POLICY

ON

INOPERATIVE ACCOUNTS

AND

UNCLAIMED DEPOSIT

Approved by Board vide Agenda No. O- 3 dated 25.03.2022

Operations & Services,
Head Office,
Baroda

POLICY ON "INOPERATIVE ACCOUNTS AND UNCLAIMED DEPOSITS"

1. Introduction:

In view of the increase in the amount of the unclaimed deposits i.e. deposit accounts which are not operated since last 10 years and the inherent risk associated with such deposits, it is felt that banks 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.

2. Objective of the policy:

The objective of the policy is to put in place a framework for classification of inoperative accounts /unclaimed deposits, grievance redressal mechanism for quick resolution of complaints related to inoperative accounts, 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 accounts:

a) 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.

b) Inoperative/Dormant Accounts:

i) **The savings as well as current accounts *are* treated as inoperative /dormant if there are no customer induced transactions in the accounts for over a period of two years.**

ii) For the purpose of classifying an account as "inoperative/dormant" both the type of transactions debit as well as credit transactions, induced at the instance of customers and third party *are* considered. However, the service charges levied by the bank or interest (payable on the balances of account itself.) credited by the bank *are* not considered. Monthly and Quarterly interest on term deposit credited to deposit accounts are considered as customer induced transaction for this purpose.
Such accounts are segregated and maintained in the system with status "Dormant". To activate such accounts customer is required to submit application for activation of account, fresh KYC documents. **As the account turns to dormant since no customer induced transactions are done in the account for last two year, branches should invariably advise the customer to do the**

transaction after activation of account else account will again be classified as dormant.

c) 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. Bank is required to report figure of unclaimed deposits to RBI every year.

Sr. No.	Name of Head (Other Credits)
1	Fixed or Term Deposit accounts;
2	Cumulative/Recurring Deposit accounts;
3	Other Deposit accounts in any form or with any name;
4	Cash Credit account; (Credit balance)
5	Credit Balances of Loan Accounts after due appropriation by the banks;
6	Margin Money against issue of Letter of Credit / Guarantee etc., or any security deposit in any account;
7	Outstanding Telegraphic Transfers, Mail transfers, demand drafts, pay orders, banker's cheques, traveler's cheques, sundry deposit accounts, inter-bank clearing adjustments and other such transitory accounts. All existing Balances of Unclaimed deposits held in HOCORP.
8	Vostro accounts;
9	Un-reconciled credit balances on account of ATM transactions, etc.;
10	Undrawn balance amounts remaining in any prepaid card issued by banks.
11	Any amount in foreign currency payable under an instrument or a transaction, that has remained unclaimed for ten years or more, shall be converted into Indian Rupees at the exchange rate prevailing on the date of conversion and transferred to the Fund, and in the event of a claim, the Fund shall be liable to refund only in Indian Rupees:

As per Section 26 of the Banking Regulation Act, 1949 bank (Corporate Accounts and Taxation Department) will within 30 days after close of each calendar year, submit a return in the prescribed form given by RBI 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.

The accounts classified at b) & c) category as above will be marked as 'Dormant" in the system. Any Debit operation in the account as mentioned at (b) above *is* allowed after activating the account by following procedure.

Depositors' Education and Awareness Scheme, 2014 :

RBI vide its circular RBI/2013-14/527 DBOD.NO.DEAF Cell.BC.101/30.01.002/2013-14 dated 21.03.2014 advised that pursuant to the amendment of the Banking

Regulation Act, 1949, section 26A has been inserted in that Act, empowering Reserve Bank to establish The Depositor Education and Awareness Fund. Under the provisions of this section the amount to the credit of any account in India with any bank which has not been operated upon for a period of ten years *is to* be credited to the Fund, within a period of three months from the expiry of the said period of ten years. *On such accounts, the interest will be paid by the Bank upto the previous day of the date of transfer of amount to the DEA Fund. When the amount is claimed back, RBI will pay interest from the date of transfer till the date of settlement / payment of claim by RBI. Thereafter, interest will be paid by the Bank as per the terms of the particular deposit scheme.* The depositors' would, however, be entitled to claim from the bank their deposit or any other unclaimed amount or operate their account after the expiry of ten years, even after such amount has been transferred to the Fund. The bank would be liable to pay the amount to the depositor / claimant and claim refund of such amount from the Fund/RBI.

Operational procedure for implementation of DEA Fund scheme, 2014 was approved by the Board vide agenda No. O-2 dated 25.08.2014 accordingly scheme has been implemented. Branches may contact Corporate Accounts & Taxation Dept (Dormant Cell) BCC for any assistance related to the unclaimed deposit transferred to RBI DEA Fund.

5. Guidelines/*procedure* to be followed by *branches* for activation of inoperative accounts and unclaimed deposits:

I. The branches are required **to make an annual review of the 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 the customers for reviewing such accounts** and inform them in writing/through SMS and email 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 customers from the locality, they may be asked to provide the details of the new bank accounts to which the balance in the existing account could be transferred.

To prevent account from becoming dormant, SMS alert is sent to customers

(i) When account becomes potentially dormant i.e. there are no transactions in the account for one year advising customer to do the transaction in the account.

Where mobile numbers are not registered/SMSes are not sent. In such cases, letters may be generated through the system using menu option "PDRMNT".

(ii) When account is classified as dormant advising customer to activate the account.

II.   If the letters are returned undelivered, **branches are immediately required to** make an enquiry to find out the whereabouts of customers or their legal heirs in case of demise of customers.

III. In case the whereabouts of the customers are not traceable, branches **to** consider contacting the persons who had introduced the account holder or their employer etc. The customer may also be contacted over telephone in case his/her telephone number / Cell number has been furnished to the bank. In case of Non Resident accounts, the bank may contact the account holders through e-mail and obtain confirmation/ details /Documents for activation of account.

IV.   In case reply is given by the account holder giving reasons for not operating the account, branch to continue classifying the same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, banks should classify the same as inoperative account after the expiry of the extended period.

V.   For the purpose of classifying an account as 'inoperative' **by the system** both the type of transactions i.e. debit as well as credit transactions induced at the instance of customers as well as third party should be considered. However, the service charges levied by the bank or interest on the balances of SB account itself credited by the bank should not be considered. **Monthly and Quarterly interest on term deposit credited to deposit accounts are considered customer induced transaction for this purpose. Such accounts will be treated as inoperative account only after two years from the date of last credit entry of the interest on Fixed Deposit account and/or credit of dividend on shares etc, whichever is later, provided there is no other customer induced transactions.**

VI.   Further, the segregation of the inoperative accounts **in the system** is from the point of view of reducing risk of frauds etc. **and is not intended to cause inconvenience to the customer 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 will 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 will remain un-noticeable by the customer.

VII. Operation in such 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 branches. KYC guidelines **are** *a*lso **to** be observed for activation of inoperative account.

VIII. There is no **charge for activation of inoperative account.**

IX. Interest on savings bank accounts *is* credited on regular basis whether the account is operative or not. If a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to saving account or the contracted rate of interest on the matured TD, whichever is lower.

X. The amounts lying in inoperative accounts will be audited by the Internal / Concurrent auditors of the bank.

6. Display of Inoperative accounts on Bank's Website:

With effect from 30.06.2012, the information on Unclaimed deposits are displayed on Bank's website. In case of accounts of Individual Customer's name and address are displayed and in case of Non-Individuals Name of account, address and name of person authorized to operate the account are displayed with 'FIND" option. Customer can enter his/her name / address and search for similar accounts. The list of name and addresses are displayed with "Unique ID number". Customers are advised to approach nearest branch with unique ID number if his/her name is appearing in the list.

The same file with additional information such as account number, amount etc is available in Finacle. When customer approaches the branch and give his/ her Unique ID number which was appearing against his/ her name on website, branch will verify the identity of the customer by asking him/ her and search his/ her account on the basis of "Unique–ID" through *menu option HINOPAC in Finacle. All the details such as Customer-ID, Account Number, Name, Address, Balance etc., will be displayed on the screen*. Branch will inform name of the branch to customer where the customer is maintaining account. Customer will not be informed about the balance in the account.

7. Grievance Redressal Mechanism:

Customer query on inoperative accounts will be handled at branch as well as Zonal/Regional and Head Office as the database will be available in Finacle. Customer can send his/her complaint through On Line Complaint Tracking Module as per Customer Grievance Redressal Policy, by email or physical letter with full details on inoperative/unclaimed deposit/other credits account and its unique id number as the case may be and their identity proof.

8. Preservation of Records

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, banks 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.

9. Reporting and Review:

As per RBI circular no. RBI/2011-12/591 DBOD.NO.Leg.BC.108/09.07.005/2011-12 dated 06.06.2012 periodic review of such accounts is undertaken. Accordingly periodic review of unclaimed deposits/credits and inoperative/dormant accounts is put up to Board on half yearly basis by Operations & Services Department starting from quarter ended 30.09.2012.

10. Periodicity of the review of the policy:

The policy on "Inoperative Accounts and Unclaimed Deposits" will be effective up to 31.03.2025.

"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."

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