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Procedure for change in Bank Account Signatory of a Company

In my previous article "Procedure and documentation for opening of Company Bank Account" we had discussed about the basic procedure for opening of Company Bank Account along with 2 sample board resolutions for opening of Company Bank Account. You may click the link below for reading this article:

Procedure and documentation for opening of Company Bank Account

Through this write up my attempt is to share procedure for change in Bank Account Signatory of a Company as this task is a common task keeping in view the working of finance department of a company. It is a fact that for smooth functioning of business transaction and administrative convenience, Companies used to maintain different bank accounts with different or same banks. This practice is somewhere helpful to ensure smooth business functions like inflow and outflow of funds, payment to vendors etc. in a company.

Bank account signatory is a person who is authorised through a board of directors' resolution passed in a board meeting to operate a bank account. Bank account signatory can sign the cheque etc. to complete the day to day finance activities. Most of the companies appoint joint signatories to handle a company bank account one; from account department and second may be some senior finance level employee.

Change in bank account signatory of a company

Understanding of banking formalities is not an easy task. However with constant working and experience you can manage this work. There is one more work connected with banking operations of a Company and that is change in bank account signatories of a bank account. Sometimes there can be a situation in a company where need may arise to change the bank account signatory of a particular bank account. There may be various reasons for change in bank account signatories of a bank account. Some of such reasons include:

a. Transfer of existing authorized signatory to some other place;
b. Existing authorized signatory left the organization;
c. Addition in the existing authorized signatory list;
d. Deletion in the existing authorized signatory list.

Now we will discuss documents required to bring change in bank account signatories along with covering letter and a sample board resolution for change in bank account signatories.

Document required for change in bank account signatory

Again I would say the process of change in bank account signatory is not a complicated process. Simply get in touch with relationship manager designated by the banker for your company. This relationship manager will guide you regarding the process for change in bank account signatory. It is a simple fact that document required by the bank for change in bank account signatory may differ from bank to bank. However there are certain documents which are commonly asked by all the private and nationalized banks for updating authorised signatories list. Some of the documents required for change in bank account signatories include:

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1. Covering letter towards change in authorised signatory request;
2. Latest Memorandum of Association of the company;
3. Duly signed copy of board resolution;
4. Updated list of Directors and Shareholders;
5. Duly filled details of new signatories in the signature update form of the bank;
6. Identity and address proof of new signatories;
7. Colour photograph of new signatories;
8. Any other document as may be required by the bank;

Note: Requirement of few documents like memorandum and article of association of the company may be waived off by the bank if there is no change in the same from the time when bank account was opened because memorandum and article of association are important documents which needs to be submitted while opening a bank account for a company.

Sample documentation for change in Bank account signatory

Please find below sample of draft board resolution along covering letter required for change in Bank account signatory. Hope the same would be of some help.

1. Sample of covering letter for change in authorised signatory request

Please find below sample covering letter required to be attached with your request to bank for change in bank account signatories:

Date: August 28, 2014

To

The Branch Manager
HDFC Bank Limited
Hauz Khas, New Delhi-110034

Sub: Request for change in bank account authorised signatories

Dear Sir/Madam,

With reference to the subject mentioned above we wish to mention that we had appointed Mr. Vishnu Singh as authorised signatory to operate current bank account bearing account no. 123456789 with HDFC Bank Limited having branch address at Hauz Khas, New Delhi-110034.

We further wish to inform you that the tenure of Mr. Vishnu Singh with the company come to an end as bank account authorised signatories and in his place Mr. Prateek Mittal, Mr. Pranshul Goel and Mrs. Neha Joshi have been authorised and added as bank account authorised signatories by board meeting resolution dated August 25, 2014 to operate the above mentioned current bank account bearing no. 123456789.

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As per the procedure notified by the bank, a copy of duly signed board resolution and other relevant documents like identity proof of new signatories are attached for bringing change in bank account authorised signatories.

Please find the same in order. Kindly acknowledge the receipt.

Thanking You,
Yours Sincerely
For XYZ Alloy Wheels Private Limited

Authorised signatory/Director/Company Secretary

2. Sample of board resolution for change in authorised signatory request

Please find below 2 sample board resolutions required to be passed in the meeting of board of directors for change in bank account signatories:

Sample Number # 1

"RESOLVED THAT in suppression to all the resolutions passed earlier by the Board of Directors in its meeting in respect of the Current Bank Account bearing no. 123456789 maintained with HDFC Bank Limited, Hauz Khas Branch, New Delhi in the name & style of " XYZ Alloy Wheels Private Limited", HDFC Bank Limited, be and is hereby authorised to honour Cheques drawn, accepted or made in the name and on behalf of the company as per the following limits:

1. Cheques up to the amounts of Rs. 25,000/- signed jointly by

a.) Mr. Prateek Mittal, Authorised Signatory
and
b.) Mr. Pranshul Goel, Authorised Signatory
and
c.) Mrs. Neha Joshi, Authorised Signatory
duly constituted attorneys of the company consistent with the powers vested in them.

2. Any cheque for any amount without any upper or lower limit signed by Mr. Rohan Mittal, Managing Director and Mr. Amit Mittal, Director

RESOLVED FURTHER THAT the aforesaid bank be and is hereby instructed to honour all cheques, promissory notes and other order drawn by and all bills accepted on behalf of the company whether such account be in credit or overdrawn and to accept and credit to the account of the company all money deposited with or owing by the bank or any account or accounts at any time or times kept or to be kept in the name of the company and the amount of all cheques, notes, bills other negotiable instruments order or receipts provided they are endorsed/ signed as above on behalf of the company and such signature(s) shall be sufficient authority to bind the company in all transactions between the bank and the company including those specifically referred to herein."

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RESOLVED FURTHER THAT the above resolutions be communicated to the said Banker and remain in force until the same is cancelled or modified by the Board of Directors by another resolution and extract whereof forwarded to the banker by the Chairman or any one of the directors of the company in writing".

Certified True Copy
For XYZ Alloy Wheels Private Limited

Rohan Mittal	**Amit Mittal**
Managing Director	**Director**

Sample Number # 2

"RESOLVED THAT in suppression to all other resolutions passed earlier by the Board of Directors in its meeting in respect of the Current Bank Account bearing no. _______________, maintained with Kotak Mahindra Bank, _________________, in the name & style of **"XYZ Private Limited",** in addition to the existing list of authorised signatories to handle the aforesaid account, Kotak Mahindra Bank be and is hereby authorised to add Mr. Lokesh Sharma, Manager - F&A and Mr. Somesh Bhasin, Sr. Executive - F&A as authorised signatories to handle the aforesaid Current Bank Account with existing authorised signatories and to honour Cheques drawn, accepted or made in the name and on behalf of the company as per the following limits:

1. Cheques up to the amounts of Rs. 1,00,000/- signed jointly by (a) and (b) below as authorised signatories:

    a.) Mr. Sudesh Jain, Chief Executive Officer

    and

    b.) Mr. Prabhat Verma, Sr. Manager - F&A or Mr. Vipin Khurana, Sr. Manager - F&A or Mr. Lokesh Sharma, Manager - F&A or Mr. Somesh Bhasin, Sr. Executive - F&A;
    duly constituted attorneys of the company consistent with the powers vested in them.

2. Any cheque for any amount without any upper or lower limit signed solely by Mr. Pradeep Kumar Mittal, Managing Director or Mr. Aakash Kumar Mottal, Joint Managing Director.

FURTHER RESOLVED THAT Mr. Pradeep Kumar Mittal, Managing Director or Mr. Aakash Kumar MIttal, Joint Managing Director severally or any of the duly constituted attorneys of the company consistent with the powers vested in them be and are hereby authorised to operate the aforesaid accounts, including accounts where borrowing arrangements are made by the company such as overdraft, cash credit or any account of the company with Kotak Mahindra Bank and the said banker be and is hereby authorised to honour and comply with all cheques, drafts, bill, promissory notes, acceptance, negotiable instruments, deposits receipts and other orders expressed to be drawn, accepted, endorsed, made or given on behalf of the company at any time or times by the aforesaid person.

FURTHER RESOLVED THAT the said banker be and is hereby authorised to act on any instruction from him relating to the affairs or transactions of this company and to debit such cheques, orders, bill of

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exchange and notes (also the amount of any dishonoured notes, cheques and bill) to the said account whether such account be for the time being in credit or overdrawn and to debit interest on such amounts debited in the said account at the rate as may be applicable to the overdraft account from time to time from the date of overdrawing up to the date, overdrawing (s) is/are cleared by the company."

RESOLVED FURTHER THAT the above resolutions be communicated to the said Banker and remain in force until the same is cancelled or modified by the Board of Directors by another resolution and extract whereof forwarded to the banker by the Chairman or any one of the directors of the company in writing".

Certified True Copy
For XYZ Private Limited

Pradeep Kumar Mittal
Managing Director

Aakash Kumar Mittal
Joint Managing Director

Conclusion

I sincerely hope that the above compilation would be of some help to improve your corporate working as far as dealing with bank officials is concerned. For any finance personnel it is very important to understand the working of banking system to ensure administrative convenience and ease of working. I you face any problem regarding the understanding of resolution please let me know. Thanks

Thanks
CS Ankur Garg
Connect through Facebook

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