

Policy on Classification of Unclaimed Deposits / Inoperative Accounts

Chapter – 5

5.0 Introduction

The Policy covers various aspects of classifying accounts and deposits as inoperative accounts and unclaimed deposits, as the case may be, periodic review of such accounts and deposits, measures to prevent fraud in such accounts/deposits, grievance redressal mechanism for expeditious resolution of complaints, steps to be taken for tracing the customers of inoperative accounts/ unclaimed deposits including their nominees/ legal heirs for re-activation of accounts, settlement of claims or closure and the process to be followed by them.

The changes will complement the ongoing efforts and initiatives taken by Bank, to reduce the quantum of unclaimed deposits and return such deposits to their rightful owners/ claimants.

The revised instructions shall come into effect from April 1, 2024.

5.1. Definitions

- (i) **Inoperative Account**- A savings/ current account shall be treated as inoperative, if there are no 'customer induced transactions' in the account for a period of over two years.
- (ii) **Financial transaction**- A monetary transaction in the savings/ current account of the customer with the bank either by way of a credit or debit transaction.



(iii) **Non-financial transaction**- An enquiry or request for any product/ service initiated by the account holder through any ATM or internet banking or mobile banking application of the bank or through Third Party Application Providers, which requires two-factor authentication (2FA) and leaves a trail for audit purposes or successful log-in to the internet banking/ mobile banking application. Illustratively, this includes transactions such as change in transaction limit, request for issue of cheque book/ credit card/ debit card, nomination facility, balance enquiry, etc.

(iv) **Bank induced transaction**- Transactions in the account initiated by the bank such as charges, fees, interest payments, penalties, taxes etc.

(v) **Customer induced transaction**- The transactions in account which are in the nature of:

(a) a financial transaction initiated by or done at the behest of the account holder by the bank/ third party (an illustrative list is furnished as Appendix – I) or;

(b) a non-financial transaction, or;

(c) KYC updation done in face-to-face physical mode or through digital channels such as internet banking or mobile banking application of the bank.

Appendix – I

Financial Transactions

- a) ATM/ Cash withdrawal/deposit
- b) RTGS / NEFT/ IMPS /UPI/ AePS/ ABPS Transactions
- c) Internet Banking Transactions
- d) Debit Card Transactions



- e) Transfer of funds from / to the linked CBDC(e-Rupee) account
- f) Cheque Clearing
- g) Remittance of funds by way of demand drafts
- h) Cash withdrawal by third party through cheque
- i) Standing Instructions issued by the customer
- j) NACH Debit / Credits
- k) Term Deposit Interest / proceeds
- l) Dividend on shares/Interest on Debentures or any other investment proceeds
- m) Direct Benefit Transfer (DBT) credits
- n) Refunds like refunds related to e-commerce payments, Income Tax Returns, etc.
- o) National Electronic Toll Collection (NETC) debits

5.2. Classification of Unclaimed Deposits and Inoperative Accounts

- (i) An annual review of accounts shall be done by all the branches where there is no customer induced transactions for more than a year in CASA accounts and **there is no explicit mandate to renew the term deposit, if the customer(s) have not withdrawn the proceeds after maturity or transferred these to their savings/current account.**
- (ii) The branches shall approach such account holders and inform them in writing **through letters or email or SMS (if the email and mobile number are registered with the bank)** that there has been no operation in their accounts and ascertain the reasons for the same **in order to prevent such deposits from becoming unclaimed.**
- (iii) **The alert messages shall invariably mention that the account will become 'inoperative' if no operations are carried out during the next one year and, the account holder would be required to submit KYC documents afresh for reactivating the account in such case.**



- (iv) For the purpose of classifying an account as 'inoperative' both the type of transactions i.e. debit as well as credit transactions induced at the instance of customers as well as third party shall be considered. However, the service charges levied by the branch or interest credited by the branch shall not be considered.
- (v) **In case the account holder is not carrying out transaction and the account is - inoperative due to shifting of primary account to another bank, the account holder may be requested to provide the details of the new bank account with authorization to enable the bank to transfer the balance from the existing bank account.**
- (vi) If the letters are returned undelivered, Bank shall immediately put on enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased. In case the whereabouts of the customers are not traceable, branches shall consider contacting the persons who had introduced the account holder.
- (vii) In case any reply is given by the account holder giving the reasons for not operating the account, branches shall continue classifying the same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, the same will be classified as 'inoperative' account after the expiry of the extended period.
- (viii) Before classifying these accounts as 'inoperative', the customer shall be advised in advance that he should commence operation if he wishes to continue the account or he may close his account by sending to the bank the pass book and unused cheque leaves, if any. If no reply is received within the date specified in the letter sent to him, the account shall be classified as 'Inoperative Account'.
- (ix) There may be instances where the customer has given a mandate for crediting the interest on Fixed Deposit account and/or crediting dividend on shares to the Savings Bank account and there are no other operations in the Savings Bank account. Since the interest on Fixed Deposit account and/or dividend on shares is credited to the Savings Bank accounts as per the mandate of the customer, the same should be treated as a customer induced transaction. As such, the account



should be treated as operative account as long as the interest on Fixed Deposit account and/or dividend on shares is credited to the Savings Bank account.

- (x) The Savings Bank account can be treated as inoperative account only after two years from the date of the last credit entry of the interest from Fixed Deposit account and/ or dividend on shares, whichever is later, provided there is no other customer induced transaction.
- (xi) **The classification of an account as inoperative shall be for a particular account of the customer and not with reference to the customer. In case a customer is maintaining multiple accounts/ deposits with the bank, all such accounts/ deposits shall be assessed individually for the purpose of classifying them as inoperative account/ unclaimed deposit, as the case may be.**

5.3. Unclaimed CASA / Term Deposits

- (i) The saving & current accounts which remain in inoperative status for 8 years (i.e., 10 years from the date of last operation) and in Term deposits in ODFD accounts for 10 years period, will be marked as “Unclaimed Deposit”. Balance of such accounts will be transferred to RBI DEAF fund within a period of 1 months from the expiry of the said period of 10 years.
- (ii) **Unclaimed Deposit Reference Number (UDRN) - It is a unique number generated through CBS and assigned to each unclaimed account/ deposit transferred to DEA Fund of RBI. The number shall be such that the account holder or the bank branch where account is maintained, cannot be identified by any third party.**



5.4. Treatment of certain savings bank accounts opened for credit of Scholarship amounts and credit of Direct Benefit Transfer under Government Schemes

State and Central Governments have expressed difficulties in crediting Cheques/ Direct Benefit Transfer/Electronic Benefit Transfer/Scholarships for students, etc. into accounts/Accounts with zero balance opened for the beneficiaries under various Central/State Government schemes but had been classified as dormant/inoperative due to non-operation of the account for over two years.

Keeping the above in view, RBI has advised that a different “product code” may be allotted in CBS to all such accounts opened so that the stipulation of inoperative/ dormant account due to non-operation does not apply while crediting proceeds as mentioned above.

In order to reduce the risk of fraud etc., in such accounts, while allowing operations in these accounts, due diligence should be exercised by ensuring the genuineness of transactions, verification of signature and identity, etc. However, it has to be ensured that the customer is not inconvenienced in any manner.

5.5. Due Diligence on ‘Inoperative Accounts

(i) The segregation of inoperative accounts is required to be done to reduce the risk of frauds. The transactions in inoperative accounts, which have been reactivated, shall be monitored regularly, for at least six months, at respective Zone level of the concerned branch without the knowledge and notice of the customers and the dealing staff.

(ii) If any transaction i.e. debit or credit, is made in inoperative accounts, the same shall be allowed with exception message in CBS. The Branch Manager shall monitor the same by generating exceptional report from MIS reports on daily basis from the point of view of preventing fraud. However, it has to be ensured that the customer is not inconvenienced as a result of extra care taken by the branch.



(iii) No penal charges for non-maintenance of minimum balances in any inoperative account would be levied.

(iv) Interest on savings bank accounts shall be credited on regular basis whether the account is operative or not. If a fixed deposit matures and proceeds are unpaid, the amount left unclaimed with the branch will attract savings bank rate of interest or the contracted rate of interest on the matured TD, whichever is lower for the overdue period.

5.6. Tracing of Customers of Inoperative Accounts/ Unclaimed Deposits

(i) The branches will contact the holder(s) of the inoperative account/ unclaimed deposit through letters, email or SMS (if the email and mobile number are registered with the bank). The email/ SMS shall be sent on a quarterly basis.

(ii) In case the whereabouts of the holder(s) of the inoperative account/ unclaimed deposit are not traceable, the branch shall contact the introducer, if any, who had introduced the account holder to the bank at the time of opening of the account. The branch shall also contact the nominee, if registered, employer etc. for tracing the customer.

(iii) The banks shall undertake special drives periodically to find out the whereabouts of the customers, their nominees or legal heirs in respect of inoperative accounts / unclaimed deposits.



5.7. Activation of Inoperative Accounts:

- (i) Branches shall exercise abundant caution at the time of re-activating an inoperative account and allowing operations in such re-activated inoperative accounts. Operation in such accounts shall be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity etc.
- (ii) **Branches shall activate the inoperative accounts/ unclaimed deposits, including those which are under freeze by orders of various agencies like Courts, Tribunals, Law Enforcement Agencies, only after adhering to the KYC guidelines as updated from time to time by HO KYC Department w.r.t. Customer Due Diligence (CDD), customer identification, risk categorization, etc.** Adequate operational safeguards are to be exercised to ascertain that the claimants are genuine.
- (iii) **The facility of updation of KYC for activation of inoperative accounts/ unclaimed deposits shall be available at all branches (including non-home branches) and through Video-Customer Identification Process (V-CIP) if requested by the account holder, subject to the facility of V-CIP being provided by the bank. The VCIP related instructions as updated from time to time by the Bank shall be adhered.**
- (iv) Balance in inoperative accounts held at the branch may be paid to account holders /nominee / legal heirs on their request for payment as per Bank norms. In such cases the identity of the customer shall be established beyond doubt before making payment, because of the time lag between the last transactions in the account and the date on which payment is claimed.



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- (v) There would not be any charge for activation of inoperative account.
- (vi) If any remittances/credits are received in the inoperative account, first the account shall be re-activated after adhering to the guidelines as given above.
- (vii) To Execute any sort of transactions (i.e. credit/debit) in such reactivated accounts, the system would require second authorization for first 3 transactions after reactivation. As such:-
- (a) The 1st user, who makes the entry, will not be able to post it.
- (b) The 2nd user (2nd Man/BM) will have the power to post the entry (i.e. to effect the credit/debit in the account)
- (viii) The banks shall ensure that amounts lying in inoperative accounts/unclaimed deposits and reactivated inoperative accounts/ unclaimed deposits, are subjected to concurrent audit.
- (ix) System logs shall invariably be maintained in case of any activity in or activation of inoperative accounts/unclaimed deposits for concurrent audit purpose. The preservation period of such system logs shall be as per the data preservation guideline of the bank.
- (x) The bank shall process requests for activation of inoperative account/ unclaimed deposits within three working days from the receipt of the complete application.
- (xi) The bank shall automatically intimate the inoperative account/ unclaimed deposit holders through SMS and registered email stating that on the basis of the KYC documents submitted by them, the inoperative status of the account has been removed. The intimation shall also mention the remedial measures



available to them to report unauthorized access, if any. This would alert the account/ unclaimed deposit holder against any possible fraudulent activity in his/her inoperative account.

5.8. Process for Claim of Unclaimed Deposits / Inoperative Accounts:

- (i) As per RBI guidelines, the list of unclaimed deposits / inoperative accounts which are inactive / inoperative for ten years or more is to be displayed on Bank's website.
- (ii) The list so displayed contains only names of account holders(s), address **(without pin code) and Unclaimed Deposit Reference Number (UDRN)**, which have been transferred to DEA Fund of RBI. The information on the process of claiming the unclaimed deposit / activating the inoperative account and the necessary documents for claiming the same is also furnished on the website. **The list shall be updated regularly, at least on monthly basis.**
- (iii) The database hosted on the website shall provide a search option to enable the public to search for their unclaimed deposits using name in combination with the address of the account holder/ entity. Upon a successful search, details of unclaimed deposits shall be displayed in a format comprising account holder's name(s), his/her address (without pin code) and UDRN only.
- (iv) In case such accounts are not in the name of individuals, the search input and result should include names of individuals authorized to operate the accounts. However, the account number, its type, outstanding balance and the name of the branch shall not be disclosed on the bank's website.



(v) In case the account details provided by the customer match in the list available then they will contact their branch and submit their claim along with the KYC documents for activation / closure of the account. The account holders are required to furnish original documents for verification.

(vi) The depositor whose unclaimed amount has been transferred to RBI under DEAF Scheme is entitled to claim from the bank his/her deposit or any other unclaimed amount or operate his/her account after the expiry of ten years, even after such amount has been transferred to the DEAF Fund.

(vii) The procedure to be followed for claiming such amount is mentioned in H.O. P&D Circular No. **3438 dated 20.01.2018** & 3561 dated 08.06.2021.

5.9. Fraud Risk Management in Inoperative Accounts:

Branches shall not allow any debit transaction in an inoperative account unless there is a customer induced activation as per the procedure mentioned above. Further, Branches shall ensure that there is no unauthorized access to customer data pertaining to the inoperative accounts. It has to be ensured at all level to prevent Inoperative/unclaimed Deposit data theft and its related misuse for fraudulent purposes.

5.10 Customer Awareness:

The bank shall provide on website as well as at the branches, the information on the process for activation of the inoperative account/ unclaimed deposits and claiming the balances therein. Necessary claim forms and documents should be made available in branches for the benefit of customers.

The bank shall conduct public awareness and financial literacy campaigns regularly to educate the members of public about the activation of inoperative



accounts/unclaimed deposits and the prescribed procedure to claim amounts lying therein by a depositor or his/her nominee/ legal heir in case of deceased depositor.

5.11. Record Keeping:

Branches shall continue to preserve all signature cards and ledger records (if any) and other documents relating to such accounts as per “Document Handling & Retention Policy” of the Bank.

5.12. Periodic Review of Such Accounts:

The position of Unclaimed Deposits/ Inoperative Accounts shall be reviewed by Board on half yearly basis i.e. half year ending March / half year ending September.