

## Banking Laws Update- Strengthening Nomination Framework for Deposit Security

The Ministry of Finance, Government of India has notified that select provisions of the **Banking Laws (Amendment) Act, 2025** relating to **nomination for bank deposits, safe custody, and locker contents** have come into effect from **November 1, 2025**.

These changes brought about by the Amendment and introduction of the new set of Nomination Rules, have a direct and positive impact on millions of bank customers across India. With the new nomination framework now effective, depositors gain greater control and flexibility in deciding who should receive their money in the event of their death. This allows up to four nominees, and introduces both simultaneous and successive nomination options, for a smoother and faster settlement process, reducing the need for court procedures, paperwork, and disputes among legal heirs. These reforms bring uniformity across all banks and significantly enhance convenience, transparency, and protection for depositors and their families.

As per the Press Release<sup>1</sup> dated October 23, 2025 by the Ministry of Finance, Government of India, the Key Provisions relating to Nomination under the Banking Laws (Amendment) Act, 2025<sup>2</sup> have come into effect from 1st November 2025. The Banking Laws (Amendment) Act, 2025 was notified on April 15, 2025 (Gazette Notification link attached below). It contains a total of 19 amendments across five legislations, the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955 and Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980.

The Press Release further, clarifies that as per the provisions of the Banking Laws (Amendment) Act, 2025 the Central Government has notified that the provisions contained in **Sections 10, 11, 12 and 13** of the Banking Laws (Amendment) Act, 2025 shall come into force with effect from **November 1, 2025**<sup>3</sup>.

The provisions brought into effect from November 1, 2025 through Sections 10, 11, 12 and 13 relate to nomination facilities in respect of deposit accounts, articles kept in safe custody, and the contents of safety lockers maintained with banks.

The key features of these provisions are as follows:

- **Multiple Nominations:** Customers may nominate up to four persons, either simultaneously or successively, thereby simplifying claim settlement for depositors and their nominees.
- **Nomination for Deposit Accounts:** Depositors may opt for either simultaneous or successive nominations, as per their preference.
- **Nomination for Articles in Safe Custody and Safety Lockers:** For such facilities, only successive nominations are permitted.
- **Simultaneous Nomination:** Depositors may nominate up to four persons and specify the share or percentage of entitlement for each nominee, ensuring that the total equals 100 percent and enabling transparent distribution amongst all nominees.
- **Successive Nomination:** Individuals maintaining deposits, articles in safe custody, or lockers may specify up to four nominees, where the next nominee becomes operative only upon the death of the nominee placed higher, ensuring continuity in settlement and clarity of succession.

<sup>1</sup> <https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2181734>

<sup>2</sup> [https://financialservices.gov.in/beta/sites/default/files/2025-05/Gazette-Notification\\_1.pdf](https://financialservices.gov.in/beta/sites/default/files/2025-05/Gazette-Notification_1.pdf)

<sup>3</sup> [https://egazette.gov.in/\(S\(ez1raoluesdpfg0gurwb5uo\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(ez1raoluesdpfg0gurwb5uo))/ViewPDF.aspx)

The Central Government had earlier appointed **August 1, 2025** as the date on which certain provisions of the said Amendment Act, namely **Sections 3, 4, 5, 15, 16, 17, 18, 19 and 20**, came into force vide Gazette Notification S.O. 3494(E) dated July 29, 2025<sup>4</sup>.

### Key Changes under the Banking Laws (Amendment) Act, 2025 - Explained

- **Substantial Interest:** Banks are restricted by RBI from granting loans and advances to companies in which a director holds substantial interest, or to firms/companies where a director is interested as a partner, manager, employee, or guarantor. This is to ensure that fundamental principles of banking are followed, that persons dealing with public money in trust should have not personal interest in the transactions of loans and decision-making process. The increase in the amount is to provide for inflationary changes.
- **Explanation of Nomination Provisions:** Based on the provisions of the Banking Regulation Act, the banks have their internal guidelines on settlement of claim of deceased account. These guidelines also deal with situation where the depositor dies without leaving any valid nomination for the deposit. These guidelines are sometime very challenging for the legal heirs as they may have to obtain succession certificate from the court to receive the amount from the Bank. Absence of nomination also leads to dispute and litigation among the legal heirs. Nomination helps both the banks and the legal heirs of the depositor to receive the deposit without any legal hurdles and litigations as the nomination is legally binding on the banks, and they are bound to hand over the money to the nominee of the depositor as per her/his intent.
- **Simultaneous Nomination:** This is a welcome step and would help the customer with large deposits. Under this, a depositor can nominate multiple nominees simultaneously, with the depositor specifying the proportion of the asset each nominee should receive. For example, A depositor might specify that Person A receives 60% and Person B receives 40%. Upon the depositor's death, the bank will settle the amount as per the nomination. Such arrangements allow flexibility to depositor in distribution of their assets especially large value deposits. It also reduces the risk of disputes among heirs and eases the job of the bankers as they often get involved in cross dispute between the legal heirs.
- **Successive Nomination:** Under these arrangements nominees are appointed in a specific order, where the first nominee is the primary beneficiary. If the first nominee predeceases the depositor, the asset passes to the next nominee in line. For example, if Person A is the first nominee and Person B is the second, the asset will go to Person A unless they predecease the depositor, in which case it will go to Person B. This would help the legal heirs and depositors as the nomination mandates ends with the death of the depositor or the nominee, therefore, if there is clarity as to who would be the successor nominee in the event first nominee predecease the depositor and by this way the depositor can avoid the risk of the deposit being without nomination.
- **Settlement of unclaimed amounts:** This is more of an exercise to have uniform system to deals with such unclaimed deposits. There are different sets of legislation governing this, private banks are constituted under the Companies Act which has its own provision to deals with such deposits, the State Bank of India Act, and the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide for transferring unpaid or unclaimed dividend to an unpaid dividend account. So, with the amendment all banks will have uniform practices. For depositors, however, the procedure for claiming such amount remain the same they have to provide relevant information and documents to reclaim the deposits. To reclaim a dormant bank deposit, one can visit any bank branch with KYC documents to reactivate the account or claim the funds or use the RBI's UDGM portal to search for unclaimed deposits across multiple banks<sup>5</sup>.
- **Effect of the new Banking Companies (Nomination) Rules, 2025:** The Banking Companies (Nomination) Rules, 2025, notified by the Ministry of Finance and effective from 1 November 2025, introduce a major revamp of the nomination framework for bank deposits, safe custody articles, and safety lockers. The Rules, also lay down the procedure and prescribe forms for making, cancelling, or specifying multiple nominations to operationalise these provisions uniformly across all banks.

<sup>4</sup> <https://egazette.gov.in/WriteReadData/2025/265059.pdf>

<sup>5</sup> <https://www.rbi.org.in/commonman/English/Scripts/FAQs.aspx?Id=3579>

These Rules replace the earlier 1985 nomination rules and bring in technology-enabled, customer-friendly processes.

### Key Operational Changes for Banks

| <u>Area</u>                   | <u>Earlier Position</u>             | <u>New Rules (2025)</u>                                           |
|-------------------------------|-------------------------------------|-------------------------------------------------------------------|
| <b>Maximum nominees</b>       | 1 nominee                           | Up to <b>4 nominees</b>                                           |
| <b>Mode of nomination</b>     | Physical forms only                 | <b>Physical + E-Nomination</b> (with authentication requirements) |
| <b>Nomination type</b>        | Only successive possible            | <b>Simultaneous OR Successive</b> nomination allowed              |
| <b>Applicability</b>          | Deposits only                       | <b>Deposits + Safe Custody + Lockers</b>                          |
| <b>Acknowledgment by bank</b> | Not always system-tracked           | Mandatory <b>written / digital acknowledgment</b>                 |
| <b>Minor nominee</b>          | Allowed, but unclear guardian rules | Guardian <b>mandatory</b> and recorded                            |

### What this means for Customers?

Customers gain as the new rules provide flexibility in selecting beneficiaries, allow the depositor to specify clear share allocation → this may help in reducing and eliminates family litigations. The Rules allow easier claim settlements → avoids succession certificates.

It improves inheritance certainty and protects vulnerable account holders (elderly, NRI families, single parents).

### Legal Effect of Nomination

Nomination acts as a mandate to the bank, enabling safe and quick settlement to the nominee. However, nominee is not equal to legal heir. A nominee is only entitled to receive funds as a trustee for lawful heirs (as held in multiple judicial precedents).

But from a banker's standpoint nomination helps the Bank discharge its liability fully and avoid disputes among claimants.

Ultimately, the changes ensure that a depositor's money reaches the right hands with minimal hurdles. By making succession simpler and more transparent, the amendments help avoid delays, disagreements, and avoidable litigation.

*We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at [insights@elp-in.com](mailto:insights@elp-in.com) or write to our authors:*

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