

### 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. ABC
- 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.

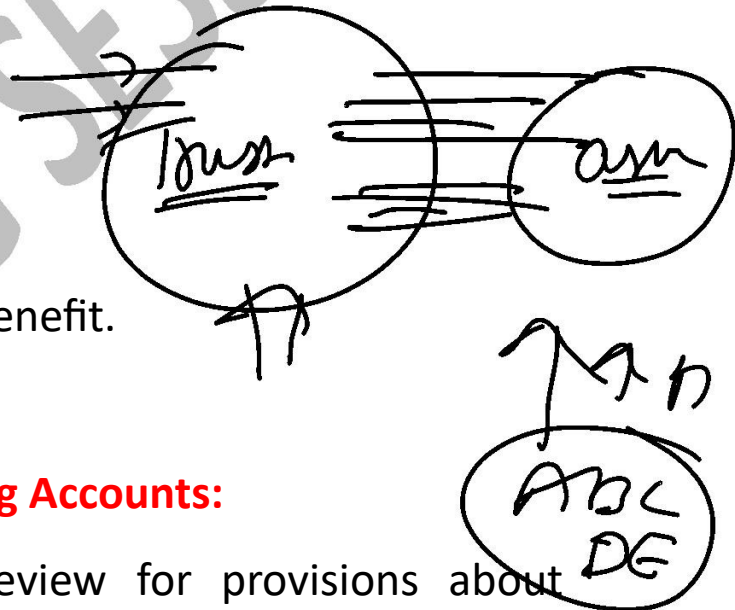
### 5. Memorandum of Understanding (if applicable).

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.

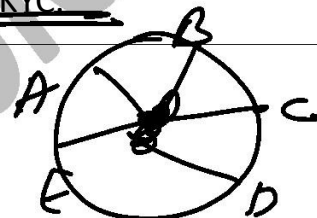
### Documents Required:

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

### 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.



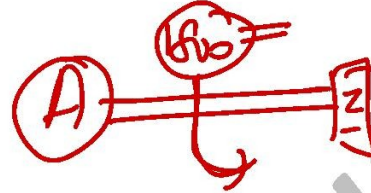
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### Rules for Receipts and Payments

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#### 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:

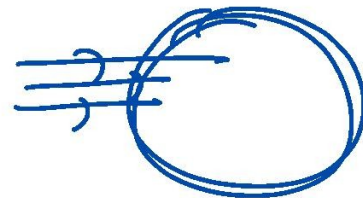
1. **Account Purpose:** Used by departments like forests and local funds for specific purposes.

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

- Opened as **current accounts**.

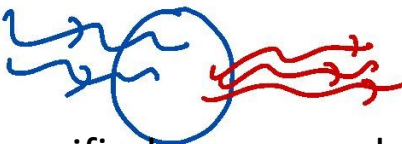
3. **Cheque Validity:** Cheques issued from these accounts are valid for **3 months**.

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
<u>Purpose of Account</u>	Must align with the specific purpose authorized for the department/body.
<u>Receipts</u>	<u>Made through treasury-approved challans; no duplicates for lost challans.</u>
Payments	Governed by drawing limits, no overdraft allowed, special cheques used.
Title of Account	<u>Clearly indicates its relation to government funds.</u>
Key Documents	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 <sup>#1</sup> exposure and type of borrowing <sup>#2</sup> facility (e.g., CC/OD).

3. **Categorization of Borrowers:**

**#1** • Borrowers with **Cash Credit (CC)/ Overdraft (OD) facility.**

**#2** • Borrowers without CC/ OD facility, further divided into:

- Exposure  $\geq$  ₹50 crore.
- Exposure  $\geq$  ₹5 crore but  $<$  ₹50 crore.
- Exposure  $<$  ₹5 crore.

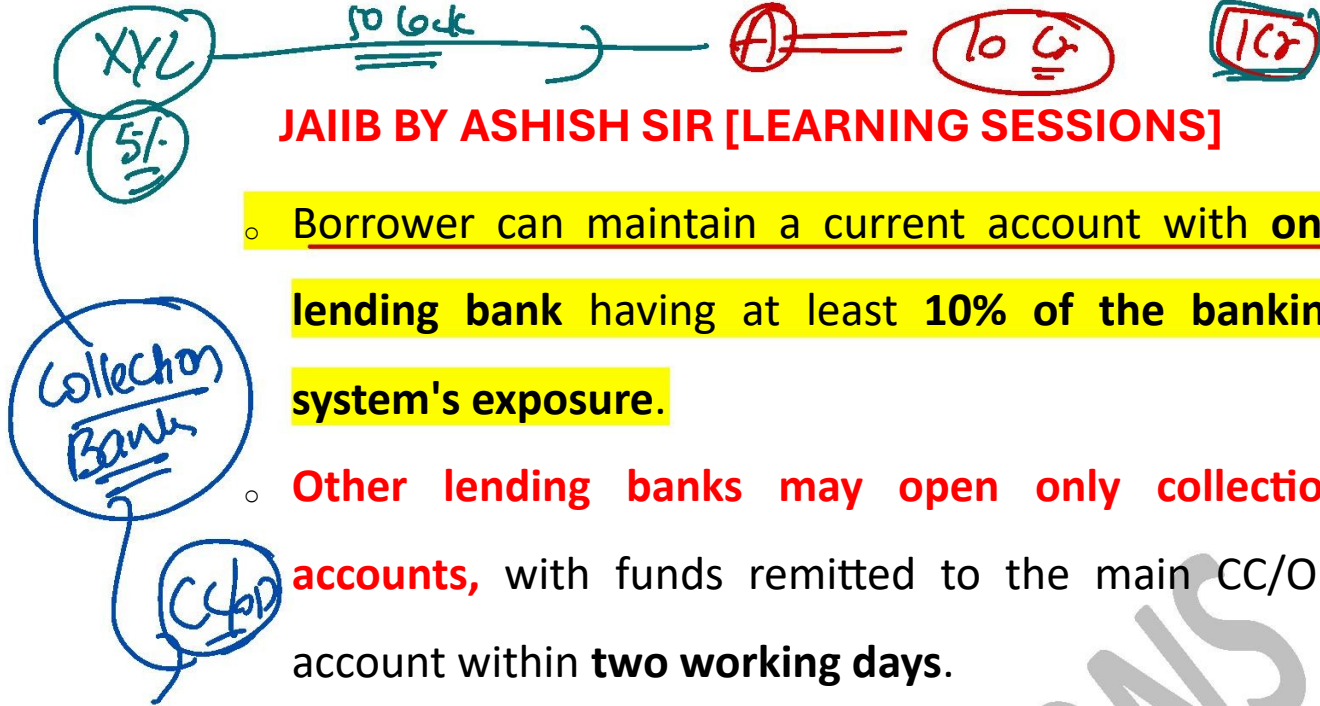
Detailed Norms for Borrowers:

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

- - 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:

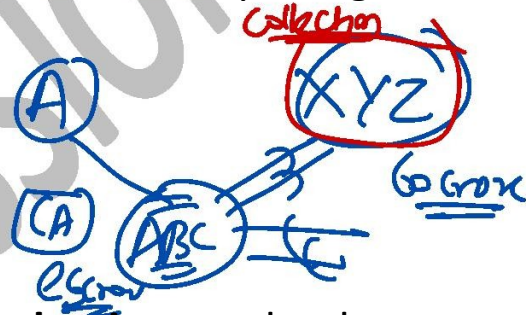
CC/OD



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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:**



- 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.



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

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

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

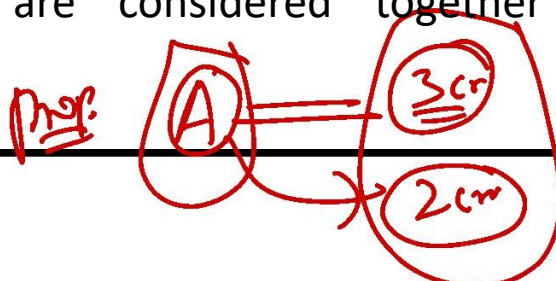
- Changes in exposure levels must be implemented within three months of detection.

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

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- 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.

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:

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

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₹5 - ₹10 crore

April 30, 2025

### 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).

**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.

### 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.

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