

## **Advantages of Nomination facility/survivorship mandate and Clarifications regarding Provisions in Nomination Rules**

Guidance to the customers on advantages of Nomination facility/survivorship mandate

### **1.1 Nomination facility**

- ❖ **Nomination Facility – an ideal tool to mitigate hardships of common persons in settlement of claims in the event of death of the account holder.**
- ❖ Nomination facility simplifies the procedure for settlement of claims of deceased depositors as bank gets a valid discharge by making payment of the balance outstanding in a depositor's account at the time of his death or delivering contents of locker or articles kept in safe custody to the nominee.
- ❖ Nomination is optional for bank customers. It is therefore necessary that nomination facility is popularized and customers are made aware of its advantages while opening a deposit account or opting for the lockers.
- ❖ **Branch should inform account holder about the availability of nomination as a voluntary facility and recommend his/her availing the option. Nomination facility, if availed, would ensure smooth settlement of claim to the nominee.**
- ❖ **It should also be made clear to the depositor(s) that nomination is introduced solely for the purpose of simplifying the procedure for settlement of claims of deceased depositors and nomination facility does not take away the rights of legal heirs on the estate of the deceased. The nominee would be receiving the stock from the bank as a trustee of the legal heirs.**

### **1.2 Survivorship**

- ❖ A joint account opened as "**Either or Survivor**" or "**Anyone or Survivors**" or "**Former or Survivor**" or "**Latter or Survivor**" will permit the surviving account holder(s) to have unimpeded access to the credit balance in the account for withdrawal if one of the co-account holders dies.
- ❖ If the mandate of survivorship is given / provided, the survivor(s) can give a valid discharge to the bank in the case of "**Either or Survivor**" / "**Anyone or Survivors**" and "**Former or Survivor**" / "**Latter or Survivor**" joint accounts.
- ❖ **In short, payment to survivor(s) can be made in the normal course subject to the only rider that there is no order from a competent court restraining the bank from making such payment.**

### **1.3 Customer Guidance and Publicity**

This Operational guidelines for settlement of claims of deceased depositors has been formulated with a view to removing hardships faced by common persons in settlement of claims in deceased accounts. This document also aims at creating greater awareness amongst depositors about the advantages of availing "nomination" facility offered by bank or giving operational mandates like "Either or Survivor", etc. when accounts are opened in joint names.

Branch may provide guidance to deposit account holders on the advantages of the nomination facility and the survivorship clause. It should be highlighted in the

publicity material that in the event of the death of one of the joint account holders, the right to the deposit proceeds does not automatically devolve on the surviving joint deposit account holder/s, unless there is a survivorship clause.

#### **1.4 The Banking Companies (Nomination) Rules 1985 have been framed in terms of Sections 45 ZA to 45 ZF of the Banking Regulation Act, 1949.**

##### **1.4.1 Deposit Accounts**

- (i) Nomination facility is intended only for individuals including a sole proprietary concern.
- (ii) There cannot be more than one nominee in respect of single/joint deposit account.
- (iii) Bank may allow variation/cancellation of a subsisting nomination by all the surviving depositor(s) acting together. This is also applicable to deposits having operating instructions "Either of Survivor".
- (iv) It may be noted that in the case of a joint deposit account the nominee's right arises only after the death of all the depositors.

##### **1.4.2 Safe Deposit Lockers**

- (i) Nomination facility is available in respect of lockers hired singly as well as jointly. In respect of lockers in joint names nomination rules are applicable only if lockers are operated jointly.
- (ii) Where the lockers are hired jointly, on the death of any of the joint hirers, the contents of the locker are allowed to be removed only jointly by the nominee(s) and the survivor(s) after an inventory is taken in the prescribed manner. In such a case, after such removal preceded by an inventory, the nominee and surviving hirer(s) may still keep the entire contents with the same bank, if they so desire, by entering into a fresh contract of hiring a locker.
- (iii) Banks are not required to open sealed/closed packets found in locker while releasing them to the nominee or nominees and surviving hirers. Description of the sealed/closed packet(s) should however be mentioned in the inventory.
- (iv) Section 45 ZE of the B.R Act, 1949 does not preclude a minor from being a nominee for obtaining delivery of the contents of a locker. The responsibility of the bank in such cases is to ensure that when the contents of a locker are sought to be removed on behalf of the minor nominee, the articles are handed over to a person who, in law, is competent to receive the articles on behalf of the minor.

##### **1.4.3 Safe Custody Articles**

- (i) Nomination facility is available only in the case of individual depositor / sole proprietary concern **and not in respect of persons jointly depositing articles for safe custody.**