

## A NOTE FOR CENTRAL AUTHORITY FOR UNCLAIMED PROPERTY

### **Background**

On 12 August 2022, the Supreme Court issued a notice to ministries of finance, corporate affairs, Reserve Bank of India (RBI) and Securities & Exchange Board of India (SEBI), in Writ Petition (No 185/2022) filed by Sucheta Dalal of Moneylife Foundation through senior counsel **Prashant Bhushan** seeking a writ of mandamus or instructions to the government to put on a centralised, public platform the details of unclaimed money of investors and depositors held by various regulators that remains inaccessible to rightful legal heirs. The bench of Justice S Abdul Nazeer and Justice JK Maheswari issued notices to various regulators, returnable in eight weeks, and noted that the issue dealt with an important question.

The plea contended that unclaimed money of the public that gets transferred to government-owned repositories like the Depositor's Education and Awareness Fund (DEAF), Investor's Education and Protection Fund (IEPF) and Senior Citizen's Welfare Fund (SCWF), on the ground that the legal heirs or nominees did not claim it, should be made available to the legal heirs or nominees by providing the information of holders of inoperative or dormant accounts on a centralised online searchable database.

### **The Objective**

The core objective, as enunciated by most developed nations, should be to “reunite unclaimed property (including all financial assets) with the rightful owner.” The database should allow proven legal heirs to get a full picture of the investments and savings of the deceased and claim their money/bequest in a smooth and efficient manner. The system needs to integrate solutions for current savers in a seamless, technology-backed, automated process. It must be tasked with the job of tracing the owners of unclaimed assets by seeking

adequate information from entities that transfer such unclaimed assets after the mandated 7 or 10 years.

In order to be effective, the central database may need to set up a statutory central authority, backed by appropriate legislation and adequately empowered to track the rightful owners, resolve grievances and deal with security and privacy concerns. The central database will be effective and relevant only if it is updated at least on a weekly basis, if not in real-time. This will involve legal mandates and organisational structure, with IT-based automated processes.

The central database – since it will be funded with public money -- can also be the one single point for putting out advertisements/notices, etc, to allow other heirs and claimants, if any, to come forward with their claims. This will also make the process smoother, faster and less expensive. With interest on over Rs82,000 crore available, adequate resources should be available to publicise the central database and its utility.

There is a possibility that the finance ministry will demand that the funds be transferred to the Consolidated Fund of India (CFI), as it has done with the IEPF. This needs detailed discussion since these are public funds and adequate money has to be provided to set up and manage the central authority, track the rightful heirs and ensure that there are adequate resources to pay rightful owners who submit proof of ownership.

**Ensuring a lean and efficient organisation, which is conscious that it is utilising public funds for its functioning, will be crucial.**

**Issues Faced by People**

- Claims processes differ across financial assets and require separate, often contradictory, proofs/averments by legal heirs of deceased persons.
- There are no standard operating procedures (SOP) even within a class of institutions (e.g., each bank manager may add his own rules and demand sureties, fixed deposits, indemnity, etc) with regard to nominations and transfer of funds.
- Nomination is usually the first safeguard; however, rules differ widely. Nominations are not checked; details of nominee are not listed, leading to KYC (know-your-customer) issues. Often, software systems eliminate nomination mandates at the time of renewal, etc. There is a huge demand for successive, multiple and proportionate nominations, which are available for some financial assets and not others. There is a need for standardisation.
- Nomination is a straight-forward contract (between the owners of assets and the financial entity) to transfer the asset to the nominee after the demise of the owner. The law is clear; but the transfer of funds is complicated by illegal and needless demands for indemnity and surety. **A simple PAN-based KYC of the nominee (non-mandatory) would make the process of identification and transfer of assets much simpler.**
- Issues with the legal processes, such as probate, succession certificates and legal heir-ship certificates are even more onerous, expensive and lead to long delays in transmission of assets resulting in distress and harassment as well as expenses. A simple example is the tax department demanding a 'registered' Will, when the law of the land does not require one, and places an onerous burden on the testator as well as the heirs.

### **Global Perspective**

The problem of unclaimed assets is not unique to India, but a common theme is to put people first. Most developed countries have found workable,

technology-based solutions and verification processes to return any unclaimed funds/assets to the rightful legal heirs. This is a three-step process. First, the authorities make rigorous attempts to locate the rightful heirs or owners of unclaimed assets; second, when the owner is not traceable for anywhere between 7 and 10 years, the assets are transferred to a centralised fund; third, claimants do not lose the right to such funds and have access to searchable databases to track the funds and follow the process laid down to recover the money.

There are different models of dealing with such funds; but most of them have some form of statutory backing. The ambit of what comprises unclaimed funds also differs widely. In the US, it also extends to royalties, unclaimed salaries, mining rights, etc, in addition to stocks, bonds, bank deposits and earnings thereon.

Some countries maintain a central database for unclaimed assets; others have managed to efficiently make the information available through multiple authorised agencies. In the United Kingdom, the agency operates as a public-private partnership.

India can adopt any of the well-established processes in place in the United Kingdom, United States of America and Canada, as appropriate for us. Details on each of these countries' setup for unclaimed assets are mentioned later in this note.

### **Why a Central Authority**

Government databases, with PAN linked to bank accounts, Aadhaar and other KYC databases, are common to all regulators with easy on-boarding. So, the creation of a central database by plugging in, or accessing information from multiple sources can easily be done in a manner that legal heirs / beneficiaries

or owners of forgotten assets can obtain a snapshot of all savings -- whether it is bank accounts, public and employee provident funds, insurance, mutual funds, company deposits and bonds, based on PAN. It is likely that several legislative changes will have to be adopted to set up an online central database. These changes should, ideally, be made in line with international practices, as described in detail later in this note.

The primary job of the central authority would be to try and contact rightful owners of unclaimed assets and put in place a simple process for them to claim their rightful money. Such an authority should also be responsible for framing SOPs and rules, as well as investigation and grievance redress processes, when applicable, to make the claims process swift, smooth and efficient. The central authority should include a repository for authentic information or link to one – for instance, we need death certificates to be uploaded on a central database everyday by municipal offices.

### **Suggested Names**

DUA (दुआ /blessing): Depository for Unclaimed Assets

VARIS: Verifiable Assets Registry of Individual Savers

HEIR: Holistic Estate Inheritance Rights.

### **Indian Situation**

India has five different entities collecting unclaimed assets – four financial regulators and the Senior Citizens Welfare Fund (which pools unclaimed provident funds and Central saving schemes). There is no effort, legally mandated or otherwise, by any of them to contact the rightful owners; nor is there an effort to create a robust and searchable database that will allow true owners or heirs to track the funds and file claims. So far, only the IEPF (<http://www.iepf.gov.in/>) has a comprehensive website; but the claims effort

remains cumbersome leading to the proliferation of agents offering a claims service for high fees ranging from 10% to 50% of the amount.

As mentioned earlier, the value of unclaimed assets in India, at well over Rs82,000 crore, is large enough to warrant a legal effort to reunite rightful owners or claimants with their money. This would best be done through a Central legislation to put in place a comprehensive database of unclaimed assets and their owners across insurance, pensions, banks deposits, stocks, mutual funds and government savings schemes. A central authority can frame common SOPs and processes for filing and verifying claims, including an online claim filing and verification mechanism. It could also be authorised to investigate and resolve conflicting claims or simple disputes and release funds without long-drawn legal processes.

Comprehensiveness and ease of access will depend having access to information.

***Register of Deaths:*** To make the process transformational, we need to create a 'Registrar of Deaths' (in each municipality and *panchayat*) to automatically send information to a central repository, as a mandatory process, with a copy of the death certificate. This will be a big step in ensuring speed and eliminating the need for heirs (once authenticated) to submit multiple death certificates to different agencies. It will also allow cross-verification. The central repository could be under the 'Unclaimed Assets Authority'.

The Unclaimed Assets Authority should also be tasked with issuing notices/advertisements, based on the receipt of death certificates, with a centralised mechanism to receive objections.

***Apostilled Documents:*** A large number of countries have joined the treaty called the Hague Convention abolishing the requirement of legalisation for foreign public documents or the Apostille Convention, which simplifies the authentication of public documents used abroad. In countries where the Apostille Convention applies, the treaty reduces the authentication process to a single formality - the issuance of an authentication certificate by an authority designated by the country where the public document was issued. This certificate is called an Apostille.

Usually, when foreign nationals need to submit essential public documents in a country, they have to first get them legally authenticated or notarised from an embassy or consulate, before they are accepted. However, since this process is usually slow, cumbersome and costly, a number of countries have adopted the Apostille Convention and India is one of them. Such a process can easily streamline the required authentication/notarisation of documents for non-resident Indians (NRIs) who are legal heirs of the unclaimed assets. Ideally, there should be no reason why apostilled documents should not be legally accepted as proof for an NRI legal heir or descendant.

### **Management of the Processes**

Interest earned on unclaimed assets w funds alone will provide adequate resources to create and manage the Unclaimed Assets Authority . This Authority needs to call bids and have the process handled on the lines of MCA21, GSTN or the Tax Network. The bidders may be market infrastructure institutions or technology companies with appropriate competency.

### **Present Infrastructure**

We already have multiple registrars & transfer agents (RTAs)/depositories collating information on identity documents. The shares depositories, tax information network, the PAN database and the Aadhaar database already

collate and store enormous information about financial assets, nominations, etc.

The annual information statement (AIS) sought by the income-tax (I-T) department has a database that uses 53 distinct sources of data and is comprehensive. In addition, the already available databases of the two national depositories are also comprehensive. The National Securities Depository Ltd (NSDL) manages multiple databases --tax information, dematerialised data, NASSCOM's (National Association of Software and Service Companies) database; the Central Depository Services Ltd (CDSL) and Stock Holding Corporation of India Ltd (SHCIL) also do the same.

We understand that CDSL's attempt to create a database for sharing unclaimed bank deposits data was scuttled, despite a high-level discussion at the finance ministry (before 2014), because it would have been under SEBI's regulatory ambit and was not acceptable to other regulators.

This is the reason why one needs the Supreme Court's intervention/ direction to prevent turf-issues among regulators that could delay or mothball a comprehensive database covering all unclaimed assets/properties.

A central repository like CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India) can eliminate turf issues; however, we have a lot of negative feedback about its flexibility, interaction and willingness to engage.

CERSAI is a central repository licensed under Section 8 of the Companies Act, 2013, and has a 51% shareholding by the Central government and select public sector banks (PSBs) and the National Housing Bank. It maintains and operates a registration system for asset securitisation but is also linked to all credit



bureaus, does CKYC (Central KYC), is linked to websites of VAHAN (automobile registration) and the ministry of company affairs.

CERSAI also has different searches available for debtors and should find it easy to create a central database across financial vectors. In that sense, it may be better placed to create a central database than the two depositories, namely, NSDL (and CDSL).

**Suggested Process for Access:**

The access process needs to be finalised after detailed discussions with various regulators to standardise processes across the system. A stage-wise access can then be created to meet concerns about privacy and security/fraud by using basic identifiers such as PAN, Aadhaar, address and date of birth.

A key decision would be on whether or not to use the “Account Aggregator” framework (as suggested by iSPIRIT Foundation and detailed below) or for the central authority to create access to be able to ping various existing databases and resources.

*Stage-1:*

Anyone entering a search with the basic KYC details (name, date of birth, PAN/ other identity) of a deceased person will only get first level information, based on two-factor authentication to create a trail on who is searching for the information. For example, Mr Bharat, born on, say, 15 August 1947 and PAN – BSYPE9809O and a particular listed address has: bank deposits, life insurance policy, X or Y mutual fund schemes, a public provident fund (PPF) account and post-office savings, etc. There is no need to provide details or amounts.

*Stage-2:*

- a) If a living person has forgotten or omitted to claim the funds, submission of documents and other proofs should be adequate for the central authority to transfer funds.
- b) In case of a deceased person, the central database would contact a registered nominee when a death certificate is uploaded on the death registry.
- c) Alternatively, the nominee/heir will submit the death certificate (which will be matched with the death registry and assets transferred to the registered nominee (based on valid e-KYC) without further processes or harassment, as happens today. If the central authority puts in place successive and proportionate nomination (as it should), then appropriate rules will apply.
- d) In the absence of a valid nomination, the claimant should be required to submit documents (such as death certificate, legal heir-ship/succession certificate, family settlement documents/probate, etc), for a valid claim, to get further access to information. The central authority will strive to eliminate legal processes, especially those under a pre-decided ceiling of say Rs25 crore - especially in case of an uncontested Will or family settlement agreement (with newspaper notice). The IEPF has already set up a verification process, which is rather cumbersome, and can be further refined with the help of technology, to prevent fraud and identity theft.

### **Checks & Balances**

- a) While assets will be transferred to the central authority after 7-10 years, all entities transferring funds should be mandated to make an all-out effort to trace the true owners in the 5<sup>th</sup> and 7<sup>th</sup> year (before the funds are transferred) and provide detailed reports of action taken to the central agency.
- b) The agency/ entity managing the central database should not be allowed to monetise data of deceased or heirs.

- c) All efforts must be made to minimise fraud and vulnerability without compromising ease of use.
- d) Examine if the central repository can play a role in hastening the issue of succession certificate, heir-ship certificate, legal process and eliminate the need for probate (all of which are expensive and time-consuming).
- e) Discuss and fix who bears the financial liability for errors, hacks, staff malfeasance, or carelessness and ensure an insurance cover (risk/fraud insurance will help).
- f) Ensure a strong grievance redress mechanism and a helpline.
- g) Standardise nomination processes across assets to provide for serial/successive nomination and/or proportionate nomination. This is especially required for bank accounts, which permit only one nominee today and turned out to be problematic during the recent COVID pandemic when several members of a family died in quick succession.
- h) Serious thought and streamlining is required when it comes to demat accounts. Today, a demat account cannot be closed if the holdings are in defunct companies (zombie shares) and we need a process of registering a claim without having to keep demat accounts live. If a person has multiple nominees, depositories require multiple demat accounts to be opened for transfer (a simple sale from the deceased's account should be considered, if heirs do not want to hold shares and have them transferred).

### **Advisory/Supervisory Board**

The central authority must have a supervisory board with representatives from the respective ministries, financial and corporate sector, regulators and citizens' groups who would monitor the working of the system and suggest changes periodically, primarily based on user feedback.

### **Annual Report to Parliament**

TS Krishnamurthy, trustee of Moneylife Foundation and former chief election commissioner (CEC), has suggested that the centralised agency should table an annual report about the unclaimed funds in Parliament and also publish it on a specific website. This annual report should detail the amount which lies unclaimed, amount which has been refunded to legal claimants; names of claimants and names of parties whose amount is pending settlement can be hidden from public view to safeguard against fraud. Such an annual report should also indicate an analysis of claims pending settlement, along with a month-wise progress report.

### **Technology Inputs and Thoughts of Experts**

Indian Software Products Industry Round Table (iSPIRT), a non-profit tech think tank, has shared a technical perspective on building and maintaining a central database which is appended at the end of this note.

Rajkumar C, an IT expert and consultant for iSPIRT, suggested that the database could be designed with a distributed architecture where the “application can be at a central location, while the data can be spread across any number of entities.” As long as the entities work on a common agreed contract in terms of interaction, the central application would be able to collect the needed data and show it to the necessary users. Designing the central application and database in such a manner would help restrict duplication of data which resides with the respectful entities. This also restricts data access only to the trusted applications and entities, thus mitigating the risk of losing data integrity.

Dr Prakash Hebalkar, a leading IT expert and founder of ProfiTech, a strategy and public policy consulting firm, believes that the concerns about a centralised database, as put forward by iSPIRT, are valid if the data in question is

frequently changing and must be presented as it is in real-time. In his opinion, the data being stored in this proposed centralised database “is largely of an infrequent nature,” as in the case of nominations or other information about unclaimed assets. Accordingly, a real-time synchronisation of such data is perhaps not required when a “daily or perhaps even a weekly synchronisation would suffice.” He says that storing the required information in a centralised database would be to the advantage of the end-user, providing them with a one-stop solution/access to the requisite information rather than having data pulled in from various sources individually.

Dr Hebalkar has also emphasised the need to implement an effective failure/redress mechanism at each step of the process for the end-user. For instance, he argues that a delinquent or corrupt death registry administrator, who delays or withholds intimation of death or makes typing errors in names or entry of Aadhaar, etc, can cause enormous hassles and harassment for the user. Such cases require that a grievance mechanism is in place at each step of the process, so that mistakes or oversight at any stage can be redressed in a time-bound manner without causing further delays.

According to him, potential sources of delay and corruption will also be eliminated when SOPs establish a list of accepted documents (Will, probate, death certificate, succession certificate, etc) as evidence for legal heir-ship. This will bring in necessary uniformity to the process, eliminating situations where officials seek any number of unrelated documents for validation of a claim.

Delays will also be reduced if the process takes into account that claimants who are NRIs can submit apostilled documents as evidence, instead of going through a time-consuming notarisation process from the embassy or consulate.

### **Global Experience**

## United Kingdom (UK)

The UK has a Dormant Assets Scheme

(<https://www.gov.uk/government/publications/the-dormant-accounts-scheme>) which is voluntarily supported by the industry and backed by the government. The scheme evolved out of the government taking the initiative to reunite people with their financial assets through the Dormant Bank and Building Society Accounts Act (2008). Dormant assets in the Act are defined as funds held within financial services products which have been idle for a certain period of time, and the Scheme attempts to trace their owners to reunite them with their money have been unsuccessful.

Under the current scheme, dormant accounts are UK bank and building society accounts that have had no customer-initiated transactions for 15 years or more, and where the bank or building society has been unable to establish contact with the customer who owns the account. Following the success of this scheme, efforts being made to expand the scheme to other financial assets such as insurance and pensions, securities and others.

The Dormant Bank and Building Society Accounts Act sets out the Scheme's two component parts – the 'general scheme' which enables participating firms to transfer in dormant account funds and the surplus is channelled to social and environmental initiatives across the UK; and the 'alternative scheme' which enables firms with balance sheets below £7bn (billion) to transfer in dormant account funds and the participating firm nominates its local or aligned charity to receive the surplus. Both schemes are voluntary and have consumer protection guarantees.

The entire process is facilitated by Reclaim Fund Ltd (RFL), the only authorised reclaim fund in the UK that operates the scheme by enabling those organisations who voluntarily participate to route dormant asset/ funds to the

nominated distributor, The National Lottery Community Fund (TNLCF). It ensures that at least 40% of the unclaimed money is retained for meeting claims, while the rest is released for social and environmental causes across the UK via the TNLCF.

The Scheme operates according to three core principles, which were established among participating banks and building societies and will also underpin the upcoming expanded scheme:

1. **Reunification First:** Prioritising consumer protection, assets are classified as 'dormant' and made available to the Scheme, only after satisfying strict criteria, and only after the participating firms have completed their first priority to trace and reunite owners with their assets.
2. **Voluntary Participation:** Potential participants can choose whether to contribute to the Scheme and to what extent. The Scheme is a voluntary commitment by industry to pool dormant assets to help address social challenges.
3. **Full Restitution in Perpetuity:** Owners are able, at any point, to reclaim the amount that would have been due to them had a transfer into the Scheme not occurred. RFL ensures that sufficient funds are available so that this guarantee can always be fulfilled.

The founding principle of this Scheme is consumer protection – owners should always be able to reclaim the amount that would be due to them had a transfer into the scheme not occurred. After an independent commission on dormant assets has recommended that the Scheme be expanded to other financial assets, the government is now planning to involve three additional categories – insurance & pensions, investment & wealth management, and securities.

**United States of America**

The US does not have a government-wide, centralised information service or database on how unclaimed government assets may be obtained. Instead, each individual Federal agency, and sometimes state government, maintains its own records. There is a government website for unclaimed money (<https://www.usa.gov/unclaimed-money>) which provides links to a number of recognised organisations at the Federal and state level to help track a wide array of unclaimed assets.

There is also the National Association of Unclaimed Property Administrators (NAUPA - <https://unclaimed.org/who-we-are/>), which comprises 'unclaimed property administrators', who represent governments of all 50 states of America, and provides free assistance to the public to search for unclaimed assets. It also helps several other countries set up claims processes.

NAUPA engages in regulatory advocacy and for laws to ensure that unclaimed assets are returned to owners. Its definition of unclaimed assets covers unclaimed tax returns, mining rights, safe deposit boxes, security deposits, uncashed bank and travellers' cheques, etc, in addition to bank deposits, shares, interest, dividend, insurance and other issues that worry us in India.

NAUPA, in turn, endorses MissingMoney.com (<https://www.missingmoney.com/en/>) an organisation that started in 1999 to help state governments gather and track lost property such as uncashed pay cheques, stocks and bonds, and safe deposit box contents. The states share information with MissingMoney.com, which also handles claims verification and payment processes. It has processed several billion dollars of unclaimed money, over the years.

The US government resource on unclaimed money also lists specific websites such as TreasuryDirect.gov



([https://www.treasurydirect.gov/indiv/tools/tools\\_treasuryhunt.htm](https://www.treasurydirect.gov/indiv/tools/tools_treasuryhunt.htm)) for unclaimed saving bonds, treasury notes. The Pension Benefit Guarantee Corporation (<https://www.pbgc.gov/about/pg/contact/contact-unclaimed>) helps with unclaimed and forgotten pensions, the National Credit Union Administration (<https://www.ncua.gov/support-services/conservatorships-liquidations/unclaimed-deposits>) for unclaimed deposits with liquidated credit unions. There is a separate website for unclaimed funds arising out of bankruptcy proceedings (<https://www.uscourts.gov/services-forms/bankruptcy/unclaimed-funds-bankruptcy>). Individual states have also put in place robust efforts to reclaim assets. Below is an example illustrating this in the state of California.

**California's Unclaimed Property Law** requires banks, insurance companies, corporations and certain other entities to report and submit their customers' property to the State Controller's Office (SCO) when there has been no activity for a period of time (generally three years). Common types of unclaimed property in this case are: bank accounts, stocks, bonds, uncashed cheques, insurance benefits, wages and safe deposit box contents. The Unclaimed Property Law in California does not include real estate assets.

The State Controller safeguards this unclaimed property as long as it takes to reunite it with the rightful owners. There is no deadline for claiming it, once it is transferred over to the SCO. In order to find out whether the State Controller is protecting property in a person's name, they only need to search the online database by first filling a few essential details and then file a claim either online (if eligible) or offline by filling out a claim form. For an heir filing a deceased owner claim, additional documentation and a declaration under probate code is required from the claimant.

California law requires all holders (corporations, businesses, associations, financial institutions and insurance companies) of unclaimed property to attempt to contact owners before reporting their property to the SCO. Holders are required to send a notice to the owner's last known address informing him/her that the property will be transferred to SCO for safekeeping if the owner does not contact them to retrieve it.

SCO also sends notices to all owners of property that will be transferred to the state. These notices are sent out before the property is to be transferred, giving owners an opportunity to retrieve property directly from the holder. In case the notice receives no response within a given deadline, the property simply gets transferred to SCO from where it can be claimed by a potential owner. There is no time limit for claiming a property from SCO.

The state of California also permits investigators/heir-finders to help people locate their assets and file valid claims, but has strict rules governing their fees and operations.

### **Canada**

In Canada, bank deposits or negotiable instruments held by federally regulated banks are transferred to the Unclaimed Properties Office (<https://www.unclaimedproperties.bankofcanada.ca/>), if they remain inactive for 10 years and the owners cannot be contacted in this period. This includes savings and current accounts, bank drafts, certified cheques, official cheques, money orders, travellers' cheques, credit card balances, term deposits, guaranteed investment certificates and depository receipts.

Unclaimed balances of less than \$1,000 are held for 30 years, while those above \$1,000 are held for 100 years. Interest is paid for the first 10 years of custody. If the balance remains unclaimed at the end of the custody period, Bank of Canada transfers the funds to the Receiver General for Canada.

There is a legal obligation to make the effort to reach out to the owners of unclaimed funds, through written notices after two, five and nine years of inactivity. The unclaimed properties office provides a simple and free online mechanism to search and file for claims. It also provides a reporting tool for financial institutions to report forgotten assets to the unclaimed properties office.

## **Input from Team iSPIRT**

### **Technical Approach**

In order to build a seamless system that involves the participation of various financial institutions and ensures that the integrity of the system is maintained. One option could be the Account Aggregator (AA) Framework, proposed by [REBIT](#). The following financial instruments are included in the AA Framework per the proposal. The schema definition for each of the financial institutions can be found in the below-mentioned URL <https://api.rebit.org.in/schema>

<b>S.No.</b>	<b>Financial Information Type</b>	<b>S.No.</b>	<b>Financial Information Type</b>
1	Deposit	12	Exchange Traded Funds
2	Recurring Deposit	13	Indian Depository Receipts
3	Term Deposit	14	Collective Investment Schemes
4	Systematic Investment Plan	15	Alternative Investment Units
5	Commercial Paper	16	Insurance Policies
6	Certificates of Deposit	17	National Pension System
7	Government Securities	18	Infra. Investment Trusts
8	Equity Shares	19	Real Estate Investment Trusts
9	Bonds	20	Employee Provident Fund
10	Debentures	21	Public Provident Fund

11	Mutual Fund Units	22	Unit Linked Insurance Plan
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Among the above-mentioned schemes, it is required to identify the most impacted schemes for retail investors and help is needed from the regulators to make them participate in the AA Framework. This will ensure a seamless experience for our citizens to ensure a single technical solution, irrespective of the financial assets that the next of kin is searching for. The same approach can also be used to prevent the increase in unclaimed public money by ensuring nomination for the assets.

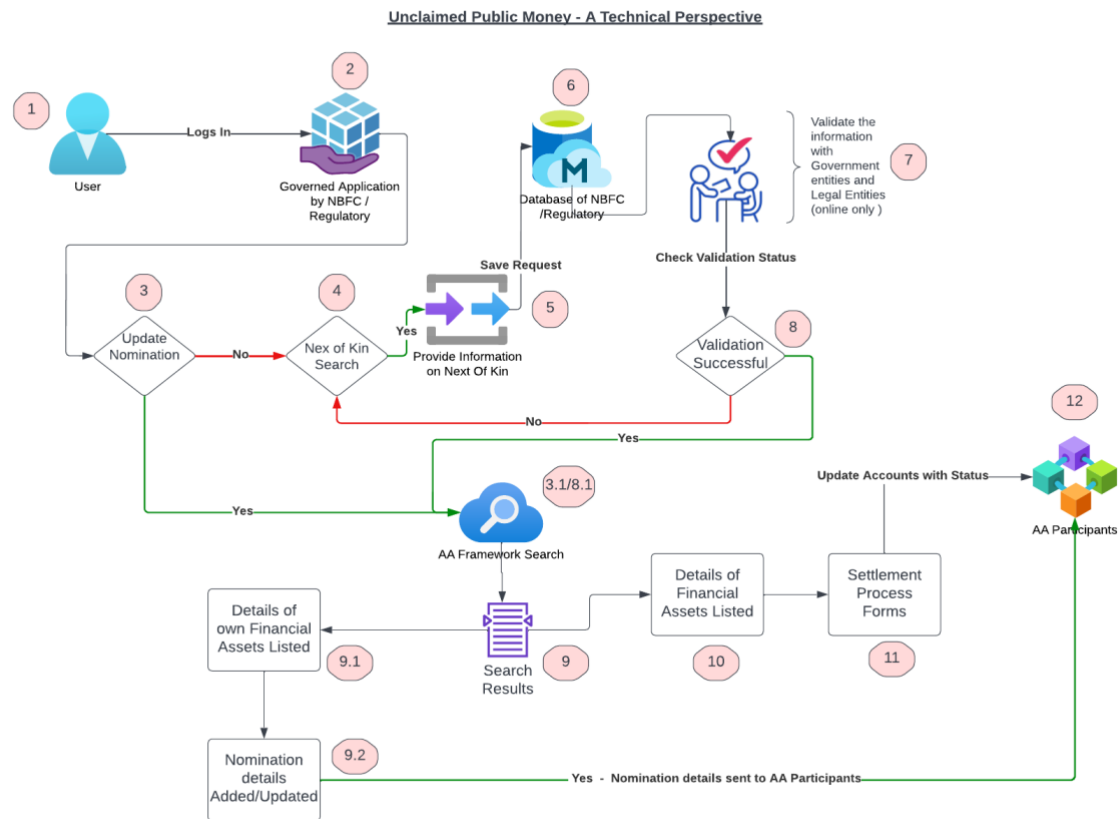
A primer on the AA ecosystem has been given below for reference.

AA Framework primer:

<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1753713>

SEBI Participation on AA Framework:

[https://www.sebi.gov.in/legal/circulars/aug-2022/participation-as-financial-information-providers-in-account-aggregator-framework\\_62157.html](https://www.sebi.gov.in/legal/circulars/aug-2022/participation-as-financial-information-providers-in-account-aggregator-framework_62157.html)



The above diagram represents an indicative flow of how the entire process would work for unclaimed public money settlement for the existing corpus and also how it would span out in terms of preventing the increase by ensuring the nominations are present for the current financial assets. The explanation of the above diagram in the textual format is given below:

1. The flow is based on a simple web/mobile-based application that could be developed by an NBFC (non-banking finance company) or a government agency. (Step 1)

2. The user authenticates by means of the available existing mechanisms, or if a government agency has to do it on behalf of a common man, the process for the e-seva mechanism can be followed. (Step 2)
3. Once logged in, there are two options available for the user - one is to update the nominations for his/her existing assets or search for financial assets where he/she is acting as the next of kin. (Step 3 and 4)
4. For the next of kin option - the user will have to provide some details to prevent a data breach - the following could be the first set of data to begin with - name, PAN of the applying user, Aadhaar of the applying user, deceased name, deceased identity (Aadhaar/PAN), deceased death certificate, legal heir certificate, succession certificate (Step 5)
5. Once the above-mentioned information is provided, the process for online verification of documents would take place seamlessly - death certificate / legal heir certificate verification -> interacting to the various corporations/municipal entities. To begin with, this could be manual - but this would mean the existing ERP (Enterprise Resource Planning) solutions of these government entities would have to be interacting with this system. This should be possible, given the recent payment gateway interaction for many corporations and municipalities for payment for the property and water tax components. Court entity validation for succession certification is to be explored. (Step 7)
6. If the validation is not successful, the information is passed on to the applied user - the details of why the validation has not passed is shared on a need-to-know basis and it is most likely a communication over email or SMS to ensure a single-way of communication.
7. If the validation is successful, a search inside the AA ecosystem should be initiated. This would need to change the AA consent Application Programming Interface (API), since the current system allows consent to be provided only to alive account-holders and since this is a provision

- to do a search on the accounts when the user is no longer present. (Step 8.1)
8. The search results are either displayed on the terminal or sent to an identified email address which is provided at the time of this request. (Step 9/Step 10)
  9. Once the assets are listed - given the authentication of the user and his information is already complete and verified, based on the financial asset present, the settlement forms could be submitted online. In cases of more than one user as a legal heir or as a successor, the system should be able to provide the capability for each of them to enter the information with the necessary identification present in legal heir or succession certification. (Step 11). In this way, the settlement process could be unified across the different financial assets in a complete online manner.
  10. (Step 3/ Step 3.1) For one's own financial assets listing, the user will not have to provide any additional information and a simple search should be able to bring up all the financial assets.
  11. Step 9.1 - All the financial assets, which are part of the AA framework, could be listed on the screen, since it is the same individual who is doing the search for his information.
  12. Step 9.2 - Given there is no nominee information that is being sent back in the AA schema - there is a change needed here.

### **AA API/Schema Related Changes**

The complete list of the NBFC API specification can be found in the below-mentioned link ->[https://specifications.rebit.org.in/NBFC-AA%20API%20Specification\\_Core\\_Final\\_08Nov.pdf](https://specifications.rebit.org.in/NBFC-AA%20API%20Specification_Core_Final_08Nov.pdf)

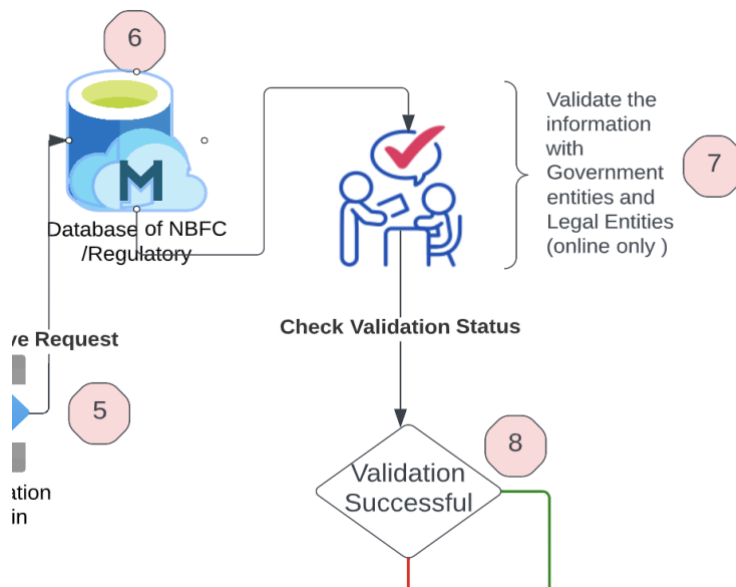
Following is the high-level overview of the changes which would be needed to implement the above-mentioned flow:

API/ Schema Name	Existing or New	Change Description
/Consents (API)	Existing	This should be modified to update consent for specific accounts being passed for users who are deceased.
/Consent/handle (API)	Existing	Modified to include the status of deceased personal
/consent/{id} (API)	Existing	Modified to reflect the status of the deceased person.
/consent/Notification	Existing	Modified to create a temp consent to do a search of existing assets for deceased persons alone - a new state of notification is allowed here.
/FI/request (API) (OR) /Accounts/discover	Existing	Based on the modified consents - information should be allowed to fetch
/FI/request/update Account	New	This is a new API which needs to be introduced to update information on the accounts (either nomination) or deceased status - so that the account could not be misused.
Holding Nominee (Schema) e.g.,: <a href="https://specifications.rebit.org.in/api_schema/account_aggregator/documentation/others_ppf.html#HoldersType">https://specifications.rebit.org.in/api_schema/account_aggregator/documentation/others_ppf.html#HoldersType</a>	Existing	The schema definition of the nominee has to be changed so that AA is able to provide the details of the nominee and associated information - along with the nominee's contact details.
Holder (Schema) e.g.,: <a href="https://specifications.rebit.org.in/api_schema/account_aggregator/documentation/others_ppf.html#Holder">https://specifications.rebit.org.in/api_schema/account_aggregator/documentation/others_ppf.html#Holder</a>	Existing	Holder information to be updated in case of a single account holder to deceased, which ensures misuse of funds from the financial institution.
Holding Nominee <a href="https://specifications.rebit.org.in/api_schema/a">https://specifications.rebit.org.in/api_schema/a</a>	Existing	Currently, the holding nominee is just showing if the nominee is present or not. This will have to be changed to include



<a href="#">ccount_aggregator/documentation/others_ppf.html#HoldingNominee</a>		the nominee details.
Nominee of Account	New	This would be a new type getting introduced - so that the nomination level information can be stored. The nomination should contain the name, identity type, identity information, and contact number.

### Interfaces with External Systems



In order to ensure that the information is displayed only on a need-to-know basis for the next of kin, it is absolutely necessary to validate the information provided in terms of next of kin before it is shown. This can be done by introducing validation mechanisms for each item of information which was provided during the validation process. For beginners, we will consider the below-mentioned documents, to begin with:

1. Death Certificate
2. Legal Heir Certificate
3. Succession Certificate

When these certificates are uploaded - a separate form is presented to the user to submit information with regard to the certificate number and the government entity which issued the certificate. This would mean that the following API has to be implemented by the respective entity to validate the provided certificate information. If there are any existing APIs that can be used from the government entities (which have been used for integrating with the payment gateway), those could be considered for use as well. But, as a bare minimum, the following functionalities need to be provided.

<b>API Name</b>	<b>Functionality</b>
Get Token	Authentication mechanism to identify the caller who would be invoking the subsequent API
Validate Entity	Would be used to validate the necessary entity based on the provided information.

The above API would have to be implemented by each entity to which our system should be talking, in order to validate the certificate information.

Note: The expansion of the system and its ability to scale would depend on the following factors:

All the financial institutions start adopting the common schema of interaction or figure out sending the data to a common entity in an agreed format.

A strong grievance redress mechanism for the users and, given the fact the interaction is between multiple parties, a strong dispute resolution system is also put in place.

There should be a seamless way of verifying the government documents, using an automation process which could be death certificate or any government-issued document.

This document has been prepared by Sucheta Dalal, journalist who filed the PIL, with inputs from various experts and iSPIRIT Foundation: [sucheta@moneylife.in](mailto:sucheta@moneylife.in) ;

Background Articles:

1. <https://www.moneylife.in/article/use-global-practices-to-reunite-unclaimed-financial-assets-with-their-rightful-owners/68347.html>
  2. <https://www.moneylife.in/article/sc-issues-notice-on-plea-by-sucheta-dalal-that-information-on-unclaimed-amounts-lying-in-dormant-accounts-be-made-publicly-available-on-a-centralised-platform/68045.html>
  3. <https://www.moneylife.in/article/shouldnt-regulators-be-accountable-for-returning-rs82000-crore-of-unclaimed-money-to-savers/64694.html>
  4. <https://www.moneylife.in/article/a-whopping-rs36000-crore-of-peoples-unclaimed-money-lying-with-just-three-financial-regulators/57587.html>
  5. <https://www.moneylife.in/article/how-to-see-refund-for-unclaimed-dividends-deposits-and-application-money-from-iepfa/66116.html>
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