

DBOD.No.Leg 5049 /09.07.005/2006-07

December 4, 2006

To

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir,

**Extension of Safe Deposit Locker / Safe Custody  
Article Facility and Access to Safe Deposit Lockers /  
Return of Safe Custody Articles by banks.**

It is proposed to issue fresh instructions to banks regarding extension of Safe Deposit Locker / Safe Custody Article Facility and Access to Safe Deposit Lockers / Return of Safe Custody Articles in supersession of all our earlier instructions. A draft of the proposed Circular is furnished at the **Annex.**

2. Banks are required to kindly forward their comments and feedback by fax to 2270 5691 or 2270 5693 on or before December 23, 2006. Click here to send comments/feedback by email.

Yours faithfully

(Prashant Saran)  
Chief General Manager-in-Charge

**Annex****Extension of Safe Deposit Locker / Safe Custody Article Facility and Access to Safe Deposit Lockers / Return of Safe Custody Articles by banks.**

Pursuant to the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS), we have reviewed all the guidelines issued by us on various issues relating to safe deposit lockers / safe custody articles. **In supersession** of all the instructions issued earlier our revised guidelines are as follows:

**1. Allotment of Lockers**

In terms of our circular DBOD. No.GC.BC.27/C.408C(L) – 84 dated March 27, 1984, the public sector banks were advised not to insist for a fixed deposit as a prerequisite for allotment of lockers. Banks were, however, permitted to either seek a deposit (but not as a condition for allotment), the interest on which may cover the annual rent or alternatively advance locker rent could be collected up to three years. It was also advised that those who opt for annual payment of rent and default in payment, should not be allowed to operate locker till the arrear rent is cleared. In this connection, the Committee on Procedures and Performance Audit of Public Services observed that linking the lockers facility with placement of fixed or any other deposit beyond what is prescribed is a restrictive practice and should be prohibited forthwith. We concur with the Committee's observations and advise banks to refrain from such restrictive practices. If the locker-hirer is having a fixed deposit with the bank, it can be earmarked for an amount so that the interest covers the locker rental as an alternative to collecting the annual locker rental in advance.

**2. Security aspects relating to Safe Deposit Lockers****2.1 Relationship of the bank with the locker hirer**

It is clarified that the relationship between the bank and the locker hirer is in the nature of a "bailor and bailee" and not "landlord and tenant" though the bank has

no knowledge of the contents of the locker and the bank is required to exercise due care and necessary precaution for the protection of the lockers provided to the customer.

## **2.2 Operations of Safe Deposit Vaults/Lockers**

Banks are advised to review the systems in force for operation of safe deposit vaults / locker at their branches on an on-going basis and take necessary steps to strengthen them by identifying the loopholes in the procedures and take remedial action. The procedures should be well-documented and the concerned staff should be properly trained in the procedure. The internal / external auditors should ensure that the procedures are strictly adhered to.

## **2.3 Adherence to KYC Guidelines (High, Medium & Low Risk Category) for allotment of lockers / Measures relating to lockers which have remained unoperated**

In a recent incident, explosives and weapons were found in a locker in one of the bank's branches. This emphasises that banks should be aware of the risks involved in renting safe deposit lockers. In this connection, banks are advised to take following measures :

- (i) The KYC assessment for the safe-deposit locker customers (either new or existing), should be done at least to the levels prescribed for medium risk or the risk categories attributable to their bank account, if higher.
- (ii) Where the lockers have remained unoperated for more than one and three years for high and medium risk categories respectively, banks should immediately contact the locker-hirers and advise them to operate the lockers or surrender the lockers even if the rents are being paid regularly. In case the locker-hirers still do not operate the locker, banks should consider opening the lockers with the help of police after giving due notice to the locker-hirers.
- (iii)** Banks should have an explicit policy for taking appropriate action including breaking open the lockers in cases where the rents are not paid by the locker-hirers

## **3. Access to the safe deposit lockers / return of safe custody**

**articles to Survivor(s) / Nominee(s) / Legal heir(s)**

**3.1** Banks had been advised in Para 5 of our Circular DBOD.No.Leg.BC.95/2004-05 dated June 9, 2005 to adopt generally the instructions / guidelines contained in the said circular for deposit accounts for dealing with the requests from the nominee(s) of the deceased locker-hirer / depositors of the safe-custody articles (where such a nomination had been made) or by the survivor(s) of the deceased (where the locker / safe custody article was accessible under the survivorship clause), for access to the contents of the locker / safe deposit on the death of a locker hirer / depositor of the article. In supersession of the above circular detailed guidelines regarding access to lockers / safe custody articles are given below. Banks are advised to be guided also by the provisions of Sections 45 ZC to 45 ZF of the Banking Regulation Act, 1949 and the Banking Companies (Nomination) Rules, 1985 and the relevant provisions of Indian Contract Act and Indian Succession Act.

**3.2 Access to locker (with survivor / nominee clause)**

(i) In case of death of a sole locker-hirer (where there is nomination) access to locker may be given to the nominee. In such cases, except death certificate and identification of nominee, no other document should be obtained.

(ii) In case of death of one of the hirers, where there are joint locker-hirers and as per the contract of locker hire, the locker is to be operated jointly, and where there is nomination, access to the locker may be given to the nominee jointly with the surviving hirer(s). In such cases, except death certificate and identification of nominee, no other document need be obtained.

(iii) Where both / all the joint locker hirer(s) die and where there is nomination, access to the locker may be given to the nominee(s). In such cases, except death certificate and identification of nominee(s), no other document need be obtained.

(iv) Where there are joint locker-hirers having a contract of hire with survivorship clause such as 'either or survivor', 'anyone or survivor' etc., but the locker is not to be operated jointly, access to the locker may be given only to the survivor in case of death of one of the hirers.

### **3.3 Access to locker (without the survivor / nominee clause)**

(i) In case of death of a sole locker-hirer (where there is no nomination) and there is a valid will, access may be given to the executor / administrator. In other cases, access may be given to the legal representative of the deceased. In such cases, death certificate and proof of legal representation should be obtained.

(ii) Where there are joint locker-hirers and as per the contract of locker hire, the locker is to be operated jointly, and where there is no nomination, if one of the hirers die, access to the locker may be given to the survivor jointly with the legal heirs (or the executor / administrator, if appointed) of the deceased hirer. In such cases, death certificate and proof of legal representation should be obtained.

(iii) Where there are joint locker-hirers having a contract of locker hire with a 'either or survivor' clause and where there is no nomination, access to the locker may be given to the survivor in case of death of one of the hirers. In such cases, only death certificate should be obtained.

(iv) Where there are joint locker hirers, and all the hirers die and where there is no nomination, access to the locker may be given jointly to the legal heirs of all the deceased hirers (or the executor / administrator if appointed). In such cases, only death certificate and proof of legal representation should be obtained.

### **3.4 Return of safe custody article in case of sole depositor**

(i) In case of death of a sole depositor of safe custody article (where there is nomination), such article may be returned to the nominee. In such cases, except death certificate and identification of nominee, no other document should be obtained.

(ii) In case of death of an individual depositor of safe custody article (where there is no nomination), such article may be returned to the legal representative of the deceased (or the executor / administrator if appointed). In such cases, death certificate and proof of legal representation should be obtained.

### **3.5 Return of safe custody article in case of joint depositors**

**The facility of nomination is not available in case of deposit of article for safe custody with a bank by more than one person.**

In case of joint deposit of safe deposit articles,

- (a) when one or more of the joint depositors of safe custody articles die, such article may be returned to the survivor(s) provided there is a survivorship mandate. In such cases, except death certificate, no other document need be obtained.
- (b) In case there is no survivorship mandate, such article may be returned to the survivor(s) jointly with the legal heirs of the deceased depositor(s) (or the executor / administrator if appointed). In such cases, death certificate and proof of legal representation should be obtained.
- (c) When both or all the joint depositors of safe custody article die, such article may be returned jointly to the legal heirs of all the deceased depositors (or the executor / administrator if appointed). In such cases, death certificate and proof of legal representation should be obtained.

**3.6 In all the above cases, while granting access to the safe deposit locker or while permitting the removal of the contents of any locker by any nominee or jointly by any nominee and survivors or by legal heir(s), or while returning the safe custody article to the nominee or legal heir(s), an inventory of the article / contents of the locker may be prepared and signed by the new locker-hirer(s)/depositor of safe custody article to whom access is to be given, and in case they cannot remain present, may be signed by their duly authorized attorney. Nomenclature of the account may be changed in the name of the new hirer(s)/depositor, and fresh nomination may be obtained from them. Banks are not required to open sealed/closed packets left with them for safe custody or found in locker while releasing them to the nominee(s) and surviving locker hirers / depositor of safe custody article.**

#### **4. Disclosure :**

4.1 At the time of providing safe deposit lockers/safe custody facility to new customers, it shall be incumbent upon the banks to provide printed information as

contained in Para 3 of this circular to the customer along with the account opening application form.

4.2. For existing safe deposit locker holders, banks should mail the printed instructions. The existing safe deposit locker accounts which do not have a nomination or survivorship clause should be reviewed and the exercise of obtaining the option, if any, of the account holder should be completed within one year.

4.3 Banks may also popularise the availability and utility of nomination/survivorship clause facility to facilitate hassle free settlement of claims in respect of deceased safe deposit locker holders.

5. Please acknowledge receipt.

Yours faithfully

(Prashant Saran)  
Chief General Manager-in-Charge

**Appendix****List of Circulars which have been superseded by the above Circular**

<b>Sr. No.</b>	<b>Reference</b>	<b>Date</b>
1.	DBOD. No. Com. BC. 130/FCS.4-80	18.11.1980
2.	DBOD. No. GC. BC. 27 /C.408C(L)-84	27.03.1984
3.	DBOD. No.Leg.BC. 58.C.233A-86	14.05.1986
4.	DBOD. No. GC. BC. 63/C.408C(L) –90	02.01.1990