**Chapter Eight**

**Ancillary Services of a Banker**

Learning Objectives: After studying this lesson, students will be able to:

* Explain ancillary services of a banker
* Describe the safe custody and safe deposit
* Explain the merchant banking services

**What are ancillary services in banking?**

Ancillary services are other services that banks offer to common men along with the necessary banking services. These ancillary services form a very minuscule of the services offered by the banks. Some of the ancillary services provided by the banks are:

a) ***Funds transfer service***: Useful for sending and receiving money from all over the world.

b) ***Forex service***: You can buy the foreign exchange for any purpose of expenditures like travel, buying merchandise, etc. and sell the same to the bank when you earn or receive from abroad.

c) ***Custodial Service***: You can keep your valuables like jewels, documents, etc. Under this service, this is commonly known as Locker facility (Safe Deposit Vaults).

d) ***Gold sale***: only a few selected branches of banks or banks are allowed to provide this.

e)  ***e Banking***: also known as Net banking or Internet banking is  the latest and most convenient facility of the banks .You can get id and password to operate your account online : for transfer of funds to another account in the same bank or another bank. You can keep the surplus funds in fixed deposit by using this facility.

**8.1 Remittance of funds**

Some default funds transfer limits are given to customers based on the type of account. In case you wish to raise the limits per day), you may give a written request to your branch.

* **Beneficiary Maintenance:** You can maintain a “Beneficiary” for whom you normally wish to transfer funds. You have to give a “Payee ID” for each of the beneficiary and should attach a valid Account for each of the beneficiary maintained by you.
* **Funds Transfer between your Accounts (Real-time):** You can transfer funds to the extent of “Net available balance” (from one of your accounts – viz. Source Account) or up to the ‘Per day limit’ fixed by the Bank for you, whichever is less, to any one of your other accounts.
* **Third Party Funds Transfer (Real-time):** You can transfer funds to the extent of “Net available balance” (from one of your accounts viz. Source account) or up to the “Per day limit” fixed by the Bank for you, whichever is less, to any one of the Beneficiary Accounts maintained by you. All the Beneficiary Accounts maintained by you will be available in the pick list and you can select any one of the accounts.
* **NEFT online Transfer:** You can transfer funds to the extent of “Net available balance” (from one of your accounts viz. Source account) or upto the “Per day limit” fixed by the Bank for you, whichever is less, to an account with another Bank. The funds will be transferred using the NEFT facility provided by RBI and will be processed in the next available settlement cycle depending on the time of request. The beneficiary gets the credit on the same day or the next day depending on the time of settlement.

**Term Deposit Options:**

* **Term Deposit Details:** You can view the details of the selected Term Deposit account such as principal, contracted interest rate, maturity value, tenure, maturity date, lien (if any) etc. You can also take a print out using the ‘Print’ option.

**Loan Options:**

* **Loan Account Details:** You can view the details of the loan account selected and print these details using “print” option. You can also go to “Account Summary”, ‘Early and Final Settlement” and “Loan Repayment” options from here.
* **Loan Account Activity:** You can view the details of transactions for the selected account for any specified period. The details of transactions can be directly printed using ‘print’ option or can be downloaded and saved as a file using “download” option.

**Standing Instruction (SI) Options:**

* **Initiate Standing Instructions:** You can create a Standing Instruction. The Standing Instructions are of 3 types viz., Account to Account, Credit to Loan Account and Banker’s Cheque (BC) Request. Wherever the BC request is selected, you have to fill up beneficiary details also. The Bank will prepare the BC and mail it to you. For all the 3 types, the Standing Instructions will be executed on the Day Begin of the execution day. In case of insufficient balance, no further trials will be made till the next execution date.
* **View SI:** You can view the details of the Standing Instructions you had given either directly at the branch or through Internet Banking.

(For removing Standing instructions, you have to give a request through your branch.)

**8.2 Safe custody and safe deposit**

The facility of Safe Deposit Lockers is an ancillary service offered by the Bank. The Bank's branches offering this facility will indicate/display this information.

**Secrecy and Confidentiality**:

The Bank will ensure utmost secrecy of the Safe Deposit Lockers hired by the customer and will ***not divulge any information about hiring of lockers***, mode of operation etc. to anyone, except when the disclosure is required to be made with the *clear consent* of the hirer(s) or in compliance of the orders of a competent authority having statutory powers.

Bank’s lockers will be available to any person, *having contractual capacity* i.e. capacity to enter into a contract. Thus locker can be hired by an individual singly and / or two or more individuals jointly as well as firms, limited Companies, Societies, Associations, Clubs etc.

**Allotment of locker**

Allotment of lockers shall be based on the duly (properly) filled in application of the prospective hirers on the printed format provided by the bank. Lockers will be allotted by the branches on ***first come first served*** basis.

**Providing a copy of the agreement:**

Branches will give a copy of the agreement to the locker-hirer at the time of ***allotment*** of the locker, if preferred by the customer.

**Recovery of rent from hirer(s)**

Safe Deposit Locker rent will be payable ***in advance*** and in the event of locker rent remaining unpaid, when due, the Bank will have the right to refuse access to the locker hirer(s). Locker rent will be recovered ***on annual*** basis. The lease period of one year will start from the date of hiring the locker and will continue till the preceding day of the corresponding date in the subsequent year.

**Operations of Safe Deposit Vaults/Lockers**:

Branches will exercise ***due care*** and necessary ***precaution*** for the protection of the lockers provided to the customer. The Hirer/s can operate the Safe Deposit Locker only on the Bank’s ***working days*** and during the **business hours** of the Bank.

Before operating the locker, the hirer/s should sign the attendance register which shall be kept at the bank.

**Death of the hirer:**

* Notice of knowledge of the death of a hirer or a surviving hirer will be recorded in the Locker Register with date and source of information under the initials of an officer.
* As a further precaution, a slip reading ***'hirer deceased***' will be pasted on the locker.
* Thereafter access to the locker should be allowed on production of ***legal representation***.
* Where authority has been given to the survivor or survivors to operate the locker in writing specifically at the time of lease of the locker, in the case of joint account, the question of ***legal representation does not arise*** unless the survivor also dies.

**Surrender of Locker**:

* Locker can be surrendered by the hirer/s at any time during the contract period through a ***written application*** and handing over ***of keys*** to the Bank Officials.
* Bank can also request for surrender of locker with due notice.

**The major aspects governing the locker services are:**

* The Bank will hire locker only ***to properly introduced*** persons.
* Lockers are rented out for a minimum period of one year. Annual rent is payable in advance.
* Loss of key should be immediately *informed* to the branch.
* Withstanding instruction, the rent may be paid from the deposit account of the hirer.

**8.3 Merchant banking**

Merchant banking is called commercial services bank in UK. It is a bank that provides financial services mainly for companies and large-scale investors.

Merchant banking implies investment management. Companies raise capital by issuing securities in the market. Merchant bankers act as intermediaries between the issuers of capital and the investors who purchase these securities.

Merchant banking is the financial intermediation that matches the entities that need capital and those that have capital for investment.

Services of merchant bankers

The services provided by merchant bankers include management of mutual funds, public issues, trusts, securities and international funds. It involves dealing with the corporate clients and advising them on various issues like- mergers, acquisitions, public issues, etc.

Merchant Banking is a combination of Banking and consultancy services.

**Merchant banking**

**Banking services + Consultancy services**

It helps businessmen to start It provides consultancy to its clients for financial,

a business and helps *to raise* finance marketing, managerial and legal matters

In short, merchant banking provides a wide range of services for starting until running a business. It acts as Financial Engineer for a business.

**Functions of Merchant Banking**

Merchant banking primarily involves financial advice and services for large ***corporations*** and wealthy ***individual****s*. The important functions of merchant banking are depicted below.

1. ***Raising Finance for Clients***: Merchant Banking helps its clients to raise finance through issue of *shares, debentures, bank loans*, etc. It helps its clients to raise finance from the domestic and international market. This finance is used for starting a new business or project or for modernization or expansion of the business.
2. ***Project Management***: Merchant bankers help their clients in the many ways. For e.g. ***advising about location of a project***, ***preparing a project report***, conducting ***feasibility studies***, making ***a plan for financing the project***, finding out ***sources of finance***, advising about ***concessions and incentives*** from the government.
3. ***Advice on Expansion and Modernization***: Merchant bankers give advice for expansion and modernization of the business units. They give expert advice ***on mergers and acquisition***, ***takeovers***, ***diversification of business***, ***foreign collaborations*** and ***joint-ventures***, technology up-gradation, etc.
4. ***Special Assistance to Small Companies and Entrepreneurs***: Merchant banks advise small companies about ***business opportunities***, ***government policies***, ***incentives*** and ***concessions available***. It also helps them to take advantage of these opportunities, concessions, etc.
5. ***Services to Public Sector Units***: Merchant banks offer many services to public sector units and public utilities. They help in arranging ***long-term finance from term lending institutions, marketing of securities***.
6. Revival of Sick Industrial Units: Merchant banks help to revive (cure) sick industrial units.
7. **Portfolio Management**: A merchant bank manages the portfolios (investments) of its clients. This makes investments safe, liquid and profitable for the client. It offers expert *guidance* to its clients for taking *investment decisions*.
8. ***Money Market Operation*** : Merchant bankers deal with and underwrite short-term money market instruments, such as:
   1. Government Bonds.
   2. Commercial paper issued by large corporate firms.
   3. Treasury bills issued by the Government

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| ***Activity 8.1***  *Students! Please go to your nearest banks and indentify which services are major and ancillary to the bank you visited?* |

Summary

Ancillary services are other services that banks offer to common men along with the necessary banking services. These ancillary services form a very minuscule of the services offered by the banks.

The facility of Safe Deposit Lockers is an ancillary service offered by the Bank. The Bank's branches offering this facility will indicate/display information as Secrecy and Confidentiality, Allotment of locker, Providing a copy of the agreement, Recovery of rent from hirer(s), Operations of Safe Deposit Vaults/Lockers, and Surrender of Locker.

Merchant banking is called commercial services bank in UK. It is a bank that provides financial services mainly for companies and large-scale investors. Merchant banking is the financial intermediation that matches the entities that need capital and those that have capital for investment. Merchant banking primarily involves financial advice and services for large corporations and wealthy individuals.

***Review Questions***

1. *Describe the ancillary services provided by banks.*

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1. *Is any difference between safe custody and safe deposit?*

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1. *What is merchant banking?*

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1. *Discuss the functions of merchant banking.*

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***Self check table for students assessment***

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| ***No.*** | ***Do students grasp objectives/competencies*** | ***Yes*** | ***No.*** |
| *1* | Explain ancillary services of a banker |  |  |
| *2* | Describe the safe custody and safe deposit |  |  |
| *3* | Explain the merchant banking services |  |  |