiruvananthapuram Regional Office.

v) Chartered Accountants / audit firms associated with the bank for concurrent audit assignments should not undertake statutory audit assignment during the same period. The firms associated with internal / concurrent audit should relinquish the internal / concurrent audit before accepting the statutory audit assignment during the year.

b) Scope of Concurrent Audit

i) Concurrent audit is an examination, which is contemporaneous with the occurrence of transactions or is carried out as near thereto as possible. It attempts to shorten the interval between a transaction and its examination by an independent person not involved in its documentation. There is an emphasis in favour of substantive checking in key areas rather than test checking.

ii) A concurrent auditor may not sit in judgement of the decision taken by bank/branch Manager or an authorised official. However, the auditor will necessarily have to see whether the transactions or decisions are within the policy parameters laid down by the Head Office/Board of Directors, they do not violate the instructions or policy prescriptions of the Reserve Bank of India and that they are within the delegated authority and in compliance with the terms and conditions for exercise of delegated authority.

c) Coverage of Business/Branches

i) The Departments/Divisions at the Head Office dealing with treasury functions viz. investments, funds management including inter-bank borrowings, bill rediscount, in stock invest scheme, credit card system and foreign exchange business are to be subjected to concurrent audit. In addition, all branch offices undertaking such business, as also all the branches / offices and dealing rooms have to be subjected to continuous audit.

ii) The problem branches, which are continuously getting poor or very poor rating in the bank's annual inspection/audit and where the house keeping is extremely poor may be audited with special attention.

iii) Based on the professional judgement about the overall functioning of the branches / offices, the scope of audit may be extended to other areas / offices as decided by the BoD from time to time.

d) Types of Activities to be Covered

The main role of the concurrent audit is to supplement the efforts of the bank in carrying out simultaneous internal check of the transactions and other verifications and compliance with the procedures laid down. In particular, it should be seen that the transactions are properly recorded/documented and vouched. The concurrent auditors may broadly cover the following items:

a) Cash

i) Daily cash transactions with particular reference to any abnormal receipts and payments.

ii) Proper accounting of inward and outward cash remittances.

iii) Proper accounting of currency chest transactions (if any), its prompt reporting to Reserve Bank of India

iv) Expenses incurred by cash payment involving sizeable amount.

b) Investments

i) Ensure that in respect of purchase and sale of securities, the concerned department has acted within its delegated power having regard to Head Office instructions.

- ii) Ensure that the securities held in the books of the branch are physically held by it.
- iii) Ensure that the concerned department is complying with the RBI/Head Office/Board guidelines regarding BRs, SGL forms, delivery of scrips, documentation and accounting
- iv) Ensure that the sale or purchase transactions are done at rates beneficial to the bank.

c) Deposits

- i) Check the transactions about deposits received and repaid.
- ii) Percentage check of interest paid on deposits may be made, including calculation of interest on large deposits
- iii) Check new accounts opened. Operations in new Current/SB accounts may be verified in the initial period itself to see whether there are any unusual operations. Also examine whether the formalities connected with the opening of new accounts have been followed as per RBI instructions.

d) Advances

- i) Ensure that loans and advances have been sanctioned properly (i.e. after due scrutiny and at the appropriate level).
- ii) Verify whether the sanctions are in accordance with delegated authority.
- iii) Ensure that securities and documents have been received and properly charged/registered.
- iv) Ensure that post disbursement, supervision and follow-up is proper, such as receipt of stock statement, instalments, renewal of limits, etc.
- v) Verify whether there is any misutilisation of the loans and advances and whether there are instances indicative of diversion of funds.
- vi) Check whether the letters of credit issued by the branch are within the delegated power and ensure that they are for genuine trade transactions.
- vii) Check the bank guarantees issued, whether they have been properly worded and recorded in the register of the bank. Whether they have been promptly renewed on the due dates.
- viii) Ensure proper follow-up of overdue bills of exchange.
- ix) Verify whether the classification of advances has been done as per RBI guidelines.
- x) Verify whether the submission of claims to ECGC is in time, if applicable.
- xi) Verify that instances of exceeding delegated powers have been promptly reported to Controlling/Head Office/Board by the branch and have been got confirmed or ratified at the required level
- xii) Verify the frequency and genuineness of such exercise of authority beyond the delegated powers by the concerned officials.

e) Housekeeping

- i) Ensure that the maintenance and balancing of accounts, Ledgers and registers including clean cash and general ledger is proper.

ii) Ensure prompt reconciliation of entries outstanding in the inter-branch and inter-bank accounts, Suspense Accounts, Sundry Deposits Account, Drafts Accounts, etc. Ensure early adjustment of large value entries.

iii) Carryout a percentage check of calculations of interest, discount, commission and exchange.

iv) Check whether debits in income account have been permitted by the competent authorities.

v) Check the transactions of staff accounts.

vi) In case of difference in clearing, there is a tendency to book it in an intermediary suspense account instead of locating the difference. Examine the day book to verify as to how the differences in clearing have been adjusted. Such instances should be reported to Head Office/Board of Directors in case the difference persists.

vii) Detection and prevention of revenue leakages through close examination of income and expenditure accounts/transactions.

viii) Check cheques returned/bills returned register and look into reasons for return of those instruments.

ix) Checking of inward and outward remittances (DDs, MTs and TTs).

f) Other items

i) Ensure that the branch gives proper compliance to the internal inspection/audit reports.

ii) Ensure that customer complaints are dealt with promptly

iii) Verification of statements, HO returns, statutory returns.

g) In certain areas, such as off balance sheet items (LCs and BGs), investment portfolio, fraud prone/sensitive areas, advances having outstanding balances of more than Rs. 3 lakhs, if any unusual feature is observed, the concurrent auditors may conduct cent percent check.

h) In the case of areas such as income and expenditure items, inter-bank and inter-branch accounting, interest paid and interest received, clearing transactions, and deposit accounts, the check can be restricted to 25 per cent of the number of transactions. But, in case of expenditure items other than interest expenditure and salary items all the entries above Rs. 1000/- shall be audited.

h) Where any branch has poor performance in certain areas or requires close monitoring in housekeeping, loans and advances or investments, the concurrent auditors may carry out intensive checking of such areas.

i) Concurrent auditors may concentrate on high value transactions having financial implication for the bank rather than those involving lesser amount, although number-wise they may be large.

j) If any adverse remark is required to be given, the concurrent auditors should give reasons therefore.

k) Concurrent auditors may themselves identify problem areas at branch level/bank and offer their suggestions to overcome them.

l) The banks may, therefore, add other items to the list, which in their opinion are useful for the purpose of proper control of the branch operations.

e) Appointment and Remuneration of Auditor

i) The decision to consider whether the concurrent audit should be done by the external auditors (professionally qualified Chartered Accountants) or its own staff may be taken by the BoD . In case bank decides to appoint external auditors for the purpose, the terms of their appointment and remuneration to be paid may be fixed by the BoD within the broad guidelines approved by the Board and/or by the Registrar of Co-operative Societies of the State concerned.

ii) The audit firms / individual auditor will be responsible for any omissions or commissions in respect of transactions seen by them. In case any serious act of omission or commission is noticed in the working of the concurrent auditors (external), the BoD may consider terminating their appointment and a report may be made to the Institute of Chartered Accountants of India for such action as they deem fit under intimation to RBI/RCS.

iii) In case the BoD prefers to entrust the audit to its own officers, the BoD has to ensure that these officers are well experienced and of sufficient seniority in order to exercise necessary independence and objectivity while conducting concurrent audit. It would be desirable and necessary to rotate the auditors, whether internal or external, periodically. Progressively, it may be considered whether reliance on external auditors may be reduced as soon as requisite skills for audit work are developed by the proper selection and training of officers from within.

The concurrent auditors may report the minor irregularities, wrong calculations etc. to the Branch Manager for an on-the-spot rectification and reporting compliance.

If these irregularities are not rectified within a reasonable period of time say a week, these may be reported to the head office. If the auditors observe any serious irregularities, these should be straight away reported to Head Office immediately. The auditor will have to lay emphasis on the propriety aspect of the audit. The BoD may institute an appropriate system of follow-up of the reports of the concurrent auditors. The CEO of the bank has to place a annual review report on the working of concurrent audit system of the bank and the comments on the auditor's functions for a financial year before the Audit committee and BoD Meeting before the end of June 30th of the next financial year.

Statutory audit

Provisions contained in section 30(1A) of Banking Regulation Act 1949 have since made applicable to all cooperative banks vide clause(j) of Banking Regulation (amendment) act 2020. Accordingly all Urban co operative Banks are statutorily required to obtain prior approval of RBI For appointment/reappointment/removal of any statutory auditors. Reserve Bank has therefore, vide their circular No.Dos.co.ARG/SEC.01/08.91.00112021-22 Dated April 27,2021 has issued detailed guidelines to all regulated entities for appointment of statutory Auditor of Urban co operative Banks. The bank has ,accordingly prepared Policy for appointment of Statutory auditor in the Bank.

As per RBI guidelines, the appointment of SA will be subject to the approval of Reserve Bank of India. For this purpose, Bank should apply to the Department of Supervision, RBI for the appointment/reappointment of statutory Auditor.

Eligibility criteria:

As our Bank's Asset size is below 1000 crore ,the following eligibility criteria are fixed for appointment/reappointment of statutory Auditor as per RBI guidelines.

1. Bank should appointment minimum of one audit firm (partnership firm/LLPs) for conducting statutory audit.
2. The audit firm should have minimum 2 FTPs(full time partners) associated with the firm for a period of atleast three years; Out of the total number of FTPs one fellow chartered accountant should have association with the firm for a minimum period of three years.
3. The full time partner should not be a partner in other firms.
4. She/He should not be employed full time/part time elsewhere.

The audit firm should have minimum 6 years experience of audit as statutory auditor/Branch auditor of commercial banks/UCBs/NBFCs/AIFIs.

The Audit firm should have at least 8 numbers of professional staff which includes audit and article clerks with knowledge of book keeping and accountancy and who are engaged in on-site audits but excludes typists/computer operators/secretaries/subordinate staff,etc. (There should be at least one year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose).

Additional considerations

1. The audit firm should be duly qualified for appointment as auditor of a company in terms of section 141 of the companies Act .
2. The audit firm should not be under debarment by any Government agency, National financial reporting Authority(NFRA), the institute of chartered accountants of India, RBI or other Financial Regulators.
3. Appointment of SAs will be in line with the ICAI's code of Ethics/any other such standards adopted so that it does not give rise to any conflict of interest.
4. If any partner of a chartered accountant firm is a director in the Bank, the said firm shall not be appointed as SA of the Bank.
5. Concurrent auditors of Bank shall not be considered for appointment as statutory auditor.

Tenure and Rotation

The audit firm shall be appointed for continuous period of 3 years subject to firm satisfying eligibility criteria each year. Further, the Bank can remove the audit firm during the above period only with the prior approval of the DoS of Reserve bank of India.An audit firm will not be eligible for reappointment in the Bank for six years(two renures) after completion of full or

part of one term of the audit tenure.

Audit fee and expenses:

Audit fees for SA will be decided in terms of the relevant statutory/regulatory provisions. The audit fee is subject to change with extant rules and regulation from time to time.

IV. Audit for Electronic Data Processing System

- i) The bank envisage the EDP audit as a continuous process. The bank will create a dedicated group consisting of employees and outside professionals, if needed to conduct EDP Audit. Entire domain of EDP activities (from policy to implementation) should be brought under scrutiny of Inspection and Audit Department. The overall control and supervision of these EDP Audit Cells should be vested in the Audit Committee of the Board. Financial outlay as well as activities to be performed by EDP department should be reviewed by senior management at periodical intervals.
- ii) A team of competent and motivated EDP personnel is to be developed in order to take care of a possible exodus of key personnel. EDP auditors' technical knowledge should be augmented on a continuing basis through deputation to seminars/conferences, supply of technical periodicals and books etc.
- iii) Duties of system programmer/designer should not be assigned to persons operating the system. System person would only make modifications /improvements to programs and the operating persons would only use such programs without having the right to make any modifications. In order to bring about uniformity of software used by various branches/offices there should be a formal method of incorporating change in standard software and it should be approved by senior management. Inspection and Audit Department should verify such changes from the view-point of control and for its implementation in other branches in order to maintain uniformity.
- iv) Major factors which lead to security violations in computers include inadequate or incomplete system design, programming errors, weak or inadequate logical access controls, absent or poorly designed procedural controls, ineffective employee supervision and management controls. These may be plugged by:
- strengthening physical, logical and procedural access to system;
 - introducing standards for quality assurance and periodically testing and checking them; and
 - screening employees prior to induction into EDP application areas and keeping a watch on their behavioural pattern.
- putting in place appropriate control measures to protect the computer system from attacks of unscrupulous elements.
- v) Replacement of manual procedures by computer applications should be done after a parallel run of the system and ensuring that all aspects of security, reliability and accessibility of data.
- vi) In order to ensure that the EDP applications have resulted in a consistent and reliable system for inputting of data, processing and generation of output, various tests to identify erroneous processing, to assess the quality of data, to identify inconsistent data and to compare data with physical forms should be introduced.
- vii) The bank should make a formal declaration of system development methodology, programming and documentation standards to be followed, compliance should be verified by EDP Auditors.

viii) Contingency plans/procedures in case of failure of system should be introduced/ tested at periodic intervals. EDP auditor should put such contingency plan under test during the audit for evaluating the effectiveness of such plans.

ix) While engaging outside computer agencies, banks should ensure to incorporate the "clause of visitorial rights" in the contract, so as to have the right to inspect the process of application and also ensure the security of the data/inputs given to such outside agencies.

V. Information Systems Audit System

- i) Adoption of technology eventually leads to risk in operations. In order to eliminate / reduce such risk, there is a need to introduce IS Audit in the Bank.
- ii) The bank shall adopt an IS audit policy appropriate to its level of operations, complexity of business and level of computerization and review the same at regular intervals in tune with guidelines issued by RBI from time to time.
- ii) Bank may also adopt appropriate systems and practices for conducting IS audit on annual basis covering all the critically important branches (in terms of nature and volume of business).
- iii) Such audits should be undertaken preferably prior to the statutory audit so that IS audit reports are available to the statutory auditors well in time for examination and for incorporating comments, if any, in the audit reports.
- iv) IS audit reports should be placed before the board and compliance should be ensured within a period of 6 months.

VI. Audit Committee of Board

i) The Reserve Bank of India has, from time to time, emphasised the need on the part of the directors of the primary (urban) co-operative banks to ensure timely review and action on the findings of statutory inspection/audit reports, submission of the compliance reports thereto, to examine and follow-up the observations and suggestions made in the inspection reports of Reserve Bank of India, statutory auditors and those submitted by the internal inspection department, vigilance cell and internal auditors. Timely follow-up action on the findings of inspection reports and guidelines, circulars etc. issued by RBI as also the internal audit/inspection, etc. is considered desirable to tone up the overall functioning and operational efficiency of the bank.

ii) In order to ensure and enhance the effectiveness of internal audit/inspection as a management tool, it is considered necessary that an Apex Audit Committee should be set up at the Board level for overseeing and providing direction to the internal audit/inspection machinery and other executives of primary (urban) co-operative banks. The Audit Committee of the Board of Directors (ACB) may consist of the Chairman and three/four Directors, one or more of such Directors being Chartered Accountants or persons having experience in management, finance, accountancy and audit system, etc.

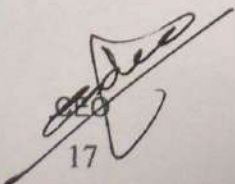
iii) The Audit Committee of the Board should review the implementation of the guidelines issued by RBI and submit a note thereon, to the Board at quarterly intervals.

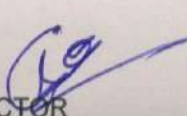
iv) The other duties/ responsibilities of the Audit Committee of Board (ACB) are as follows:

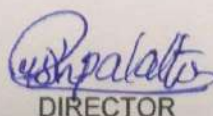
a) ACB should provide direction and oversee the operations of the total audit function in the bank. The total audit function will imply the organization, operationalisation and quality control of internal audit and inspection within the bank and follow-up on the statutory audit of the bank and inspection of the Reserve Bank.

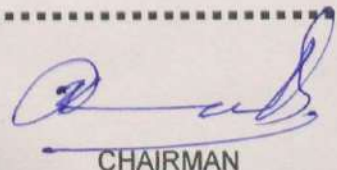
b) As regards internal audit, ACB should review the internal inspection/audit function in the bank - the system, its quality and effectiveness in terms of follow up. It should review the follow up action on the internal inspection reports, particularly of "unsatisfactory" branches and branches classified by the bank as extra large branches. It should also specially focus on the follow up on:

- Inter-branch adjustment accounts.
- Unreconciled long outstanding entries in inter-branch accounts and inter-bank accounts.
- Arrears in balancing of books at various branches.
- Frauds.
- All other major areas of housekeeping.
- Compliance with the Statutory Audit Reports/Concurrent Audit Reports/RBI inspection reports.
- Omission on the part of internal inspecting officials to detect serious irregularities should be viewed seriously.
- Periodical review of the accounting policies/systems in the bank with a view to ensuring greater transparency in the bank's accounts and adequacy of accounting controls.


17


DIRECTOR


DIRECTOR

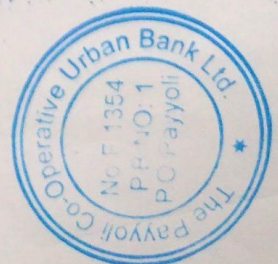

CHAIRMAN

THE PAYYOLI CO-OPERATIVE URBAN BANK LTD

BUSINESS CONTINUITY PLANNING POLICY

(BR No: 35

Date: 06/06/24)



BUSINESS CONTINUITY PLANNING

1. BUSINESS CONTINUITY MANAGEMENT (BCM)

- ✓ The Payyoli Co-operative Urban Bank Ltd (the Bank) is committed to safeguard the interests of its customers, employees and stakeholders in the event of a disaster or significant disruption that may affect its operations and premises.
- ✓ The Bank has developed a comprehensive Business Continuity Plan to facilitate the continuity of the critical business processes in the event of defined disaster scenarios.
- ✓ The Bank has adopted a three-pronged approach while developing the BCM as given below:
 - ✓ Group specific plans for continuity of business and operations.
 - ✓ Disaster recovery plans for recovery of information technology systems, data backup and networks.
 - ✓ Emergency response procedures addressing the risks of injuries to customers/employees and damage to the Bank's assets.
- ✓ The plan is in line with the guidelines issued by the Reserve Bank of India (RBI) in this regard and is subject to regular review.
- ✓ The Payyoli Co-operative Urban Bank's BCP is developed to address significant disruptions and endeavor to resume business and operations to an acceptable level within a reasonable time in the event of disaster.

2. ROLES, RESPONSIBILITIES AND ORGANIZATIONAL STRUCTURE

- ✓ The Payyoli Co-operative Urban Bank's Board has the ultimate responsibility and oversight over BCP activity of a bank.
- ✓ The Board would provide top management clear guidance and direction in relation to BCP
- ✓ The Board fulfils its responsibilities by approving policy on BCP, prioritizing critical business functions, allocating sufficient resources, reviewing BCP test results and ensuring maintenance and periodic updation of BCP

✓ The top management is responsible for executing such a BCP, if contingency arises. The top management would annually review the adequacy of the bank's business recovery, contingency plans and the test results and put up the same to the Board. The top management would also evaluate the adequacy of contingency planning and their periodic testing by service providers whenever critical operations are outsourced.

3. BCP MANAGEMENT TEAM

✓ Business Continuing Planning (BCP) will comprise head of bank normally the Chairman, CEO / 1/c CEO, all GMs, EDP Officers (IT), and /or any AGMS (Legal or otherwise) will be the designated members for execution of the Business Continuing Plan.

✓ Senior Management is responsible for overseeing the BCP process which includes:

✓ Determining how the bank will manage and control identified data.

✓ Allocating knowledgeable personnel and sufficient financial resources to implement the BCP.

✓ Prioritizing critical business functions.

✓ Designating a BCP committee who will be responsible for the Business Continuity Management.

✓ The top management would annually review the adequacy of the bank's business recovery, contingency plans and the test results and put up the same to the Board.

✓ The top management would consider evaluating the adequacy of contingency planning and their periodic testing by service providers whenever critical operations are outsourced.

✓ Ensuring that the BCP is independently reviewed and approved at least annually.

✓ Ensuring employees are trained and aware of their roles in the implementation of the BCP.

✓ Ensuring the BCP is regularly tested on an enterprise-wide basis.

✓ Reviewing the BCP testing programmes and test results on a regular basis and

✓ Ensuring the BCP is continually updated to reflect the current operating environment.

4. KEY FACTORS

✓ Probability of unplanned events, including natural or man-made disasters, earthquakes, fire, hurricanes or bio-chemicals disaster.

✓ Security threats.

✓ Increasing infrastructure and application interdependencies.

✓ Regulatory and compliance requirements, which are growing increasingly complex.

✓ Failure of key third party arrangements.

✓ Some of the critical interruptions/impacts on the banking business include:

- Impact on revenue
- Loss of corporate image
- Delays in responding to customer requests
- Inability to process transactions in a timely manner
- Inability to meet regulatory requirements
- No availability of premises

5. BCP METHODOLOGY

✓ The bank will follow the "Plan-Do-Check-Act Principle"

✓ Identification of critical businesses owned and shared resources with supporting functions to come with the Business Impact Analysis (BIA).

✓ Formulating Recovery Time Objectives (RTO), based on BIA. It may also be periodically fine-tuned by benchmarking against industry best practices.

✓ Critical and tough assumptions in terms of disaster, so that the framework would be exhaustive enough to address most stressful situation.

✓ Identification of the Recovery Point Objective (RPO), for data loss for each of the critical systems and systems and strategy to deal with such data loss.

✓ Structured risk assessment based on comprehensive business impact analysis. This assessment considers all business processes and is not limited to the information processing facilities.

✓ Risk management by implementing appropriate strategy/architecture to attain the bank's agreed RTOs and RPOS.

✓ Impact on restoring critical business functions, including customer-facing systems and payment and settlement systems such as cash disbursements, ATMs etc.

✓ Dependency and risk involved in use of external resources and support.

✓ BCP would evolve beyond the information technology realm and must also cover people, processes and infrastructure.

✓ The methodology should prove for the safety and well-being of people in the branch/outside location at the time of the disaster.

✓ Defined response actions based on identified classes of disaster

✓ Action plans, i.e.: defined response actions specific to the bank's processes. practical manuals (do and don'ts, specific paragraph's customized to individual business units) and testing procedures.

✓ Establishing management succession and emergency powers.

✓ Compatibility and co-ordination of contingency plans at both the bank and its service provider.

✓ Having specific contingency plans for each outsourcing arrangement based on the degree of materiality of the outsourced activity to the bank's business.

✓ Periodic updating to absorb changes in the bank or its service providers.

✓ Data Recovery Strategies-

- Recovery Point Objective (RPO) - The acceptable latency of data that will be recovered. It must ensure that the Maximum Tolerable Data Loss for each activity is not exceeded.

- Recovery Time Objective (RTO) - The acceptable amount of time to restore the function. It must ensure that the Maximum Tolerable Period of Disruption (MTPD), for each activity, is not exceeded.

6. STEPS TO IMPLEMENT BCP

- ✓ BCP is a 'process not a project'- BCP does not stop at insurance, or documentation of a plan on paper. Ongoing updation and pre-defined business continuity teams are some of the elements of a successful BCP.
- ✓ Holistic approach:- BCP evolves beyond the information technology realm and should cover people, process and infrastructure.
- ✓ Focus: - The plan should focus on critical business processes and their dependencies.
- ✓ BCP governance: Commitment, control and guidance from management, clearly documented roles and responsibilities and formal governance process ensures that the BCP is updated regularly.
- ✓ Resilience: The recovery procedure should not compromise on the control environment at the recovery location.
- ✓ Involvement of business: - All critical business partners should be considered at the time of plan preparation including testing.
- ✓ Media Management: - It is important to maintain corporate image during a disaster. A media management strategy enables the organization respond to media coverage proactively/systematically.

7. AUDIT

- ✓ Audit to be carried out by internal and external auditor as and when felt necessary.

8. COMPLIANCE

- ✓ The bank will follow all regulatory requirements that compliance RBI, Kerala State Co-operative Societies Act, guidelines and any other acts concern to the bank.

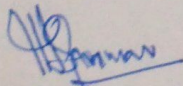
9. REVIEW OF THE POLICY

- ✓ The policy will be reviewed as and when felt necessary by the Board.

10. APPROVAL BY BOARD OF DIRECTORS

- ✓ The Board of Directors approved the Business Continuing Planning Policy in Board Meeting held on 06-06-2024.




CHAIRMAN


Chief Executive Officer
The Payyoli Co-operative Urban Bank Ltd.


DIRECTOR


DIRECTOR