



Fresher Learning Program

Personal Banking - Types of Products and Features



Liabilities –Current Account

Definition

- Current account is a bank account against which the depositor can draw checks (cheques) that are payable on demand. Current accounts are cheque operated accounts maintained for mainly business purposes, although there is no such restriction from the regulatory point of view.

Global Landscape

- The characteristics of the current account across the world are largely similar.
- It is also known as “checking account” (US) / “chequing account” (UK/Canada etc.) / “transaction account” / “demand account” / “demand deposit account”.

As per RBI directives banks are not allowed to pay any interest on the current account balance; except in case of balance payment to legal heirs of a deceased person, as applicable to savings from the date of death of the account holder till the date of settlement.

Service charges for various services and for non-maintenance of minimum balance are not controlled by RBI though, being regulator, it keeps oversight to ensure reasonability. Banks have different rates of charges.

- Temporary overdraft is permitted by banks on which interest is charged.
- Banks provide ad hoc credit facilities like cheque purchase, guarantee, letter of credit etc.
- Various facilities like Cash Management, RTGS, ECS etc., are provided .
- Current Account Deposits constitute around 15% of total deposits of a bank in India.

Key Features of Current Account

- Current accounts are demand deposit accounts, primarily for business requirements.
- There are no restrictions on the number of deposits or withdrawal.
- No interest is paid on the balance.
- The requirement for maintaining minimum average balance is generally higher than savings bank account.
- Various fund based/non-fund based facilities are provided to meet the ad hoc business requirements.
- Nomination facilities are available to current account of individuals, similar to savings/fixed deposit accounts.

Facilities offered in the account

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- ❖ Deposit and withdrawal of cash
- ❖ Cheque (check) book
- ❖ Debit Card for cash and merchant transactions
- ❖ Funds Transfer facility through bank
- ❖ Internet banking – for e-commerce transactions
- ❖ Mobile banking – transactions through mobile
- ❖ Collection of cheques – local/upcountry
- ❖ Collection of trade bills
- ❖ Periodic settlement of payments – loan repayments, investment
- ❖ Payment of taxes/utilities

Eligibility to open Current Account

- All legal entities like resident individuals, either singly or jointly with other individual(s), HUF (Hindu Undivided Family), Proprietorship Firms, Partnership Firms, Companies, Trusts, Societies, government/autonomous bodies , Executors, Administrators etc.
- NRIs/PIOs can open current account just like savings bank account. NRE/NRO/RFC and no interest is payable. The rules/regulations for receipt of funds, payments in India, tax deduction, repatriation of balance, joint account holder are same.

- In case of individuals, verification of identity, address and photo are required.
- In regard to non-individuals (other legal entities) like - proprietorship, partnership, HUF, Limited Companies, Clubs, Societies, Trusts, Executors and Administrators, Others - Govt. and Semi-govt. bodies, Local Authorities etc., the banks have to verify (i) the identity (ii) the address and (iii) the identity of the persons authorised to open and operate the account on behalf of the legal entity and obtain their photographs.
- RBI has issued detailed guidelines regarding KYC/AML requirements for customer identification process.

- Compliance with KYC/AML/ Combating of Financing of Terrorism (CFT)/ PMLA 2002
- To ensure that:
 - There is no identification theft
 - It has obtained satisfactory proof of existence, address and identity
 - The transactions in the account are genuinely relating to the account holder
 - The transactions relate to legal source of funds

In case of Individuals

- Single – to be operated by self or a power of attorney holder or a mandate holder.
- Joint (two individuals) - to be operated “Jointly” or by “Either or the Survivor” or “Former or Survivor”
- Joint (more than two individuals) – to be operated “Jointly” or by “Any one or two” Or the “Last Survivor”
- NRO Accounts - joint account holder can be a resident in India.
- NRE/FCNR - all account holders have to be non-resident.

In case of permitted non-individuals

- As per authorisation by their Board/Trustee/Managing Committee etc., as per the law under which they have been incorporated
- All transactions through cheque only



CORPORATE HEADQUARTERS

Lords Tower, Block 1, 2nd Floor
Jawaharlal Nehru Road,
Thiru Vi Ka Industrial Estate
Ekkaduthangal, Chennai – 600 032

www.maveric-systems.com

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GLOBAL LOCATIONS

INDIA

SINGAPORE

UK

US

DUBAI

RIYADH

MALAYSIA

MEXICO

