

CAPITAL SMALL FINANCE BANK LIMITED

Updated Comprehensive Guidelines on classifying accounts and deposits as Inoperative Accounts and unclaimed deposits [Updated February 25, 2025]

CAPITAL SMALL FINANCE BANK LIMITED

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Updated Comprehensive Guidelines on classifying accounts and deposits as Inoperative Accounts and unclaimed deposits.

These guidelines are in supersession of the earlier instructions issued on the subject vide circular: CSFB Cir.No.2022-23/ 176 dated December 10, 2024.

In order to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/ claimants, Reserve Bank of India has issued comprehensive guidelines as measures to be put in place covering various aspects of classifying accounts and deposits as inoperative and unclaimed deposits. The guidelines also covers 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 .

Accordingly, the revised regulatory guidelines are as below;

1. Definition:

1.1 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](#)).

1.2 Customer induced transaction- The transactions in account, which are in the nature of:

(i) 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;

(ii) a non-financial transaction, or;

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

1.3 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.

1.4 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.

1.5 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) as per annexure 2.1 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 chequebook/ credit card/ debit card, nomination facility, balance enquiry, etc.

1.6 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.

1.7 Unclaimed Deposit Reference Number (UDRN) - It is a unique number generated through Core Banking System (CBS) and assigned to each unclaimed account/ deposit transferred to DEA Fund of RBI. The number shall be such that cannot be identified by any third party, the account holder or the bank branch where the account is maintained.

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.

2. Review of Accounts

- (a) The Operation risk and compliance department of the bank shall conduct annual review of accounts, where there are no customer-induced transactions for more than a year.
- (b) The Operation risk and compliance department should review such accounts if the customers have not withdrawn the proceeds after maturity or transferred funds to their savings/current account in order to prevent such deposits from becoming unclaimed.
- (c) 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. 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.
- (d) 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.
- (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 authorization to enable the bank to transfer the balance from the existing bank account.

3. For classifying an account as “Inoperative”, only customer induced transactions shall be considered. Where customer has given any standing instruction(s)/auto renewal instructions as per annexure 2.2 , these transactions shall be considered as customer induced transactions. Monthly and Quarterly interest on term deposit and/ or dividend on shares credited to deposit accounts as per the mandate of the customer, shall be considered as customer induced transaction for this purpose. However, the service charges (including Tax deducted) levied by the bank or interest credited by the bank on saving bank account shall not be considered for this purpose.

4. In case any reply is given by the account holder giving the reasons for not operating the account, bank shall continue to classify the same as an operative account for one more year within which period the account holder shall be requested to operate the account. However, in case the

account holder still does not operate the same during the extended period, bank shall classify the same as inoperative account after the expiry of the extended period.

5. Periodic interest on savings bank accounts shall be credited on regular basis whether the account is operative or inoperative.
6. In case a Term Deposit matures and proceeds are unpaid, the amount left unclaimed with the bank will attract interest at the rates as specified in the bank's policy on "Interest Rate on Deposits" as amended from time to time.

7. Segregation and Audit of Inoperative Accounts/ Unclaimed Deposits

7.1 The transactions in inoperative accounts, which have been reactivated, shall be monitored regularly, for at least six months, at higher levels (i.e. by controlling authorities of the concerned branch) without the knowledge and notice of the customers and the dealing staff.

7.2 The bank shall ensure that amounts lying in inoperative accounts/unclaimed deposits and reactivated inoperative accounts/ unclaimed deposits, are subject to concurrent audit.

8. Tracing of Customers of Inoperative Accounts/ Unclaimed Deposits

8.1 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.

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

8.3 The bank 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.

9. Activation of Inoperative Accounts

9.1 Operation in inoperative accounts shall only be allowed after due diligence as per risk category of the customer. The bank shall make available the facility of updation of KYC for activation of inoperative accounts/ unclaimed deposits at all branches (including non-home branches).

Request for conversion of account status shall be processed as below:

- (i) **Parent Branch:** Request shall be processed at Parent Branch level as per existing process.
- (ii) **Non-Parent Branch:** Request shall be raised through Liability Exception module with CPU-Liabilities for reactivation of account. CPU team shall verify the requisite documents and process the request in CBS accordingly. An automated alert shall be triggered through email to respective branch on activation of Account at Ho level.
- (iii) Scanned documents shall always be available in the document manager for ready reference of Parent branch, branch initiating request as well as CPU-Liabilities. However, the original physical documents shall be preserved by non-parent branch and will be auditable.

9.2 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 categorization, etc.

9.3 The bank shall ensure that activation of inoperative account/ unclaimed deposits in CBS necessarily requires second level of authorization by another officer at the same or higher level (i.e., through maker and checker). System logs shall invariably be maintained in case of any activity in or activation of inoperative accounts/unclaimed deposits for concurrent audit purpose. Once inoperative/unclaimed deposit account become operative, the system logs shall be preserved for the period of 15 years from the date of conversion. The records shall be retained until the claims are settled even after transfer to DEAF.

9.4 The bank shall automatically intimate the inoperative account/ unclaimed deposit holders through SMS or 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. 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.

9.5 Due diligence means ensuring the identity of the account holder based on latest KYC documents (branches shall obtain latest address proof, id proof, passport size photograph and customer profile as per the Bank's KYC Policy as amended from time to time), verification of the signature, genuineness of the transaction etc.

9.6 The inoperative status shall be modified to active status on the specific request of the account holder.

9.7 Branches shall ensure that the customer is not inconvenienced as a result of extra care taken by the bank.

9.8 No charges shall be levied to the account for re-activation of the inoperative account.

9.9 Once the account is reactivated in the system, branch shall guide the account holder to perform a financial transaction (Debit or Credit) in the account on the same day.

9.10 The bank shall not levy penal charges for non-maintenance of minimum balances in any account that is classified as an inoperative account.

10. As per RBI recent clarifications on inoperative guidelines, no account type is exempted from the preview of inoperative account. Accordingly the accounts where any subsidy is received under Direct Benefit Schemes of the Govt. shall also be converted into inoperative category due to non-operations in the account. Please refer the bank guidelines on opening of Savings bank accounts under various Government Schemes for credit of Scholarship amounts and Direct Benefit Transfer.

11. Display of Unclaimed Deposits and Search Facility

Bank shall 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 their respective websites, which shall be updated regularly, at least on a monthly basis. 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. 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.

12. Fraud Risk Management in Inoperative Accounts

12.1 The bank shall not allow any debit transaction in an inoperative account unless there is a customer induced activation as per the procedure mentioned in point 9 of these guidelines.

12.2 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.

13. Customer Awareness

13.1 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 shall be made available for the benefit of customers

13.2 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 depositors.

14. We may add here that while shifting an inoperative NRE account to operative category, extra due diligence should be taken by obtaining a copy of their passport etc. to ensure genuineness of the transaction.

15. We may again reiterate that in all the above said conditions the Branch Head is the only competent authority to allow the change of the category of the account. The branch should also generate a list of accounts converted to operative category on daily basis, which must be signed by the Branch Head and duly preserved in a separate file for audit purpose.

Please note to adhere to the guidelines strictly and any deviation therein shall be viewed seriously for which the Branch Head shall be held responsible/accountable.

**Operations Department
Head Office**

Request for Conversion of Inoperative account status to Operative

Date: _____

To

The Branch Manager,
Capital Small Finance Bank Ltd.,
BO: _____

Subject: Request for conversion of Inoperative Account No. _____ in the name of

Dear Sir,

This is to inform you that I/we could not operate my/our above said account since long and the same has become inoperative. Now I/we would like to start operations in the account and request you to convert the status of the account to operative category.

The required KYC document(s) and profile form is enclosed for your reference and record, kindly do the needful and oblige.

Thanking you.

Yours faithfully,

Signature(s) of Account Holder(s)

Name of Account Holder(s):

For Branch Use

I hereby recommend for conversion of A/c no. _____ from inoperative to operative based upon the due diligence measures and physical verification of the required documents.

Date:

Branch Head

Name:

Emp. Code:

Signatures

Maker:

Checker

Annexure -1

Financial Transactions:

- ATM/ Cash withdrawal/deposit
- RTGS / NEFT/ IMPS /UPI/ AePS/ ABPS Transactions
- Internet Banking Transactions
- Debit Card Transactions
- Transfer of funds from / to the linked CBDC(e-Rupee) account
- Cheque Clearing
- Remittance of funds by way of demand drafts
- Cash withdrawal by third party through cheque
- Standing Instructions issued by the customer shall include Locker rent recovery, RD installment recovery, Loan installment recovery, QIDS/MIDS interest credit etc.
- NACH Debit / Credits
- Term Deposit Interest / proceeds
- Dividend on shares/Interest on Debentures or any other investment proceeds
- Direct Benefit Transfer (DBT) credits
- Refunds like refunds related to e-commerce payments, Income Tax Returns, etc.
- National Electronic Toll Collection (NETC) debits

Annexure 2

Annexure 2.1: Non-Financial Transactions based on two-factor authentication

SR NO.	SERVICES
1	FUND Transfer
	REQUEST SERVICES
2	CHEQ BOOK REQUEST
3	STATUS INQ OF CHEQUE
4	STOP CHEQUE
5	REVOKE CHEQUE
6	POSITIVE PAY SYSTEM
7	ACCOUNT FREEZE
	DEPOSITS
8	OPEN DEPOSIT
9	TICKETING
10	BILL PAYMENTS
11	ReKyc
12	NACH mandate Cancellation

Annexure 2.2: Non-Financial Transactions based on wet signatures

SR NO.	SERVICES
1	Any standing instruction by the customer from the said account - Branch Channel
2	Issuance of cheque book in CBS, except Loose cheque issuance
3	Debit card request except auto issuance of replacement card against expired card,
4	KYC updation request may be from digital mode or in person (except responsive SMS and Data Purification), Re KYC updation request online or digital
