

July 14, 2014

NKGSB CO OP BANK LTD

POLICY GUIDELINES ON UNCLAIMED DEPOSITS

PREAMBLE

Reserve bank of India vide their circular DBOD No Leg BC 34/09.07.005/2008-0 dated August 22 2008 had issued detailed instructions to banks on dealing with unclaimed deposits /inoperative accounts. Further vide its circular DBOD No Leg BC 81/09.07.005/2001-12 dated February 7 2012, banks were advised to display the list of unclaimed deposits /inoperative accounts which were inactive/inoperative for ten year or more on their respective websites.

With a view to further strengthening the regulatory framework for inoperative accounts and unclaimed deposits, banks have been advised to place a Board approved policy on classification of unclaimed deposits, grievance redressal mechanism for quick resolution of complaints, record keeping and periodic review of such accounts.

Reserve Bank of India vide it's Circular RBI/2013-14/527 DBOD No DEAF Cell. BC 101/30.01.002/2013/14 dated 21.3.2014 instructed all banks to transfer Unclaimed Deposits to RBI under The Depositor Education and Awareness Fund (DEAF) Scheme, 2014.

Objective of the policy

- Define the process flow for smooth ongoing activity on monthly basis
- Lay down redressal mechanism for quick resolution of complaints
- Structure effective Record Keeping system
- Devise scope for scrutiny /audit of Unclaimed Deposits

Scope :

➤ Unclaimed Deposits - Criteria

Current scenario: The Bank reviews on a monthly basis all savings and current accounts to identify accounts where there have been no operations for more than two years. Such accounts are marked as 'INOPERATIVE/DORMANT'. Bank sends letters to such account holders to activate their account or provide the reason for not operating the account. Some customers then regularize their account whereas some close.

Definition: Unclaimed Deposits include all CASA which have been inoperative for last 10 years and more and also Term deposits which are not renewed/withdrawn after 10 years or more from the date of maturity.

RBI defined the amounts to be credited to the fund shall be the credit balance in any deposit account maintained with bank which have not been operated upon for 10 years or more, or any amount remaining unclaimed for 10 years or more, which include:-

- a) Inoperative Savings Bank deposit accounts (UDSB)
- b) Inoperative Current deposit accounts (UDCD)
- c) Unclaimed cumulative / recurring deposit accounts (UDMRD)
- d) Unclaimed fixed / term deposit accounts (UDMFD)
- e) Other deposit accounts in any form / with any name
- f) Credit balance in Cash Credit account
- g) Credit balance in loan accounts after due appropriation by the banks
- h) Margin money against issue of LC/Guarantee/unclaimed security deposits
- i) Outstanding T.T. /DD /payorder /sundry deposits / VOSTRO accounts /unadjusted NEFT credit balance/ interbank clearing adjustment
- j) Undrawn balance amounts remaining in any prepaid card issued by Bank but not amounts outstanding against traveller's cheque which have no maturity period
- k) Rupee proceeds of Foreign currency deposits held by banks after conversion of foreign currency to Rupee in accordance with extant foreign exchange regulations; and
- l) Such other amounts as may be specified by the Reserve Bank from time to time.

➤ **Pre-handover of Unclaimed Deposits to RBI**

- As a part of our motto of personalized customer service, the Bank will take all efforts to identify and reach the customer belonging the said deposit.

For this purpose, the letter / mail may be sent on the available address of the customer. He / she may be contacted telephonically.

- Due diligence will be done by the Bank as regards whether the said deposit is under any claim by Government / regulatory authorities.
- The Bank will also check whether the same is lien marked / freezed for any purpose. The necessary action may be taken accordingly.

➤ **Reactivation / Closure of Unclaimed Deposits**

- After identifying and locating the account holder of the said deposit, the Bank will give preference to reactivate these accounts rather than closing the same.
- The Bank will follow the necessary procedure as laid down by RBI and collect all necessary KYC documents for reactivation. The concern Branch

will take all required steps to verify KYC documents as usually done for new accounts.

- There will not be any charge for reactivation of inoperative account.
- All such reactivated accounts will be treated as 'New' accounts and will be rated as 'High Risk'. As such, they will be monitored accordingly for AML purposes.
- In case, the customer wishes to close the account, then also necessary KYC documents will be collected from him and the said account will be reactivated first. Then the account closure procedure is to be followed which includes recovery of all outstanding charges.
- If the account holder remains untraceable after all efforts and the concern account has zero balance, then the Bank will close the said account. The concerned Branch Manager will take necessary approval for waiver of outstanding charges/closure charges, if any, pertaining to the said account. The Branch will send a communication to the said customer on the available address and also keep documentary record of such closed accounts.

➤ **Handover of Unclaimed Deposits to RBI**

- After following the above mentioned process, the deposits which remain unclaimed will be handed over to RBI after closing the said accounts 1 month after the expiry of 10 years.
- The proper account wise record of the principle amount and the interest paid to RBI will be maintained.
- Since RBI has directed to run this process month wise, the data and the funds related to Unclaimed Deposits who have completed 10 years in the current month will be sent to RBI, before the 15th of the next month.
- The fund transferred with respect to unclaimed deposits as defined by RBI will be exempted from the scope of eligible deposits for the calculation of DICGC premium.

➤ **Settlement of claims after the handover of Unclaimed Deposits**

- In case, a customer approaches the Bank for claiming of the said deposit after the handover of funds to RBI, the Bank will take the necessary application from him / her along with KYC documents. The concern Branch will take all required steps to verify KYC documents, as usually done for new accounts.
- The same account will be first reactivated by putting funds initially from the respective Unclaimed Deposits accounts of the concern Branch and the communication will be sent to Central Office – CPC Dept. to claim the same from RBI. Then, if customer wishes to withdraw deposit by closure of the said account, then a proper closing procedure should be followed by the Branch officials, as per current practice.
- If customer wishes to continue operating the said account, he may be allowed to do so, however, the same will be treated as 'New' account and will be rated as 'High Risk'. It will be monitored accordingly for AML purposes.
- At every quarter end, the Central Office – AML Dept. will take review of all such pending claims.
- All such revived accounts as well as claims made to RBI will be audited.
- RBI will settle the claim based on facts provided in Form – II, a monthly return to be submitted by Finance dept based on data sent by CPC dept.
- The overall control will be at CPC dept –Central Office, Virar.

Grievance redressal mechanism for quick resolution of complaints

- Branch manager will be the first level responsible for resolution of complaints/grievances in respect of Unclaimed Deposits matters as is for all other customer service issues related to their branch.
- If customer is not satisfied with the action taken by the concerned Branch Manager, he/she can write to Customer Grievance Officer appointed by the Bank as directed by the RBI. The contact details of Customer Grievance Officer will be given on the website of the Bank.

Accounting entries

- Branches will first identify the genuine unclaimed deposit account after follow up & scrutiny in the statement generated with the co-ordination of CBS dept and transfer to new heads specifically created in their GL viz., UDSB, UDCD, UDMRD, UDMFD, etc.
- Branches will transfer the said account balance to central office for corresponding same head
- Central office will debit the said accounts and total fund inclusive of interest due thereon will be transferred to RBI through E-Kuber (RBI a/c will be credited)
- A mirror account in the nature of BC/BR will be created in the name of "Contingent Liability - Others, items for which the bank is contingently liable" under Schedule 11 of the annual financial statements with corresponding mirror entry in the name of "Unclaimed deposit fund transferred to RBI DEAF account".
- Movement for addition as well as claim will be routed through these accounts.

Record keeping

- Branches have to keep the record of all Unclaimed Deposit accounts transferred to RBI either manually by way of register or by keeping a file in which all reports related to Unclaimed Deposits will be filed immediately. The proper account wise record of the principle amount and the interest paid to RBI should be maintained.
- When any claim for the unclaimed deposit is settled, immediately the entries must be made in the same register.
- Once the accounts are claimed the records will be held for 10 years as per bank's record retention policy.

Audit

- The balances outstanding in the UDSB, UDCD, UDMFD, and UDMRD accounts of each branch will be transferred to respective heads at C.O on monthly basis, after certification by concurrent auditor of that branch.
- Branches will have to submit the certified lists of such Unclaimed Deposit accounts to CPC Dept as well as to Audit dept on monthly basis and the same will be subjected to audit by the internal auditors/statutory auditors of the bank.
- CPC dept will submit the audited report of unclaimed deposit as per the specified format to Accounts department for submission of RBI returns.