

POLICY ON INOPERATIVE ACCOUNTS / UNCLAIMED DEPOSITS

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REFERENCE OF RBI DIRECTIONS			
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PART I- PRELIMINARY

1. Preamble

In view of the increase in the amount of the unclaimed deposits with bank year after year and the inherent risk associated with such deposits, bank will play a more pro-active role in finding the whereabouts of the account holders whose accounts have remained inoperative.

2. Objective of Policy

To put in place a framework for classification of inoperative accounts/unclaimed deposits and to have mechanism for periodic transfer of unclaimed deposits to DEAF, settlement of refund claims, complaint redressal of inoperative accounts, record keeping and periodic review of such accounts etc.

This policy also includes the process for this include (i) annual review of accounts in which there are no operations, (ii) operations in such accounts to be allowed after due diligence (iii) settlement of claims as per the laid down procedure etc.,

3. Amendments & Review

The Policy will be amended from time to time as & when necessary, with the approval of the Board. Further policy will be reviewed annually.

4. Scope

The policy covers guidelines and procedures for dealing with potential dormant accounts, inoperative accounts and unclaimed deposits.

5. Definition

(a) In this policy, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:

- i. **Bank induced transaction**- Transactions in the account initiated by the bank as per its extant policy such as charges, fees, interest payments, penalties, taxes (an illustrative list is given in **Annex I**)
- ii. **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 given in **Annex 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.
- iii. **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.
- iv. **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.
- v. **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.
- vi. **Unclaimed Deposits-** The credit balance in any deposit account maintained with bank, which have not been operated upon for ten years or more, or any amount remaining unclaimed for ten years or more as mentioned in paragraph 3(iii) of the "Depositor Education and Awareness" (DEA) Fund Scheme, 2014.
- vii. **Unclaimed Deposit Reference Number (UDRN) -** It is a unique number generated through Core Banking Solution (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.

viii. **Potential Inoperative accounts** - Accounts in which there are no operations (i.e. no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year. Though such accounts are in active status, it is called potentially inoperative account. If such accounts are operated in time, it will not turn into Inoperative accounts.

(b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

6. Review of Accounts

(a) Bank shall undertake atleast an annual review in respect of accounts, where there is no customer induced transactions for more than a year. In cases where there is no explicit mandate to renew the term deposit, the bank should review such accounts if the customers have not withdrawn the proceeds after maturity or transferred these to their savings/current account in order to prevent such deposits from becoming unclaimed.

The bank shall inform the account/deposit holders 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/deposits in the last one year, as the case may be. The alert messages shall invariably mention that the account would 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.

(b) If the letters are returned undelivered or no response is received through registered email, the bank shall immediately undertake an enquiry to find out the whereabouts of account holder or his/her nominee/legal heirs in case the account holder is deceased.

(c) In case any response is received from the account holder giving the reasons for not operating the account, the bank shall continue to classify the account as operative for one more year and the account holder shall be advised to operate the account

within a period of one year (herein after referred to as 'extended period'). In case the account holder still fails to operate the account within the extended period, the bank shall classify the said account as inoperative account after the expiry of the extended period.

- (d) For the purpose of classifying an account as 'inoperative', only customer induced transactions and not bank induced transactions shall be considered. There may be instances where the customer has given a mandate like Standing Instructions (SI)/ auto-renewal instructions and there are no other operations in the Savings /Current account or the Term Deposit. These transactions shall also be treated as customer induced transactions.
- (e) 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 a 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.
- (f) 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 authorisation to enable the bank to transfer the balance from the existing bank account.

7. Treatment of accounts opened for credit of scholarship amount and credit of Direct Benefit Transfer under Government Schemes

The bank open zero balance accounts for beneficiaries of Central/State government schemes and for students who receive scholarship. Central and State governments have been expressing difficulty in crediting cheques/Direct Benefit Transfer/ Electronic Benefit Transfer/ scholarship amount in these accounts as they are also classified as inoperative due to non-operation for two years. The bank shall, based on the purpose of opening of the account, segregate the aforementioned accounts in their CBS, so that the stipulation of 'inoperative' account is not applicable to these accounts due to their non-operation for a period of more than two years. To avoid the risk of fraud, etc., in such accounts, while allowing operations in these accounts, the bank should exercise due diligence as per the extant instructions.

8. Segregation and Audit of Inoperative Accounts/ Unclaimed Deposits

- (a) 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 higher levels (i.e. by branch manager) without the knowledge and notice of the customers and the dealing staff.
- (b) The banks shall ensure that amounts lying in inoperative accounts/unclaimed deposits and reactivated inoperative accounts/ unclaimed deposits, are subjected to concurrent audit.

9. Tracing of Customers of Inoperative Accounts/ Unclaimed Deposits

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

PART II- OPERATIONAL GUIDELINES

10. Activation of Inoperative Accounts

- (a) The bank will facilitate updation of KYC for activation of inoperative accounts / unclaimed deposits 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 V-CIP related instructions under Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (as updated from time to time) shall be adhered to by the bank.

Note: V-CIP facility is not available with the bank at this moment.

- (b) The bank 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 provided in the Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (as updated from time to time) such as Customer Due Diligence (CDD), customer identification, risk categorisation, etc.
- (c) The bank will ensure that activation of inoperative account / unclaimed deposits in CBS necessarily requires second level of authorisation by another officer at the same or higher level (i.e., through maker and checker). System logs will be invariably maintained for any activity related to or activation of inoperative accounts / unclaimed deposits for concurrent audit purposes, with the preservation period aligning with the bank's internal guidelines.
- (d) 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 unauthorised access, if any. This would alert the account / unclaimed deposit holder against any possible fraudulent activity in his/her inoperative account. The bank shall have in place adequate operational safeguards to ensure that the claimants in case of inoperative accounts/ unclaimed deposits are genuine. The bank shall process requests for activation of inoperative account / unclaimed deposits within three working days from the receipt of the complete application.

11. Payment of Interest

Interest on savings accounts will be credited on a regular basis, regardless of account's operational status.

12. Levy of Charges

- (a) The bank is prohibited from imposing penal charges for non-maintenance of minimum balances in any account that is classified as an inoperative account.
- (b) No charges will be imposed for activating inoperative accounts.

13. Display of Unclaimed Deposits and Search Facility

The Bank will host the details of unclaimed deposits {only name, address (without pin code) and Unclaimed Deposit Reference Number (UDRN)}, which have been transferred to DEA Fund of RBI on the website (www.kalyanjanata.in), which shall **be updated regularly, at least on a monthly basis**. The database hosted on the website is having 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 will be displayed in a format comprising account holder's name(s), his/her address (without pincode) and UDRN only. In case such accounts are not in the name of individuals, the search input and result should include names of individuals authorised 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.

14. Fraud Risk Management in Inoperative Accounts

- (a) The bank will restrict any debit transactions in an inoperative account unless there is a customer induced activation follows the procedures outlined in section 10 of this policy. Additionally, the bank will impose a cooling-off period on reactivation, with restrictions on the number and amount of transactions, as may be applicable for newly opened accounts with the bank.
- (b) The bank shall ensure that there is no unauthorised access to customer data pertaining to the inoperative accounts. The bank shall also ensure that adequate steps are taken to prevent data theft and related misuse for fraudulent purposes.

15. Customer Awareness

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

Annex I

Financial Transactions	Bank Induced Transactions
a) ATM/ Cash withdrawal/deposit	a) All types of charges levied by banks including taxes deducted
b) RTGS / NEFT/ IMPS /UPI/ AePS/ ABPS Transactions	b) Savings Bank account interests
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	