



Guidelines of Business Conduct for Banks

**Consumer Protection Department
State Bank of Pakistan
Karachi**

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PART - A

APPLICATION AND DEFINITIONS

These definitions are not precise, legal or technical and are intended to assist customers for broader understanding of banking terms used in the Guidelines.

1. **Annualized Percentage Rates (APR)** means annual rate that is charged for borrowing and expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction.
2. **Automatic Teller Machines or Cash or Money Machines (ATMs)** mean Electronic terminals that allow customers to use Cards, PINs and Biometric identification, etc to access their accounts, withdraw cash, make deposits, transfer funds or access other services.
3. **Automatic Payments** mean arrangements by which customers instruct their banks to make regular payments for a fixed sum from their account into another banks account.
4. **Automatic Rollover** means reinvestment of a certificate of deposit's (COD) profit and principle upon maturity with no action required by the account holder. When a COD matures, the certificate holder may have a short window during which to move the proceeds to another account. If they do nothing, the banks automatically reinvests the proceeds into a new COD with the same maturity as the original COD.
5. **Bank** means banking company which transacts the business of banking in Pakistan.
6. **Banking service** means any financial service/ product provided by banks to its customers:
 - a. including any financial service/ product provided by the banks whether supplied directly or through an intermediary; and
 - b. in the case of a financial service/ product provided by another party and distributed by the bank, extends only to its distribution or supply of the service/ product to its customer and not to the service/ product itself.
7. **Bank Cheque** means a cheque that is purchased from, and drawn on the account of a bank.
8. **BBA** means the Basic Banking Account
9. **BCO** means the Banking Companies Ordinance, 1962.
10. **Bill Payment** means a one-off transfer of funds from the paying customer's account to a payee's account, which is initiated by the paying customer. The paying customer decides the payment amount and the payment date for each payment and advises the paying bank, via their bank's telephone banking service, Internet Banking service or other means.
11. **BPRD** means the Banking Policy & Regulations Department of State Bank of Pakistan.
12. **Branch** means a customer contact site which the customer can physically visit and carry out their general banking transactions.
13. **BSD** means the Banking Surveillance Department of State Bank of Pakistan.
14. **Card** means any Card that can be used to pay for goods and services, or to access ATM machines or other electronic banking services such as Point of Sales (POS) and include:

- a) **cash cards** - Cards used to obtain cash from ATM s;
 - b) **credit cards** - Cards that allow Customers to buy on Credit and to obtain cash advances. Customers receive monthly statements and may pay the balance in full or in part, though a specified minimum payment; and
 - c) **debit cards** - Cards that can be used to access your accounts to obtain cash or make a payment at a point of sale. Customers' accounts are debited electronically for these transactions.
15. **Chargeback** mean the reversal by the bank of transaction made to customer which are found to be:
- a. incorrect, invalid or unauthorized charges, and
 - b. notified to bank within the reasonable time limit.
16. **Commission** means charges for providing various financial services.
17. **CPD** means the Consumer Protection Department of State Bank of Pakistan.
18. **Credit** means an arrangement by which the bank provides funds to a customer in exchange for a promise to repay at a later date, along with any mark-up and charges payable.
19. **Credit Agreement** is a legal contract in which a bank arranges to loan a customer a certain amount of money for a specified amount of time. The credit agreement outlines all the terms and conditions associated with the contract. This includes the mark-up that must be paid on the loan.
20. **Credit Facilities** include, overdrafts, secured/unsecured loans, funded/non-funded facilities.
21. **Crossed Cheque** is a cheque that has been marked to specify an instruction about the way it is to be redeemed. A common instruction is to specify that it must be deposited directly into an account with a bank and not immediately cashed by a bank over the counter. The format and wording varies between countries, but generally two parallel lines and/or the words 'Account Payee' or similar may be placed either vertically across the cheque or in the top left hand corner. By using crossed cheques, cheque writers can effectively protect the cheques they write from being stolen and cashed
22. **Customers** as used in the Guidelines, means all customers of a bank other than corporate customers.
23. **Debt Collection Agencies** mean companies whose business is to collect debts from people who have failed to meet any obligation to repay the banks' liability.
24. **Default** means failure to repay Credit or to meet other conditions that were promised or agreed to by the customer.
25. **Demand Draft** is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee).
26. **Direct Credits** mean arrangements by which payments, such as salaries, are directly credited to customers' bank accounts.
27. **Direct Debits** mean arrangements by which customers authorize bank to make payments directly from their accounts to a third party who has initiated the arrangement. The amounts can be fixed or variable. If variable, the bank should give prior notice to the customer of variations.
28. **Disclosure Statement** means disclosure to customers of financial and other information by banks as required by BCO, 1962.
29. **Dishonored Cheques** mean cheques that are presented for payment and are not paid, leaving the person to whom the cheque is payable without the money.

30. **Dormant Accounts** are classified when there has been no financial activity for a long period of time, other than posting of mark up.
31. **E-banking** stands for electronic/internet banking.
32. **ECIB** means the Electronic Credit Information Bureau of State Bank of Pakistan.
33. **FE** means Foreign Exchange.
34. **Guarantees** mean legal arrangements by which someone (the guarantor) promises to repay the debts of a customer if that customer defaults in making repayment.
35. **Internet Banking** means use of a computer or device to connect the customer to an electronic banking channel via the internet and to carry out a range of transactions and obtain information about the account.
36. **IVR** means Integrated Voice Response that allows customers to interact with a bank's host system via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue.
37. **Joint Account** is an account that is shared between two or more individuals.
38. **Joint debtors** are two or more people/entities who are issued credit, based on their combined incomes, assets and credit histories. The parties involved accept joint responsibility for repaying the debt.
39. **KYC** means Know Your Customer.
40. **Maturity** means the period of time for which a financial instrument remains outstanding. It refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with markup. The term is most commonly used in the context of fixed income investments, such as bonds and deposits.
41. **M-banking** means mobile/telephone banking.
42. **Merchants** mean any suppliers of goods or services who accept payments by cards.
43. **NPL** (Non Performing Loans) means a sum of borrowed money upon which the debtor has not made his or her scheduled payments.
44. **Overdraft** means withdrawal of funds from bank accounts, exceeding the customer's credit balance, with or without prior arrangement.
45. **Password** means a confidential combination of letters, numbers and special characters etc. used for user authentication to prove identity or access approval to gain access to a resource which should be kept secret from those not allowed access.
46. **Payment order** refers to a directive to a bank from a bank account holder instructing the bank to make a payment or series of payments to a third party. It can be defined as, "Instructions to transfer funds sent via paper and/or electronic means"
47. **PBA** means the Pakistan Banks Association
48. **PIN** (Personal Identification Number) means confidential number used by Customers to access their accounts via ATMs, POS facilities, the internet and other electronic banking services such as telephone banking.
49. **PLS** means Profit and Loss Sharing accounts.
50. **PR** means the Prudential Regulations issued by the State Bank of Pakistan from time to time.
51. **Right to set off** means a legal clause that gives a lender the authority to seize a debtor's deposits when they default on a loan. A set-off clause can also refer to a settlement of mutual debt between a creditor and a debtor through offsetting transaction claims. This allows creditors to collect a greater amount than they usually could under bankruptcy proceedings.

52. **Safe Custody** means a service offered by some banks by which valuable items such as gold, jewelry, house titles, wills, share certificates, etc. can be kept in the bank's lockers for safe-keeping, usually subject to a fee and insurance coverage.
53. **SBP** means the State Bank of Pakistan.
54. **Security** means the promising of assets (such as titles to property, life policies and shares) to banks as support for credit facilities granted to customers. A mortgage document is a common type of security, in which property is used as security for a loan. If the credit facilities are not repaid, the bank's position is "secured", i.e. it can sell the assets to recover the outstanding debts after legal proceedings.
55. **SMS** means Short Message Service.
56. **SOC** means Schedule of Charges.
57. **Stop Payments** mean an advice by the customer for stopping of a cheque or some other types of payments.
58. **Term Deposits (Investments)** means a contract between a customer and a bank, whereby the customer places a deposit with the bank for a mutually agreed period of time. The banks pay a set rate of profit on these deposits. If the customer wishes to access funds before the maturity date, there may be a fee charged and/or penalty for breaking this contract.
59. **Third Party** is an individual or entity that is involved in a transaction but is not one of the principals. The third party often has a lesser interest in the transaction than the principals.
60. **Third-Party Security** means security provided by a person other than a borrower.
61. **Unauthorised Transactions** mean items recorded on accounts that have been made without the Customer's authority/knowledge.
62. **Unclaimed Deposits** means a debt payable either in Pakistani currency or any other (foreign) currency is owing by a banking company by reason of a deposit (time/demand deposit, or any other kind of deposit)), not being recorded in the name of a minor or a government or a court of law, or a financial instrument (pay slips / pay orders / D.Ds / T.Ts / M.Ts, or any other financial instrument in respect of which no transaction has taken place and no statement of account has been requested or acknowledged by the creditor during a period of ten years as reckoned under sub section(1) of Section 31 of BCO 1962.

PART - B

1) INTRODUCTION

1.1) Introduction:

The Guidelines of Business Conduct for Banks (“the Guidelines”) sets out procedures which the banks are recommended to follow in their dealings with customers.

1.2) Objectives:

The objectives of the Guidelines are to:

- a) promote good banking practices by setting out the minimum standards in dealings with customers;
- b) increase transparency in the provision of banking services so as to enhance the understanding of customers of what they can reasonably expect of the services provided by the banks;
- c) ensure compliance of prudential obligations and relevant laws by the banks;
- d) promote a fair and cordial relationship between banks and their customers; and
- e) enhance customers’ confidence in banking system by creating awareness among them of their rights and obligation.

The above objectives are to be achieved:

- a) having regard to the need for the banks to conduct business in accordance with prudential standards in order to preserve the stability of the banking system; and
- b) while striking a reasonable balance between consumer rights and efficiency of banking operations.

PART - C

2) KEY COMMITMENTS AND GENERAL OBLIGATIONS

2.1) The bank's key commitments to its customers:

The bank relationship with customer will be guided by the principles of:

- a) trust;
- b) fairness;
- c) transparency; and
- d) accountability.

The bank will:

- a) continuously work towards improving the standards of practice and service in the banking industry;
- b) promote informed decision about banking services by providing effective disclosure of information and explaining customer, when asked, the content of brochures and other written material about banking services;
- c) inform customers about the rate of mark-up and subsequent changes, if any, therein;
- d) provide general information about the rights and obligations that arise out of the banker-customer relationship in relation to banking services;
- e) endeavor that advertising and promotional material contain clear information about product and services and is not deceptive;
- f) ensure secrecy of personal information and operation of secure and reliable payment systems;
- g) monitor external developments relating to legal, regulatory and banking practices and related issues; and
- h) act fairly and reasonably towards its customers in a consistent and ethical manner and in doing so the bank will consider its customers' conduct, its own conduct and the contract with the customers.

2.2) Compliance with the laws and regulations:

The bank will act within the laws and regulation and refrain from acting prejudicial to its business, reputation, integrity and interest of depositors.

If the Guidelines impose an obligation on bank, in addition to obligations applying under any laws and/or regulations, the bank will also comply with the Guidelines except where doing so would lead to a breach of a law and/or regulation.

2.3) Priority to Senior Citizens and customers with a disability:

The bank will:

- a) ensure extension of special assistance and due care to senior citizens, disabled and handicapped people in availing their genuine banking needs/services;¹
- b) facilitate pensioners in availing banking facilities and treat them with respect and dignity;²
- c) recognize the needs of elderly customers and customers with any disability to have access to transaction services and provide preferential treatment/out of queue assistance to special persons who desire to conduct banking transactions or wish to avail other financial services;
- d) ensure that adequate seating arrangements and clean drinking water facilities are available in the branches for all senior citizens, especially for pensioners; and
- e) arrange, wherever possible, construction of ramps at the entrance of existing branches and ATM cabins to allow easy access to special persons and wheel chair users.³

2.4) Equal Treatment:

The bank will:

- a) not discriminate against any primary customer on any ground in the provision of banking services and in the quality and terms of services. However, the banks may treat their priority customers according to well defined internal policies; and
- b) apply its related policies for declining any products or services to customer and provide reasons, wherever possible for such a decision at customer's request.

2.5) Staff training and competency:

The bank will ensure that its staff and authorized representatives are properly trained so that they can competently and efficiently discharge their functions.

2.6) Communication to Customers:

Unless clearly mentioned, the communication to customers including information about products will be done by appropriate/relevant staff.

¹ BSD Circular letter No. 17 of June 12, 2000

² BPRD Circular No. 11 of June 06, 2009

³ CPD Circular No. 2 of February 13, 2014

PART - D

3) DISCLOSURES

3.1) Promotion of the Guidelines:

The bank will:

- a) promote the Guidelines among themselves preferably through PBA forum;
- b) make available, at its branches, a copy of the Guidelines for customers' access;
- c) prominently display the Guidelines on its website; and
- d) make the Guidelines available to customers on request.

3.2) Terms and conditions:

3.2.1) The bank will provide to customer, on request:

- a) terms and conditions of any banking service it currently offers;
- b) copy of the schedule of charges, highlighting the fees to be paid; and
- c) full particulars of standard fees and charges that are, or may become, payable for any banking service it currently offers.

3.2.2) The terms and conditions of the banking services will be:

- a) written in English and Urdu languages;
- b) provided at the time of or before the contract for an ongoing banking service is made except where it is impracticable to do so, the same be provided later on as early as possible; and
- c) consistent with the Guidelines, also include a statement to the effect that the relevant provisions of the Guidelines apply to banking services.

3.2.3) Terms and conditions will include (where relevant) and are not part of Schedule of Charges:

- a) the standard fees and charges applicable;
- b) the method by which profit/mark-up, if any, is calculated;
- c) the frequency with which it will be credited or debited;
- d) expected mark-up rate whether fixed, variable or a combination of both the rates;
- e) effective/annualized percentage mark-up rates and minimum monthly repayments;
- f) the fact that more than one mark-up rate may apply; and
- g) minimum balance requirement or restriction on depositing money in, or withdrawing money from an account.

3.3) Copies of documents:

3.3.1) The bank will, at the customer's request, provide a copy of any of the following documents relating to a banking service the customer has, or had, with it:

- a) a credit agreement (including terms and conditions, standard fees and charges and mark-up rates) or any other contract;
- b) any mortgage or other security document;
- c) a statement of account; and
- d) a notice previously given to the customer relevant to the bank exercising its rights.

3.3.2) The bank will provide with a copy of a document to its customer:

- a) within 15 business days, if the original came into existence within 1 year of request; and
- b) within a reasonable time in accordance with the record retention policy if the original came into existence after 1 year of request .

3.3.3) The bank will charge its customer a reasonable fee for providing a copy of a document under the Guidelines, however, the fee will be properly disclosed to the customer.

3.4) Operation of accounts:

3.4.1) The bank will provide to its existing or a prospective customer, upon request, general descriptive information concerning its banking services, including where appropriate:

- a) account opening procedures;
- b) the bank's obligations regarding the confidentiality of customer's information; and
- c) complaint handling procedures.

3.4.2) Before opening of an account, the bank will advise:

- a) about rights and obligations of customer relating to account;
- b) type of account and how and by whom the account may be operated;
- c) how funds may be deposited or withdrawn from the account;
- d) how profits will be paid to the account holder after tax deductions;
- e) any rights of set-off by the bank;
- f) how and under which cases Zakat may be deducted from the account;
- g) the requirements for closing the account; and how to deal with an account if it becomes dormant and has any unclaimed balance in it;
- h) the time for clearing a cheque and how a cheque be specially cleared;
- i) the time required for inter-city cheque collection and their charges;
- j) the effect of crossing a cheque, the meaning of "not negotiable" and "account payee only" and the significance of deleting "or bearer" when any of these expressions appear on a cheque;
- k) how and when a cheque may be stopped;

- l) how a cheque may be made out so as to reduce the risk of unauthorized alteration; and
- m) the dishonour of cheques, including post-dated and stale cheques, and its effect on the customer, including cheque return charges and any other legal implications arising on account of dishonoring of cheque due to insufficient balance.

3.5) Changes to the terms and conditions:

3.5.1) The bank will serve a written notice of the introduction or change to its customer at least 30 days before the change takes effect, in the following ways by:

- a) direct communication (e.g. by letter, email, SMS, telephone, etc.);
- b) display in all branches;
- c) notice in the media (including public notices); and
- d) notice on bank's website; or by any electronic banking channel used by its customer;

before:

- a) introducing fees or charges;
- b) changing the method of calculating mark up;
- c) varying the mark up rates applicable or frequency with which mark up is debited or credited; and
- d) changing terms and conditions .

3.5.2) The bank will notify its customers, of the introduction or change of a government charge payable directly or indirectly by its customers by writing or by advertisement in the print/local media, unless the introduction or change is publicized by the government, government agency or representative body and any impact of such introduction/change on the customers' accounts.

PART - E

4) PRINCIPLES OF CONDUCT

4.1) Confidentiality and Privacy:

4.1.1) The bank, in terms of provision of Section 33-A of the Banking Companies Ordinance, 1962, shall maintain fidelity and secrecy and shall not disclose any information about its customers and their accounts, except where the customer has consented to disclose the information or compelled by laws/regulations:

4.1.2) The bank will ensure that before transferring/sharing customers' information to third party service providers, adequate steps are taken to ensure confidentiality of information by the service providers.

4.1.3) The bank will ensure safety and confidentiality of the record of customers' telephonic conversations made while using electronic banking facilities like tele /mobile banking, etc.

4.2) Pre-contractual conduct:

The bank shall disclose to its customer the fees or charges for applying for any product or availing any service whether such fee or charge is refundable if the application is rejected or not pursued. The bank will inform its customer before he/she is liable to pay any such fee or charge.

4.3) Schedule of Charges & fees:⁴

4.3.1) The bank will:

- a) charge reasonable fee commensurate with service being provided and fall within the proximity of what other banks charge for the same service; and
- b) act fairly while recovering the charges and shall not take the benefit of ignorance of any customer.

4.3.2) The bank, at the customer's request, will provide information of:

- a) relevant fees and charges for services or products;
- b) details of charges in case there is more than one type of charge or fee applied;
- c) the basis of charges for services rendered that are not included in the standard fees and charges at the time of offering of services; and
- d) additional charges or expenses, including charges when an account becomes overdrawn without prior agreement, exceed overdraft limit, loan falls into arrears, early withdrawal or cancellation and when a cheque is returned;

4.3.3) the bank will not:

⁴ CPD Circular No. 01 of January 26, 2015.

- a) recover charges which are prohibited under the law, underline contracts, rules, and regulations;
- b) charge twice for a services or a single breach of contract; and
- c) charge customer for the services rendered without consent.
- d) recover charges more than the actual cost of CIB report from the customers.⁵

4.3.4) The bank will:

- a) reflect late payment charges in the account of customer and respective notices as and when accrued; and
- b) avoid the practice of informing customers about late payment charges at the time of maturity of loans.

4.3.5) The bank with respect to non-interest charges will:

- a) give 30 days prior notice before increase in charges;
- b) allow customer to exit the contract without penalty, provided such right is exercised within the notice period; and
- c) treat notice as implied consent of the borrower if no reply is received within the notice period;

4.3.6) The bank will:

- a) publish Schedule of Charges in English as well as in Urdu language;
- b) use mediums like SMS alerts, emails, pop-up messages on ATM screens and e-banking user interface to disseminate new/revised charges; and
- c) make available Schedule of Charges of its products and services at website.

4.4) Opening of account:⁶

4.4.1) The bank will not refuse opening of accounts of prospective customer who meet the requirements laid out in the Prudential Regulations, other instructions issued by SBP from time to time and the banks' own policies.

4.4.2) Opening and maintenance of regular savings accounts will:

- a) be free of charge;
- b) have no condition of maintaining a minimum balance;
- c) have no charges at the time of closing an account;
- d) be opened with Rs. 100/- as an initial deposit;
- e) have no initial deposit for opening of accounts of;
 - i) mustahkeen of Zakat;
 - ii) students; and
 - iii) employees of Government or Semi Government institutions for salary and pension purposes (including widows/children of deceased

⁵ BPRD Circular Letter No. 05 of February 25, 2010

⁶ BPRD Circular No. 07 of May 27, 2011.

employees eligible for family pension/benevolent fund grant, etc.) and other similar types of accounts.

4.4.3) The bank will:

- a) invariably pay profit on "Profit and loss sharing (PLS) Accounts";
- b) bring into the knowledge of customer terms and conditions for the operation of account, especially in case of its dormancy, closing and/or subsequent reactivation;
- c) document the terms and conditions in the Account Opening Form;
- d) retain a copy of the Account Opening Form duly signed by the account holder, signifying that he/she has read and understood the terms and conditions of the account;
- e) retain a copy of the Know Your Customer (KYC) form duly signed by the account holder, signifying that he/she has mentioned true details and have read the terms and conditions mentioned therein;
- f) inform the customer of insurance products from the bank/other companies for the account holder, and their impacts on the account holder's respective account;
- g) provide a copy of the Account Opening Form to the account holder duly verified by the authorized official(s) of the branch with proper record of acknowledgement; and
- h) translate key features of the Account Opening Form into Urdu and share with the account holder at the time of opening of the account.

4.5) Deposit Accounts:

4.5.1) The bank will publicize or display at their principal place of business and branches the rates offered on profit and loss sharing accounts, except where rates are negotiable.

4.5.2) For time deposits, the bank will disclose to its customers;

- a) the manner in which payment of profit and principal will be made and the costs associated with different methods of withdrawing such funds;
- b) the manner in which funds may be dealt with at maturity (for example, automatic rollover, transfer to savings, current accounts, etc.);
- c) the profit rate, if any, that will apply on time deposits which have matured but have not been renewed or withdrawn; and
- d) the charges and/or forfeiture of profit which may arise from early or partial withdrawal of deposits.

4.6) Statement of Account:⁷

4.6.1) The bank will deliver, free of charge, statements of accounts to:

⁷ BPRD Circular No. 02 of January 05, 2010

- a) account holders having a closing balance equal to or exceeding Rs.10,000/=, at least twice in a year on six monthly basis within one month from the close of half-year, i.e., June 30 & December 31;
- b) account holders having a closing balance of less than Rs.10,000/=, once a year within one month from the close of calendar year i.e. by 31st January; and
- c) Account holder of “Basic Bank Account” once a year.

4.6.2) The bank will send Electronic Statement subject to consent of customers for sending E-Statement of accounts instead of hard copy; and retain record as per bank’s internal record retention policy.

4.6.3) The statement of accounts will:

- a) be legible, clear and printed in an appropriate size of font; and
- b) be sent to account holders/customers either through a courier company or express post services of Pakistan Post;

4.6.4) The statements will reflect for each transaction since the previous statement:

- a) the amount of the transaction;
- b) the date, the transaction was paid into or withdrawn from the account;
- c) the cheque number of any cheques paid out of account; and
- d) for Card transactions, Automatic Payments, Direct Credits, Direct Debits and other payments, reference to the party who is making or receiving the payment (if such information has been made available).
- e) any fees or charges relating to the operation of the account; and
- f) the contact details for making enquiries or reporting errors in the Statement of Accounts, if any.

4.6.5) The bank will:

- a) ensure confidentiality and secrecy while dispatching statements of account through courier/postal services;
- b) maintain proper confirmation record of dispatch of all statement of accounts to the account holders; and
- c) make all efforts to update record/address of the account holders where statement of account is returned/undelivered.

4.6.6) The bank will not:

- a) give statement of accounts to any unauthorized person;
- b) deliver statement of account, where an account has become dormant as per bank’s approved policy, till such time the account is reactivated or new address is made available/obtained;
- c) deduct “Service Charges” from the Dormant accounts; and
- d) charge amount mentioned in the Schedule of Charges for each duplicate/additional statement of account.

4.7) Joint accounts and supplementary cards:

4.7.1) Before opening of a joint account, the bank will:

- a) give general descriptive information about the operation of the joint account;
- b) intimate the rights and responsibilities of each customer of the joint account;
- c) inform implications of the signing arrangements in account mandate for the operation of the joint account, particularly that any transactions entered into by the authorized signatory or signatories will be binding on all account holders;
- d) intimate any rights of set-off claimed by the bank in respect of joint accounts; and
- e) inform about customer's potential liability for debts incurred on the joint account.

4.7.2) While accepting customer's instructions to issue a supplementary credit or debit cards, the bank will:

- a) provide general descriptive information to the customer, as the primary cardholder, of potential liability for debts incurred by the supplementary cardholder using the card;
- b) inform the customer, as the primary cardholder, of the means by which a supplementary card can be cancelled or stopped and the fact that this may not be effective until the supplementary card is surrendered or the customer has taken all reasonable steps to have the card returned to the bank; and
- c) inform that if a customer is a primary cardholder, he/she will not be liable for the continuing use of a supplementary card from the date the primary credit card holder requests the bank to cancel the supplementary card and has duly returned the supplementary card to the bank.

4.8) Provision of credit:

4.8.1) The bank will extend credit in a prudent and requisite manner, according to SBP' regulations and bank's own internal policies which match borrowing requirements and financial capability of the customer.

4.8.2) Before extending credit, the bank will:

- a) take into account income, expenses, statement of assets and liabilities;
- b) review conduct of customer's previous and existing accounts;
- c) obtain information from Electronic Credit Information Bureau (eCIB) and other credit information bureaus as required under the relevant regulations;
- d) take into account the customer's financial standing, his/her credit history, repayment capacity and whether he/she can be extended credit under the existing regulatory requirements and bank's own policies; and
- e) get the legal documents or offer letter containing the terms and conditions of credit duly signed/acknowledged from the borrower before disbursement of credit.

4.9) Application for a Loan:

4.9.1) The bank will interact with the prospective borrower and ensure that he/she understands the principal terms and conditions of any borrowing arrangement;

4.9.2) The bank will provide information upon application for a loan or overdraft or, where relevant, in a subsequent offer;

- a) the rate of mark-up for the loan or overdraft, and whether it may be varied over the period of the loan;
- b) the basis on which Mark-up will be determined and when it will be payable, including where relevant the APRs, and the number of days in the year (in both ordinary and leap years) that will be used for the calculation;
- c) all fees and charges which may apply;
- d) the specified period during which the loan offer may be accepted by the prospective borrower;
- e) details of terms of repayment, including the loan tenor and, where relevant, the installments payable by the customer;
- f) any overriding right to demand immediate repayment;
- g) other significant features such as security requirements, late payment penalties, and the charges or termination fees for early repayment; and
- h) the bank's right, in the event of default of the borrower, to set off any credit balance in other accounts held by the borrower (or in a joint account of the borrower) against the amount due to the bank.

4.10) Credit Cards:⁸

4.10.1 For Credit Card product, the bank will provide an upfront key product fact sheet in the form of a Summary Box to their prospective credit card customer containing:

- a) annualized percentage rate (APR);
- b) effective mark-up rates;
- c) minimum monthly repayments;
- d) credit card limits;
- e) fees & charges; and
- f) insurance coverage; etc.

4.11) Joint debtors:

4.11.1) The bank will:

- a) accept a customer as a co-debtor under a credit facility after obtaining proper identity and relation with the customer;

⁸ CPD Circular No. 03 of February 20, 2014

- b) before signing up a customer as a co-debtor, take all reasonable steps to ensure that he/she understands that he/she will be liable for the full amount of the debt and his/her rights under the related agreement; and
- c) allow joint debtor (if a person is jointly and severally liable under a credit facility) to terminate his/her liability in respect of renewal/future advances or financial accommodation if he/she gives the bank, a written notice in the matter. This right only applies where the bank can terminate any obligation that it has to provide further credit to any other debtor under the same credit facility.

4.12) Guarantees:

4.12.1) The bank will ensure that the persons who have offered to give personal guarantee or other Security as a guarantee are made aware of their obligations and informed that:

- a) they may seek independent legal or, if required, other professional advice before giving any guarantee, and
- b) as a guarantor of credit, they will have to pay off the outstanding liabilities including mark-up and all associated charges (recovery cost) up to the level of guarantee, if the borrower does not repay.

4.12.2) The bank will provide to guarantor a copy of:

- a) credit contract together with a list of any related security contract; and
- b) the final offer letter provided to the debtor together with details of any other conditions.

4.12.3) The bank will allow the guarantor to withdraw from the guarantee at any time before the credit is provided under the relevant credit contract through acknowledged written notice to the bank or through email.

4.13) Direct debits:

4.13.1) The bank will process customer's instruction to cancel a direct debit request relevant to a banking service provided to the customer, a debit order:

- a. not authorized by the customer;
- b. or in a manner not authorized by the customer in the defined manner (e.g. split the collection amount or consolidate several debit orders); or
- c. is not consistent with the customer's instructions.

4.13.2) The bank may request the customer to provide proof of identity and to confirm the transaction. If it is determined that the debit order is not authorised by the customer, the bank will reverse the transaction and any related fees. However, the customer will not be able to dispute a debit order if the authorization was done by the customer using his/her debit card and PIN.

4.14) Debt collection:⁹

4.14.1) Before proceeding for debt collection/recovery, the banks will:

- a) serve a minimum of 14 days duly acknowledged notice to the customer/borrower through letter and SMS advising him/her to make overdue payment, before a visit to his/her residence/business place is undertaken;
- b) serve advance notice to the customer when the bank staff picks up the payment instrument and if it is done on customer's request then it will be properly recorded;
- c) not contact customers/borrowers at an inconvenient time;
- d) disclose proper identity, name of the bank and the purpose of the call;
- e) adopt lawful and acceptable business language and professional attitude;
- f) not harass customer/borrower's family members; and
- g) obtain necessary information from family/friends/third party of the borrower if he/she is not in contact for 30 days after the first missed payment.

4.14.2) Before repossession of leased vehicles, the bank will:

- a) specifically mention repossession clause in the loan agreement;
- b) serve at least 14 days duly acknowledged written notice before repossessing the leased vehicle on breach of an agreement/default on repayment by the customers/ borrowers;
- c) allow the customer/ borrower to take possession of his/her valuables/goods out of the vehicle, and
- d) not misuse/transfer any personal data of customers/borrowers without prior approval by the competent authority and any information of customer/borrower provided to the collecting staff will be properly documented.

4.15) Payment instruments:

4.15.1) The bank will inform its customers of:

- a) safeguard mechanism for payment instruments such as credit and debit cards, cheques, passbooks, etc.;
- b) the consequences arising from failure to comply with any requirement that bank imposes; and
- c) the means by which he/she can notify the bank of the loss, theft or misuse of payment instruments.

4.15.2) The bank will swiftly process customers' communication of the loss/theft to avert misuse of payment instruments.

⁹ BPRD Circular No. 13 of November 03, 2008

4.16) Automated Teller Machines:¹⁰

4.16.1) In order to provide safer and enabling environment at ATM Machines, the bank will:

- a) install CCTV surveillance cameras;
- b) provide proper lighting and locking arrangements;
- c) arrange 24/7 helpline to resolve the day-to-day operational issues at ATMs;
- d) place complaints / suggestion boxes in ATM booths/cabins;
- e) educate customers to regularly reconcile their ATM transactions;
- f) replace/repair ATMs and/or parts after reasonable useful life as per international standards and practices;
- g) establish centralized monitoring unit to monitor ATM operations 24/7 to address out of cash and out of order incidences; and
- h) ensure that fake currency notes/un-acceptable notes are not disbursed through ATMs.

4.16.2) The bank will ensure credit of non-dispensed cash at ATMs in customer's account:

- a) on next business day, if the transaction is made at Same Bank at Same Branch;
- b) within 3 business days if the transaction is made at Same Bank at Different Branch, Intra-City (within same city);
- c) within 4 business days if the transaction is made at Same Bank at Different Branch, Inter-City (Different cities);
- d) within 6 business days if the transaction is made at Different Banks within same city- member of same switch (MNET or 1-LINK);
- e) within 6 business days if the transaction is made at Different Banks in different cities- member of same switch (MNET or 1-LINK);
- f) within 7 business days if the transaction is made at Different Banks within same city- member of different switch (MNET or 1-LINK); and
- g) within 7 business days if the transaction is made at Different Banks in different cities- member of different switch (MNET or 1-LINK).

4.17) Internet Banking:

4.17.1) The bank will:

- a) ensure that it's internet banking systems and technology are secure and are regularly reviewed and updated;
- b) make available detailed terms and conditions to customers general descriptive information relating to the use of internet banking services;
- c) disclose prominently the issues when a customer enters into an agreement for internet banking service;
- d) the customer's liability for unauthorized transactions;
- e) all fees and charges which will apply to the internet banking service;
- f) customer obligations in relation to security for the internet banking service including observing in a timely manner the relevant security measures

¹⁰ PSD Circular No. 1 of April 06, 2006

- specified from time to time by the banks for the protection of customers and means for reporting security incidents or complaints;
- g) reimburse its customer for the loss incurred due to security breach of the bank's internet banking, if not caused or contributed by the customer; and
 - h) take appropriate measures to ensure that its smart phone and mobile applications are secure and regularly reviewed and updated for this purpose.

4.18) Foreign Exchange Services:¹¹

4.18.1) In providing foreign exchange services for home remittances, other than by credit or debit cards/travelers' cheque, the bank will:

- a) provide to its customer details of the exchange rate and commission charges that will apply or, if these are not known at the time of transaction, the details of the basis on which the transaction will be completed;
- b) credit inward remittance amount in the account of beneficiaries:
 - i) if he/she is maintaining its account within the same bank, the amount of inward remittance will be credited to the account instantly;
 - ii) if he/she is maintaining its account with the bank other than the recipient bank, the recipient bank will intimate and give credit of the same to the other bank within maximum 24 hours of the receipt of funds;
 - iii) if the bank maintaining the account of the beneficiary, after receiving intimation and funds from the recipient bank, credit the account instantly;
 - iv) where the payment is required to be made through Pay Order/ Demand Draft to the beneficiary, issue and dispatch the same within 24 hours of the receipt of funds;
 - v) if the bank is offering the facility of cash over the counter to the beneficiary, the bank shall ensure the availability of the funds instantly.
- c) send SMS to the inward remitter and the beneficiary, after crediting the inward remittance amount in the beneficiary account or in the system for the cash payment at the counter;
- d) use E-Banking/M-Banking Channels to make payments at merchant sites, transfer of funds, pay utility bills etc. which are available even after banking hours;
- e) issue Inward Remittance Cards;
- f) reduce/waive various fees and charges on the use of these channels; and
- g) compensate the beneficiary where it fails to give credit to the beneficiary account within the stipulated period as per instructions issued by SBP from time to time.

4.18.2) Additionally, the bank will:

¹¹ FE Circular No. 04 of August 22, 2009 and PSD Circular No. 02 of August 22, 2009.

- a) ensure that the staff handling foreign exchange matter is well versed and properly trained to adequately guide customer to carry out foreign exchange transactions;
- b) make sure the availability of related rules and regulation to the customer seeking guidance in foreign exchange related transactions,
- c) educate their admissible corporate/commercial account holder that their accounts are opened/fed with the admissible funds/inward remittances only; and
- d) prepare and make available, in concerned branches and on its website for facilitation of its customers, related instructions/Standard Operating Procedures covering general rules relating to imports, exports, FCY accounts, private remittances, etc.

4.19) Sale of third Party Products:¹²

4.19.1) The bank offering third party products will:

- a) establish a centralized control function entrusted with the responsibility to verify the information given in the sales proposal/application forwarded by the sales staff;
- b) ensure that the person verifying the information should not have any incentive linked with the sales volume;
- c) introduce a basic fact sheet elaborating at least the following facts:
 - i) two liner definition of the product;
 - ii) disclaimer of the bank stating that it is only working in the capacity of a distributor;
 - iii) return mechanism in terms of investment and premium schedule;
 - iv) free look period in case of bancassurance;
 - v) premature encashment procedure and its repercussions; and
 - vi) redressal mechanism in case of any grievance;
- d) institute a call back confirmation mechanism equipped with the Integrated Voice Response system whereby every customer is contacted, briefed about the salient features of the product and his/her confirmation is obtained before approving a sales proposal;
- e) retain record of every call made for at least three years or until maturity of the product whichever is later;
- f) ensure that the personnel involved in the sales have adequate understanding of the product and are familiar with bank's policy;
- g) impart training to their staff to improve their understanding and knowledge of the product; and
- h) conduct quarterly reviews to analyze complaint trends and give feedback to the relevant business line.

4.20) Electronic communications:

4.20.1) The bank will provide any information which requires the bank to provide (by writing or other means) by:

¹² CPD Circular No. 02 of June 29, 2012.

- a) electronic communication to the customer's nominated electronic address (i.e. email address, SMS); or
- b) making it available at the bank's website for retrieval by electronic communication to the customer, on the condition that the bank:
 - i) promptly notify to the customer by electronic communication that the information is available for retrieval at the bank's website, and the nature of the information; and
 - ii) provide the customer with the ability to readily retrieve the information by electronic communication (for example, by providing a secure electronic link to the relevant information on the bank's website, or the URL of Bank's website).

4.21) Complaints and Disputes:¹³

4.21.1) The bank will establish procedures for handling customer complaints in a fair and speedy manner taking into account the criteria of;

- a) transparency - the applicable procedures should be documented;
- b) accessibility - the procedures should be easily invoked by customers; and
- c) Effectiveness - the procedures should provide for the speedy resolution of disputes in a fair and equitable manner.

4.21.2) The bank will strengthen complaints unit/section and identify & entrust responsibility to appropriate senior persons. The title/designation, telephone/fax numbers, email addresses and postal addresses of these persons will be available to the customers from the bank's call centre, website and also included in billing and other communications of banks to facilitate customers with various modes of communication.

4.21.3) The entrusted senior person will:

- a) acknowledge all complaints;
- b) address/handle and investigate complaints in a fair and prompt manner;
- c) devise a system for redressal of the complaints in an appropriate and courteous manner;
- d) reply the complainant clearly indicating the reasons/rationale of the decision being conveyed to him/her;
- e) reply in Urdu language where the complainant has used the language other than English, if possible;
- f) respond complaints within a period of 10 working days under Section 36(2) of the Payment System & Electronic Funds Transfers Act 2007 ;
- g) send an interim reply where a complaint requires further investigation indicating the reasons for the time to be taken and expected date of action/response; and
- h) decide the case, within a period of 10 working days under Section 36(2) of the Payment System & Electronic Funds Transfers Act 2007.

¹³ BPD Circular No. 17 of June 07, 2004

4.21.4) The bank will ensure that where a complaint needs to be probed further the same may be investigated by an employee who is not directly involved with that particular complaint.

4.21.5) Further the bank will;

- a) identify the complaints of recurring nature and ensure immediate corrective action to avoid the same;
- b) monitor the status of complaints and analyze the data periodically for improving this activity;
- c) send regular report, containing statistics on the volume and type of complaints received, settled/redressed, outstanding, etc., periodically to the management for review;
- d) conduct regular audit of complaint Unit/Section to check the performance, effectiveness and utility of Unit/Section; and
- e) provide appropriate training to staff dealing with complaints in order to enhance their skills in expeditious resolution of complaints.

4.21.6) The bank will:

- a) prepare a leaflet indicating the procedure for lodgment of a complaint and its resolution both in English and Urdu language for the convenience of their customers;
- b) post it on notice boards at each of their branch/office and also on their website (if available);
- c) supply a copy of the leaflet to customers upon request; and
- d) make available copies of their internal complaint handling procedures, in each of their branches and offices to which customers have access for expeditious disposal of complaints.

4.22) Advertising

4.22.1) For marketing, advertising, promotion of loyalty and reward programs, the bank will ensure that:

- a) advertising and promotion material is clear, fair, reasonable and not misleading or deceptive;
- b) unless opted by the customer, his/her personal information will not be used for marketing and advertising purposes;
- c) it will not make any offer of credit including an offer to increase overdraft or credit facility, on the basis that the offer will automatically come into existence unless customer declines the offer; and
- d) advertisements for products/services offered by subsidiaries of the bank like Asset Management Companies or Associates of the bank like insurance companies will clearly give full name of that company and a disclaimer that the bank is not an obligor for performance of the product/service being offered.

4.22.2) For promotion of Loyalty and Reward Programs, the bank will inform the customers of:

- a) the nature of loyalty or reward program, credit or award being offered;
- b) the products/services to which the offer relates;
- c) the steps required to participate or to receive any benefit in terms of loyalty or reward program;
- d) how, when and where the customers may have access to such programs;
- e) usage of reward points by the customers; and
- f) any terms and conditions related to general as well as specific offers of the loyalty and reward programs.

4.23) Closing of accounts:

4.23.1) Subject to the terms and conditions of any relevant banking service, the bank will:

- a) close its customer's account at his/her request;
- b) close its customer's account, after giving prior notice at the last contact details, which has not been operated for a period specified in the bank's policy.

4.23.2) The customer's account can be closed without giving prior notice if the bank:

- a) is compelled to do so by law (or by international bindings); and
- b) has reasons to believe that account is being used for any illegitimate purposes.

4.24) Unclaimed Deposits and Articles of Values:¹⁴

4.24.1) The bank will surrender unclaimed deposits (except in the name of a minor or a government or a court of law) to SBP after serving a three-month notice in writing by registered post acknowledgement to the creditor on his/her address last made known to the bank;¹⁵

4.24.2) The bank will arrange refund of unclaimed deposits within the period of one year from the date of surrendering of deposit from SBP as per procedure prescribed for the purpose.

4.24.3) The bank will ensure the identity of the depositor/claimant and process the refund claims after completing related legal formalities and SBP instructions.

4.25) Closing Bank Branches

4.24.1) The bank will give reasonable notice to its customers before closing a branch. The notice will also be prominently displayed on the branch premises which will

¹⁴ Section 31 of Banking Companies Ordinance, 1962.

¹⁵ BPD Circular No. 07 of July 21, 2006.

contain details of how the bank will continue to provide services to its customers and also provide contact information in case of enquiries by the customers. The notice period will not be less than 2 months unless it is not practicable for the bank to provide such notice (e.g. because of unforeseen circumstances). The banks will, however, provide a longer period of notice if the branch to be closed provides safe keeping/lockers services.
