

To

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Committee on Procedures and Performance Audit of Public Services (CPPAPS)
- Standing Committee on Customer Service

Please refer to our Circular DBOD.No.Leg.BC.60/09.07.005/2003-04 dated December 27, 2003 wherein the banks were advised to constitute an Ad hoc Committee to undertake procedures and performance audit on public services rendered by it. Further, the currency of the *Ad hoc* Committees was extended by six months vide our Circular DBOD.No.Leg.BC.93/09.07.005/2004-05 dated June 17, 2004 and as such the *Ad hoc* Committees were expected to complete the work within one year from the date of their constitution.

2. The Committee on Procedures and Performance Audit of Public Services (CPPAPS) has examined the issues relating to the continuance or otherwise of the Ad hoc Committees and has observed that there should be a dedicated focal point for customer service in banks, which should have sufficient powers to evaluate the functioning in various departments. The CPPAPS has therefore recommended that the Ad hoc Committees should be converted into Standing Committees on Customer Service.

3. We have examined the above recommendation and advise that banks should take necessary action to convert the existing Ad hoc Committees into a Standing Committee on Customer Service. It is felt that the Ad hoc Committees when converted as a permanent Standing Committee cutting across various departments can serve as the micro level executive committee driving the implementation process and providing relevant feedback while the Customer Service Committee of the Board would oversee and review / modify the initiatives. Thus the two Committees would be mutually reinforcing with one feeding into the other.

4. The constitution and functions of the Standing Committee may be on the lines already indicated in our letter dated August 17, 2004 (copy enclosed). With the conversion of the Ad hoc Committees into Standing Committees on Customer Service, the role set of the different entities would be as in the flowchart Annexed, with the Standing Committee acting as the bridge between the various departments of the bank and the Board / Customer Service Committees of the Board.

5. Kindly confirm the action taken by the bank in converting Ad hoc Committees into Standing Committees on Customer Service.

6. Please acknowledge receipt.

Yours faithfully

(Anand Sinha)
Chief General Manager-in-Charge

Encls: As above

Dear Shri

Customer Service Committee of the Board

This has reference to Para 2 of Governor's letter dated August 14, 2004 on Customer Service and DBOD Circular letter no. Leg.890/09.07.007/2003-04 dated March 3, 2004 on the Ad hoc Committee on Procedures and Performances Audit. The constitution and functions of the Ad hoc Committee have since been reviewed. With a view to enhancing the effectiveness of the Committee, the following measures are considered desirable:

- i) The Ad hoc Committee may be chaired by the CMD or the ED and include non-officials as its members to enable an independent feedback on the quality of customer service rendered by your bank - positive results have been noticed in banks where non-official participation in the Ad hoc Committee was adopted.
- ii) The Ad hoc Committee may be entrusted not only the task of ensuring timely and effective implementation of the RBI instructions, but also that it receives the necessary feedback to determine that the action taken by various departments of your is in tune with the spirit and intent of such instructions.
- iii) The Ad hoc Committee may review the practice and procedures prevalent in your bank and take necessary corrective action, on an ongoing basis- as the intent is translated into action only through procedures and practices.
- iv) A brief report on the performance of the Ad hoc Committee during its tenure indicating, inter alia, the areas reviewed, procedures / practices identified and simplified / introduced may be submitted periodically to the Customer Services Committee of the Board.

2. As regards the role of the Customer Service Committee of the Board, illustratively, the Committee could address the formulation of a Comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the tri-ennial audit of such services. In this context, attention is also invited to our letter DBOD.No.Leg.1276 /09.07.007 (CPPAPS) /2003-04 of June 17, 2004 which refers to the formulation of such a policy. Besides, the Committee could also examine any other issues having a bearing on the quality of customer service rendered.

3. We would also like to emphasise that the RBI, the Boards and the Top Management of the banks, the IBA and the various departments within your bank would need to work in close co-ordination with the Ad hoc Committee in a grid-like

relationship with each entity having a specific assigned role to ensure that the recommendations of the CPPAPS are implemented in their true spirit. The role envisaged for each of them is set out in the chart annexed.

4. I would appreciate if, in response to Governor's letter, the action taken by your bank for reconstituting the Ad hoc Committee and defining its role as also for setting up the Customer Service Committee of the Board is advised to us at the earliest.

With regards,

Yours sincerely,

(Usha Thorat)

Encl: As above

Flow Chart Depicting the Role Set of Players

