

## JAIIB BY ASHISH SIR [LEARNING SESSIONS]

### OPENING ACCOUNTS OF VARIOUS TYPES OF CUSTOMERS

#### CH -4 Part 1 Module A PPB By Ashish Sir

## ACCOUNTS OF INDIVIDUALS

### Eligibility Criteria:

1. **Major by Age:** The individual must be 18 years or above.
2. **Sound Mind:** should not suffer from any mental incapacity.
3. **Legal Capacity:** The individual must not be:
  - An **undischarged insolvent**.
  - **Disqualified from contracting** under any applicable laws.

### Account Opening Process:

#### 1. Form Signing:

- The individual in whose name the account is to be opened must sign the account opening form.
- For minors or individuals not of sound mind, the form must be signed by:
  - **Court-Appointed Guardian:** In cases where a guardian has been appointed by a court.
  - **Natural Guardian:** Typically a parent or close relative.

#### 2. KYC Compliance:

- **Documents for Individuals:**
  - Identity proof (e.g., Aadhaar, Passport, PAN).

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- Address proof.
- **Guardian's KYC:**
  - As per Anti-Money Laundering (AML) regulations, the guardian is considered a "customer."
    - The guardian must submit their identity and address proof.

### Examples:

- **Case 1:** A 25-year-old opens a savings account. They provide a copy of their Aadhaar card and utility bill as KYC documents.
- **Case 2:** A 10-year-old minor wishes to open an account. Their father, acting as a natural guardian, provides the minor's birth certificate along with the father's Aadhaar and address proof.

### Joint Account Holders

A joint account is an account opened in the names of two or more individuals who share control over the funds. These accounts are commonly used for convenience, shared expenses, or estate planning.

### Purpose of Joint Accounts:

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1. **Shared Ownership:** When funds belong to multiple individuals, they can exercise joint control over their usage.
2. **Convenient Access:** If funds are earned by one individual but need to be accessed by another (e.g., a spouse managing family expenses).
3. **Estate Planning:** To ensure easy access to funds in the event of the death of one account holder.

### Key Requirements:

#### 1. Account Opening:

- **All account holders must sign** the account opening form.
- The **relationship** among the account holders and the purpose of the account should be clearly stated.
- The **nature of expected fund inflows** should also be documented.

#### 2. KYC Compliance:

- KYC documents (identity and address proofs) must be provided by all account holders.
- These documents should be **verified to ensure compliance** with regulations.

#### 3. Eligibility:

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- Primarily opened by residents in India.
- Joint accounts with Non-Resident Indians (NRIs) are permitted only if the NRI is a **close relative** of all the resident account holders.

### Modes of Operation:

- **Either or Survivor (E or S):** Any account holder can operate the account, and after the death of one, the survivor retains access.
- **Former or Survivor:** Only the first account holder can operate the account during their lifetime; the survivor gains access post their death.
- **Jointly:** All account holders must approve and sign for any transaction.

### Examples:

- **Case 1:** A husband and wife open a joint account to manage household expenses. The mode of operation is **E or S**, allowing either of them to access funds.
- **Case 2:** A father and son open a joint account for the son's education expenses. The father opts for **Former or Survivor**, ensuring he retains control until needed.

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Parameter	Details
Eligibility	Residents; NRIs (if close relatives).
Modes of Operation	E or S, Former or Survivor, Jointly.
Documents Required	KYC for all account holders.

### Accounts of Illiterate Persons

#### 1. Explanation in a Known Language:

- The bank must explain the **account rules clearly to the illiterate person** in a language they understand.
- The customer should be informed that they must visit the bank in person with the passbook for withdrawals.

- **Current Accounts:** Not permitted for illiterate individuals.

#### 2. **No Cheque Book Facility:** Illiterate persons are not issued cheque books, even for joint accounts.

#### 3. **Thumb Impression:**

- The left-hand thumb impression of the account holder is obtained on the account opening form.
- This must be done in the presence of an authorized bank officer and attested by a person well known to the bank.

#### 4. **Photographs:** Two passport-sized photographs are mandatory:

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- One attached to the account opening form.
- One affixed to the passbook.

5. **Withdrawal Process:** Every withdrawal must be orally confirmed by the account holder to an authorized bank official.

6. **Account Operation with a Literate Person:**

- If an illiterate depositor wishes to allow a literate person to operate the account:
  - They must submit an **authorization-cum-indemnity letter** in the prescribed format.
  - The account must be operated **jointly by both**.
- **Restrictions:**
  - No operation facilities like "Either or Survivor (E or S)" are allowed.
  - Accounts cannot be operated solely by the literate person.

**Example:** An illiterate farmer opens a savings account with assistance from their family. They regularly visit the branch with their passbook for withdrawals, with thumb impressions recorded for transactions.

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Parameter	Details
Cheque Book Issuance	Not allowed.
Withdrawal Process	Personal visit with passbook required.
Account Operation with Others	Allowed only with joint authority.

### Accounts of Blind Persons

- 1. Legal Eligibility:** Blind individuals are legally allowed to open and operate accounts.
- 2. Care in Account Handling:** **Due diligence is necessary** as signatures may not be consistent.
  - The **risk of being cheated is higher** as blind customers often depend on others for transactions.
- 3. Photographs:** Two passport-sized photographs are required:
  - One for the account opening form.
  - One for the passbook.
- 4. Thumb Impression/Signature:** The thumb impression or signature of the blind customer **must be attested** by someone well known to the bank.

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- 5. Operation by the Account Holder:** The Branch Manager can allow a blind customer to operate their account personally or through a next of kin with a proper **letter of authority**.
- 6. Signature Inconsistency:** If inconsistency is observed in signatures, the left-hand thumb impression may also be taken.
- 7. Passbook Updates:** The balance and transaction details must be updated in the passbook after every transaction.

**These details should be read aloud to the blind customer** privately to maintain confidentiality.

**Example:** A blind teacher opens a savings account. They operate the account personally, with assistance from a trusted relative for withdrawals. Each transaction is confirmed verbally, and the passbook is updated regularly.

<b>Parameter</b>	<b>Details</b>
Cheque Book Issuance	Permitted if authorized by Branch Manager.
Withdrawal Process	Personal or through authorized next of kin.
Signature Inconsistencies	Left-hand thumb impression may be obtained.



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### Accounts of Minors

#### Legal Background:

##### 1. Indian Majority Act, 1875:

- A minor attains majority on completing **18 years** of age.
- If a **court appoints a guardian for the person or property** of a minor, majority is attained at 21 years.

##### 2. Indian Contract Act, 1872:

- A minor is **not legally competent** to enter into a contract.
- **Contracts for the supply of necessities of life are valid.**
- A minor can act as a **beneficiary** and recover money advanced to others.

##### 3. Negotiable Instruments Act, 1881 (Section 26):

A minor may draw, endorse, and negotiate negotiable instruments, such as cheques.

#### Banking Provisions for Minors:

##### 1. Encouraging Savings:

Banks allow minors above the age of **10 years** to open and operate deposit accounts under certain conditions.

- Purpose: Inculcate the habit of saving and thrift.

##### 2. Natural Guardian:

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- Typically, the **father** is considered the natural guardian.
  - Banks can permit mothers to act as guardians as per RBI guidelines.
  - **Exclusions:** Stepmother or stepfather cannot act as natural guardians.
3. **Joint Accounts:** Two minors cannot open a joint account.
4. **Facilities for Minors:** Internet banking, ATM cards, and debit cards are allowed.

**Restrictions:** Accounts cannot be overdrawn.

### **Documents Required:**

#### **1. For Minor:**

- Date of birth proof (e.g., birth certificate, Aadhaar).

#### **2. For Guardian:**

- Identity proof and address proof.
- Relationship proof with the minor.

### **Rules for Operation - Accounts of Minors:**

1. **No Overdraft:** Minor accounts must not have overdraft facilities.

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2. **Cheque Operations:** Minors can draw and negotiate cheques as per Section 26 of the Negotiable Instruments Act.

### **3. Upon Attaining Majority:**

- The guardian loses the right to operate the account.
- The now-major account holder must:
  - Confirm the account balance.
  - Provide fresh operating instructions.
  - Submit updated specimen signatures.

4. **Account Limits:** Balances in minor accounts may be capped, as decided by the bank.

### **5. In the Event of Death:**

- **If the minor dies**, the guardian must close the account.
- **If the guardian dies** while the minor is still underage, the balance is payable to the minor upon attaining majority.

### **Examples:**

- **Case 1:** A 12-year-old opens a savings account with a guardian's authorization. They receive an ATM card but cannot overdraft or apply for loans.

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- **Case 2:** Upon turning 18, the individual updates their signature and provides new operating instructions to continue using the account independently.

Parameter	Details
<b>Minimum Age for Self-Operation</b>	10 years.
<b>Guardian Requirement</b>	Father or mother; no step-guardians.
<b>Joint Account Restrictions</b>	Two minors cannot open a joint account.
<b>Facilities Allowed</b>	Internet banking, ATM, debit cards (no overdraft).
<b>Fresh Instructions</b>	Required after attaining majority.

### Accounts of Hindu Undivided Family (HUF)

A Hindu Undivided Family (HUF) is a legal entity where the business and property are inherited jointly by members of a Hindu family. The property becomes part of the HUF, and members are called **coparceners**.

#### Key Features:

1. **Inheritance:** When a Hindu dies, the property is passed on to the legal heirs and becomes HUF property.

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- Male children traditionally inherit, but after the **2005 amendment to the Hindu Succession Act**, daughters (married or unmarried) also became recognized coparceners.

2. **Karta (Manager)**: The eldest male or female member manages the HUF and is called the **Karta**.

**Legal Update:** In the case *Mrs. Sujata Sharma vs. Shri Manu Gupta* (Delhi High Court, 2015), it was ruled that the eldest female member can also be the Karta.

### Rules for Opening and Operating a HUF Account:

#### 1. Authority of the Karta:

- The Karta has **implied authority** to:
  - Avail loans.
  - Execute necessary documents for the HUF.
- For added security, **it is recommended that all adult members sign loan documents.**

2. **Designation of Karta**: Although there is no formal procedure, it is advisable to obtain a written declaration from all adult members specifying the Karta.

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3. **Power to Transfer Assets:** The Karta can transfer assets only if:

- It is for a **legal necessity**.
- It benefits the HUF's estate.

4. **Minor Coparceners:**

- Names of all minor members must be recorded.
- Natural guardians (usually parents) must sign on their behalf.

5. **Existence of HUF:** Withdrawal of a coparcener does not affect the HUF's existence.

### **Documents Required for Opening a HUF Account:**

1. **Account Opening Form:** Signed by all adult members of the HUF.
2. **Specimen Signature Card:** Signed by the Karta.
3. **Joint Hindu Family Letter:** Declaration signed by all adult members confirming the existence of the HUF and appointing the Karta.
4. **For Minor Members:** The natural guardian's signature is required.

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5. **KYC Documents:** As per standard KYC norms, identity and address proofs of all adult members must be submitted.

### Operational Guidelines:

- The **Karta** is the primary operator of the account.
- If the HUF has multiple branches, other major coparceners may also be allowed to operate the account.

Parameter	Details
<b>Karta's Authority</b>	Avail loans, execute documents, transfer assets for legal necessity.
<b>Required Documentation</b>	Declaration letter, KYC, specimen signatures.
<b>Minor Members</b>	Guardian's signature required for minors.
<b>Operation</b>	Managed by the Karta; others may operate as authorized.

### Accounts of Sole Proprietorship Firms

A **sole proprietorship** is a business entity owned and operated by a single individual. **The law does not distinguish between the proprietor and the business,** making them one and the same for legal and financial purposes.

### Key Characteristics:

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- 1. Individual Ownership:** The proprietor is solely responsible for all liabilities and profits of the business.
- 2. Account Type:** A **current account** can be opened in the name of the proprietorship firm. **Savings accounts are not allowed for business purposes.**
- 3. No Formal Registration Required:** A proprietorship firm does not require incorporation or registration with any statutory authority.

### **Rules for Opening and Operating a Proprietorship Firm's Account:**

- 1. Account Opening:**
  - The proprietor must sign all documents required to open the account.
  - A declaration confirming the proprietorship must be submitted.
- 2. Signatures:** The proprietor must sign all documents, cheques, and account-related correspondence in the **name of the proprietorship firm.**



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3. **Cheque Handling:** Cheques drawn on the firm must bear the name of the proprietorship firm and be signed by the proprietor.

### Documents Required for Opening a Proprietorship Firm's Account:

1. **Current Account Opening Form:** Must be signed by the proprietor.
2. **Specimen Signature Card:** Signed by the proprietor.
3. **Proprietorship Declaration/Letter:** A declaration, typically in the bank's prescribed format, confirming the existence and ownership of the proprietorship firm.
4. **KYC Documents:** As per standard guidelines for individuals, including:
  - Identity proof (e.g., Aadhaar, Passport, PAN).
  - Address proof (e.g., utility bill, rental agreement).

Parameter	Details
Ownership	Sole proprietor owns and manages the business.
Account Type	Current account only.

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<b>Required Documents</b>	Declaration, KYC, specimen signature card.
<b>Cheque Handling</b>	Cheques signed in the name of the firm by the proprietor.

### ACCOUNTS OF PARTNERSHIP FIRMS

A **partnership is defined under Section 4 of the Indian Partnership Act, 1932**, as a relationship between persons who agree to share the profits of a business conducted by all or any of them acting on behalf of the others.

#### Key Characteristics:

- 1. Formation:** A partnership is formed through an agreement among partners to conduct business jointly.
  - Registration is optional in most states but mandatory in **Gujarat and Maharashtra**.
- 2. Agency Relationship:** Partners act as **mutual agents** for the firm and are liable for actions taken on behalf of the firm.

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### Rules for Opening and Operating a Partnership Firm's Account:

1. **Account Opening:** For **registered firms**, a copy of the registration certificate is required.

- Partners must sign for and on behalf of the firm and not as individuals.

2. **Cheque Handling:** Cheques payable to the firm must not be credited to any partner or employee's account.

3. **Disputes Among Partners:**

- If any partner issues a **notice of stoppage**, all account operations must stop.
- The account can be operated only jointly by all partners after resolving the dispute.

4. **Addition of Partners:**

- If new partners join, the account can continue if the balance is in credit.
- **If the account is in debit**, it must be frozen, and a new account opened to avoid **Clayton's Rule** (which prioritizes settling old liabilities).

5. **Death of a Partner:**

- The **partnership dissolves** unless otherwise agreed.

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- The **account must be stopped**, and a letter of administration obtained to handle the deceased partner's liabilities.

### 6. Restrictions on Partner's Powers:

- Partners cannot:
  - Open an account in their own name for the firm.
  - Admit liability on behalf of the firm in legal proceedings.
  - Withdraw a legal suit filed by the firm.
  - Transfer or acquire immovable property on behalf of the firm.

### 7. Retirement of a Partner:

- On retirement, the existing account must be stopped.
- A **public notice** ensures the retiring partner is not liable for future transactions.
- A new account is required for the remaining partners.

### Documents Required for Opening a Partnership Firm's Account:

1. **Account Opening Form:** Signed by all partners.
2. **Specimen Signature Cards:** Signed by all partners.
3. **Partnership Letter:**

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- Must include:
    1. Business nature.
    2. Names and addresses of partners.
    3. Mode of operations for the account.
  - Signed by all major partners in their personal capacity.
4. **Partnership Deed:** Original (for verification) and certified copy.
  5. **Certificate of Registration:** If applicable.
  6. **Authorization for Account Operation:** Instructions for authorized signatories, including specimen signatures and roles.
  7. **Permanent Account Number (PAN):** For the partnership firm.
  8. **KYC Documents:** Identity and address proofs for all partners, as per KYC norms.

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Parameter	Details
Account Opening Requirement	Registration certificate (if applicable).
Cheque Handling	Firm's cheques cannot be credited to partners.
Dispute Handling	Operations stop until resolved jointly.
Documents Needed	Deed, PAN, KYC, authorization details.

### Accounts of Limited Liability Partnership (LLP)

A **Limited Liability Partnership (LLP)** is a corporate entity formed under the **Limited Liability Partnership Act, 2008**. It **combines the benefits of a partnership and a company** by offering limited liability to its partners while allowing operational flexibility.

#### Key Features:

- Agreement-Based Framework:** An LLP operates based on a **written agreement between its partners, LLP Agreement**.
  - This agreement **specifies the rights and duties** of the partners and their relationship with the LLP.
- Designated Partners:** An LLP must have **at least two Designated Partners**, appointed as per the LLP Agreement.

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- Each Designated Partner must have a **Designated Partner Identification Number (DPIN)**.

- **Partners act as agents of the LLP, not of other partners.**

3. **Small LLP:** Defined as an LLP with:

- Contribution  $\leq$  ₹25 lakhs.
- Turnover  $\leq$  ₹40 lakhs (as per the preceding financial year).

### Rules for Opening and Operating an LLP Account:

1. **Resolution Requirement:** A **Resolution** passed by the **Designated Partners is mandatory** for opening a bank account.

- If there are any changes in authorized signatories, a fresh resolution is required.

2. **Corporate Nature:** *LLPs are considered corporate entities and are unaffected by partner changes (e.g., resignation or death).*

- The existing account remains valid even if the LLP has a debit balance.

3. **Limited Liability:** Partners are not personally liable for the dues or liabilities of the LLP.

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### Documents Required for Opening an LLP Account:

1. **Account Opening Form:** Signed by all partners.
2. **Specimen Signature Cards:** Signed by Designated Partners and authorized signatories.
3. **Certificate of Incorporation:** Issued by Registrar of Companies (ROC).
4. **LLP Agreement:** Original for verification, and a certified copy for bank records.
5. **Resolution by Designated Partners:** Specifies the account opening and authorized signatories.
6. **Authorized Signatory Instructions:** Includes specimen signatures and designations of those who will operate the account.
7. **Permanent Account Number (PAN):** PAN of the LLP.
8. **KYC Documents:** Identity and address proofs of all Designated Partners and authorized signatories.



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Parameter	Details
Minimum Partners	Two Designated Partners.
Resolution Requirement	Mandatory for account opening and signatory changes.
Liability	Partners have limited liability.
Account Continuity	Not affected by partner changes.
Authorized Signatories	Must be explicitly mentioned in the Resolution.

### Accounts of Limited Companies

A **Limited Company** is a separate legal entity that can open and operate accounts like any other individual or entity. It is incorporated under the Companies Act, 2013, and functions based on its **Memorandum of Association (MOA)** and **Articles of Association (AOA)**.

### Types of Limited Companies:

#### 1. Public Limited Company:

Requires a **minimum of 7 members** for incorporation, with **no upper limit** on the number of members.

- **Shares can be freely transferred**, and public subscriptions are allowed.
- **A subsidiary of a public company is also considered a public company, even if registered as private.**

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- **Legal Reference:** Section 2 (71), Companies Act, 2013.

### **2. Private Limited Company:**

- Requires **2 to 200 members** (excluding employees).
- Shares are **non-transferable**, and public subscriptions are not permitted.
- **Legal Reference:** Section 2 (68), Companies Act, 2013.

### **3. One Person Company (OPC):**

- Consists of **one member** with a nominated individual to take over in case of the member's demise.

- **Operates as a private company.**

- **Legal Reference:** Section 2 (62), Companies Act, 2013.

### **4. Government Companies:**

- A company where **51% or more shares** are held by the Central or State Government(s).
- **Legal Reference:** Section 2 (45), Companies Act, 2013.

## **Rules for Opening and Operating a Company's Account:**

1. **Cash Withdrawals:** Permitted only against **specific authorization** by the company.

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2. **Joint Operations:** To minimize fraud risks, companies typically designate multiple **authorized signatories** to jointly operate the account.

- For example, operations may require signatures from **two out of five authorized individuals**.

3. **Continuity of Operations:**

- **Death of an authorized signatory** does not affect account operations as the company remains a going concern.
- **Non-trading companies** must explicitly state their borrowing powers in their Memorandum and Articles of Association.

4. **Cheque Handling:** Cheques payable to the company must **not be deposited in personal accounts** of directors or employees to avoid negligence under **Section 131 of the Negotiable Instruments Act, 1881**.

5. **Post-Incorporation Requirements:** Companies must file a declaration within **180 days** of incorporation, confirming that subscribers to the memorandum have paid their share capital, as per the **Companies (Amendment) Act, 2019**.

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### **Documents Required for Opening a Company's Account:**

- 1. Memorandum and Articles of Association (MOA & AOA):**  
Certified copies are required.
- 2. Certificate of Incorporation:** Certified copy issued by the Registrar of Companies.
- 3. List of Directors:** As per the Articles or Forms filed with the Registrar of Companies.
- 4. Beneficial Owners:** List of beneficial owners, if applicable.
- 5. Resolution:** A board resolution appointing the bank, specifying authorized signatories, and defining the mode of operation.
- 6. Specimen Signatures:** Of all authorized officials who will operate the account.
- 7. Permanent Account Number (PAN):** PAN of the company.
- 8. KYC Documents:** As per standard KYC requirements for all authorized officials.

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Parameter	Details
Minimum Members	Public Ltd.: 7; Private Ltd.: 2; OPC: 1.
Authorized Signatories	Joint operations recommended.
Cheque Handling	Prohibited from personal deposit of company cheques.
Post-Incorporation	Declaration within 180 days of share payment.
Documents Needed	MOA, AOA, PAN, resolution, KYC of signatories.

The number of directors required in **public** and **private limited companies** is governed by the Companies Act, 2013, in India.

### Private Limited Company

- **Minimum Directors:** 2
- **Maximum Directors:** 15

### Public Limited Company

- **Minimum Directors:** 3
- **Maximum Directors:** 15 (can also be increased beyond 15 with a special resolution in the general meeting).

### Additionally:

- **One Person Company (OPC):** Requires only **1 director**.
- **Resident Director:** At least one director must be a resident of India (i.e., has stayed in India for at least 182 days during the financial year).

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### **Accounts of Clubs, Associations, and Unregistered Bodies**

These are **groups formed for specific purposes** such as social, cultural, religious, charitable, or professional objectives.

They may not be formally registered as trusts, societies, or non-profit companies and typically operate under a Memorandum of Understanding (MoU) or similar agreements with defined bye-laws.

### **Rules for Opening and Operating Accounts:**

1. **Documentation Review:** Bye-laws or rules must be reviewed to understand the powers and functions of committee members.
2. **Operations:** Transactions should strictly align with the organization's stated objectives.
  - Payments to individual committee members or others in their personal capacity should be scrutinized.

### **Documents Required:**

1. **Current account opening** form signed by all managing committee members.
2. **Specimen signature cards** signed by authorized signatories.

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### 3. Copy of Bye-laws or Rules.

4. **Resolution of the managing committee** authorizing account opening and signatories.

### 5. Memorandum of Understanding (if applicable).

6. **KYC documents for signatories and committee members.**

### Accounts of Trusts

A **trust** is an obligation linked to property ownership for the benefit of others. It operates under a **Trust Deed**, defining the roles of:

- **Author:** Creates the trust.
- **Trustee:** Manages the trust.
- **Beneficiary:** Receives the benefit.

### Rules for Opening and Operating Accounts:

1. **Trust Deed Examination:** Review for provisions about withdrawal limits, operation rules, and trustees' powers.
2. **Joint Operation:** Accounts are generally operated jointly unless specified otherwise in the deed.
3. **Changes in Trustees:** Authority shifts to remaining trustees upon the death or retirement of a trustee.

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4. **Delegation of Powers:** Trustees cannot delegate their powers unless explicitly allowed by the trust deed.
5. **Payments:** Must comply with the trust deed provisions.

### **Documents Required:**

1. Current account opening form signed by trustees.
2. Specimen signature cards for authorized signatories.
3. Trust Deed and Registration Certificate.
4. Resolution authorizing account operations.
5. PAN of the trust or Form 60.
6. KYC documents for trustees.

### **Accounts of Executors and Administrators**

1. **Executor:** Appointed through a will to manage a deceased person's estate.
  - Requires a **Probate** from a court.
2. **Administrator:** **Appointed by the court** if no will exists to manage the estate.



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### **Rules for Opening and Operating Accounts:**

1. **Strict Compliance:** Account operations must align with the **Probate**, Letter of Succession, or Letter of Administration.
2. **Account Name:** Opened in the name of the executor/administrator with "Executor" or "Administrator" suffixed, e.g., "Estate of (Deceased Name)".
3. **Funds Utilization:** Restricted to the deceased's estate management.
4. **Expenses:** Related to execution duties may be debited.

### **Documents Required:**

1. Current account opening form signed by the executor/administrator.
2. Specimen signature cards.
3. Probate, Will, or Letter of Administration.
4. KYC documents for the executor/administrator.

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Entity Type	Key Rules	Documents Required
<b>Clubs/ Associations</b>	Transactions limited to organizational objectives.	Bye-laws, MoU, Resolution, Specimen signatures, KYC.
<b>Trusts</b>	Payments as per Trust Deed, joint operations unless otherwise specified.	Trust Deed, Registration Certificate, Resolution, Specimen signatures, PAN/ Form 60, KYC.
<b>Executors/ Administrators</b>	Accounts strictly for managing the deceased's estate.	Probate/ Will/ Letter of Administration, Specimen signatures, KYC.

### Accounts of Co-operative Societies

Co-operative societies are entities **formed by individuals for mutual benefit and operate under specific rules and bye-laws**. These societies may have certain restrictions based on state regulations and must comply with the **Cooperative Societies Act, 1912**.

### Rules

- 1. Compliance with Bye-laws:** The rules and bye-laws of the society **must be reviewed** to ensure no restrictions exist on opening an account with commercial banks.

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In some states, permission from the **Registrar of Co-operative Societies** is required to open an account with banks other than co-operative banks.

2. **Investment of Funds:** Funds can be invested with any bank or person carrying out banking activities, provided they are approved by the Registrar.
3. **Resolution Requirement:** The account opening must be authorized by a **Resolution** passed by the managing committee.
  - The resolution must be signed by at least three key office bearers, typically:
    - **President**
    - **Secretary**
    - **Treasurer**
  - At least the **President** and one other signatory are required to approve.
4. **Purpose of Account:** The account should only be used for activities and funds related to the co-operative society.
5. **Limits and Restrictions:** Any limits or restrictions specified in relevant laws (e.g., regarding maximum balance or investment policies) must be strictly followed.

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### **Documents Required for Opening a Co-operative Society's Account:**

- 1. Account Opening Form:** Signed by all managing committee members.
- 2. Specimen Signature Cards:** Signed by authorized signatories.
- 3. Resolution:** Passed by the managing committee and signed by the **President, Secretary, and Treasurer** (or at least two out of three).
  - Must include details of the authorized signatories and their roles.
- 4. Registration Certificate:** A copy of the society's registration certificate issued by the Registrar.
- 5. Bye-laws:** A copy of the society's bye-laws outlining its governance structure.
- 6. KYC Documents:** As per standard requirements for all authorized signatories.

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Parameter	Details
Account Restrictions	May require Registrar's permission for opening accounts in commercial banks.
Resolution Requirement	Mandatory, signed by President, Secretary, and Treasurer (at least two).
Purpose of Account	Must be strictly for society-related activities and funds.
Documents Needed	Bye-laws, Resolution, Registration Certificate, Specimen Signatures, KYC.

### Accounts of Government and Public Bodies

Government and public body accounts are managed based on rules outlined in:

- **Central Government Transactions:** Governed by the Central Government Compilation of Treasury Rules and Account Codes.
- **State Government Transactions:** Governed by the State Financial Handbook of the respective state.

Banks facilitate government business by providing services such as receiving, paying, collecting, and remitting funds on behalf of government departments.

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## Rules for Receipts and Payments

### Receipts:

1. **Challans:** Payments are made through challans in duplicate or triplicate.
  - Challans distinctly specify:
    - **Nature** of payment.
    - **Head of account** to which the amount is credited.
- Challans must be **validated by the treasury or sub-treasury before payment.**
2. **Validity:** Passed challans are valid for **10 days** and require revalidation afterward.
3. **Loss of Challan:** No duplicate challans are issued; only a **certificate of payment** can be provided.

### Payments:

1. **Cheque Limits:** Government departments issue cheques within their permitted **drawing limits**.
  - Self-drawing is allowed for expenses such as salaries.
2. **Special Cheque Books:** Used by government departments and supplied by banks, with costs borne by the government department.

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3. **No Overdrafts:** Overdrafts are strictly prohibited in these accounts.

4. **Refund Orders:**

- Issued by departments like central excise, customs, or income tax along with advice.
- Refund orders are **quasi-negotiable** and do not require stamped discharge.

### Personal Deposit Accounts by Government Departments:

1. **Account Purpose:** Used by departments like forests and local funds for specific purposes.

2. **Operation:** Operated directly by authorized officials without treasury intervention.

- Opened as **current accounts**.

3. **Cheque Validity:** Cheques issued from these accounts are valid for **3 months**.

4. **Closure:** Accounts are opened for specific purposes and closed once the objective is achieved.

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### **Rules for Opening and Operations of Accounts:**

1. **Permitted Purpose:** The account must be used strictly for its authorized purpose.
2. **Receipts:** Only funds from specified sources should be credited.
3. **Payments:** Restricted to recipients and purposes specified in the authorization.
4. **Account Title:** Clearly indicate that it is a government-related account.
5. **Change in Authorized Officer:** New documentation and notification are required for any changes in the authorized officer, but the account remains the same.

### **Documents Required for Opening an Account:**

1. **Account Opening Form:** Signed by the **Authorized Officer**.
2. **Specimen Signature Card:** Signed by the **Authorized Officer**.
3. **Government Order/ Notification:** Authorizing the account, specifying its purpose, and detailing sources and uses of funds.



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Aspect	Details
<b>Purpose of Account</b>	Must align with the specific purpose authorized for the department/body.
<b>Receipts</b>	Made through treasury-approved challans; no duplicates for lost challans.
<b>Payments</b>	Governed by drawing limits, no overdraft allowed, special cheques used.
<b>Title of Account</b>	Clearly indicates its relation to government funds.
<b>Key Documents</b>	Authorization form, specimen signature card, government order/notification.

### Norms for Opening Current Accounts

**RBI introduced new norms for opening and operating current accounts for borrowers** to enhance credit discipline.

These norms replaced the earlier regime of obtaining a **No Objection Certificate (NOC)** from lending banks and categorize borrowers based on their borrowing arrangements and exposure.

### Key Provisions of the New Regime:

- 1. No Borrowing Arrangement:** For individuals or entities without borrowing arrangements with scheduled

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commercial banks or payment banks, there are **no restrictions** on opening current accounts, subject to due diligence as per the bank's Board-approved policies.

2. **Borrowers with Borrowing Arrangements:** Restrictions apply based on the borrower's exposure and type of borrowing facility (e.g., CC/OD).

3. **Categorization of Borrowers:**

- Borrowers with **Cash Credit (CC)/ Overdraft (OD) facility**.
- Borrowers without CC/ OD facility, further divided into:
  - Exposure  $\geq$  ₹50 crore.
  - Exposure  $\geq$  ₹5 crore but  $<$  ₹50 crore.
  - Exposure  $<$  ₹5 crore.

### **Detailed Norms for Borrowers:**

#### **1. Borrowers with CC/OD Facility:**

- **Exposure  $<$  ₹5 crore:**
  - No restrictions on opening current accounts or providing CC/ OD facilities.
  - Borrowers must submit an undertaking to inform the bank(s) if exposure increases to ₹5 crore or more.
- **Exposure  $\geq$  ₹5 crore:**

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- Borrower can maintain a current account with **one lending bank** having at least **10% of the banking system's exposure**.
- **Other lending banks may open only collection accounts**, with funds remitted to the main CC/OD account within **two working days**.
- Non-lending banks are prohibited from opening current accounts.

### 2. Borrowers Without CC/OD Facility:

- **Exposure  $\geq$  ₹50 crore:**

- Banks must establish an **escrow mechanism**, and only the escrow-managing bank can open/ maintain the current account.
- Lending banks can open **collection accounts**, with no restriction on credits but debits limited to transferring funds to the escrow account.
- Non-lending banks are not allowed to open accounts.

- **Exposure  $\geq$  ₹5 crore but  $<$  ₹50 crore:**

- Lending banks can open current accounts without restrictions.
- **Non-lending banks can only open collection accounts.**

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- **Exposure < ₹5 crore:**

- Banks can open current accounts subject to an undertaking that the customer will notify the bank if exposure reaches ₹5 crore or more.

### Monitoring and Other Guidelines:

1. **Regular Monitoring:** Banks must monitor accounts **half-yearly** to track aggregate exposure and ensure compliance.

- Changes in exposure levels must be implemented within **three months** of detection.

2. **Collection Account Guidelines:** Banks can debit fees/charges from collection accounts before transferring funds to CC/ OD or escrow accounts.

3. **Routing of Payments:** Term loans should be directly routed to suppliers or payees.

- Day-to-day expenses should be routed through CC/ OD accounts (if available) or current accounts.

4. **Proprietorship Firms:** Borrowings for business and personal purposes are considered together when calculating exposure.

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### Specific Exemptions:

#### 1. Statutory and Regulated Accounts:

- **Real Estate Project Accounts:** Under RERA for maintaining 70% of buyer advance payments.
- **Escrow Accounts for Payment Aggregators:** Approved by RBI.
- **Tax Payment Accounts:** Authorized for specific purposes.

2. **Project-Based Accounts:** Banks can open accounts for receiving/monitoring cash flows of specific projects, provided there is no CC/OD facility for the same project.

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<b>Borrower Type</b>	<b>Exposure</b>	<b>Current Account Rules</b>	<b>Collection Account Rules</b>
<b>With CC/ OD Facility</b>	< ₹5 crore	No restrictions.	Not applicable.
	≥ ₹5 crore	Current account with one lending bank (≥10% exposure).	Permitted for other lending banks.
<b>Without CC/ OD Facility</b>	≥ ₹50 crore	Escrow mechanism required.	Allowed for lending banks only.
	≥ ₹5 crore, < ₹50 crore	No restriction for lending banks.	Allowed for lending banks only.
	< ₹5 crore	Allowed with borrower undertaking.	Not applicable.

### Key Benefits of the New Regime:

1. Prevents **siphoning of funds**.
2. Ensures better **credit discipline**.
3. Aligns with RBI's goal of **enhanced financial oversight**.
4. Provides **clear categorization and rules for borrowers** based on exposure.

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### **Specific Types of Accounts with Exemptions**

#### **1. Real Estate Project Accounts:**

- These accounts are mandated under **Section 4(2)(D)** of the Real Estate (Regulation and Development) Act, 2016.
- Purpose: To hold 70% of advance payments collected from property buyers.

#### **2. Nodal or Escrow Accounts for Payment Aggregators:**

- Used by payment aggregators or prepaid payment instrument issuers.
- These accounts are permitted by the **Department of Payments and Settlement Systems (DPSS)**, Reserve Bank of India, under the **Payment and Settlement Systems Act, 2007**.

#### **3. Settlement Accounts for Debit/Credit Card Transactions:**

Accounts used to settle dues related to debit cards, ATM cards, and credit cards for issuers and acquirers.

- #### **4. Accounts Permitted Under FEMA, 1999:** Accounts that are allowed as per the Foreign Exchange Management Act (FEMA), 1999.

#### **5. Accounts for Specific Financial Purposes:**

- These include:

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- IPO (Initial Public Offering)
  - NFO (New Fund Offer)
  - FPO (Follow-on Public Offering)
  - Share buyback
  - Dividend payments
  - Issuance of commercial papers
  - Debenture allotments
  - Gratuity payments
- These accounts are strictly for specific or limited transactions as per regulatory guidelines.
6. **Tax Payment Accounts:** Opened for payment of taxes, duties, and other statutory dues.
- Such accounts are managed by authorized banks for borrowers who do not have access to banks that collect such dues.
7. **Accounts for White Label ATM Operators:**
- Used by White Label ATM Operators and their agents to manage currency sourcing.
  - Also includes accounts for **Cash-in-Transit (CIT) Companies** or **Cash Replenishment Agencies (CRAs)**.



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### OBTAINING PHOTOGRAPHS OF ACCOUNT HOLDERS

Banks are required to obtain photographs of depositors or account holders, including residents, non-residents, and 'Pardanashin' women, for all deposit account types.

#### Key Points:

1. **Exemptions:** Not required for Local Authorities, Government Departments, or Public Sector Undertakings.

- Bank staff members (Single/ Joint accounts) are also exempt.

2. **General Rules:**

- Digital KYC with live photographs is acceptable.
- Photographs are not substitutes for specimen signatures.
- Customers bear the cost of providing recent photographs.

3. **Requirements for Specific Cases:**

- **Joint Accounts:** Photographs of all joint account holders.
- **Institutional Accounts:** Photographs of all authorized officials operating the account.
- **Minors (10+ years):** The minor's photograph is required.
- **Minor Accounts Operated by Guardians:** Photograph of the guardian is also needed.
- **HUF Accounts:** Photograph of the Karta.

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- **NRI Accounts (NRE, NRO, FCNR):** Photographs of account holders and mandate holders.

**Updates:** If there is a noticeable change in a customer's appearance, recent photographs must be collected, attested, and affixed appropriately.

### **LEGAL ENTITY IDENTIFIER (LEI)**

The **Legal Entity Identifier (LEI)** is a **20-digit alphanumeric code** that **uniquely identifies entities engaged in financial transactions globally.**

Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF)

This initiative was **introduced after the Global Financial Crisis** to improve financial transparency, risk management, and data quality.

#### **Key Features:**

1. **LEI Registration in India:** LEI codes are issued by **Legal Entity Identifier India Ltd. (LEIL)**, a subsidiary of the Clearing Corporation of India Ltd., accredited by the **Global Legal Entity Identifier Foundation (GLEIF)**.

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2. **Mandatory Usage in Markets:** Applicable to Over-the-Counter (OTC) markets for derivatives (Rupee Interest Rate, Foreign Currency, Credit Derivatives).

### 3. **Applicability to Borrowers:**

Banks including Scheduled Commercial banks (Other than RRBs), Local area Banks, Small Finance banks are required to make it **mandatory for corporate borrowers having aggregate fund-based and non-fund-based exposure** of 5 crore and above from any bank to obtain Legal Entity Identifier (LEI) registration and capture the same in the Central Repository of Information on Large Credits (CRILC).

- Banks mandate LEI for borrowers with an aggregate exposure of **₹50 crore and above.**
- **LEI codes are required for certain payment transactions (e.g., RTGS/ NEFT transactions exceeding ₹50 crore).**

### **Implementation Timeline for Borrowers:**

<b>Total Exposure</b>	<b>LEI to be Obtained By</b>
Above ₹25 crore	April 30, 2023
₹10 - ₹25 crore	April 30, 2024

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₹5 - ₹10 crore	April 30, 2025
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### Important Notes:

- **Exposure Definition:** Includes all fund-based and non-fund-based facilities (e.g., credit, investments, guarantees).
- **Monitoring:** Banks use the Central Repository of Information on Large Credits (CRILC) for monitoring exposure.

### Exemptions:

- Central/ State Government entities (not registered under the Companies Act) are exempted.
- Individuals and certain entities in specific market transactions are excluded.

### RBI Guidelines for Payment Systems:

- **Entities making/ receiving ₹50 crore or more via RTGS/NEFT must provide LEI.**
- Banks must obtain LEI for transactions involving ₹50 crore or more (under FEMA, 1999).

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## Legal Entity Identifier (LEI) Overview:

### 1. Scope of Exposure:

- Includes all **fund-based and non-fund-based exposures** (credit and investment) of banks and financial institutions (FIs) to borrowers.
- **The higher of the aggregate sanctioned limit or outstanding balance** is considered for exposure assessment.
- Banks can ascertain exposure using:
  - Internal information,
  - **CRILC database** (Central Repository of Information on Large Credits), or
  - Declaration obtained from the borrower.

### 2. Entities Covered:

- The guidelines are extended to:
  - **Primary (Urban) Co-operative Banks (UCBs)**
  - **Non-Banking Financial Companies (NBFCs)**

### 3. Compliance Requirement:

- Borrowers failing to obtain an **LEI code** from an authorized **Local Operating Unit (LOU)**:

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- Will **not** be sanctioned new exposure.
- Will **not** be granted renewal or enhancement of existing exposure.

### **4. Exemptions:**

- Departments/Agencies of **Central/State Governments** (excluding Public Sector Undertakings registered under the Companies Act or established as Corporations) are exempt from obtaining LEI.

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### **Regulations on Specific Markets:**

### **5. Participants in RBI-Regulated Markets:**

- Entities with a **net worth of ₹200 crore** or more must obtain LEI codes to participate in:
  - Government securities markets,
  - Money markets (instruments with maturities  $\leq 1$  year),
  - Non-derivative forex markets (transactions settling on or before the spot date).

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### **6. Non-Resident Entities:**

- Non-resident entities engaging in these markets must obtain LEI codes.
- If not a legal entity in their country of incorporation (e.g., funds operated by a non-resident parent), the **parent/management company's LEI** should be used.

### **Payment Transactions:**

#### **7. High-Value Payment Transactions:**

- LEI is mandatory for **payment transactions of ₹50 crore and above** undertaken by non-individual entities through:
  - **RTGS (Real-Time Gross Settlement)** and
  - **NEFT (National Electronic Funds Transfer)** systems.

#### **8. Capital/Current Account Transactions under FEMA:**

Starting **October 1, 2022**, **AD Category I banks** must ensure resident non-individual entities undertaking **transactions of ₹50 crore or above per transaction** (under FEMA, 1999) obtain an LEI.