

KINDLY NOTE
CURRENTLY THIS IS A BILL BEFORE THE PARLIAMENT AND IS YET TO BECOME LAW

Change- 1: Nomination- Deposit Accounts

- New concept of Multiple Nominees up to 4 allowed. (Currently only 1 Nominee is allowed).
- New concept of Successive and Simultaneous Nomination introduced.
- Depositor can either do Successive Nomination or Simultaneous Nomination and NOT both.
- Under Successive Nomination:
 - Priority order i.e. 1st, 2nd, 3rd and 4th of all the nominees (maximum 4) to be stated in the nomination form.
 - At any point of time there will only be one effective Nominee, who will be higher in order than any other Nominee.

Example:

- Depositor nominates A, B, C & D as 1st, 2nd, 3rd, and 4th Nominee respectively and Depositor dies.
 - Then: A will be the effective Nominee during his lifetime and B, C and D will have no right.
 - On A's death: B will become the effective Nominee and C and D will have no right.
 - After deaths of both A and B: C will become the effective Nominee and D will have no right.
 - After deaths of A, B and C: D will become the effective Nominee.
 - On deaths of all A, B, C and D: the deposit will be treated as if not nominated.
- Under Simultaneous Nomination-
 - Up to 4 Nominees allowed.
 - % Share of each Nominee to be stated in the nomination form.
 - Total of shares of all Nominees to be 100%. Else, the nomination will be invalid as if no nomination.
 - On Depositor's death:
 - Surviving Nominees to be paid their share.
 - Shares of deceased Nominees to be treated as if not nominated.

Example:

- Deposit amount is Rs.100.
- Valid Nomination: A (20%), B (15%), C (25%), and D (40%) - total of all 100%.
 - ◆ On Depositor's death the Deposit amount (Rs.100) will be distributed as under:
 - When all four Nominees are alive, to pay to: A - Rs. 20, B - Rs.15, C - Rs. 25, and D - Rs.40.
 - When any Nominee, say D, is dead, to pay to: A - Rs. 20, B - Rs.15, and C - Rs. 25; and D's share of Rs. 40 treated as if not nominated.
- Invalid Nomination: A (20%), B (15%), C (25%), and D (30%) - total of all 90%. Treated as if not nominated.

Object/ Reason as stated in the Bill: Allow for the nomination of up to four persons including provisions for simultaneous and successive nominations, to ease services for depositors and their nominees.

Advantage to the Customer: Easier Deceased Claims settlement to their heirs.

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Change- 1: Nomination- Deposit Accounts (Continued)

Actionable for Banks: Self and Customer Education. Core Banking System modifications.

Challenges for Banks in case of Simultaneous Nomination: Potential disputes by nominees in case of - (a) Invalid nominations on account of incomplete nominations, potential disputes by nominees, and (b) Treatment of the share of a deceased nominee as unnominated.

Note: This will entail changes to Nomination Rules under the BR Act and introduction of new formats of nomination for Successive and Simultaneous Nominations.

Change- 2: Nomination- Safe Custody and Locker

- Successive Nomination of up to 4 Nominees allowed. (Currently only 1 Nominee is allowed).
- Successive Nomination will be effective on the same lines as for Deposit Accounts as stated under Change- 1 above.

Note- 1: Simultaneous Nomination is NOT allowed in case of Safe Custody and Locker.

Note- 2: In case of a locker held by two or more holders to be operated jointly, the current provision under Section 45- ZE (2) will continue.

Object/ Reason as stated in the Bill: Allow successive nomination of up to four persons to ease services to safe custody/ locker holders and their nominees.

Advantage to the Customer: Easier Deceased Claims settlement.

Actionable for Banks: Self and Customer Education. Safe Custody/ Locker Management Systems to be modified.

Note: This will entail changes to Nomination Rules under the BR Act and introduction of new formats of nomination for Successive Nominations.

Change- 3: Reporting Dates for Various Returns relating to CRR, SLR, Assets in India, Assets & Liabilities

- Present concept of Reporting Friday removed. Consequently, the requirement of Special Report where the last Friday of a month is not a reporting Friday is removed.
- Fortnightly Statements of CRR/ SLR: To be as on the 15th day and last day of the month (instead of alternate Fridays) and to be submitted within 5 days (instead of within 7 days as currently required)
- Quarterly Return of Assets in India: To be as on the last day of a quarter (instead of last Friday as currently required).
- Monthly Return of Assets and Liabilities: To be as on the last day of a month (instead of last Friday as currently required).

Object/ Reason as stated in the Bill: To Revise the reporting dates for statutory reports by banks to the Reserve Bank of India, so as to align them to the last day of the fortnight or month or quarter, to ensure consistency in reporting.

Actionable for Banks: Modifications in the Returns Compilation System to facilitate the changes.

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Change- 4: Shareholding for determining Substantial Interest

- Increased to Rs 2 crore (from the current Rs 5 lac)

Object/ Reason as stated in the Bill: To redefine “substantial interest”, increasing the threshold for shareholding of a beneficial interest by an individual etc., from five lakhs rupees to two crore rupees, to reflect the present value, as the same was last fixed in 1968.

Advantage to investors: Beneficial to general public investors (generally not likely to invest more than Rs. 2 crores) keeping them out of ‘substantial interest’ category.

Change- 5: Cooperative Bank Directors

- Director (other than Chairman/ WTD) allowed to hold office continuously for maximum 10 years (instead of current requirement of 8 years).
- Director of a central co-operative bank allowed also to be elected as a Director of corresponding State co-operative bank, hence be a Director of more than one bank simultaneously (an exception to the general restriction).

Object/ Reason as stated in the Bill:

-Increases the tenure of directors (other than Chairman and Whole Time Director) in co-operative banks from eight years to ten years, so as to align with the Constitution (Ninety-Seventh Amendment) Act, 2011; and

-Allow a director of a central co-operative bank to serve on the board of a state co-operative bank simultaneously.

Advantage to Co-operative Banks: Continuity of Directors for longer tenure would give continuity in policies and governance.

Advantage to State Co-operative Banks: Presence of Directors of district central co-operative banks (DCCBs) on their Boards enables more effective co-ordination with the constituent DCCBs.

Change- 6: Transfers to Investor Education and Protection Fund (IEPF) (By SBI and PSBs)

- Amounts to be transferred to IEPF, to also include the shares (for which dividend is unpaid for seven years). (Currently, the unclaimed dividend, and interest/ redemption amount of bonds being transferred).
- Investors can claim the transferred shares (also other transferred amounts) from IEPF.

Object/ Reason as stated in the Bill: To provide for the transfer by SBI and PSBs shares (for which dividend is unpaid for seven years) (in addition to amounts of unclaimed dividends, shares, and interest or redemption of bonds to the IEPF, and allow individuals to claim transfers or refunds from that fund, as per the provisions of the Companies Act 2013.

Advantage to investors: Their rights are protected as the amounts can be claimed back from IEPF.

Change- 7: Power to determine Audit Fee of Statutory Auditors

- Power now given to SBI/ PSBs (currently held with RBI) to decide the Audit fee.

Object/ Reason as stated in the Bill: To provide further freedom to SBI/ PSBs in administrative matters.

Advantage to SBI/ PSBs: Better capability to engage suitable Auditors at appropriate remuneration.

End