


STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

To kindle interest in economic affairs...
To empower the student community...

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 ho2099@sib.co.in

LATEST SCHEMES FROM RBI (RBI - RDS & RB - IOS)

DECEMBER 2021 | THEME 360





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*"Your most unhappy customers are your
greatest source of learning."*

Bill Gates

The "Students' Economic Forum" is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is **"LATEST SCHEMES FROM RBI (RBI – RDS & RB – IOS)".**

On November 12, 2021, Prime Minister Narendra Modi launched two innovative, customer-centric initiatives of the Reserve Bank of India - Retail Direct Scheme (RBI RDS) and the Reserve Bank - Integrated Ombudsman Scheme (RB-IOS). The RDS is intended to give retail investors - mostly the middle class, employees, small businessmen and senior citizens - an option of 'directly' investing their hard-earned savings/surpluses in Government securities, making capital markets 'easily accessible' and ensuring that the investment is 'more secure'. The RB-IOS is aimed at improving customer grievance redress mechanism.

RBI Retail Direct Scheme (RBI RDS)

The Indian equity markets have progressed in leaps and bounds to keep the investor at the centre of the initiatives. However, the bond markets remained fairly out of reach for individual investors as it is dominated by the institutional investors. RBI RD Scheme is a new investment avenue, especially for conservative investors who prefer a safe investment vehicle over equity and derivative instruments. These investors generally restrict their investments into fixed deposits, PPF, etc.

The RB-RDS is a 'one-stop' solution to facilitate investment by individual investors in Securities issued by the Centre such as treasury bills, dated securities, sovereign gold bonds and securities issued by State Governments. Under the scheme, a retail investor can open and maintain the 'Retail Direct Gilt Account' (RDG Account) with RBI. It can be opened through an 'Online portal' provided for the purpose. He/she needs to have a Rupee savings bank account maintained in India, PAN (Permanent Account Number) issued by the income tax department, any officially valid document to meet KYC norms and Valid email id and registered mobile number.

The 'Online portal' will enable the retail

investor access primary issuance of Government securities as also invest in the secondary market by accessing the RBI's trading platform named Negotiated Dealing System-Order Matching Segment, or NDS-OM. NDS-OM is a screen based, anonymous electronic order matching system for trading in government securities in the secondary market. Investors will receive interest/maturity proceeds in their bank accounts linked to the RDG account. Since there is no fee associated with investing through RDG except for payment gateway fees, there will be savings upfront.

Procedure – Registration & Transactions

Investors can register on the online portal by filling up the online form and use the OTP received on the registered mobile number and email ID to authenticate the information. Upon successful registration, 'Retail Direct Gilt Account' will be opened and details for accessing the online portal will be conveyed through SMS/e-mail. RDG Account shall be available for primary market participation as well as secondary market transactions on NDS-OM. Once the account is opened, retail investors can buy government securities in the primary market, where government bonds are issued for the first time or buy/sell the existing government bonds in the secondary market.

Participation and allotment of securities will be as per the non-competitive scheme for participation in the primary auction of government securities and procedural guidelines for sovereign government bond issuance. Only one bid per security is permitted. On submission of the bid, the total amount payable will be displayed. Payment to the aggregator / receiving office can be made through using the net-banking/UPI facility from the linked bank account, whereby funds will be debited at the time of submission of bids on the portal. The retail investors can also use

ASBA facility where funds in the linked bank account can be blocked at the time of submission of bids on the portal which will be debited from this account on successful allotment in the auction. Similar facility through banks will be made available in due course. Refund, if any, will be credited to the investor's bank account as per the timelines specified by the aggregator. Allotted securities will be issued to the investors by credit to their RDG Account on the day of settlement.

For buying/selling government bonds in the secondary market, payment can be made through either of the following ways: Before start of trading hours or during the day, the investor should transfer funds to the designated account of CCIL (Clearing Corporation of India NDS-OM) using net-banking/UPI from the linked bank account. Based on actual transfer/success message, a funding limit (Buying Limit) will be given for placing 'Buy' orders. At the end of the trading session, any excess funds lying to the credit of the investor will be refunded. Another method is using the UPI facility, whereby funds in the linked bank account can be blocked at the time of placing order which will be debited from this account on the day of settlement. Similar facility through banks will be made available in due course. Securities purchased will be credited to the RDG Account on the day of settlement. For selling of government bonds, securities identified for sale will be blocked at the time of placing order till the settlement of the trade. Funds from the sale transactions will be credited to the linked bank account on the day of settlement.

Other Investor Services

- The online portal will offer an account statement showing transaction history and balance position of securities holdings in the Retail Direct Gilt Account. All transaction alerts will be provided through e-mail/SMS.
- A nomination facility will also be provided to the registered user. There can be a maximum of two nominees. In the event of death of the registered investor, the securities available in the RDG Account can be transmitted to the RDG Account or any other Government securities account of the nominee on submission of death

certificate and transmission form.

- A retail investor can take a loan against the securities available in the RDG account.
- Retail investors will have a facility to gift government securities to other retail investors.
- Any query or grievances related to the scheme can be raised on the portal which will be handled/resolved by the Public Debt Office (PDO) Mumbai, RBI.

The Reserve Bank of India's Integrated Ombudsman Scheme 2021 (RB-IOS)

It aims to resolve customer grievances in relation to services provided by all entities regulated by the RBI in an expeditious and cost-effective manner. The Integrated Ombudsman Scheme 2021 integrates the existing three Ombudsman schemes of RBI namely,

- The Banking Ombudsman Scheme, 2006;
- The Ombudsman Scheme for Non-Banking Financial Companies (NBFCs), 2018; and
- The Ombudsman Scheme for Digital Transactions, 2019.

These three Ombudsman schemes covered Banking, NBFCs, and Digital Transactions separately. These schemes evolved over different periods of time and contained different grounds of complaints and different compensation structures. This led to uneven redress across customers of different financial entities, resulting in unequal treatment of aggrieved customers. Therefore, there was a strong impetus for integrating the existing ombudsman schemes into one and centralizing the receipt and initial processing of complaints to impart process efficiency. In addition to integrating the three existing schemes, the Scheme also includes under its ambit Non-Scheduled Primary Co-operative Banks with a deposit size of ₹50 crore and above. The Scheme adopts the 'One Nation One Ombudsman' approach by making the RBI Ombudsman mechanism jurisdiction neutral. In fact, the present Integrated Scheme was prepared on the basis of the recommendations of the Committee (Internal Working Group) set up by RBI to review the existing Ombudsman Schemes. One of the most prominent recommendations made by the Committee was the convergence of the existing

Ombudsman Schemes.

Features of RB-IOS

a) One portal, one email, one address

The 'One-Nation Ombudsman' is based on one portal, one email, and one address for the customers to lodge their complaints. The complaints under the Scheme made online shall be registered on the portal (<https://cms.rbi.org.in>). Complaints in electronic mode (e-mail: CRPC@rbi.org.in) and physical form, including postal and hand-delivered complaints, shall be addressed and sent to the place where the Centralised Receipt and Processing Centre of the Reserve Bank is established, for scrutiny and initial processing. A Centralised Receipt and Processing Centre has been set up at RBI, Chandigarh for receipt and initial processing of physical and email complaints in any language. Additionally, a Contact Centre with a toll-free number – 14448 (9:30 am to 5:15 pm) – is also being operationalised in Hindi, English and in eight regional languages (Bengali, Gujarati, Kannada, Odia, Malayalam, Marathi, Tamil, Telugu) to begin with and will be expanded to cover other Indian languages in due course. The Contact Centre will provide information/clarifications regarding the alternate grievance redress mechanism of RBI and guide complainants in the filing of a complaint.

b) Single point of reference for all complaints against any Regulated Entity (RE)

According to RBI, it will no longer be necessary for the complainant to identify under which scheme he/she is filing the complaint with the ombudsman. Previously, the customers were required to file complaints under the correct scheme, depending on the Regulated Entity (RE). The complaints had to be filed with the correct ombudsman office, based on the territorial jurisdiction with reference to the branch of the RE being complained against, failing which the complaint would get rejected.

For instance, the non-maintainable complaints formed a sizeable portion of the complaints received during 2019-20. It was observed that complaints were disposed of as non-maintainable largely due to the

following reasons.

- being outside the territorial jurisdiction,
- being 'First Resort Complaints' (FRCs) – these are complaints made with the Ombudsman directly without having approached the concerned bank or RE first
- not represented properly.

The current Integrated Scheme addresses this concern by integrating all REs into one scheme with a single point of reference for all complaints.

c) Deficiency in service included as a ground for complaints

The Integrated Scheme defines 'deficiency in service' as the ground for filing a complaint, with a specified list of exclusions. Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme". Previously, one of the primary concerns was the lack of maintainable grounds on which the consumer could challenge the actions of a regulated entity at the ombudsman or rejection of the complaint on technical grounds. The Committee (Internal Working Group) set up by RBI to review the existing Ombudsman Schemes is also recommended to increase transparency and consumer awareness. To achieve that, it suggested to broad-base the grounds of complaints and incorporate only a detailed 'negative' or 'exclusions' list for rejection of a complaint. The current Integrated Scheme addresses this by including a wider definition of deficiency of services.

d) Reduction in TAT and cost-free redressal

The time taken in resolving the complaint was also an area of concern. The Committee recommended a reduction in the turnaround time (TAT) for complaint resolution to 30 days in a phased manner over a period of two years. The current 'Integrated Ombudsman Scheme' will provide cost-free redress of customer complaints involving deficiency in services rendered by entities regulated by RBI, if not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity. In other words, the customers can escalate complaints to the Ombudsman if the financial

institution fails to address the complaint within 30 days. Even when customers are not satisfied with the resolution offered or explanation given by the financial institution, they can approach the ombudsman.

e) No limit on the disputes brought before the Unified Ombudsman

There is no limit on the amount in a dispute that can be brought before the Ombudsman for which the Ombudsman can pass an Award. However, for any consequential loss suffered by the complainant, the Ombudsman shall have the power to provide a compensation up to ₹20 lakh, in addition to, up to ₹1 lakh for the loss of the complainant's time, expenses incurred and for harassment/mental anguish suffered by the complainant. The Scheme document also specifies that the RBI may, if it considers necessary in the public interest to do so, publish the report and the information received from the Ombudsman in consolidated form or otherwise.

f) A regulated entity has no right to appeal when an Award is issued by Ombudsman

Another key feature of the scheme is that the Regulated Entity will not have the right to appeal in cases where an Award is issued by the ombudsman against it for not furnishing satisfactory and timely information/documents. The current Integrated Scheme prescribes a 15-days'

timeline for the REs to furnish information/documents to the office of the Ombudsman. By non-furnishing timely and satisfactory replies/documents, REs will lose the right to appeal in cases where an award is issued by the ombudsman against them. Additionally, the responsibility of representing the regulated entity and furnishing information in respect of complaints filed by customers would be that of the 'Principal Nodal Officer' in the rank of a 'General Manager' in a Public Sector Bank or equivalent.

The RBI has published a list of entities covered under the new integrated scheme on the CMS portal. In addition, it has also published a list of entities not covered under the new scheme. Complaints of the customers of entities not yet covered under the RB-IOs (UCBs with deposits of less than Rs50 crore, NBFCs with assets of less than Rs100 crore, HFCs, CICs etc.) are handled by the Customer Education and Protection Cells (CEPCs). Process of filing complaints with CEPCs is same as under RB-IOs. With the growing prominence of digital payments, the current 'Integrated Ombudsman Scheme' may come to the rescue of customers more efficiently. A grievance redressal mechanism that promotes financial consumer protection will boost customer confidence in the country.

Both the initiatives of the RBI are major reforms, first offering a versatile platform to channelize people's savings for financing development needs and second, effectively address their grievances by improving services and protecting their money.

Source:

<https://pib.gov.in>

<https://economictimes.indiatimes.com>

<https://www.financialexpress.com>

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