

Part - 4 Chapter 5 Module A

E/S
R/S
Jointly
Any of us

Operational Instructions in Joint Accounts

Modes of Operation in Joint Accounts

1. "Jointly" without Survivorship Clause:

- The account is operated **jointly by all account holders**.
- On the death of any holder, their share in the funds passes to their legal heirs.
- Operations in the account are stopped and the balance is payable to **survivors and legal heirs**.

2. "Jointly or Survivors":

- Operated **jointly by all holders**.
- In case of death of any holder, the surviving holders can continue operating the account or withdraw the balance.

3. "Either or Survivor" (E or S):

- Operated by **either account holder** in the case of two persons.

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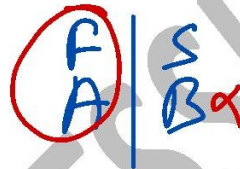
- On the death of one, the **survivor can operate or withdraw** the balance.

4. "Anyone or Survivor" (A or S):



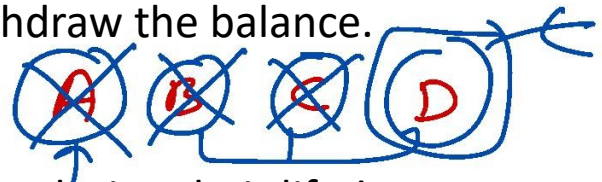
- Operated by **any one of multiple account holders**.
- On the death of one, the **remaining survivors** must jointly operate or give a fresh mandate.
- On the death of all but one, the balance is payable to the **lone survivor**.

5. "Former or Survivor" (F or S):



- Operated by the **first holder during their lifetime**.
- On the death of the first holder, the survivor can operate the account or withdraw the balance.

6. "First Named or Survivors":



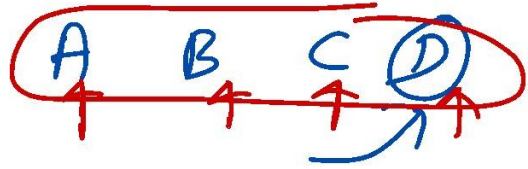
- Operated by the **first holder** during their lifetime.
- On the death of the first holder, survivors can operate the account jointly or give a fresh mandate.
- On the death of all but one, the balance is payable to the **lone survivor**.

Variations and Modifications in Instructions

1. Variation in Instructions:

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- Changes can only be made if **all account holders jointly authorize** them.



2. Revocation of Instructions:

- Any joint holder can **revoke the original authority**, and further operations require **fresh instructions** from all holders.

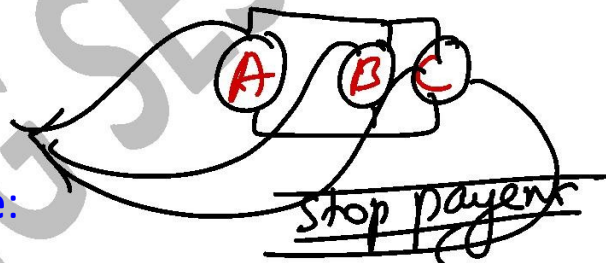
3. Modifications in Mode:

- Changes to operational instructions require **written consent from all account holders**.

Specific Situations

1. Stop Payment of a Cheque:

- Any joint holder can **stop the payment** of a cheque issued by another joint holder.

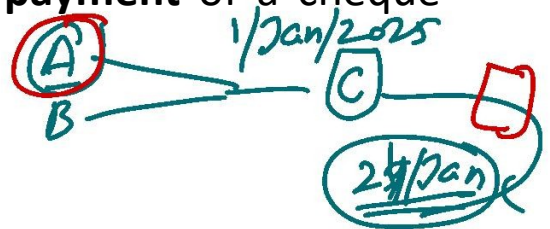


2. Incapacity of a Joint Holder:

- If a joint holder becomes **insane or insolvent**, operations in the account are **stopped**, and the mandate is cancelled.

- **Cheques signed by the incapacitated person cannot be honored.**

3. Closure of Account:



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- A joint account can be closed only with the consent of **all joint holders** unless required by other situations.

4. Mode of Operation Not Specified:

- If no operating instructions are specified, the account defaults to **"Jointly" mode**.
- A fresh request signed by all holders is required to specify the desired mode.

Joint Accounts with NRI Close Relatives

Resident
(A) (B)

1. Regulations:

- Allowed as per **FEMA Regulations** if the NRI is a **relative** under the Companies Act, 2013.
- Applicable for all types of deposit accounts.

2. Key Features:

- Such accounts are treated as **resident accounts**.
- Mode of operation must be **"Either or Survivor" (E or S)**.
Inward remittance
- Proceeds belonging to the NRI cannot be credited to the account.
- The NRI can only operate the account for domestic payments on behalf of the resident.

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3. Survivorship: If the **NRI becomes the survivor**, the account

is converted to an **NRO account.**

Non Resident ordinary
rupee A/c

Rules for Claim of Deposit in Account of Deceased

Constituent

A & B

C

1. Joint Accounts:

- On the death of one of the **joint account holders**, the **surviving holders** are entitled to the entire amount.
- If all joint account holders die, the **nominee** is entitled to the balance.

2. Nominee's Role:

- In case of a single depositor, the nominee is paid the balance upon the depositor's death.

3. Hindu Joint Deposits:

- A deposit made by a Hindu **jointly with their spouse or another person**, payable to **either or survivor**, does not constitute a gift.
- On the depositor's death, the deposit is presumed to belong to the deceased and passes to their **legal heirs**, including the spouse.

4. Operations on Death:

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(A) Individual A/c

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- ↓
- 1 Jan
- Upon the death of a depositor (or one in case of joint accounts):

- ~~The mandate regarding account operations is cancelled.~~
- Cheques signed by the deceased after notice of death **should not be honored.**

11 Jan

24 Jan

5. Savings Account Without Nominee: **If there is no registered nominee and the account is not joint,** the balance will be paid to the **legal heirs** of the deceased depositor.

Conversion of Accounts

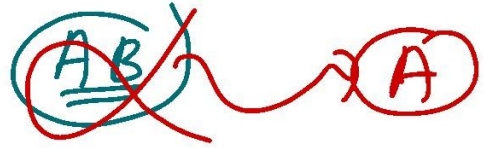
1. Single Account to Joint Account

- Requirements for conversion:
 - A letter from the existing account holder stating:
 - ✓ The **purpose of converting** to a joint account.
 - ✓ The **relationship with the proposed joint holder(s).**
 - ✓ Attested specimen signature of the new person(s).
 - **KYC documents** and **OVDs (Officially Valid Documents)** of the new joint holder(s).

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✓ 2. Joint Account to Single Account



• Process:

- The account should ideally be closed after obtaining instructions from all existing joint holders.

- A new account is opened in the name of the person in whose name the account is to continue.

45ZA → Deposit
45ZC → Safe
45ZE → Locker

Nomination Facility in Banks

The Banking Regulation Act, 1949, amended by the Banking Laws (Amendment) Act, 1983, introduced sections 45ZA to 45ZF, enabling nomination facilities for deposit accounts, safe deposits, and lockers. These are governed by the Banking Companies (Nominations) Rules, 1985.

Key Features of Nomination Facility

1. Nomination Rights:

- Individual depositors can make, change, or cancel nominations for all types of deposits.
- For joint deposits, all joint holders must provide the mandate.

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2. Nomination Forms:

- **Form DA-1:** For making nominations.
- **Form DA-2:** For cancelling nominations.
- **Form DA-3:** For modifying nominations.

3. Eligible Accounts for Nomination:

- Deposits in individual capacity or sole proprietary concerns.
- Nomination is not allowed for accounts held in a fiduciary or representative capacity.

4. Minors:

Self operated A/c → No nomination

- Nomination for minor accounts must be made by a legally competent person (guardian).

Salient Features

1. Nominee's Entitlement:

- Upon the death of a sole depositor or all joint holders,



2. Restrictions:

- Nomination is not allowed for deposits held in representative capacities (e.g., company director, HUF Karta).

3. Customer Awareness:

- All customers must be informed of the nomination facility and encouraged to provide nominations at account opening.

4. Validity for Term Deposits:

- Nominations remain valid after deposit renewal unless revised.

5. Conditions for Minors:

- If the nominee is a minor, the nominator must appoint an adult to act on behalf of the minor.

6. Number of Nominees:

- Only one nominee is allowed per account.
- For lockers or custody articles, more than one nominee can be appointed.

Joint
operation

A: FD₁
FD₂
FD₃

7. Separate Nominations for Each Deposit:

- Depositors must provide separate nominations for each account or deposit.

A: 10Lac
2Lac X 5
5 year

8. Splitting Deposits:

- If multiple nominees are desired, deposits can be split proportionately without penalty or foreclosure.

Nomination for Pension Accounts

1. Pensioner Accounts:

- Pensioners can nominate beneficiaries for accounts receiving pension credits.
- Joint pension accounts with a spouse (authorized for family pension) are allowed.

2. Arrears of Pension Nomination:

- For arrears of pension, nominations follow the **Arrears of Pension (Nomination) Rules, 1983**.

3. Separate Nominations:

- Pensioners must be encouraged to nominate separately for arrears and existing pension accounts.

Who Can Nominate?

1. Individual Accounts:

- The sole account holder nominates.

2. Joint Accounts:

- All joint holders jointly nominate one person.

3. Minor Accounts Operated by Guardians:

- Guardians nominate on behalf of minors.

4. NRO/NRE Accounts:

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- Nominations follow the above rules.

Who Can Be Nominated?

Eligible Nominees: natural person

1. Indian residents, minors (via guardians), NRIs, and foreign nationals (Indian or non-Indian origin).

2. Funds remitted to non-resident nominees are subject to FEMA Regulations.

100 words
~~(A)~~ (I) England

Cancellation or Variation of Nomination

1. Flexibility:

- Nominations can be changed or cancelled anytime using prescribed forms.
- For joint accounts, all depositors must sign the forms.

2. Renewal of Deposits:

- Existing nominations remain valid on deposit renewal unless changed.

Clarifications

1. Role of Nominee:

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- A nominee is a **trustee** to receive deposit proceeds upon the depositor's death.
- The nominee **does not acquire ownership rights**; funds belong to **legal heirs or will beneficiaries**.

2. Loan Restrictions:

- No loan can be granted to a nominee against the deceased depositor's funds.

3. Legal Protection:

- Payment to nominees provides the bank a **valid discharge** of liability, even if legal heirs object unless a court restrains such payment.

Death or Missing Customer

V. Gump

1. Notice of Death:

- Death notice via newspaper, death certificate, or reliable sources must be recorded in the system.
- Post-death, no payment or transaction should be allowed from the account.

- Claims are handled based on:

FIR/NTR

Muskan

- **FIR and Non-Traceable Report** from police.

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- **Indemnity Letter.**

3. Presumption of Death:

- Governed by **Section 107/108 of the Indian Evidence Act, 1872.**
- Death is presumed after **7 years** of being reported missing, with a court order required for claim settlement.