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Topper's Notes

JAIIB Exam

Banker-Customer Relationships

Handwritten Notes

Based on JAIIB 2023 Syllabus and Exam Pattern

Sambita Mitra
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Quick Revision

BANKER - CUSTOMER RELATIONSHIP -

- The relationship between banker and customer depends upon the nature of services provided by the banker.

- **Customer Definition**: To constitute a customer there has to some recognizable cause or habit of dealing in the nature of regular banking business.

- for the purpose of KYC - a customer is :
→ a person | entity that maintains an account and/or has business relationship with the bank or conducts a transaction with the bank.

- **Essential requisites**
• A bank a/c - savings, current or FD must be opened in his name.
• Dealing between the banker and the customer must be of the nature of banking business.

→ **Importance of KYC**
To prevent banks from being used, intentionally or unintentionally by criminal elements for money laundering or terrorist financing

→ Types of Banker - Customer Relationship

1. Debtor - Creditor.

Bank - Debtor | Customer - Creditor.

- Customer deposits money with his bank so becomes a lender and the bank becomes a borrower.

  For eg. savings a/c, RD, FD

2. Creditor - Debtor.

Bank - Creditor | Cust - Debtor

- When banks lends money to the customer then customer becomes the borrower while the bank becomes - lender (creditor)

  Eg: Loan.

3. Bank as Trustee.

Banker - Trustee ~~& Bailee~~.

Customer keeps certain valuables or securities with the bank for safe keeping or deposits for a specific purpose → then in this case bank acts as both trustee and bailee.

4. Bailee - Bailor relationship.

Bank - Bailee | Customer - Bailor.

When customer deposits certain valuables, bonds, securities or other documents with the bank, for their safe custody

- Bank becomes custodian of the securities of the customer.

⑤ Agent - Principal relationship

Bank - Agent | Customer - Principal

- One of the ancillary services by bank is remittance, collection of cheques, bills, etc on behalf of the customers.
- Regular payments like electricity bills, telephone bills, insurance premium etc.
- Here, bank is an agent and customer is the principal but this role ends on death, insolvency and lunacy of the cust or when the task is completed.

⑥ lessor and lessee.

Bank - lessor | Customer - Lessee.

- Bank leases out space or provide safe deposit lockers to clients / customers.
- It is also known as licensor & licensee.

⑦ Indemnifier and indemnified.

Bank - Indemnity holder | Customer - Indemnifier

- A contract where one party promises to save other from loss caused to ~~by~~ him by the promisor himself or any other person.

- Either party will compensate the other of any loss arising from the wrong/ excess payment.

* Different Deposit Products or Services.

Demand Deposits	Time Deposits.
1) Payable on demand	1) Repaid after expiry of the deposit period.
2) low interest rates or no interest.	2) High interest rates, which vary according to period.
3) It includes current, savings, overdue deposits and unclaimed deposits	3) Time deposits has diff period with or without reinvestment plans.
4) Interest is paid on half yearly bases	4.) Interest is paid quarterly, half yearly or yearly basis.

* **Current Deposits**: It is opened for carrying out transactions for business and trade and are not entitled to any interest from the bank. But can levy charges maintaining the accounts in the form of per page fees, cheque facilities, minimum balance fees, etc.

* Basic Savings Bank Deposit Account

- Account should be normal banking service available to all
- No minimum balance is required.

• A person can deposit and withdraw cash at bank branch as well as ATMs.

• Receipt / credit of money through electronic payment channels or by means of cheques / collection of cheques

• facilities are free of charge and no charge would be levied for non-operation / activation of in-operative 'BSBDA'

* Hybrid Deposits or Flexi Deposits:

A combination of demand and fixed deposits, introduced for catering customer's financial needs in a flexible manner.

→ Deposit schemes for NRIs.

(A) NRO Account: (Non-Resident Ordinary Rupee Account).

• NRI allowed to maintain savings or other deposits accounts and are denominated in Indian Rupees.

• Saving account :- normally maintained for crediting legitimate dues / earnings such as dividends, rent, interest, etc. Dues or earnings in India are credited to NRO accounts. also INR

(B) NRE Account.

- Can be held jointly with their resident close relatives on 'former or survivor' basis.
- The resident close relatives shall be eligib to operate the account as a Power of Attorney.

(C.) FCNR (B) Account

- Term deposits between 1 to 5 years.
- Accounts can be in any freely convertible currency.
- Loans can be extended against security of funds held in FCNR(B)

* Conclusion.

Banker Customer relationship is dynamic that varies with respect to the services rendered at different times.

Banks offer different deposits to cater to the customer's financial needs both within the country and outside the country. (NRIs)