

10 February 2014

Mr. Ajit Prasad  
Assistant General Manager  
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Fort, Mumbai

Dear Mr. Ajit Prasad

**Sub: Public Comments on Depositor Education and Awareness Fund Scheme**

This has reference to the RBI press release dated 21-Jan-2014 asking members of the public to share their comments on the above mentioned scheme which RBI proposes to implement. As mentioned in the press release, the Reserve Bank shall establish a Fund to be called the "Depositor Education and Awareness Fund" which will operate with an objective to educate depositors based on the funds on the bank accounts 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, within a period of three months from the expiry of the said period of ten years.

While the scheme seems to have a noble idea of educating savers, it is important to ensure that the funds received from inoperative deposit accounts are utilized in such a way so that interest of banking customers are protected, the benefit of the scheme reaches to the maximum number of people and is effective overall. In order to ensure this, we wish to suggest the following salient features that the scheme should have:

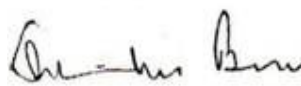
- 1) While the idea of educating the savers is a welcome step, it will great if the RBI widens the scope of the fund and don't just keep it confined to the depositors even if it is created with unused money of depositors in the bank account. The borrowers also need education and probably need education more than depositors to make banking systems stronger. Borrowers need to be made more accountable in order to ensure that increasing incidents of non performing assets of the banks can be curtailed.
- 2) It would be a great idea to use these funds to provide more resources to Banking Ombudsman both in term of human resource and other supporting resources to ensure that depositors' grievances are heard and managed in a better way. There is a need to increase the scope of coverage of banking ombudsman scheme. Banking ombudsman currently operates in the restricted scope of activities as defined in the Banking Ombudsman Scheme, 2006. For instance a depositor cannot approach ombudsman for a misleading advertisement. Also ombudsman needs to be made more saver/depositor friendly which requires more time and resource.
- 3) As proposed by RBI, there will be a committee to monitor funds mobilised under the scheme. In the process of management of money mobilised under the scheme, the committee will register institutions, which in turn will be responsible for depositor's education. The draft document says, "For the promotion of depositors' interests, the Committee may register/recognise from time to time various institutions, organizations or associations, engaged in activities relating to depositor awareness and education, including those proposing to conduct programmes for depositors of banks, organizing seminars and symposia for depositors and undertaking projects and research activities relating to these areas". While it is fair to do this, the RBI should ensure that there should be a banking partner for all such programmes and representatives of the banks should directly interact with the depositors.

- 4) The focus of these programmes should be in remote areas where depositors and other bank clients very rarely get an opportunity to get information and education on banking services. Customers often find themselves at the receiving end if they face any issue while dealing with the bank and are often not able to approach the appropriate authorities. The education program can be widened in scope to ensure in this context as well so that the concept of financial inclusion is included under the scheme.
- 5) As per the proposed Fund (scheme), Banks shall repay the customer/ depositor, along with interest if applicable whenever the depositor makes a claim of her money. There should be a time frame defined for this and it should not be more than a week. It is important to note that customers approach banks for withdrawal of money from inoperative account on many such occasions where they have already exhausted other sources of funds.
- 6) Any deposit account opened and operated by senior citizens should be monitored separately for this scheme. Since senior citizens may get inconvenienced by transfer of money from their account even after 10 years, it is required that they should be served sufficient notice for cases where money is going to get moved out of their account. Banks can send periodic reminders to the senior citizens so that they are aware about the time frame after which the money will move out from inoperative account.
- 7) The investor education program should not be mere a speech or a conference discussing issues but should give depositors an opportunity to understand how to handle the issues that they may face in the process of using banking services. It will be great if in the every program, the escalation matrix and modus operandi of dispute resolution is shared with the depositors
- 8) In order to ensure that the scheme functions smoothly RBI is planning to set up a committee, as mentioned in the draft scheme, which will be responsible to administer and manage the Fund in accordance with the Scheme. It will be a great idea to have atleast one representative from depositors or organizations currently operating for promotion and protection of depositors. This will bring transparency into the overall operation of the scheme.
- 9) Create a central repository of updated information on depositor's right. The free online access should be available to the depositor including the bank where he holds account. This repository should also provide escalation matrix in a bank.

Yours sincerely,



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