

Rs.5/-



# Light Circle

An Educational Newsletter  
(English Monthly)

## FACILITATOR

Sri. G.V. Manimaran

## EDITORIALBOARD

Sri. B.Venkataiah

Sri. M.K.Anand

Sri. P.Shanmugam

Sri. V.K. Viswanathan

Sri. M. Ashok Kumar

Sri. N. Pandian

Sri. K.S.Murali

Sri. M.Mohammed Riaz

Sri. V.V.Krishnan

Sri. S.Karthikeyan

Sri. C.Manikandan

Sri. P. Rajrakesh

Light : 15

JULY 2016

Ray : 7

LIGHT CIRCLE : JULY 2016

## EDITORIAL

Dear Friends,

### Positive alternatives

The more you focus on any possibility, the more power and substance you give to it. It is by giving your persistent attention and energy to the possibilities that you make them real.

The same dynamic works for both the desirable and the undesirable possibilities. Whether you strongly fear or strongly desire, the power of your unrelenting attention will work to create whatever you focus upon.

Choose, then, to make your focus a positive one. Instead of living in fear of the bad stuff, live with a persistent desire and appreciation for the good stuff.

Be sincerely thankful for the goodness you already have, and your gratitude will create even more. Imagine in detail how your world can be a better place, and your time and energy will go toward making it so.

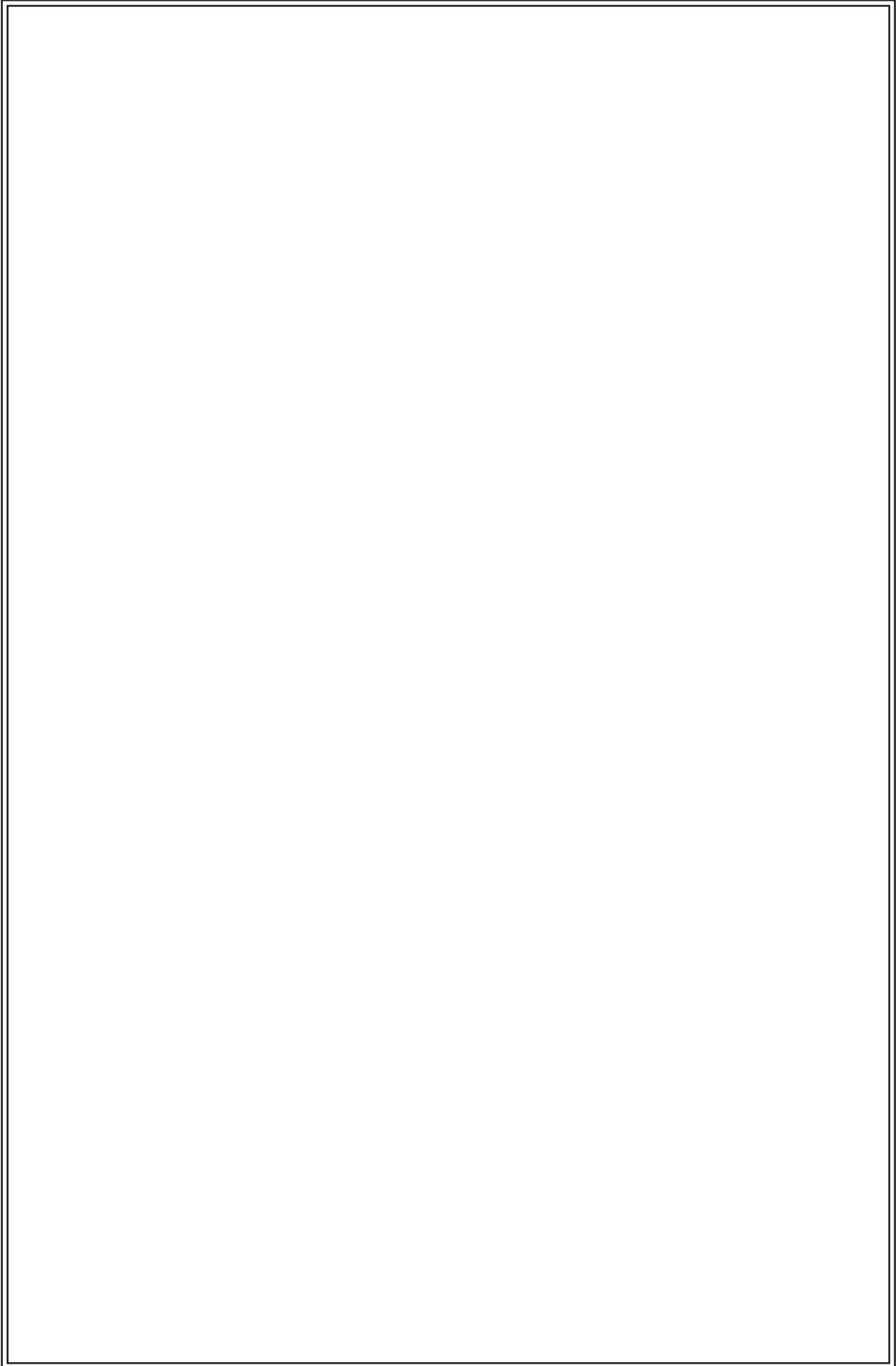
Not only does fear itself bring you down, it also enables you to bring yourself down. Avoid all that not by avoiding your fears, but by turning your attention to their positive alternatives.

Your attention has great power. Remember always to focus that power in a desirable direction.

— *Ralph Marston*

With Best Wishes.

**EDITORIAL BOARD.**



**LIGHT CIRCLE - JULY 2016**

**GIST OF HO CIRCULARS ISSUED DURING  
JUNE - 2016**

- 317/2016 RATES OF INTEREST ON RUPEE LOANS AND ADVANCES - MCLR OF THE BANK W.E.F. 01.06.2016 MCLRs REVISED EFFECTIVE FROM 1ST JUNE 2016
- 318/2016 "CANARA KISAN SAMPARK ABHIYAN" - Continuation of Farmers Mass contact Campaign  
 . Extension of Campaign period from 1st June 2016 to 30th September 2016  
 . Contacting All the eligible Farmers in the Service Area by the Branches
- 319/2016 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) & Pradhan Mantri Suraksha Bima Yojana (PMSBY) – Reiteration of guidelines on Claims handling  
 . The PMJJBY & PMSBY claims are to be handled with utmost priority and accuracy.  
 . All PMJJBY & PMSBY Claims have to be mandatorily captured in 3S package and should be routed through the Nodal Section of the respective Circle Office. Branches should not send the claim papers to HO directly.  
 . Branches / Circles to ensure that the name of the deceased person & Nominee should be same in Enrolment Form, 3S Package, Claim form, Discharge Receipt, Death Certificate, Pass book/Pass sheet and Aadhar Card.  
 . Circles to send two sets of claim papers to Bancassurance Section.  
 . Nodal Section at Circle Offices to verify the correctness and completeness of documents before forwarding the claim documents to Bancassurance Section, HO.  
 . A separate Checklist has been prepared for PMJJBY & PMSBY. Branch & Circle Office to mandatorily enclose this checklist for each and every claim and put their seal and signature in the check list also confirming the availability and correctness of all submitted claims documents  
 . Incomplete/improper claims shall be returned to Nodal sections of Circle Offices for necessary rectification and re-submission to HO.
- 320/2016 SCHEME OF DELEGATION OF POWERS FOR CREDIT SANCTIONS - MODIFICATION.  
 . CGM-CO-CAC will not have any additional power delegated  
 . Continuation of the existing powers delegated to CGM/GM-HOCAC
- 321/2016 RENEWAL OF MOUs WITH M/S MAHINDRA & MAHINDRA LTD. & M/S MARUTI SUZUKI INDIA LTD. FOR FINANCING UNDER CANARA VEHICLE LOAN SCHEME. - MOUs with M/s Mahindra & Mahindra Ltd & M/s Maruti Suzuki India Ltd. extended for further period of two years i.e. till 29/01/2018 & 20/03/2018 respectively
- 322/2016 Compliance with the New IRDAI Corporate Agency Regulations effective from 01.04.2016 – Reiteration of Procedure for handling Insurance related complaints and queries  
 . The Insurance related complaints have to be resolved within a timeframe of 14 days from the date of receipt, as per regulations.  
 . Bank has to assist the Customers in policy servicing and claim settlement process.  
 . Bank has to strictly abide by the "Code of Conduct" prescribed by IRDAI while soliciting Insurance business.
- 323/2016 ECS FACILITY FOR RECOVERY OF MONTHLY INSTALMENTS IN RESPECT OF RETAIL LOANS THROUGH MANDATE MANAGEMENT UNDER NACH-REITERATION OF GUIDELINES.  
 . Reiteration of guidelines on ECS facility for recovery of loan Retail instalments through NACH platform.  
 . Branches/offices to obtain and maintain only new mandates in NF 1014 for all eligible Retail loans sanctioned afresh.  
 . For all existing Retail Loans where old mandates are registered as per HO Cir.606/2013, new mandates are to be obtained and maintained.
- 324/2016 ENSURING CORRECT APPLICATION AND CHECKING OF INTEREST ON RETAIL LOANS - REITERATION OF GUIDELINES Need for Strict Compliance of guidelines in respect of interest application on Retail Loans. Interest Dump to be generated through Report ID – 280013 and ROI applied to be verified as per Extant Guidelines.
- 325/2016 Farm Machinery Finance – Approved List of Tractor & Power Tiller Approved List of Tractor & Power Tiller – Addition of new model

- 326/2016 Introduction of "Tele-Servicing" by CHOICE to cater to Policy Servicing Requests
- CHOICE has introduced hassle free & convenient servicing avenue wherein the customer's can get policy changes/requests executed on the call itself with zero paper requirement.
  - Policy holders to call Toll Free Nos. 1800-103-0003/1800-180-0003 from their registered mobile Nos. for instant processing of specified policy related servicing requests
- 327/2016 'Easy Health' Insurance Plan of M/s Apollo Munich Health Insurance Co.(AMHI) – Increase in premium rates w.e.f 01.06.2016 due to change in Service Tax rates
- The Service Tax rate on Health Insurance has increased to 15% w.e.f. 01.06.2016 due to introduction of additional Cess of 0.5% as "Krishi Kalyan Cess". Accordingly, the "Easy Health Plan" premium rates stands revised w.e.f 01.06.2016
- 328/2016 RELEASE OF AUTOMATED SMS/EMAIL REMINDER ALERT FACILITIES.
- Automated reminder SMS/Email alerts to all customers whose account is appearing in weekly SWL (Special Watch List) statement and having overdue amount greater than Rs.1000. Automated reminder SMS/Email alerts to all customers for non- submission of tax paid receipt/certificate for the mortgaged property. The periodicity will be yearly once.
- 329/2016 Performance audit of Agriculture Crop Insurance Schemes
- 330/2016 Central Sector Scheme for Establishment of Agri-Clinics & Agri-Business Centres (ACABC) by Agriculture graduates- Continuation of the scheme for the financial year 2016-17.
- 331/2016 Supply Chain Finance Management facility (Dealer Finance) to dealers of M/S. Atul Auto Limited.
- M/s Atul Auto Limited has been sanctioned dealer financing limit of Rs.100 Crores under Supply Chain Finance Management (Dealer Finance).
  - Prime Corporate Branch, Ahmedabad shall be the Base Branch who will sanction, operate & maintain dealer wise limit under this arrangement.
  - The dealers of M/s Atul Auto Limited shall approach the designated branch (nearest local Branch) for getting finance under Supply Chain Finance Management facility arrangement against the supply of M/s Atul Auto Limited. The maximum limit per dealer shall be Rs.2.00 Crores.
  - The dealer wise limit will be fixed by the Base Branch in consultation with M/s Atul Auto Limited.
  - Base branch shall communicate the sanction to designated branches along with scheme guidelines and flow chart of entire process.
  - The designated branches shall handle the documents and comply the guidelines of the scheme, communicated by the base branch (Sanctioning authority of dealer wise limit)
  - The designated branches shall maintain current account of the dealer.
  - The facility is valid till 10.12.2016.
  - The maximum tenor of each tranche shall be 90 days.
- 332/2016 Marketing Officers' Suggestion Scheme – Modifications
1. Marketing Officers' Suggestion Scheme introduced vide cir.no.166/2016
  2. Marketing Officers can now send suggestions directly without routing through the Marketing Executives
- 333/2016 Natural Calamities – Extension of Relief Measures
- 334/2016 Compliance Check List - Comprehensive / Revised Compliance Checklist uploaded in CANNET.
- 335/2016 Atal Pension Yojana (APY) – Leadership Series -1 Campaign from 15<sup>th</sup> to 17th June, 2016
- Observe APY leadership Series-1 Campaign from 15th to 17th June, 2016
  - Objectives of the campaign – To ensure
  - 90% branch activation with atleast 1 APY account per branch per day
  - 50% branches with 5 APY accounts or more
- 336/2016 Foreign Contribution (Regulation) Act 2010- Receipt of foreign contribution by Individuals/ NGOs/ Organisations from certain donors
- 337/2016 Seeding aadhaar number in PMJDY accounts at branches by obtaining copy of aadhaar card & consent form of customers through BCA and other Agencies – paying incentive to them.
- 338/2016 Approved list of transport operators – Addition, deletion and modifications

- 339/2016 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) – Renewal date for existing enrolments extended upto 30.06.2016 All PMJJBY enrolments done on or before 31.05.2016 can be renewed upto 30.06.2016 without any break in Insurance Cover
- 340/2016 Additional Sessions for Debit Transactions under ACH effective from 15.06.2016.
- 341/2016 Atal Pension Yojana (APY) – Voluntary exit of subscribers before attaining the Age of 60 years.
- 342/2016 Loans under Kisan Credit Card (KCC) Scheme & against gold jewellery for agricultural crop loan purposes
- Undertaking letter to be obtained for KCC Loan from the applicant along with existing NF.....
  - Undertaking to be obtained from the applicant along with existing NF 497- application cum letter of pledge for loan against gold jewellery
- 343/2016 Dairy Entrepreneurship Development Scheme (DEDS) - Continuation of the scheme for the Financial Year 2016-17
- Submission of subsidy claims through controlling office within two months of disbursement of first installment.
  - Adjustment of subsidy in subsidy Reserve fund within 7 days of the receipt.
  - Submission of utilization certificate within 15 days of the receipt of subsidy.
- 344/2016 Appointment of GOI nominee director
- 345/2016 IBA MEDICAL INSURANCE SCHEME – UTILISATION OF CORPORATE BUFFER.
- 346/2016 SUBMISSION OF ASSETS AND LIABILITIES DETAILS BY EMPLOYEES UNDER SECTION 44 OF THE LOKPAL AND LOKAYUKTAS ACT, 2013 [ACT 1 OF 2014].
- 347/2016 Hindi Day celebrations 2016-17 – All India Hindi Essay Competition
- 348/2016 Capital Subsidy Scheme of Government of India for promoting Solar Photovoltaic (SPV) Water Pumping Systems for Irrigation Purpose : Continuation of the scheme during FY 2016-17
- 349/2016 Revising the condition of first usage for activation of Debit Card Debit cards on issuance need to be activated by first usage at ATM /POS in India where the transaction is authorized through PIN authentication.
- 350/2016 PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDING 30.06.2016 AND BALANCE SHEET AS AT 30.06.2016 [1] All Certificate formats will be made available in CANNET\_Down Load \_Admin Software Group\_ BSPL\_BSPL0616 folder. [2] BASEL III – Return 4A, 4B and 4C to be submitted along with the Balance Sheet. [3] Branch-In-Charge should specifically review Interest Paid on Deposits, Interest Collected on Advances, Commission and General Charges and ensure that the Profit / Loss reported is correct. [4] Cost of Deposit & Yield on Advances Variation Report should be submitted by the Branch-In-Charge to ensure the correctness of the same. [5] Branch should ensure all provisions made for Income and Expenditure for the year ended 31.03.2016 are reversed before preparing the Balance Sheet. [6] Branches / Offices to make provision for all outstanding charges etc., for period ending 30.06.2016 and the same should be reversed on the first working day of July 2016. [7] Mock Balance Sheets to be verified for Returns total, Balance Sheet and Profit and Loss Account heads with the Trial Balance to ensure data correctness. [8] Branches should review Auto NPA statement and ensure that performing assets are not appearing in the report. [9] Memorandum of Changes (MOCs) given by the Auditors for interest/income reversal and classification of Assets for the Balance Sheet as at 31.03.2016 is to be given effect before preparation of Balance Sheet as at 30.06.2016. [10] Branches to furnish necessary details for the purpose of Segment Reporting as per the format provided in the system. [11] Branches to ensure that credit balance in written off accounts should be made NIL and to be closed before drawing the balance sheet. [12] The guidelines for preparation of Balance Sheet, Profit & Loss and Prudential Norms on Income Recognition, Asset Classification and Provisioning as per our Circular No. 140/2016 dated 17/03/2016, stands applicable for the balance sheet & Profit and loss account for the period ending 30.06.2016
- 351/2016 SAS- PACKAGE FOR ONLINE EDUCATION LOAN APPLICATIONS RECEIVED THROUGH NSDL – VIDYA LAKSHMI PORTAL
- 352/2016 PREVENTION OF CYBER CRIME- REITERATION OF EXISTING KYC GUIDELINES
- Cyber crime is rampant. Need for strict adherence to KYC guidelines.
  - Reiteration of existing KYC guidelines.

- 353/2016 Introduction of Two New Fields In CBS Option BA020 – for Retail Loans Two New Fields enabled in CBS Option BA020 - Account additional Info Master Maintenance under Retail Loans.
1. “Proposal Sourced by”: Capturing the details of proposal sourced under Retail Loans.
  2. “Make of Vehicle” : Capturing details of vehicle make under Canara Vehicle Loan - Branches/ Offices to send confirmation to Circle and Circle to HO.
- 354/2016 Use of SFMS for advising Inland Bank Guarantees (BGs) – Introduction of new formats viz., ‘IFN 760 COV - Bank Guarantee Message’ and ‘IFN 767 COV – Bank Guarantee Amendment Message’ with immediate effect.
- Use of SFMS is made mandatory for sending and receiving advice of Inland Bank Guarantees for all intra-bank and inter-bank transactions.
  - New formats ie., IFN 760 COV - Bank Guarantee Message and IFN 767 COV - Bank Guarantee Amendment Message developed by M/s IDRBT in place of existing IFN -760 (Bank Guarantee Issue) and IFN-767 (Bank Guarantee Amendment) introduced with immediate effect.
- 355/2016 Correct classification of exposure to Retired Staff for capital computation
- 356/2016 Computation of Capital charge on unutilised limits
- 357/2016 Performance under MOUs with various vehicle manufacturers/organisations as at March 2016
- 358/2016 Waiver of inactivity fee for Credit Cards - Inactivity fee for base variant viz., Classic/Standard & Gold variants of Visa/MasterCard Credit Cards waived for a period 4 years - from 01.04.2016 till 31.03.2020.
- 359/2016 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 –Modification of scheme guidelines.
- 360/2016 Facility enabled for remittance of Examination Fees for Central Teacher Eligibility Test (CTET) – September 2016.Guidelines for remittance of Examination Fees for CBSE-CTET-September 2016 - Exam in all our Branches from 22/06/2016 to 19/07/2016 (before 3.30 PM)
- 361/2016 CANARA SITE – RETAIL LENDING SCHEME – Reiteration of Scheme Guidelines
- 362/2016 Canara Vidya Jyothi Scheme – A Corporate Social Responsibility(CSR) Initiative – Extension of scheme for 2016-17
- “Canara Vidya Jyothi” Scheme, to provide scholarship to meritorious SC/ST girl students has been extended for Academic year 2016-17
  - The Scheme shall be implemented by all Rural, Semi Urban & Urban branches.
  - Each branch to extend scholarship to six Girl students of Government/Government aided schools in their command area.
  - Scholarship to be disbursed before 31.03.2017.
  - Amount of scholarship is Rs. 2500 per student per year for students of Class 5th to 7th and Rs. 5000 per student per year for students of Class 8th to 10th.
  - The scheme provides an opportunity for the branches to establish liaison with the parents and the schools. The branches to scout for bringing the schools supported to our fold and encourage students & parents for opening accounts.
- 363/2016 MODIFICATIONS IN DELEGATION OF POWERS FOR SANCTION OF LOANS UNDER RETAIL LENDING SCHEMES-REVISED GUIDELINES
- Delegation of credit related powers for sanction of Retail Lending Scheme Loans to various authorities and CACs including at Regional Offices (which are formed/proposed to be formed as part of organizational restructuring of the Bank) modified.
  - Consolidated Guidelines furnished in supersession of Cir. No. 271/2016.
- 364/2016 SUBMISSION OF FORM 15G/15H – NEW PROCEDURAL GUIDELINES1. SUBMISSION OF FORM 15G/15H – NEW GUIDELINES.2. GUIDELINES FOR OBTENTION OF FORM 15G/15H FROM CUSTOMERS BY THE BRANCHES.3. ALLOTMENT OF UNIQUE IDENTIFICATION NUMBER.4. MAINTENANCE OF FORM 15G/15H DECLARATIONS.5. QUARTERLY UPLOADING OF FORM 15G/15H DECLARATIONS.
- 365/2016 Seeding of Aadhaar Numbers in the accounts of all Pensioners – Directions from the Ministry of Personnel, Public Grievances and Pension, Department of Pension and



- Pensioners' Welfare, Government of India. Seeding of Aadhaar Numbers in all Pensioners Accounts to be completed by -8th July 2016.
- 366/2016 Atal Pension Yojana (APY) – Observing “APY Service Fortnight” from 27th June to 09th July 2016
- Observing APY Service Fortnight from 27th June to 09th July 2016
  - Display of APY publicity materials-posters and banners at the branch
  - Distribution of publicity material – APY flyers/brochures to the prospective subscribers
  - Updation of nominee details in APY account
  - Collection of pending APY contributions
  - Funding the zero balance APY accounts
  - Resolution of subscriber grievances
- 367/2016 REITERATION OF GUIDELINES ON HOUSING LOANS (ALL VARIANTS) - Reiteration of RBI guidelines in respect of Housing loans in the matter of- Margin Norms under Housing Finance Scheme (All Variants).- Loan to Value Ratios and Risk Weights.- Loan Disbursements-Stage wise.
- 368/2016 Special scheme for settlement of NPAs in Micro, Small and Medium Enterprises (MSME) sector with total dues (contractual) of Rs.100.00 lacs and below
- 369/2016 Performance Monitoring of ATMs – Automated SMS/Email Alerts for down ATMs and Cash Low Position ATMs.A. Automated alerts via SMS/Email to all concerned Executives and staff of the Circles regarding down ATMs.B. Automated alert via SMS/Email for ATMs where Cash position is less than Rs.1.00 lac.
- 370/2016 Capturing inward ECS Debit Mandate in CBS - Reg
- VERY VERY IMPORTANT – Capture ECS Mandates in CBS.
  - Migration of ECS debit functionality from RBI ECS to NACH platform.
- 371/2016 Relaxation on applicability of Levy of Krishi Kalyan Cess (KKC) – 0.50%. - Applicability of levy Krishi Kalyan Cess (KKC) – 0.50% w.e.f. 01.06.2016
- 372/2016 RATES OF INTEREST ON RUPEE LOANS AND ADVANCES - MCLR OF THE BANK W.E.F. 01.07.2016.MCLR REVISOR REVISED EFFECTIVE FROM 1ST JULY 2016
- 373/2016 Revision of interest rates for Small Savings Schemes effective from 1.7.2016 to 30.9.2016.Revision of interest rates on Small Savings Schemes of the Government of India w.e.f. 1.7.2016 to 30.9.2016(1) PPF-1968(2)SCSS-2004(3) Kisan Vikas Patra &(4) Sukanya Samridhi Account Scheme.

#### FOREX CIRCULARS

- FX/53/2016 EXIM BANK'S GOI SUPPORTED LINE OF CREDIT OF USD 24.00 MILLION TO THE GOVERNMENT OF THE REPUBLIC OF COTE D'IVOIRE EXPORT-IMPORT BANK OF INDIA (EXIM BANK) HAS ENTERED INTO AN AGREEMENT DATED SEPTEMBER 22, 2015 WITH THE GOVERNMENT OF THE REPUBLIC OF COTE D'IVOIRE, FOR MAKING AVAILABLE TO THE LATTER, A GOVERNMENT OF INDIA SUPPORTED LINE OF CREDIT (LOC) OF USD 24.00 MILLION (USD TWENTY FOUR MILLION) FOR FINANCING ELECTRICITY INTERCONNECTION PROJECT BETWEEN COTE D'IVOIRE AND MALI.
- FX/54/2016 EXIM BANK'S GOI SUPPORTED LINE OF CREDIT OF USD 2 BILLION TO THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH EXPORT-IMPORT BANK OF INDIA (EXIM BANK) HAS ENTERED INTO AN AGREEMENT DATED MARCH 09, 2016 WITH THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH, FOR MAKING AVAILABLE TO THE LATTER, A GOVERNMENT OF INDIA SUPPORTED LINE OF CREDIT (LOC) OF USD 2 BILLION (USD TWO BILLION) FOR FINANCING VARIOUS SOCIAL AND INFRASTRUCTURE DEVELOPMENT PROJECTS SUCH AS POWER, RAILWAYS, ROAD TRANSPORTATION, INFORMATION AND COMMUNICATION TECHNOLOGY, SHIPPING, HEALTH AND TECHNICAL EDUCATION SECTORS IN BANGLADESH.
- FX/55/2016 INTRODUCTION OF COLLECTION OF USD CLEAN INSTRUMENTS DRAWN IN USA THROUGH BANK OF AMERICA NA & WELLS FARGO BANK NA

## CUSTOMERS & THEIR ACCOUNTS

### Banker Customer Relationship and Accounts of Customers

#### 1. Banker Customer Relationship

Bank is one which conducts business of banking. Banking has been defined in Section 5 of Banking Regulation Act. Customer is not defined in any Act. However, it is defined in KYC norms. As per various court decisions, any person for whom bank agrees to open an account is called as customer of the bank.

Various types of relationships

Type of Transaction	Bank	Customer
Deposit in the bank (CR balance in account)	Debtor	Creditor
Loan from Bank (Debit balance in account)	Creditor	Debtor
Safe Deposit-Locker Lessor (Licensor)	Lessee	(Licensee)
Safe custody	Bailee	Bailor
Issue of draft (after issue of draft)	Debtor	Creditor
Payee of draft	Trustee	Beneficiary
Collection of cheque & Standing Instruction	A g e n t	Principal
Goods left negligently by customer	Trustee	Beneficiary
Purchase of cheque from customer	Holder for value	Endorser
Purchase/sale of securities on behalf of customer	Agent	Principal
Currency Chest on behalf of RBI	Agent	RBI is principal
Money deposited. No instructions for its disposal.	Trustee	Beneficiary
Pledge	Eavedatel	Pawner (Pledger)
Mortgagee	Mortgage	Mortgagor
Hypothecation	Hypothecatee	Hypothecator
Assignment	Assignee	Assignor

#### 2. Banker's Obligations

There are two main duties of a bank i.e (1) Duty to maintain secrecy of customer's account (ii) Duty to honour cheques.

Duty to maintain secrecy:

1. A bank has duty to maintain secrecy of customer's account as per Implied Contract.
2. Moreover, as per Section 13 of Banking Companies (Acquisition and Transfer of Undertaking) Act also, the . bank is required not to disclose any information relating to affairs of its customers.
3. The duty to maintain secrecy continues even after closure of account.
4. Balance in the account of an employee should not be disclosed to employer. Similarly balance in the account of wife not to be disclosed to husband and vice versa.
5. If bank discloses customer's affair (e.g. in case of insufficient balance in the account advising the presenter of cheque to deposit deficit amount), bank will be liable to customer for resultant loss.

#### Exceptions to rule of secrecy:

1. Courts: As per Banker's Book Evidence Act, bank may be required to produce certified copies of record in the court.
2. Police: Officer incharge of a police station may issue a written order for production of documents in connection with trial or investigation. Police can even seize records against proper receipt.
3. The information may also be required to be parted to inspector appointed to investigate affairs of a limited company under section 235/237 or under FEMA.



4. Revenue Authorities: Bank may be required to produce to income Tax Authority, record pertaining to transaction of a customer. However, roving enquiries should not be made except in case of cash transactions of Rs 1 lac and above.
5. RBI: As per Banking Regulation Act or RBI Act, Reserve Bank may seek information from bank.
6. Banking Practice: Banks have the practice of sharing information in general among themselves. The information should be given in confidence and without any responsibility on the part of supplying bank.
7. Consent of customer: For example, information is given to a Credit Information Company as per express consent of customer.
8. To protect bank's interest.

#### Duty to honour cheques

As per section 31 of N I Act, a bank is under obligation to pay cheques issued by customer provided (i) there is a sufficient balance in the account (ii) the cheque is otherwise in order (iii) the funds are properly applicable i.e. not attached by Garnishee order or attachment order. If a bank dishonour a cheque drawn by a customer despite satisfaction of aforesaid conditions, bank will be liable to Drawer (and not to payee or true owner) for damages suffered by him.

**3. Banker's Rights:** Bank has three rights namely (i) Right of Lien (ii) Right of Set Off (iii) Right of

#### **A4. Right of Lien:**

1. Lien is the right of creditor to retain possession of goods and securities belonging to the debtor till the debts due to him (creditor) are paid.
2. This right is available only on goods and securities and not on balances in the accounts.
3. Lien entitles retention of possession of goods but the creditor cannot sell the goods.
4. Lien can be Particular lien (Sec 170 of the Indian Contract Act) or General Lien. Right of General Lien, is available only to bankers, factors, wharfingers, attorneys (Section 171 of the Indian Contract Act).
5. Banker's Lien is also a general lien but it is an implied pledge because the banker has right to retain as well as sell goods of the borrower after giving him reasonable notice.
6. For exercising right of lien, (a) the goods or securities and debt should be in the same right and same capacity (b) Loan should be due or overdue and lawful (iii) Reasonable notice is given. Further, Right of Lien is available on the goods and securities received in the ordinary course of business.
7. It is not available when the goods or securities have been deposited for a specific purpose; goods received for safe custody or lying in safe deposit vault or goods left by the debtor negligently. However, in the case of loans against pledge of jewellery, bank can exercise right of general lien on the ornaments left in the possession of the bank after adjustment of the jewellery loan in case some other advance is outstanding. Negative lien is a declaration from the borrower to the effect that securities/goods offered as security are not encumbered and that the borrower will not create any charge over them without bank's permission. This undertaking does not create any charge in favour of the bank and therefore advance against negative lien are treated as dean advance.

#### **5 Right of Set Off:**

1. Set off is the right to combine two or more accounts having debit and credit balance.
2. It is not defined in any Act.
3. This right arises when two parties are debtor as well as creditor to each other i.e. one account should be in debit and another account should be in credit.
4. In the case of banks, this right arises when wants to combine its loan due from a borrower with his deposit accounts.
5. For exercising right of set off following conditions should be satisfied
  - (i) Both accounts should be in same right and same capacity
  - (ii) The debt should be due and not accruing due
  - (iii) Reasonable notice should be sent to the depositor before exercising set off.
6. Right of set off can be exercised even in case of loans which are time barred.

7. It can be applied on fixed deposit when it matures and not on FD which is not due as yet. Similarly it can not be applied for adjusting term loan or CC or overdraft which are regular and not overdue.

8. If a loan is in the name of an individual, set off can be exercised on credit balance in his individual account and sole proprietorship account. Set off can not be exercised on deposit accounts which are held jointly with other individuals, or partnership in which the borrower is partner, or client account maintained by a solicitor or account of minor under guardianship where borrower is the guardian or on the credit balance of a trust in which borrower is trustee.

9. If loan is in joint names, set off can be exercised on credit balance in joint account as well as credit balance in individual accounts of joint borrowers.

10. If loan is in the name of a partnership firm then set off can be exercised on credit balance in the name of firm, partners and any other partnership firm which has just same partners as are in the borrowing firm. 11. For exercising right of set off, all branches of a bank are considered as one.

#### **6. Right of Appropriation**

1. Section 59,60,61 of Indian Contract Act, deal with appropriation of payments.

2. Clayton's Rule is related to appropriation of payments. This rule is applicable in case of death, insolvency, insanity of a joint borrower or partner or guarantor or retirement of a partner or revocation of guarantee by guarantor.

3. Clayton's rule is applicable in case of running borrowal accounts like cash credit or overdraft. As per Clayton's rule, credit entry will set off debits in the chronological order of time. This means that first item on the debit side will be discharged first by a credit and so on.

#### **07. Garnishee Order**

\* A Garnishee Order is an order issued by court under section 60 (Order 21, Rule 46) of the Code of Civil Procedure, 1908. Through this order the court attaches the deposit of a particular depositor with the bank. The bank upon whom the order is served is called Garnishee. The depositor who owes money to another person is called judgement debtor while the person to whom money is due is called judgement creditor.

\* The court first issues order Nisi requiring the bank to explain as to why the funds in the account not be utilised to meet the judgement creditor's claim. After this order, the order Absolute is issued directing the bank to freeze the entire balance or a portion of credit balance in the account of the judgement debtor. Upon receipt of Garnishee Order Nisi, the operation in the account are suspended, the bank has to earmark desired balance in the account of the judgement debtor.

\* Garnishee Order applies to existing debts as also debts accruing due i.e. SB/CD/RD/FD.

\* Garnishee Order applies only to those accounts of Judgement Debtor which have credit balance.

\* The relationship between bank and judgement debtor is of debtor and creditor. Bank is the debtor of Judgement Debtor who is a creditor of the bank.

\* Garnishee order does not apply to money deposited subsequent to receipt of Garnishee order. It also does not apply to cheques sent for collection but yet to be realized. But if credit was allowed in the account before realization with power to withdraw to customer, GO will be applicable on this amount.

\* Garnishee order does not apply to unutilized portion of overdraft or cash credit account of the borrower as no debt is due to judgement debtor.

\* Bank can exercise right of set off before applying Garnishee Order.

\* Garnishee order is applicable only if both debts are in same right and same capacity. Garnishee order issued in a single name does not apply to accounts in the joint names of judgement debtor with other person(s). But if Garnishee order is issued in joint names, it will apply to individual accounts also of the same debtors. When Garnishee Order is in the name of a partner it will not apply to partnership account but when Garnishee order is in the name of firm, accounts of individual partners are covered.

\* Garnishee Order can be served on Head Office of the bank and it can take reasonable time to communicate the same to its branches, If amount is not specified in the order, then it will be

applicable on the entire balance in the account. However, if it is for specific amount, the cheques can be paid from the balance available after setting aside the amount as mentioned in the Garnishee order.

\* Garnishee order is applicable on accounts of deceased persons but not applicable if depositor declared insolvent.

\* Garnishee order not applicable on fixed deposit taken as collateral security.

#### **08. Income Tax Attachment Orders**

\* Income Tax Authorities issue Attachment Orders in terms of Section 226(3) of Income Tax Act, 1961. On receipt of this order, banker is required to remit the desired amount to income tax authorities. A order without mentioning the amount is not a valid order. Attachment Order is different from Garnishee order in following respects (i) Attachment order applies to money deposited in the account after receipt of order also till it is fully satisfied whereas Garnishee order does not apply to subsequent deposits. (ii) Attachment Order in single name applies to joint accounts also proportionately unless the contrary is proved whereas Garnishee order in single name does not apply to joint accounts.

\* In case banker fails to comply with Attachment Order, it will be liable for the amount of order and deemed as an assessee in default. However, right of set off is available to bank before applying the order.

\* When both Garnishee order and Attachment Order are received simultaneously, priority should be given to attachment order.

### **ACCOUNTS OF CUSTOMERS**

#### **9. Accounts of Minors**

1. A minor is a person who has not attained the age of 18 years. A person will become major at the age of 18 whether guardian is natural or appointed by a court of law.

2. There could be three types of guardians — natural, testamentary and legal guardian. The guardian appointed by will is called Testamentary Guardian and the one appointed by court is called legal guardian.

3. As per section 11 of the Indian Contract Act, 1872 a minor is not competent to enter into a contract. A minor cannot ratify an agreement after attaining majority.

4. A minor cannot appoint an agent. However, a minor can be appointed as an agent and he can make principal liable by his actions. A minor can not delegate authority in his self operated account.

5. Banks do not grant overdraft / loan to a minor, even if security is provided because a contract with minor being void, the bank will not be able to recover the loan. Even when loan has been raised on a term deposit in the name of a major person, his request for addition of the name of the minor can not be entertained. However, if loan is given for necessity, it can be recovered.

6. If a minor misrepresents age for raising a loan bank cannot recover loan from him.

7. Loan given to a minor is guaranteed then bank cannot recover loan from guarantor.

8. According to Section 26 of NI Act, a minor can draw or endorse or negotiate a cheque or a bill but he cannot be held liable on such cheque or bill. However, other parties will be liable in their respective capacities.

9. A minor can not appoint nominee. However, minor can be appointed nominee.

10. As minor does not incur any personal liability, he can not be declared insolvent.

11. Minor as a partner: A minor cannot be partner in a partnership concern. As per Indian Partnership Act, 1932 a minor may be admitted to benefits of partnership with the consent of all partners. However, the liability of the minor partner will be limited to his share in the business of the firm. On attaining majority, a minor has to give public notice within six months of attaining majority or when it comes to his knowledge after becoming major whichever is later, whether he wants to continue as a partner. If he chooses to become a partner, he will be held liable as a partner from the date he has been admitted to the benefit of the partnership firm and his profit sharing ratio will continue as it was existing before becoming major.

12. In case of Hindus, father is the natural guardian of a Hindu minor boy or an unmarried girl and after him, the mother. In case of a married Hindu minor girl, her husband is the natural guardian. If the husband is minor or minor girl becomes widow, her father in law and after him the mother in law will be the guardians. When guardian of a Hindu minor ceases to be a Hindu he/she ceases to be natural guardian. Testamentary guardian will come into picture only on the death of father as well as mother.

13. In case of Muslims, father is the natural guardian. A Muslim father can appoint a testamentary guardian and even mother of a Muslim child can be testamentary guardian. If the father dies without leaving behind a will, father's father i.e. paternal grandfather is the guardian. On the death of paternal grandfather, the person appointed by the will of the paternal grandfather will be guardian.

14. Accounts of a minor: A minor can have account under guardianship as well as self operated account.

15. In the case of accounts under guardianship, the account will be operated by the guardian during minority of the child and once the minor becomes major the debit in the account will be allowed only with the consent of minor who has become major. If guardian dies during minority, next guardian will operate the account. In case the minor dies, the balance in the account will be paid to the legal heirs of the minor.

16. Minor's Account with Mother as Guardian: RBI has allowed mother to open and operate all types of deposit accounts even though the father is alive.

17. A minor can open self-operated deposit account provided he has completed the age of 10 years and is literate. He cannot appoint nominee in this account. On his behalf nomination will be done by a person legally competent to act on his behalf. Joint account is also allowed in the name of two minors provided both are of 10 years of age, are literate, belong to the same family and operation is jointly.

18. Minor's account can be a joint account with the guardian also. In jointly operated accounts with minor, till attainment of majority by minor, guardian will sign for himself as well as on behalf of minor. When minor becomes major, account will be operated jointly by guardian and minor who has become major.

19. A bearer cheque presented for cash payment by a minor may be paid as a minor can give a valid discharge in the capacity of the payee.

20. Minor can obtain premature payment of FOR as he can give valid discharge but can not raise loan against security of FDR.

#### **10. Joint accounts**

1. Joint accounts can be opened with various types of operating instructions like Either or Survivor, Joint Operation or Former or Survivor or Either or Joint or Survivor. The position in such cases as under:

2. Either or Survivor (E or S): It means anyone can operate the account till both are alive. After the death of either of them, the bank can pay the balance to the survivor without any formality.

3. To be operated jointly: Account will be operated by both jointly till both are alive and, if one of the two expires, the bank would pay the final balance to the survivor, along with all the legal heirs of the deceased.

4. Jointly or by Survivors: Account can be operated by both / all the person jointly during their lifetime and, in the event of death of any one, the balance is payable to the surviving persons jointly.

5. Former or Survivor: Till the first named person is alive, the second named person has no right to withdraw/operate the account. After the death of the first named person, the payment will be made to second named person.

6. In case of "either" or "either or survivor" or "joint" operation any one of the account holders can stop payment of the cheque. The revocation in case of either or either or survivor can be done by either but in case of joint operation, revocation has to be done by all jointly. In case of Former or Survivor accounts, stop payment of cheque can be done by Former and revocation of stop payment can also be done by Former.

7. In case of "either of survivor" alteration on the cheque can be confirmed by any of the account holders.

8. Any authority to a third party has to be with the consent of all joint account holders.

9. Joint accounts are joint property. Therefore, unless there is clear mandate in the account opening form that any one can undertake the following functions, these should be done by all joint account holders jointly under signatures of all (a) opening the account (b) closure of account (c) making or altering nomination (d) raising loan against term deposit (e) premature payment of term deposit (1) addition or deletion of names.

10. In case of joint accounts with either or survivor instruction, if any of the account holders becomes insane, the balance will be paid jointly to the account holders other than who has become insane and guardian of the insane minor appointed by court.

11. In all types of joint accounts, Garnishee order issued in joint names will be applicable on joint accounts but Garnishee order issued in the name of one of the account holders will not be applicable on joint account.



29.07.2016

To .....  
 Sri/Smt .....  
**CANARA BANK** .....  
 .....  
 .....  
 Pin Code .....  
 Dist. ....

**SUBSCRIPTION RATE**

*Single Issue* : Rs. 5/-  
*Annual Subscription* : Rs. 60/-

Owned and Published by  
 Shri.G.V.Manimaran, from  
 216, Royapettah High Road,  
 Royapettah, Chennai – 600014  
 a n d p r i n t e d b y  
 Shri.H.Dhanasekaran, Sekar  
 Offset Printers, 168, Big Street,  
 Triplicane, Chennai – 600005.  
 Editor : **G.V.Manimaran**

Posted at Patrika Channel  
 Egmore, RMS, Chennai.

on the 29th of the every month

*If undelivered please return to :*

**LIGHT CIRCLE**

No. 216, Royapettah High Road,  
 Royapettah,  
 Chennai - 600 014.

Phone : 2811 31 51, 2811 24 54  
 E-mail : lightcircle2003@yahoo.co.in