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# **NOMINATION FACILITY IN BANK ACCOUNT**

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# INTRODUCTION

- ❖ **Banking Companies (Nomination) Rules 1985** permits banks to pay dues to nominees in the event of death of depositor(s) without asking for succession certificate or verifying claims of legal heirs.
- ❖ **Nomination facility** was introduced on 29<sup>th</sup> March 1985 in the **Banking Regulations Act, 1949 Sec 45-ZA to 45-ZF.**
- ❖ **Nomination are available for:**
  - 1) Deposit Accounts**
  - 2) Safe Custody Accounts and**
  - 3) Safe Deposit vault accounts**

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# **NOMINATION IS MENTION IN FOLLOWING SECTION OF BANKING REGULATION ACT 1949**

<b>Particulars</b>	<b>Acceptance of Nomination</b>	<b>Pay/Deliver only to nominees</b>
<b>Deposits</b>	<b>Section 45 ZA</b>	<b>Section 45 ZB</b>
<b>Safe Custody</b>	<b>Section 45 ZC</b>	<b>Section 45 ZD</b>
<b>Safe Deposit Lockers</b>	<b>Section 45 ZE</b>	<b>Section 45 ZF</b>

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# WHO CAN BE A NOMINEE?

- The nomination to be made in favour of only individual not in favour of Trust, Society etc.
- Nomination can be made in favour of one person only. It can be made in existing or new accounts and can be cancelled or changed subsequently by the depositors.
- Government Deposit Schemes allow more than one nominees in their accounts. Such as PPF, Sukanya Samridhi Scheme, Senior Citizen Saving Scheme, PF, Gratuity etc.

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# NUMBER OF NOMINEES IN BANK

More than one nominee facility is available in Government deposit scheme. As per Banking Regulation Act, single nomination facility is available in bank except in one case of Safe Deposit Lockers.

Type of Account	Nature of Account	Number of Nominee(s)
Deposits	Single/Joint	One only
Safe Custody	only Single	One Only
Safe Deposit Lockers	only Single	One Only
Safe Deposit Lockers	Joint – E/S	One only
Safe Deposit Lockers	Joint – F/S	One only
Safe Deposit Lockers	Joint – Jointly Operations	Each can nominate one (As per IBA max. 2)

# NOMINATION FORM

Account	Registration	Cancellation	Variation
DEPOSITS	DA 1	DA 2	DA 3
SAFE CUSTODY	SC 1	SC 2	SC 3
SAFE DEPOSIT LOCKER	SL 1 or SL 1A (JOINT A/C)	SL 2	SL 3

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# **BENEFITS OF NOMINATION**

- **Nomination facilitates faster and easier release of funds/articles without insistence on Succession Certificate /Probate of Will.**
- **Nomination facility is available to accountholders operating current accounts, savings bank accounts and all types of term deposit accounts, safe deposit lockers and safe custody of articles.**
- **Nomination facility is intended for individuals and sole proprietary concerns.**

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# SALIENT FEATURES OF NOMINATION

- **Nomination cannot be made in accounts where deposits are held in a representative capacity e.g. Trust Accounts and in accounts of Partnership Firms, HUF, Companies, Associations, Clubs etc.**
- **In case of a joint account of individuals, nomination should be made by all depositors jointly.**
- **A non - resident can be nominated as a nominee in a resident account. In case of non-resident nominees, the amount entitled to him from the account(s)/deposit(s) of a deceased person, will be credited to his NRO account.**
- **Banks should note that the facility of nomination is not available in case of deposit of safe custody articles by more than one person.**



# **SALIENT FEATURES OF NOMINATION**

- **Minor can not make a nomination in self operated minor accounts. Guardian can make nomination on behalf of minor.**
- **In case of guardian operated minor's account, nomination can made by guardian.**
- **Nomination favouring the minor is permitted on the condition that the accountholder, while making the nomination, appoints another individual, not being a minor, to receive the amount of the deposit on behalf of the nominee in the event of the death of the depositor during the minority of the nominee.**

# **NOMINATION IN PENSION ACCOUNT**

- **Nomination facility is available for savings bank accounts opened for credit of pension.**
- **However, Banking Companies (Nomination) Rules, 1985 are distinct from the Arrears of Pension (Nomination) Rules, 1983 and the nomination exercised by the pensioner under the latter rules for receipt of arrears of pension will not be valid for the purpose of deposit accounts held by the pensioners with banks, for which a separate nomination is necessary in terms of the Banking Companies (Nomination) Rules, 1985 in case a pensioner desires to avail of nomination facility.**

## **NOTING OF NOMINATION ON FDR / PASS BOOK**

- A nomination will continue to be in force even on renewal of term deposit, unless specifically cancelled or changed.
- Notation that 'Nomination registered on \_\_\_\_\_' will be made in FDR/Pass Book/Statement on registering the Nomination. (Name of nominee will not be mentioned except when it is specifically requested by customer).

# WITNESS & ACKNOWLEDGEMENT

- Nomination is compulsory in all single named accounts.
- Where the account holder is not willing to nominate, he/she is to give his/her refusal in writing.
- The nomination forms prescribe that thumb impression of the account holder is required to be attested by two witnesses.
- RBI has clarified that signature need not be attested.
- The banking company shall acknowledge in writing, to the concerned depositor or depositors, the filing of the relevant duly completed Form of nomination or cancellation of nomination or variation of nomination, as the case may be, in respect of a deposit.

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# STATUS & RIGHT OF NOMINEE

- ❖ The nominee is treated as a Trustee for Legal Heirs for receiving the money or articles after death.
- ❖ He is not owner. He does not acquire right of a depositor. He can't operate the account.
- ❖ Bank obligation to make payment to nominee (no one else), except as per court order.
- ❖ On payment to nominee, bank is discharged from liability.

*Thank You*



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