

CURRENT ACCOUNT

INTRODUCTION

A current account is a form of deposit account that allows, among others, payment by way of cheques. This booklet highlights the basic requirements relating to the operation and maintenance of a current account as well as some useful tips to safeguard your account.

WHO CAN OPEN A CURRENT ACCOUNT

Different banks have different criteria for opening a current account. Generally, banks would only consider the application if the applicant is:

- 18 years old or above
- not a bankrupt
- of sound mind and has the mental and physical capacity to operate the account properly

For business owners and professional entities, they must ensure that they are properly registered with the relevant authorities. However, a bank has the discretion to accept or decline an application to open the account.

REQUIREMENTS TO OPEN A CURRENT ACCOUNT

- You must be physically present at the bank
- You need an introducer acceptable to the bank. This is to enable the bank to obtain references on you. Normally, the introducer is an existing customer or someone known to the bank
- You need to provide certain identification documents such as your identity card or driving licence to substantiate your identity
- You need to put an initial deposit as specified by your bank

In addition, for a business / society / club / association / professional registered with professional bodies (e.g. Malaysian Medical Association etc), you need to provide the business registration, board resolution, memorandum and articles of association, share allotment form and list of directors and secretary (for company account) or list of current board/committee members (for society account).

TYPES OF CURRENT ACCOUNTS

As an individual, you can open the following current accounts:

- Personal current account under your name; or
- Joint current account which is operated by you jointly with others, e.g.
 - Any one of the accountholders to operate the account (e.g., for an account opened by A and B, either A or B is required to sign)

– All accountholders are needed to operate the account (e.g., for an account opened by A and B, both A and B are required to sign)

For a business/company, the current account will be in the name of the business and it is operated by nominated signatory(ies).

USAGE OF A CURRENT ACCOUNT

You can start using your current account once it is approved by your bank. Withdrawals from your account (subject to the available balance in the account) can be made either through cheques or ATM cards (issued to individual accountholders only) or by electronic means. There is no need to maintain the initial deposit amount i.e. the minimum amount required to open the account, once your account is in operation. You do not earn interest on the balance in your current account. However, for a hybrid account, that is, an account that combines the features of both a current and savings account, you may earn interest from the savings portion of the account.

SIGNATORIES AND CHANGES OF SIGNATORIES

When you open a current account, your bank will require your specimen signature. The bank will compare your signature on the cheque issued by you against this specimen signature. If the signature is different, the bank will refuse to pay the cheque and return the cheque on the ground that “signature differs”. For a joint current account, all the account-holders’ signatures must be provided together with specific instructions as to who can operate the joint account.

For current accounts operated by a business/company, specimen signature(s) of person(s) authorized to sign cheques on behalf of the business/company and the extent of their authority, must be provided in the form of a mandate or resolution. Any changes to the signatories must be conveyed to the bank immediately in writing by the accountholder. In addition, an extract copy of the Board/Committee Resolution stipulating the change, effective date of change and signed in accordance with the conditions of the account must be given to the bank. The Resolution must be certified by the company secretary and signed by the quorum of directors as provided for in the memorandum & articles of association.

ELEMENTS OF A CHEQUE (SEE DIAGRAM)

It is important for you to know the elements of a cheque to ensure that the cheque is properly written since a duly completed and signed cheque acts as an authority to the drawee bank to withdraw from your account for payment to the payee.



1. Name of your bank which is also called the "drawee bank" or paying bank
2. "Account Payee Only" crossing is a directive to the collecting bank to pay into the account of the payee
3. Payee is the person to whom the cheque is to be made. Ensure that the name of the person is correctly spelt and written close to the words "pay to". Draw a line on the space after the payee's name to avoid alteration
4. Date of the cheque. To be able to receive payment, the date must be the current date
5. The person who holds and presents the cheque at the bank. It is advisable to cross out "or bearer" to avoid any stolen cheque from being paid out
6. The payment amount written in words. The same value will be written in the box beside it. Ensure that the amount in words and figures are written close to the words "Ringgit Malaysia" and "RM" printed on the cheque. Do not leave any gap by drawing a line after them. Make sure that the amount in words and in figures tally, otherwise, the bank will return the cheque
7. Your signature as the "drawer" of the cheque
8. Serial number of the cheque. Each cheque has a different number for identification purposes
9. The drawee bank's state and branch code
10. Your current account number
11. The drawee bank's internal code for current account product

DO'S AND DON'TS WHEN USING CHEQUES

DO's

- Write clearly and legibly and always use permanent ink pens such as a ball pen
- Ensure no alteration/amendment/erasure on the face of the cheque as banks will reject such cheques

- Begin writing the amount in words close to the word "Ringgit" without leaving too much space in between the words written and always write the amount payable ending with the word "only". The amount in figures must be written close to the letters "RM" and should be written legibly
- Make sure that no cheque is being removed from the cheque book without your knowledge and ensure that spoiled cheques are completely destroyed
- Ensure that cheques are kept in a safe and locked place and never leave cheques whether signed or unsigned unattended
- Undertake regular review of your stock of unused cheques and conduct regular reconciliation of cheques paid with your bank statement
- Report immediately to your bank if there are cheques missing from your cheque book or discrepancies in your bank statement
- Ensure your account has sufficient funds before you issue a cheque. It is not the duty of your bank to call you when there are insufficient funds, although some banks may do so as part of their service to their customers
- When sending cheques by mail using window envelope, ensure that the envelope is of good quality. This prevent cheques from being revealed when the envelope is held against any light

DON'Ts

- Write below the MICR (Magnetic Ink Character Recognition) field of the cheque to allow smooth clearing of your cheque. The MICR field is usually a 5/8 inch band at the bottom of the cheque
- Sign any blank cheque or give any blank cheque as payment
- Use laser printer, felt tip pen, erasable pen or pencil or other printing techniques which can be easily erased and written over, to write details on a cheque. If you are using a typewriter, you should not use correctable ribbons
- Issue payments in foreign currency using RM denominated cheques
- Fold, pin or staple written cheques. If the cheque is folded, the clarity of the wordings which fall across the "folded" lines may be affected. In addition, folding may break the MICR field of the cheque, resulting in the cheque being rejected by the cheque processing system. Cheques should not be stapled to prevent accidental tearing

REASONS FOR RETURNED CHEQUES

Your bank will decline to pay a cheque issued by you due to the following reasons:

- Insufficient funds in your account to clear the cheque
- Missing signature(s)
- Signature(s) differ from specimen signature(s) in the bank's record
- Post-dated
- Stale cheque (cheque which is dated more than 6 months ago)
- Amount in words and figures differ

- Alteration on the cheque (Note: Any alteration is not permitted)
- Stop payment instruction has been issued
- Account closed or "legally blocked" account

Cheques which have been dishonoured will be returned to the account holder. The issuer of the cheque will be charged a fee by his bank to recover part of the administrative cost incurred.

STOP PAYMENT INSTRUCTION

If your cheque has gone astray, it is possible to prevent payment of the cheque by giving a stop payment instruction to your bank. You may give the instruction by phone, but your bank would require you to confirm your stop payment instruction in writing. In addition, you will be charged a fee for this service.

However, if you issue a stop payment instruction due to insufficient funds in your account, you can be charged a penalty. If you repeatedly issue stop payment instructions when you have insufficient funds, your account may be closed by your bank. Such action is taken to ensure that cheques are accepted as a reliable mode of payment.

KEEPING OF RECORDS

Your bank will give you a statement of account which will allow you to check transactions that have taken place but the statement does not provide the most current balance. The statement will normally be for an earlier period and will not include any transaction that has taken place after the period referred to in the statement. You should therefore keep records of all deposits and withdrawals to calculate the current balance.

DUTIES AND RESPONSIBILITIES OF AN ACCOUNT HOLDER

Some of your duties and responsibilities as an account holder are:

- Keep your account numbers confidential and keep your account statements in a safe and secure place
- Safeguard and keep confidential any PINs issued and linked to your account for ATM facilities, phone banking and/or internet banking
- Always destroy or shred cancelled cheques
- Inform the bank immediately of :
 - Any change of address
 - Any change of telephone number
 - Loss of any cheque / cheque book
 - Any discrepancy in your bank statement

INACTIVE ACCOUNT

Where there has been no transaction (either a withdrawal or deposit) in the account for a period of seven years, the account will be classified as unclaimed moneys. Under the Unclaimed Moneys Act (1965), such funds will be transferred to the Registrar of Unclaimed Moneys. Prior to the funds being transferred, banks will send notices

requesting the customer to reactivate or close the account. The owner of the unclaimed moneys may recover the moneys from the Registrar either in person or in writing.

To do this, you will need to submit the following documents:

- Application form for refund of unclaimed moneys (UMA-7). The form can be obtained from the Registrar's office or downloaded from the website of Jabatan Akauntan Negara at <http://www.anm.gov.my>
- Documents to support your claim over the unclaimed moneys, such as a bank statement or a letter from your bank
- Copy of your identity card

The address of the Registrar is as follows:

Registrar of Unclaimed Moneys
Jabatan Akauntan Negara
Tingkat 42, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur.

CLOSURE OF A CURRENT ACCOUNT

An account can be closed under the following circumstances:

- On accountholder's request – accountholder must provide a written request and return any unused cheque leaves for cancellation
- On discretion of the bank – your bank may close your account if you regularly issue dishonoured cheques or if your account is inactive (dormant account). In such cases, the account will only be closed after sufficient notices have been given in writing to the accountholder. A notification letter will also be sent to the accountholder once the account is closed

CHEQUE CLEARING

When you deposit a cheque into your account, your bank which is the collecting bank will send it to specific clearing centres to be sorted and dispatched to the drawee bank for payment. The time taken for the money from the cheque to be credited into your account will depend on the number of days required to clear the cheque. The number of clearing days may be affected by public holidays which fall within the clearing period.

Generally, cheques can be divided into 3 categories:

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Types of Cheques	Definition
House cheques	Cheques belonging to the drawee bank of the same branch
Local cheques	Cheques drawn and deposited within the local clearing zone
Outstation cheques	Cheques drawn on banks outside the local clearing zone

Generally, house cheques do not go through the clearing process. As such, you will receive your money the next day. However, the time taken may vary from bank to bank depending on the duration required to verify the particulars of payment. Local and outstation cheques however, need to go through the clearing process and the time required for your cheque to be cleared would depend on the location of the branches. Generally, local cheques would be cleared within 2-3 working days. The clearing period for outstation cheques may take 3-8 working days. However, you are advised to check with your bank as to the actual date the funds will be available.

FREQUENTLY ASKED QUESTIONS

1. Where can I open a current account?

You can open a current account with any commercial bank or Islamic bank.

2. Can I write a cheque with a future date?

The practice of issuing a post-dated cheque is not encouraged. This is to avoid any incidence of returned cheque due to insufficient funds and the resulting penalty charges.

3. If a cheque is made payable to a company, e.g., ABC Sdn. Bhd or 'bearer', can the 'bearer' of the cheque encash it over the counter?

No. Generally banks will require you to deposit it into the account of ABC Sdn. Bhd. to reduce the incidence of fraud.

4. Can a cheque be made payable to two parties i.e. A or B?

Yes. A cheque can be made payable to either A or B.

5. Are "account payee only" cheques transferable?

No. When a cheque is crossed "not negotiable" or "account payee only", the cheque must be deposited into the account of the payee.

6. How long is a cheque valid?

A cheque is normally valid for six months from the date of the cheque, after which, the cheque is considered a 'stale cheque'. You are advised to present your cheque for payment within a reasonable time from its date of issue to avoid incidence of the cheque being dishonoured due to insufficient funds. You are also advised to get a replacement of the cheque once the validity period is over. However, there may be situations when the drawer of a cheque limits the cheque validity period to less than six months. For such cases, the validity period will be clearly printed on the face of the cheques.

7. What should I do if I want to close my account?

Give a written instruction to the bank to close the account and return all unused cheque leaves to the bank for cancellation. In addition, if you have issued any cheque which has not been cleared, you should recall the cheque.

8. Why would banks not accept my cheque which was altered, but counter-signed by me?

No alteration should be made on cheques as a safeguard against fraud. The bank reserves the right to dishonour and return cheques which in the bank's opinion, bear any alteration (whether counter-signed by the drawer or otherwise). In addition, you (the issuer of the cheque) may be charged a fee by your bank to recover part of the administrative cost.

9. What is the difference between order cheques and bearer cheques?

Order cheques are cheques written to be paid to a specific person or entity (the payee) named in the cheque. Bearer cheques are cheques written to be paid to the person who holds the cheque (the bearer). An "order cheque" can be a "bearer cheque" if the words "or bearer" are not cancelled out. Sometimes, the cheque may be issued to pay "Cash". This is called a cash cheque. In general, issuing of cash cheques is not encouraged as they are exposed to risk of fraud. Some banks may charge a fee for encashment of third party cheques.

10. What is a banker's cheque?

This is a cheque drawn on the bank. This means that payment is guaranteed by the bank. It is often used in situations where the payment needs to be secured, e.g., payment for a large purchase item such as a car or house.

11. Who is responsible for dishonouring my cheque?

The paying bank is responsible for determining whether payment should be made to you.

12. What can I do if the cheque I banked in was returned to me for reason "account closed"?

You will have to recover the amount directly from the person who issued the cheque to you.

13. What should I do if I found that some cheques are missing from my cheque book?

You should report this to your bank immediately and request for stop payment on these cheques.

14. What is clearing day-hold?

Clearing day-hold refers to the time taken for funds from the cheques which have been cleared to be credited into the payee's account. The time taken would depend on the type of cheque deposited, that is, whether the cheque is a house cheque, local cheque or outstation cheque.

15. Why do banks charge customers for encashing account payee cheques?

To minimise the risk of loss from open cheques due to robbery, theft and fraud, banks have issued pre-printed account payee cheques. Notwithstanding this, some banks may allow the account holder and the payee to encash the account payee cheques over the counter. However, to discourage such practice, a fee is usually levied over encashment of third party account payee cheques. The fee could either be charged to the payee or the issuer of the cheque depending on the practice of the bank concerned. Therefore, if cash is preferred mode of payment by the payee, you should consider other forms of

payment, such as via the internet, ATM machines, phone banking or Interbank GIRO service which are more secure and cost efficient.

16. Does the bank have the right to request that I close my account with them?

You should enquire from your bank the reason(s) for this. However, banks have the right to close any account that is not satisfactorily operated. In addition, the conduct of the account must be in compliance with legislation such as the Anti-Money Laundering Act 2001.

17. Can my wife operate my current account when I am overseas?

Yes, provided you issue a mandate to your bank and your bank approves. In some instances, only short term appointments are allowed, e.g., for six months or less.

The mandate must clearly specify:

- Identity of the mandatee
- Reason(s) and condition(s) of the mandate
- Effective period

18. What should I do if a cheque which I have deposited has been returned to me by my bank stamped "refer to drawer"?

"Refer to drawer" means that clarifications have to be sought from the person who issued the cheque. The reasons may vary from case to case, such as insufficient funds in the drawer's account. In such cases, you will have to liaise with the drawer as to the next course of action.

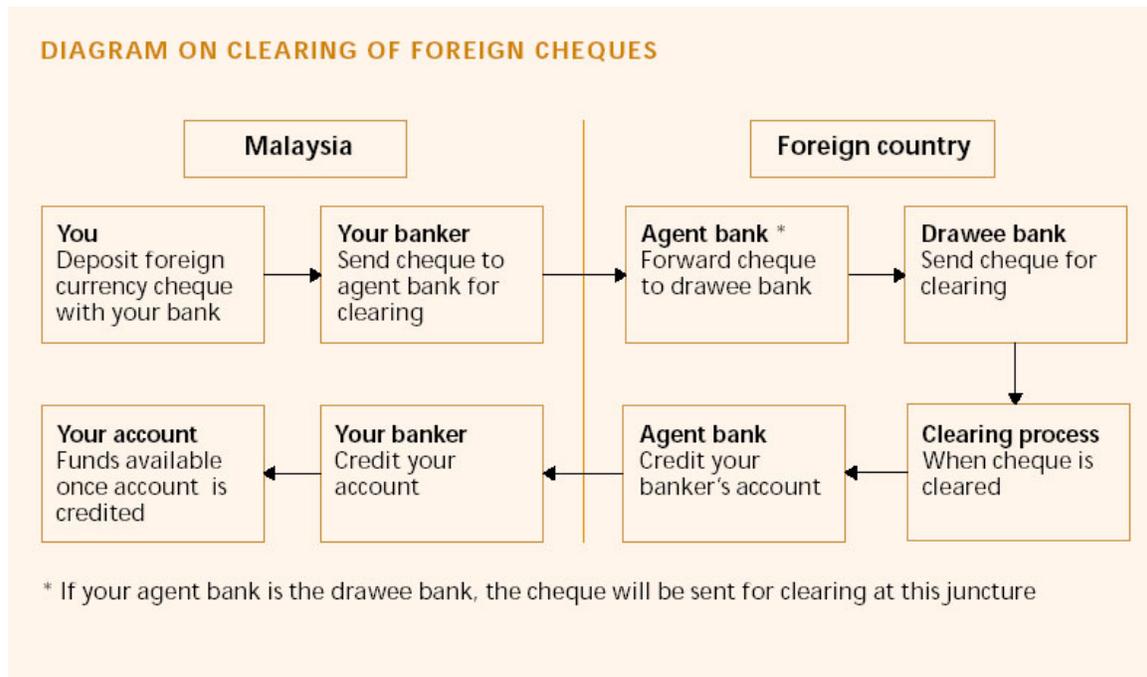
19. If I accept a cheque denominated in foreign currency, what charges will I incur and how long would it take before I can get the money?

The common charges that you may incur when you deposit a foreign currency denominated cheque include commission, stamp duty, agent's charges, drawee bank's charges, courier charges and handling charges. Some of the charges are imposed by the overseas bank (agent/correspondent bank) that is involved in clearing the foreign cheque. The fees charged may vary from bank to bank. You are advised to check with your bank.

The clearing period for the cheque ranges from one week to one month or more. It depends on the type of currency and the country from which the cheque was issued and also prevailing laws of the paying bank's country. Normally, the collecting bank will use the service of an agent or correspondent bank to clear the cheque.

ILLUSTRATION

If you deposit a foreign currency denominated cheque issued by an issuer from that foreign country (e.g., the cheque, denominated in Pound Sterling issued by a person residing in the UK and the drawee bank is in the UK), the process flow in clearing the cheque is as follows:



GLOSSARY

Cheque

A bill of exchange, which is an unconditional order in writing, addressed and signed by the drawer to instruct the drawee bank to pay on demand a certain sum of money to the payee or bearer.

Drawee Bank

The banker of the drawer.

Drawer

The person who issues the cheque.

Inactive Account

An account that has no transaction for a specific period, e.g., six months or 12 months.

Mandate

A written instruction, normally in the bank's standard form, naming a person (the mandatee) who is authorised to sign and operate the current account.

Payee

The person to whom the cheque is to be paid to.

Post-dated Cheque

A cheque written with a future date.

Stale Cheque

A cheque which has been issued for more than six months.