

Dormant Accounts and Unclaimed Balances

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Introduction

On 2 September 2021, the Central Bank of Bahrain (“**CBB**”) issued new requirements in respect of ‘dormant accounts’ and ‘unclaimed balances’ in Bahrain under a new section BC-4.20 of the Business and Market Conduct Module of Volume 1 and Volume 2 of the CBB Rulebook. These new requirements are issued with the aim to meet two key objectives – consumer protection on the one hand and safeguards against internal and external frauds on the other. This article provides an overview of the new requirements in respect of ‘dormant accounts’ and ‘unclaimed balances’ in Bahrain.

Dormant Accounts

Banks must treat customer accounts as dormant accounts in the following cases:

1. current and call accounts, where there have been no transactions initiated by the customer by for a period of twelve (12) months; or
2. saving accounts of any type, where there have been no transactions for a period of twenty-four (24) months; or
3. fixed deposit accounts where there has been no claim or renewal request for a period of six (6) months from the maturity date.

Banks must notify the customer by mail, e-mail or other communication channel, when any of their accounts becomes inactive and must ensure that no withdrawal or transfer or outward clearing cheque is permitted from dormant accounts.

Banks must comply with the following additional requirements in transactions relating to dormant accounts:

1. allow electronic and manual transfers to the account;
2. accrue interest in respect of interest-bearing accounts at the prevailing rates depending on the terms of the contract between the bank and the customer;
3. ensure only fees or expenses permitted by CBB is charged, provided, however, that no fee is charged when the account balances become zero;
4. ensure that an account is closed within six (6) months from the date the account becomes dormant and its balance becomes zero following which, a closure notification is sent to the customer by mail, e-mail or other communication channel;
5. make attempts to periodically contact the customer through different communication means and such attempts must be documented;
6. ensure that the movements in dormant accounts are monitored to ensure that such accounts are not being used for money laundering or fraudulent purposes by internal or external parties
7. licensees must ensure that any movement in dormant accounts is subject to principles of “four-eyes” or “maker and checker” involving at least one authorised signatory of the licensee; and
8. ensure that changes in respect of the dormant accounts, including movement in balances, change of customer contact details, status etc. are subject to internal audit every six (6) months.

Unclaimed Balances

Banks must treat the following balances that remain unpaid due to operational or other reasons as unclaimed balances:

1. unclaimed balances relating to manager cheques, demand drafts, or cashier cheques which have not been presented /claimed during their validity periods;
2. positive credit card balances relating to credit cards not used for a period of one (1) year or more;
3. unclaimed cash due to failed ATM/POS or electronic transactions for a period of one (1) month or more;
4. dividends that remained unpaid by non-listed conventional retail bank licensees for a period of one (1) year or more; and Unclaimed balances relating to investments, including undistributed profits and accrued profit/interest for a period of one (1) year or more.

Banks are required to make attempts to periodically contact the relevant customers or the rightful parties to return the unclaimed balances through different communication means. The licensee must maintain documentary evidence of such attempts.

Banks must report the particulars of dormant accounts and unclaimed balances in the relevant section of the Prudential Information Return. Conventional retail bank licensees must not transfer any of the balances in dormant accounts or unclaimed balances to their income statements.

Banks are required to establish policies and procedures to deal with dormant accounts and unclaimed balances which must include measures to contact the customer concerned, activation of the accounts where appropriate, return of the moneys to the customer and control measures to prevent frauds and misuse of such accounts. The policies must be approved by the board of directors of the CBB while the procedures must be approved by senior management.

Conclusion

The new rules clearly specify what activities may or may not be undertaken by banks in Bahrain in relation to the dormant accounts and unclaimed balances.

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