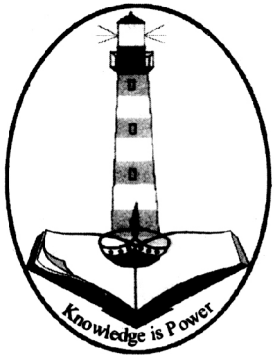


Rs.5/-



# Light Circle

An Educational Newsletter  
(English Monthly)

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## EDITORIAL

Dear Friends,

### Let the thoughts flow

When you try too hard to be creative, all you get is trying and not much creating. Let go of the trying, let go of the striving, and let the creative thoughts flow.

You are filled with spectacular thoughts and ideas for making life more beautiful and fulfilling. The problem is, most of those ideas never reach the surface because you're trying so hard to think of other things.

So just ease off the trying and enjoy watching and listening as your thoughts naturally come into your awareness. Instead of getting all uptight with the goal of a particular thought in mind, just pay attention to what your authentic self is telling you.

Before long, if you simply let your thoughts flow, something very useful and appropriate will come along. It will have the added benefit of being elegant and original.

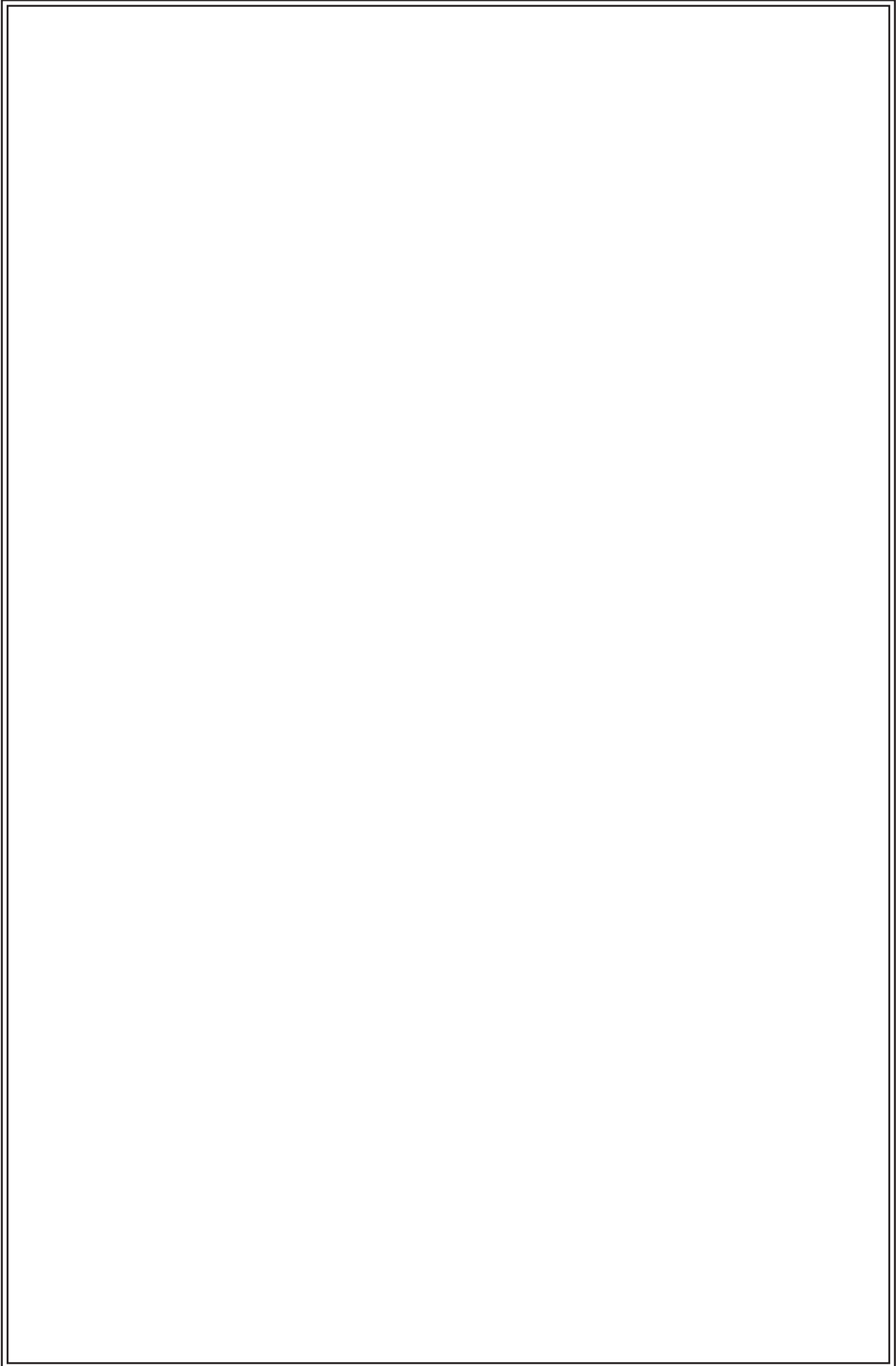
There is so much value in your authentic thoughts that you don't ever have to settle for contrived thoughts. Be grateful and joyful about who you are, and you will easily come to understand what you seek to know.

You have an immensely deep and largely untapped reservoir of brilliant creativity within you. Let your thoughts freely flow, and let that creativity come forth.

— *Ralph Marston*

With Best Wishes.

**EDITORIAL BOARD.**



**LIGHT CIRCLE - AUGUST 2016**

## GIST OF HO CIRCULARS ISSUED DURING JULY - 2016

- 374/2016 SUB: SCHEME FOR SUSTAINABLE STRUCTURING OF STRESSED ASSETS.  
 · Scheme introduced for adequate deep restructuring to give projects a chance of sustained revival.  
 · Definition of Sustainable Debt and Concept of Overseeing Committee to review the processes involved
- 375/2016 SUB: RELEASE OF AUTOMATED SMS/EMAIL REMINDER ALERT FACILITIES.  
 · Automated Email alert to Branches for high value transaction of Cash Deposit/Cash Withdrawal/RTGS/NEFT/Transfer and Cheque Clearing.  
 · Automated reminder SMS/Email alerts to all customers for SB/CA/OD/OCC TOD's regularization which are pending beyond the stipulated period.
- 376/2016 Internet Banking Registration – Recording of proper e-mail, Mobile No and correct address
- 377/2016 SUB: SUBMISSION OF PARTICULARS OF FORM 15CA, 15CB FOR FILING OF RETURNS IN FORM 15CC AT HO LEVEL AND PROCEDURE FOR FILING FORM 15CA AND/OR FORM 15CB  
 · Filing of Quarterly Return in Form 15CC at HO level  
 · Procedure for processing Form 15CA and/or Form 15CB
- 378/2016 Guidelines for Relief Measures by Banks in areas affected by Natural Calamities - Utilisation of Insurance proceeds
- 379/2016 Sub: Handling the complaints from the customers – Reiteration of Guidelines  
 · Before refusing any complaint or providing partial relief to the complainant, branches / Regional Offices / Circles / HO shall take up the grievance of the customers with the Chief Customer Service Officer (CCSO), HO  
 · In no case the complaints shall be rejected by the branch or office without the knowledge of the CCSO  
 · The reply given to the customer shall include – “ This reply has the consent of the CCSO of the Bank”
- 380/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME
- 381/2016 Area specific scheme for financing SRTOs having tie up arrangement with M/s Ashok Leyland Ltd – Linking of ROI of the scheme to MCLR - Linking of ROI of the scheme to MCLR till validity of the scheme i.e. 28.10.2016
- 382/2016 Farm Machinery Finance – Approved List of Combine Harvester
- 383/2016 Pre – 2005 series of Bank Notes – Revision of exchange facility  
 The facility for the members of public to exchange pre-2005 banknotes will be available only at the below named offices of Reserve Bank of India  
 Currency Chests to withdraw all notes issued prior to 2005 for onward transmission to Reserve Bank of India
- 384/2016 CONFIRMATION OF IMPLEMENTING ECS FACILITY FOR RECOVERY OF MONTHLY INSTALMENTS IN RESPECT OF RETAIL LOANS THROUGH MANDATE MANAGEMENT UNDER NACH  
 · Mandatory implementation of ECS facility for recovery of EMI's of Retail Loans through Mandate Management system under NACH by Branches/Offices.  
 · Branches/RAHs to send the confirmation of implementation to their respective Circle Office by 15/07/2016 & Circles to send the confirmation to Retail Assets Wing, H.O. by 20/07/2016.
- 385/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME
- 386/2016 CHANGE IN TIMELINES FOR CLOSURE OF AUDIT REPORTS. - TIME LINES FOR CLOSURE OF RBIA / SPECIAL REPORTS STAND MODIFIED
- 387/2016 Gold Related Schemes – Sovereign Gold Bonds Scheme IV Tranche of issue.  
 · Fourth Tranche of Issue of Sovereign Gold Bonds being held from 18th to 22nd July 2016.  
 · Minimum subscription for Bonds has been reduced to 1 Gram of Gold from the existing limit of 2 Grams. Other features remain unaltered.

- 388/2016 PROVIDING AADHAR NUMBER TO AVAIL VARIOUS INTEREST SUBSIDY SCHEMES OF GOI
- Govt has passed the AADHAR (Targeted Delivery of Financial and other Subsidies, benefit and services) Act, 2016, on 11.03.2016.
  - Ministry of Law and Justice, Govt. of India has notified the same vide Gazette Notification no: 19 dated 26.03.2016.
  - AADHAR Act states that Central or State Government may require a person to possess an AADHAR number if he/she is receiving some subsidy from Govt/ State Govt.
  - Branches/Offices shall collect the AADHAR number of the students / borrowers who are availing any subsidy from the Government especially CSIS, Padho Pardesh & ACSISOBCEBC.
  - Branches to ensure updation of AADHAR Details in CIM50 at the time of opening of deposit accounts, loans/advances.
- 389/2016 OBSERVE TRANSPORTERS' MONTH FROM 15.07.2016 TO 14.08.2016.1. TRANSPORTERS' MONTH TO BE OBSERVED FROM 15.07.2016 TO 14.08.2016.2. TRANSPORTERS' MEET SHALL BE CONDUCTED DURING THE ABOVE PERIOD BY ALL OUR BRANCHES.3. EACH BRANCH SHOULD SANCTION MINIMUM TWO LOANS DURING THE PERIOD.4. AREA SPECIFIC SCHEMES FOR FINANCING TRANSPORT OPERATORS & MOU WITH VEHICLE MANUFACTURERS TO BE UTILISED TO SOURCE PROPOSALS.
- 390/2016 Atal Pension Yojana Scheme – Conducting “APY PENSION HARMONY WEEK” during the period from 25th to 29th July 2016.
- All branches of the Bank to observe APY Pension Harmony Week during the period from 25th to 29th July 2016
  - Each branch should open a minimum of 5 new eligible APY accounts during the above period and on-board the accounts in the APY Module;
  - All Circles should ensure 100 % activation of the branches in the Circle during the campaign period
- 391/2016 Financial Inclusion – waiver of collection of service charges for remittance through BC outlets – extended# Collection of service charges from BSBD account holders and remittance through BC outlets deferred till 30.9.2016
- 392/2016 FESTIVAL ADVANCE TO EMPLOYEES
- 393/2016 AMENDED TECHNOLOGY UPGRADATION FUND SCHEME (A-TUFS) FOR TEXTILE INDUSTRY – A) ADDITION / MODIFICATION TO LIST OF ELIGIBLE MACHINERY; B) LIST OF INDICATIVE MACHINERY MANUFACTURERS
- 394/2016 ORGANISATIONAL RESTRUCTURING OF THE BANK
- In the Phase-I of the Organisational Restructuring of the Bank, two Circles and 19 Regional Offices have started functioning from 15.04.2016.
  - In the Phase-II of the Organisational Restructuring of the Bank, 19 Circles and 99 Regional Offices have started functioning from 14.07.2016.
- 395/2016 Aadhaar and Mobile Number Seeding in all accounts
- 396/2016 NEW GUIDELINES FOR WAIVER OF TDS FOR NEW CUSTOMER TYPES UNDER GOVERNMENT CATEGORY IN CBS
- 397/2016 Gold Related Schemes – Sovereign Gold Bonds Scheme IV Tranche.
- Sovereign Gold Bonds – Issue of Fourth Tranche conducted by RBI from 18th to 22nd July 2016
  - RBI has fixed the issue price at Rs.3,119/- per gram of SGBs in IV Tranche
- 398/2016 Risk Management System in Banks Guidelines on country risk managementCountry risk classification of Cote de Ivoire, Greece and Iran has been modified from restricted cover – Group I to open coverUpdated list of country risk classification as on 30.6.2016 by Export Credit Guarantee Corporation of India Ltd (ECGC)
- 399/2016 Gold Related Schemes – Sovereign Gold Bonds Scheme IV Tranche of issue.
- Fourth Tranche of Issue of Sovereign Gold Bonds being held from 18th to 22nd July 2016.

- Another 121 branches of the Bank added to the list of Designated Branches, taking the total tally to 375 branches, for handling SGBs
- 400/2016 CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS (CGFSEL) TO COVER EDUCATION LOANS SANCTIONED UNDER IBA'S MODEL EDUCATION LOAN SCHEME, UPTO LIMIT OF Rs.7.50 LACS. PREMIUM PAYMENT TO M/S NCGTC IS ABSORBED BY BANK AT HEAD OFFICE LEVEL
- 401/2016 REVISION IN INTEREST RATES ON DOMESTIC & NRO TERM DEPOSITS W.E.F. 21.07.2016.
- Revision in interest rate on Domestic and NRO Term Deposits w.e.f. 21.07.2016.
  - All other terms and conditions detailed in HO Circular 209/2016 dated 11.04.2016 shall continue.
- 402/2016 REVISION IN INTEREST RATES ON NRE TERM DEPOSITS W.E.F.21.07.2016.
- Interest rate on NRE term deposits revised w.e.f. 21.07.2016.
  - All other terms and conditions detailed in HO Circular 210/2016 dt. 11.04.2016 to continue
- 403/2016 REVISION IN INTEREST RATE ON CANARA TAX SAVER DEPOSIT SCHEME W.E.F. 21.07.2016.
- 404/2016 REVIEW OF PRUDENTIAL GUIDELINES - REVITALISING STRESSED ASSETS IN THE ECONOMY – ADDITIONAL GUIDELINES
- GUIDELINES ON RELEASE OF PERSONAL GUARANTEE ON CHANGE OF MANAGEMENT UNDER SDR & OUTSIDE SDR
  - GUIDELINES ON RESTRUCTURING OF BORROWAL ACCOUNTS IN CASE OF FRAUDS/MALFEASANCE WHERE THE EXISTING PROMOTERS ARE REPLACED BY NEW PROMOTER
- 405/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME
- 406/2016 Loan Recovery Policy - Revision
- 407/2016 Guidelines for Empanelment of Direct Selling Agents (DSAs) for sourcing Home Loan business. All the Circles/ROs, where RAHs are functioning are permitted to empanel DSAs for sourcing Home Loan business.
- 408/2016 Rating of our Bank by BCSBI (Banking Codes & Standards Board of India) and need for complying their codes to improve customer service.
- To furnish Most Important Terms & Conditions relating to all Retail Lending Products to the individual customers along with Retail Loan applications.
  - To ensure coverage of all important aspects of the product in such MITCs as per latest modifications.
  - Issue ACKNOWLEDGEMENT for loan applications received with application number and date of receipt.
  - Obtain acknowledgement for accepting & agreeing to the terms and conditions of Sanction from all the borrowers/guarantors.
  - Branches/RAHs to Confirm the Compliance of Codes to their respective ROs and ROs to Circle by 30-07-2016
  - Circles to give a Consolidated Certificate to Retail Assets Wing, Head Office latest by 06-08-2016.
- 409/2016 Pradhan Mantri Awas Yojana (PMAY) Scheme - Extension in date for non obtention of NOC from States/UTs/Urban LocalBodies from 30.6.2016 to 31.12.2016 or until States/UTs sign MOA under the mission (Housing for All), whichever is later.
1. Till 31/12/2016 or until States/UTs sign MOA under the mission whichever is later, NOCs from States/UTs/ULBs need not be obtained while sanctioning loans under PMAY scheme.
  2. Central Nodal Agencies (CNAs) on behalf of Banks will send list of beneficiaries under CLSS on fortnightly basis to the concerned States/UTs/ULBs.
  3. Ensure updation of AADHAR Number for PMAY Borrowers in CBS
- 410/2016 PREVENTION OF FRAUDS UNDER CANARA VEHICLE LOANS -REITERATION OF GUIDELINES Need for Strict Compliance of guidelines in respect of Identification, KYC, Pre-Sanction, Due diligence in Processing, Sanction, Disbursement and Post Sanction monitoring of Canara Vehicle Loans thereby preventing frauds under this scheme. Reiteration of some of the Important Guidelines relating to Prevention of Frauds under Canara Vehicle

- 411/2016 DELEGATION OF POWERS FOR PERMITTING REDUCTION IN RATE OF INTEREST AND MARGIN ON LOANS AND ADVANCES AGAINST TERM DEPOSITS Delegation of powers for permitting reduction in rate of interest and margin on loans and advances against term deposits granted to the depositors and third parties – Modifications
- 412/2016 Framework for Revival and Rehabilitation of Micro, Small & Medium Enterprises – Draft Applications.  
 1. MSME borrower (with existing loan exposure upto Rs. 10 Lacs) seeking Corrective Action Plan should submit application as per format vide Appendix – I.  
 2. MSME borrower (with existing loan exposure above Rs. 10 Lacs and upto Rs. 25 Crores) seeking Corrective Action Plan should submit application as per format vide Appendix – II.
- 413/2016 Capital Investment Subsidy Scheme for Commercial Production Units of Organic Inputs under National Project on Organic Farming - Continuation of the scheme for the Financial Year 2016-17
- 414/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME
- 415/2016 Atal Pension Yojana Scheme – Conducting “APY PENSION HARMONY WEEK” during the period from 25th to 29th July 2016.  
 · All branches of the Bank to observe APY Pension Harmony Week during the period from 25th to 29th July 2016;  
 · Action Points during the campaign period re-iterated;  
 · Each branch should open a minimum of 5 new eligible APY accounts during the above period and on-board the accounts in the APY Module;  
 · All Circles should ensure 100 % activation of the branches in the Circle during the campaign period, by mobilizing minimum 5 new APY accounts per branch;
- 416/2016 MASTER POLICY ON CREDIT RISK MANAGEMENT FOR 2016-17 - DOMESTIC & BRANCHES OVERSEAS - MODIFICATION Modifications in Master policy on Credit Risk Management for 2016-17 for Domestic branches advised
- 417/2016 Gold Related Schemes – Sovereign Gold Bonds Scheme IV Tranche.  
 · Sovereign Gold Bonds – Issue of Fourth Tranche conducted by RBI from 18th to 22nd July 2016  
 · To enter all applications mobilized by 12-00 noon on 27-7-2016
- 418/2016 WHISTLE BLOWER POLICY - REPORTING IRREGULAR PRACTICES IN ANY OPERATIONAL AREAS INCLUDING FRAUDS & MALPRACTICES AT BRANCHES/ OFFICES - BASED ON “PUBLIC INTEREST DISCLOSURES & PROTECTION OF INFORMER (PIDPI) RESOLUTION”.
- 419/2016 Pradhan Mantri Jan Dhan Yojana (PMJDY) Opening of Accounts - Continuation of Scheme
- 420/2016 RISK CATEGORISATION OF CUSTOMERS – DEPOSIT ACCOUNTS.  
 · Risk categorization of customers (deposit accounts) has been updated in CBS centrally (the process completed on 30.05.2016).  
 · Branches are required to review the risk categorization of existing accounts and update the risk category, wherever applicable, and confirm to the respective Regional Office on or before 05.08.2016.  
 · The details of parameters for risk categorization (matrix for risk categorization) are provided in Annexure-I of the Circular
- 421/2016 Newly elected Directors
- 423/2016 Vidya Turant – An online instant education loan sanction facility for the students of select IIMs/IITs/NITs/IISc/ISB, with relaxed guidelines under IBA’s Model Education Loan Scheme – Addition of new institutions.
- 424/2016 BLACK LISTED NGO
- 425/2016 PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) – CROP INSURANCE SCHEME – Bulk Uploading of Insured Farmers to the Portal
- 426/2016 Release of Sponsor Credit Module – Splitting of input files to ACH and APBS - NACH  
 · EBT format which was catering to both Aadhaar and Account number based transactions discontinued by NPCI  
 · Functionality of splitting Sponsor credit input files to ACH and APBS NACH files developed
- 427/2016 Cheque Truncation System – Scanners provided to circles during the year 2015-16.

- Supply of scanners to circles during the year 2015 – 16 – To make best use of the scanners provided and facilitate speedy movement of clearing cheques.
  - Follow the guidelines issued scrupulously.
- 428/2016 Renaming and re-organization of functions of Transaction Banking Wing w.e.f. 01.08.2016
- Transaction Banking Wing is re-named as 'Digital Banking Services Wing – (DBS Wing)'.
  - Nomenclature & functions of different Sections of the Wing has been revised for more clarity.

#### FOREX CIRCULARS

- FX/56/2016 FOREIGN EXCHANGE MANAGEMENT (FOREIGN CURRENCY ACCOUNTS BY A PERSON RESIDENT IN INDIA) REGULATIONS, 2015
1. INDIAN STARTUP, HAVING AN OVERSEAS SUBSIDIARY, MAY OPEN A FOREIGN CURRENCY ACCOUNT WITH A BANK OUTSIDE INDIA.
  2. FACILITY OF OPENING FOREIGN CURRENCY ACCOUNT OUTSIDE INDIA EXTENDED TO ALL INSURANCE/REINSURANCE COMPANIES REGISTERED WITH INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (IRDA).
- FX/57/2016 REVISION IN RATES OF INTEREST ON FCNR [B] & RFC DEPOSITS REVISION IN INTEREST RATES ON FCNR (B) DEPOSITS/ RFC DEPOSITS W.E.F. 01.07.2016
- FX/58/2016 EXTERNAL COMMERCIAL BORROWINGS (ECB) – APPROVAL ROUTE CASES RESERVE BANK OF INDIA HAS DECIDED THAT EXTERNAL COMMERCIAL BORROWINGS (ECB) PROPOSALS RECEIVED ABOVE A CERTAIN THRESHOLD LIMIT (REFIXED FROM TIME TO TIME BY RBI) BE PLACED BEFORE THE EMPOWERED COMMITTEE.
- FX/59/2016 SETTLEMENT SYSTEM UNDER ASIAN CLEARING UNION (ACU) RESERVE BANK OF INDIA HAS TEMPORARILY SUSPENDED OPERATIONS IN 'ACU EURO' WITH EFFECT FROM JULY 01, 2016.
- FX/60/2016 OBTENTION OF STATUS REPORTS/OPLs ON OVERSEAS ENTITIES. EMPANELMENT OF M/S. MNS CREDIT MANAGEMENT GROUP (P) LIMITED FOR OBTENTION OF STATUS REPORT (OPL) ON OVERSEAS PARTIES.
- FX/61/2016 ADVANCE REMITTANCE AGAINST IMPORTS – RELAXATION IN OBTENTION OF STATUS REPORT/OPL ON OVERSEAS SUPPLIER/OPERATION IN THE ACCOUNT POWERS DELEGATED AT VARIOUS LEVELS FOR RELAXATION IN OBTENTION OF STATUS REPORT/OPL ON OVERSEAS SUPPLIER/ OPERATION IN THE ACCOUNT WHILE EFFECTING ADVANCE REMITTANCE AGAINST IMPORTS.
- FX/62/2016 DISCONTINUATION OF REPORTING OF BANK GUARANTEE ON BEHALF OF SERVICE IMPORTERS RESERVE BANK OF INDIA HAS DISCONTINUED THE REPORTING OF INVOCATION OF BANK GUARANTEE ISSUED ON BEHALF OF SERVICE IMPORTERS.
- FX/63/2016 EXIM BANK'S GOI SUPPORTED LINE OF CREDIT OF USD 86.31 MILLION TO MYANMA FOREIGN TRADE BANK (MFTB), MYANMAR
- FX/64/2016 OVERSEAS DIRECT INVESTMENT – REITERATION OF GUIDELINES REITERATION OF GUIDELINES RELATING TO:
- Receipt of Share Certificate from JV/WOS
  - Repatriation of dues like Dividend, Royalty, Technical fee etc. from JV/WOs
  - Submission of Annual Performance Report (APR) of JV/WOS
- FX/65/2016 COLLECTION OF USD CLEAN INSTRUMENTS DRAWN IN USA THROUGH WELLS FARGO BANK NA'S FINAL CREDIT SERVICE ARRANGEMENT - Commencement of Wells Fargo Bank NA's Final Credit Service (without recourse) (USD 2,001-USD 250,000) w.e.f 25-July-2016.
- FX/66/2016 UNAUTHORIZED PAYMENT MESSAGES USING SWIFT MESSAGING SYSTEM ALERT BRANCHES SHALL EXERCISE UTMOST CAUTION TO PREVENT UNAUTHORIZED USAGE OF OUR SWIFT MESSAGING SYSTEM
- FX/67/2016 REVISION IN RATES OF INTEREST ON FCNR [B] & RFC DEPOSITS REVISION IN INTEREST RATES ON FCNR (B) DEPOSITS/ RFC DEPOSITS W.E.F. 01.08.2016

## CUSTOMERS & THEIR ACCOUNTS

### Banker Customer Relationship and Accounts of Customers

#### 11. Partnership Firms

1. As per section 4 of the Indian Partnership Act, 1932 partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
2. Minimum partners: A partnership firm should have minimum 2 partners.
3. Maximum partners: As per Companies Act 2013, an association of more than 100 persons which is not registered as Company or Society will be an illegal association. Therefore, maximum number of partners can be 100. (As per Companies. Act 1956, maximum number of partners could be 20 for any business other than banking and 10 for banking business).
4. In case of Limited Liability Partnerships, there is no limit on maximum number of partners.
5. Who can become a partner?: Only a person competent to contract can become partner. Minor, insolvent, insane cannot become partners A company and a firm can become partner in another firm.
6. Who can not become a partner?: HUF can not become partner as per judgement of the Supreme Court because HUF is neither a legal person nor a natural person and can not be liable for action of others.
7. Partnership Deed: Partnership can be oral or in writing. Therefore, banks do not insist on partnership deed while opening accounts of a partnership concern.
8. Registration of Partnership: A partnership firm is registered with registrar of firms. Though, it is not necessary that the firm be registered yet registration is preferred because an unregistered firm can not sue others in its own name for recovery of its dues while others can sue it in its name. Therefore, while granting loans banks prefer that the firm should be registered one.
9. Implied authority of partner: As per section 19 of the Partnership Act, 1932, a partner of a firm has implied authority to act on behalf of the firm for the normal business of the firm and bind the firm. All actions of the partner in the ordinary course of business are actions of all partners. However, in the absence of any usage or custom of the trade to the contrary, a partner's implied authority does not cover (a) admission of any liability in a suit against the firm (b) withdrawal of any suit filed on behalf of the firm (c) acquire/transfer any immovable property on behalf of the firm (d) submitting a dispute relating to the business of the firm to arbitration (e) opening a bank account on behalf of the firm in his own name (f) compromising on behalf of a firm (g) entering into partnership on behalf of the firm. But if all partners agree for these issues—and authorize any one in this regard, these jobs can be undertaken by the said partner.
10. Liability of partner: As per section 25 of the Indian Partnership Act, 1932 every partner is liable, jointly with all other partners and also severally, for all acts of the firm while he is a partner. Thus, liability of a partner is unlimited. In case of Limited Liability Partnership, the liability of partner is limited up to the amount agreed to be contributed by him.
11. Account of Partnership firm: For opening account of a partnership firm, all partners are required to sign Account opening form except minor who is admitted for benefits of firm.
12. Operational Authority: In Partnership accounts operation authority is given by all partners. Any change in the operational authority is also with the consent of all partners including those who were earlier not authorized to operate. Every partner including a sleeping partner has authority to stop payment of a cheque issued by another partner of the firm. The revocation of stop payment of cheque will be as per operational authority.
13. As per section 18, a partner is the agent of the firm for the purpose of business-of the firm. Being an agent, he can't delegate his authority to an outsider without the written consent of all other partners.
14. Death, insolvency, insanity of partner: On the death, insolvency or insanity of a partner, the partnership is dissolved and operations are stopped. The cheques signed by the deceased, insane or insolvent partner will not be paid. If the account is in credit, operations are allowed for winding up of the firm. In such case operations are allowed on the basis of a fresh mandate. If the account is in debit, operations in the account should be stopped to retain liability of the deceased /insolvent partner or his/her estate and to avoid operations of the Clayton's rule.

#### 12. Limited Liability Partnership

1. Limited Liability Partnership is governed by Limited Liability Partnership Act 2008.
2. It is registered with Registrar of Companies.



3. Minimum number of partners is 2 but there is no limit on number of partners. An individual or a 15-Ody coporate can be a member of an LLP.
4. Liability of partner is limited to the extent of his contribution in the firm. A partner shall not be personally liable.

### **13. Accounts of Limited Companies**

1. A limited company is an artificial person with perpetual succession incorporated under the Companies Act.
2. Number of members: As per Companies Act 2013, in the case of a private limited company, minimum number of members should be 2 and maximum number of members excluding employees can be 200. For public limited company minimum number of shareholders should be 7 and there is no ceiling on maximum number
3. Number of Directors: Minimum Directors in a public limited company should be three, in a private limited company 2 and in One Person Company one. Maximum directors in all types of companies can be 15. However, company may appoint more than 15 directors by passing a special resolution. An individual can not be director of more than 20 companies at one time out of which public co should not be more than 10.
4. Shareholders are owners of the company, directors are agents of the company and debenture holders are creditors of the company.
5. Documents for opening account: For opening account of a limited company bank should obtain the following:
  - (a) Memorandum of Association: It contains name of the Company, its authorised capital, registered office and liability of shareholders, objects of the company etc. Anything done by the directors beyond the objects stated in the memorandum of association is called *ultravices* the company and can't be ratified even in a general body meeting. Directors can borrow only for the objects mentioned in the MOA. if any loan is given for objects other than those mentioned in Memorandum of Association, company will not be liable for such loans.
  - (b) Articles of Association: lays down the internal working of the company like rights and powers of the directors, rules of conducting meetings, borrowing power of directors etc.
  - (c) Certificate of incorporation : It is equivalent to birth registration certificate of the company. This is the most important document. A company does not exist without it.
  - (d) Certificate of commencement of business: used to be issued by Registrar of companies. Earlier it was required by public limited companies only. Now it is not required by either public limited company or private limited company.
  - (e) Resolution of Board of Directors which is passed by the Board of Directors authorising opening and operation of the account by named officials of the company. A copy of the resolution should be attested by its Company Secretary and / or Chairman of the meeting at which resolution was passed.
  - (f) While opening account of a limited company, no introduction is required as Certificate of incorporation is sufficient for that purpose. However, KYC norms are required to be applied on all persons authorized to operate the account of company.
6. As per doctrine of 'Constructive Notice' anybody dealing with company is assumed to have knowledge of Memorandum and Articles of Association.
7. Operational Authority: The operational authority is decided by Board Resolution. Any change in operational authority is also as per Board Resolution. Stop payment of a cheque and revocation of stop payment will be as per operational authority. The directors can not delegate their authority to any other person.
8. In case a director dies, the cheques signed by him presented for payment can be paid if these are otherwise in order and are dated prior to his death.
9. Common Seal of the Company is to be affixed on documents as per Articles of Association or Board Resolution.
10. Borrowing powers of Directors: The borrowing powers of company arise from Memorandum of Association. The Borrowing powers of directors are given in the Articles of Association. If it is not mentioned in Articles of Association, it is equal to paid up capital and reserves of the company. The Board of Directors of a public limited company or a private limited company which is a subsidiary of public limited company can't borrow in excess of its paid-up capital and free reserves. If the directors want to borrow more than the paid up capital and reserves of the company, consent of the shareholders is required in the General Body meeting.

11. Winding up of company: Winding up can be (a) voluntary (b) Compulsory by court (c) through court supervision.

#### **Registration of Charge**

1. When to be registered: Under section 77 of the Companies Act, 1956, a charge other than created by way of pledge or lien, by a company is required to be registered with Registrar of Companies (ROC).
2. Modification: Whenever, there is a change in terms and conditions of the loan, then the particulars of Modification of charge should be filed with the ROC.
3. Satisfaction: When loan is repaid, particulars of satisfaction of charge should be filed with ROC, within 30 days of the satisfaction of charge.
4. ROC with whom particulars to be filed: The particulars of the charge should be filed with the Registrar of companies in whose jurisdiction the Registered Office of the Company is located.
5. Forms: For filing particulars of fresh charge, Form No. CHG 1 is required. Form used for modification of the charge is same as that for fresh registration. For satisfaction of charge, Form No. CHG 4 is to be submitted.
6. Period for filing particulars: Particulars of charge are required to be filed within 30 days of creation of charge.
7. Extension of Period of Registration: ROC can grant extension of 270 days in filing particulars of charge. The company will be required to pay additional fees not exceeding 10 times the specified fees. Beyond this period permission is required from Company Law Board.
8. Duty to file particulars of charge: It is the primary duty of the company to get the charge / modification of charge / satisfaction of the charge registered with ROC. However, if the company does not get the charge registered, bank in its own interest can file particulars of charge.
9. Consequence of non filing the particulars: In case the particulars of charge are not filed, the bank becomes the unsecured creditor against the official liquidator.
10. Priority of charge: The priority of the charge is reckoned from the date of creation of charge (i.e. date of documents) and not from the date of registration if the charge is registered within the stipulated period.

#### **14. Accounts of Hindu Undivided Family (HUF)**

1. HUF is neither a legal person nor a natural person, It is not created by agreement. It is not incorporated under any Act. It is from—a-eornmon ancestor and membership is by birth or adoption.
2. The eldest coparcener including daughter is the Karta and continues to be Kerte even when he/she lives outside India.
3. Operational authority to operate the account is with Kerte. Karta can appoint any other coparcener or third party to conduct bUsiness of HUF and/or operate the account. Co parcener can not stop payment of the cheque unless he is authorized to operate the account.
4. In case of death, insanity or insolvency of Karta, next seniormost member of family becomes Kerte.
5. The liability of Karta is unlimited while that of co parceners is limited up to their share in the firm.

#### **15. Account of Trusts**

1. Types of Trusts: Trusts can be of two types - private trusts where beneficiaries are certain specified individuals or groups and public trusts where beneficiary is public at large. The document creating a trust is called 'trust deed'. Public Trusts are registered with the Charity Commissioner.
2. Operational Authority: The operation and other aspects of the bank account are to be conducted as .per the Trust Deed. Unless otherwise provided for in the trust deed, all trustees have to operate the account jointly. Trustees can't delegate their powers to an outsider even by mutual consent.
3. Loan to a trust: Unless specifically provided for in the trust deed, no trustee can raise loan against the security of the assets of the trust. Loan should be for the objects as mentioned in the Trust Deed.
4. On the death of a trustee, the trust property is passed on to the next trustee while in the event of death of sole trustee or last surviving trustee, the court can appoint a trustee.
5. Death or insolvency of a trustee does not affect the trust property-and the bank can pay cheques issued by the deceased trustee prior to his death.
6. Stop payment of a cheque and revocation of stop payment as per operational authority.

**16. Account of Executors and Administrators**

1. An executor is a person named by the deceased in his will to manage his estate whereas an administrator is appointed by the court of law for the same purpose where the deceased dies without leaving behind a will.
2. Executors and administrators, are treated as one person. On opening a bank account, therefore, executors/administrators can authorise any one or more of them to operate the account.
3. On the death of an executor or administrator, the surviving executor(s) or administrator(s) can continue to operate the account unless otherwise provided for in the will or letter of administration.
4. While opening the account of an executor, bank should obtain letter of probate, which is an official confirmation of the will of the deceased by a court of law. For opening account in the name of administrator(s), letter of administration is required which is issued by the court of law.

**17. Societies and Clubs**

1. Societies and Clubs are non-profit making organizations.
2. These can be registered under Societies Registration Act 1860 with Registrar of Societies.
3. Societies can also be registered with Registrar of Companies under section 25 of Companies Act which pertains to non profit making companies.
4. Documents to be obtained while opening the account: (i) Copy of Registration Certificate (ii) Copy of Bye laws which contain rules and regulations (iii) Copy of resolution passed by the Managing Committee which should include authority to open the account and operational authority.
5. Cheques presented after death of Secretary or Office Bearer: Any cheque signed by the Secretary of Club or Society or any other office bearer who is authorized to operate the account and presented after his death can be paid provided it is otherwise in order and dated prior to his death.

**18. Mandate and Power of Attorney**

1. When an account holder authorises another person through a simple letter of authority, it is called mandate. On the other hand, power of attorney is executed on stamped paper and may cover any other transactions besides opening/operation of an account. Bank generally accept mandates. However, Power of Attorney is also acceptable. A mandate does not require witnessing or stamping. On the other hand, power of attorney is stamped as per the State Stamp Rules of the state where it is executed. It must either be registered with a Registrar of Documents or attested by Notary Public.
2. The account holder can revoke mandate or power of attorney any time even if it is stated to be irrevocable.
3. Any cheque signed by the agent and presented after cancellation of authority shall not be paid irrespective of date on the cheque.
4. Any cheque signed by agent and dated prior to delegation of authority will not be paid. Power of attorney or mandate is revoked by death, insanity, insolvency of the Principal. Any cheque signed by the principal or agent presented after the death, insanity or insolvency of the principal will not be paid.
6. In case Cheque issued by the agent is presented for payment after his death, insanity or insolvency, the same can be paid provided the same is dated prior to the date of death or insanity of the agent.

**19. Death of a Customer and Settlement of Claims**

1. In the case of death of individual customer, operation in the account should be stopped.
2. The person named in the will or probate is called Executor. When a person dies without writing will, he is said as having dies intestate.
3. For making payment of balance in the account of deceased customer to legal heirs of the deceased, Succession certificate is not mandatory for any amount.
4. While delivering contents of locker or safe custody, inventory should be prepared. If some sealed packet is found in the locker of safe custody, it should be delivered as it is without opening the same.
5. The claim should be settled and payment should be made within 15 days from the date of receipt of completed papers.
6. If any credit is received in the account after death of customer, it should be credited to a separate account in the name of customer with the permission of legal heir or nominee. Otherwise it should be returned to remitter under intimation to the legal heir or-nominee.

7. Pre-mature payment of term deposit can be allowed but no loan can be allowed.
8. Interest in case of current account should be paid at Saving rate from date of death till date of payment.
9. In case of term deposits, up to due date interest should be paid at contracted rate. For overdue period. Interest should be paid at applicable rate on date of maturity if the death was before maturity and at saving rate if the depositor died after maturity.

**20. Know Your Customer (KYC) Guidelines**

- \* These guidelines have been issued by RBI under Section 35A of the Banking Regulation Act, 1949.
- \* The objective of KYC guidelines is to ensure Anti Money Laundering (AML), Combating - of Financing of Terrorism (CET) and Risk Management.
- \* For the purpose of KYC policy, a 'Customer' is defined as a person or entity that maintains an account and/or has a business relationship with the bank.
- \* Banks have been advised to frame their KYC policies incorporating the following four key elements: Customer Acceptance Policy; Customer Identification Procedures; Monitoring of Transactions; and Risk management.

**Customer Acceptance Policy**

1. KYC norms are applicable on all accounts except Small accounts and on all persons authorized to operate the account.
  2. Customers should be categorised into low, medium and high risk. Examples of low risk customers could be salaried employees, people with small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. Examples of High risk customers include (a) nonresident customers; (b) high net worth individuals; (c) trusts, charities, NGOs; (d) politically exposed persons (PEPs) of foreign origin;
  3. Bank should review the risk profile of the customer at least once in six months.
  4. Bank should obtain proof of identity, proof of address, and photograph of the prospective customer. Banks should not insist on introduction for opening bank accounts of customers.
  5. Banks obtain photograph while opening account for the purpose of identification.
  6. If the address on the document submitted for identity proof by the prospective customer is same as that declared by him/her in the account opening form, the document may be accepted as a valid proof of both identity and address.
  7. Documents for identity of the customer: (i) Passport (ii) PAN card (iii) Voter Identity card (iv) Driving Licence (v) MANREGA Card (vi) Aadhar card
  8. Documents for proof of address: Same as proof of identity except PAN card
  9. Updation of Customer Identification Data: Banks should update customer identification data (including photograph/s) once in ten years in case of low risk category customers and once in two years in case of high risk and once in 8 years for medium risk category.
  10. Small account: "Small account" means a savings account where- (i) the aggregate of all credits in a financial year does not exceed rupees one lakh, (ii) the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand, and; (iii) the balance at any point of time does not exceed rupees fifty thousand. Such account can be opened on production of a self-attested photograph. A small account shall be opened only at Core Banking Solution linked branch. Foreign remittances are not credited to a small account. Reporting to Financial Intelligence Unit - India Cash Transaction Report ( CTR)
1. The Cash Transaction Report (CTR) for each month should be submitted to FIU-IND by 15th of the succeeding month. It should include transactions where cash receipt or payment is more than Rs 10' lakh and integrally connected sash transactions where cash debit or cash credit during the month exceeds Rs 10 lakh.
  2. All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine should be reported within seven working days from the date of occurrence of such transactions (Counterfeit Currency Report — CCR).
  3. While filing CTR, details of individual transactions below Rupees Fifty thousand need not be furnished.
  4. CTR should contain. only the transactions carried out by the bank on behalf of their clients/ customers excluding transactions between the internal accounts of the bank.

**Suspicious Transaction Reports (STR)**

1. Banks should make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit,
  2. The Suspicious Transaction Report (STR) should be furnished within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. Non-Profit Organisation The report of all transactions involving receipts by non- profit organizations of value more than rupees ten lakh or its equivalent in foreign currency should be submitted every month to the Director, F1U-IND by 15th of the succeeding month in the prescribed format. Maintenance and Preservation -ef record
1. Transactions reported to FIU:C.ive-years from the date of transaction between the bank and the client.
  2. Records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.): fiveyears after the business relationship is ended.



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