

**Safeguards for opening of and granting loans
against non-resident deposits**

DBOD No. Dir.BC 71/13.03.00/2000-01

January 17, 2001
Pausha 27, 1922(S)

The Chairmen & Managing Directors of
All Commercial Banks

Dear Sirs,

**Safeguards for opening of and granting loans
against non-resident deposits**

Please refer to our Circular DBOD No. Dir.BC. 66/13.03.00/2000 dated 8 January 2001, advising banks to observe certain safeguards in respect of non-resident accounts in order to avoid instances of malpractices/frauds in these accounts.

2. It has now been decided that banks may review all the existing cases involving advances against third party NRE/FCNR(B) deposits and report to us instances of irregularities noticed by them. The review may cover the following aspects.

- i. Whether NRE/FCNR(B) fixed deposit receipts have been handed over/sent to the non-resident depositor directly. If so, whether the confirmation/acknowledgement of the depositor has been obtained.
- ii. Whether loans against NRE/FCNR(B) deposits have been granted to third parties without the non-resident depositor having personally executed the loan documents. If so, whether such loans have been granted on the basis of the Power of Attorney executed by the depositor indicating his specific consent for the above loans and confirmation/ acknowledgement of depositors has been obtained for having granted the loan against the deposit.
- iii. Whether any cases of frauds involving NRE/ FCNR(B) deposit accounts have come to the notice of the bank. If so, the number of cases in which the deposits have been impounded/not released for payment after maturity owing to the investigations in progress. In cases, where the non-resident depositor is not involved and his innocence has been proved to the satisfaction of the bank,

whether the bank has paid the deposit proceeds to the depositor on the due date.

- iv. In the event of the death of a non-resident depositor, whether the bank has refused to pay the proceeds of his deposit/s to the rightful claimant in the absence of a succession certificate issued by the competent authority of the country of residence of the deceased depositor.

3. The banks may submit the above report to us within one month from the date of issue of this circular.

4. Please acknowledge receipt.

Yours faithfully,

(A. Ghosh)
Chief General Manager-in-Charge