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A GUIDE ABOUT BANK ACCOUNTS

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What is a Bank Account?

A **bank account** is a financial account with a banking company, recording the financial transactions between the customer and the bank and the resulting financial position of the customer with the bank. It is an arrangement whereby you may place your deposit under the safekeeping of your bank or deposit taking financial institutions. The bank as financial intermediary channelize these funds in productive resources and banks may pay remuneration out of profit they earn on your deposits. Bank accounts can help you manage your everyday money.

Types of Bank Accounts

Banking institutions may offer a broad range of bank account types. By learning different account categories, you can work out the choices that suit your personal needs.

Basic Banking Account (BBA)

In order to broaden the access of financial services to under privileged and to facilitate and provide basic banking facilities to the low income people in Pakistan, all commercial banks offer Basic Banking Accounts (BBA) facility. The main features of this account are:

- ➔ The minimum initial deposit is Rs 1000 and there is no fee for maintaining BBA.
- ➔ It is a non-remunerative account with no limit on minimum balance.
- ➔ In cases, where balance in BBA remains 'nil' for a continuous six-month period, such account is liable to be closed.
- ➔ Maximum two deposit transactions and two chequing withdrawals are allowed, free of charge, through cash/clearing per month.
- ➔ Unlimited, free of charge, ATM withdrawals from the banks' own ATMs. In case of withdrawal from BBA through the ATM machines of other banks, the respective/other bank may recover charges for such transactions.
- ➔ Existing bank account holder can convert to BBA from regular full service banking account.
- ➔ The banks can add more services, if they wish and also charge, as per their existing policy, for any service/transaction over and above the minimum set of services of a BBA, if they wish.

Current Account

Current bank account is usually opened by businessmen who have a number of regular transactions with the bank, both deposits and withdrawals. Current account can be opened with any commercial bank in Pakistan. In current account, amount can be deposited and withdrawn at any time without giving any notice. It is also suitable for making payments to creditors by using cheques. Cheques received from customers can be deposited in this account for collection.

Features of Current Account

- It's a non interest bearing checking account,
- It has minimum account opening requirement (varies from bank to bank).
- Some banks offer debit card which can be used to withdraw cash and make purchases across Pakistan.
- It has no restriction on number of withdrawals
- Few banks offer mobile and internet banking facilities.
- Lets you set up direct debits and standing orders to pay your bills or loan installments.
- It may offer you other services like an overdraft and funds transfer facility.

Advantages of Current Account

- Current account enables businessman to conduct his business transactions smoothly.
- The businessmen can withdraw any amount at any time from their current accounts. There are also no restrictions on withdrawals.
- The businessmen can make direct payment to their creditors with the help of cheques.
- The bank collects money on behalf of its customers and credits the same to their accounts.
- Current account enables the account holder to obtain overdraft facility.

Savings Account

A savings account is a financial account at a depository institution such as a bank that pays interest on money that is saved. Savings accounts typically have modest interest rates that are lower than rates offered by fixed/term deposits. Saving account is a basic financial tool that is considered as a part of any investment and savings strategy.

Features of Saving Account

- It has minimum account opening requirement (varies from bank to bank).
- No restriction on number of withdrawals and number of deposits.
- Profit on saving accounts is credited to the customer account on periodic basis.
- Debit card can be used to withdraw cash and make purchases across Pakistan
- Most of the banks provide Free Online Banking services at branch network nationwide

Advantages of Saving Account

- Saving account encourages savings habit among salary earners and others who have fixed income.
- Saving account enables the depositor to earn income by way of interest.
- Saving account helps the depositor to make payment by way of cheques / checks.
- The bank offers number of services to the saving account holders. Features of Saving Accounts

Term/Fixed Deposit Account

The account which is opened for a particular fixed period (time) by depositing particular amount (money) is known as Fixed (Term) Deposit Account. The term 'fixed deposit' means that the deposit is fixed and is repayable only after a specific period is over.

Under fixed deposit account, money is deposited for a fixed period say six months, one year, five years or even ten years. The money deposited in this account cannot be withdrawn before the expiry of period. The rate of interest paid for fixed deposit vary (changes) according to amount, period and from bank to bank.

Features of Fixed Deposit Account

- The main purpose of fixed deposit account is to enable the individuals to earn a higher rate of interest on their surplus funds (extra money).
- The amount can be deposited only once. For further such deposits, separate accounts need to be opened.
- The period of fixed deposits range between 15 days to 10 years.
- A high interest rate is paid on fixed deposits. The rate of interest may vary as per amount, period and from bank to bank.
- Withdrawals are not allowed. However, in case of emergency, banks allow to close the fixed account prior to maturity date. In such cases, the bank deducts 1% (deduction percentage may vary) from the interest payable as on that date.
- The depositor is given a fixed deposit receipt, which depositor has to produce at the time of maturity. The deposit can be renewed for a further period.

Advantages of Fixed Deposit Account

- Fixed deposit encourages savings habit for a longer period of time.
- Fixed deposit account enables the depositor to earn a high interest rate.
- The depositor can get loan facility from the bank.
- On maturity the amount can be used to make purchases of assets.
- The bank can get the funds for a longer period of time.
- The bank can lend such funds for short term loans to businessmen.
- Fixed deposits indirectly boost economic development of the country.
- The bank can also invest such funds in profitable areas.

Foreign Currency Accounts

As a special facility, you can open accounts in foreign currency in addition to PKR deposits. Accounts denominated in four foreign currencies i.e. US Dollar, British Pound, Japanese Yen and Euro; are allowed to be opened by financial institutions operating in Pakistan.

You can withdraw the amount either in Pak Rupee at current exchange rate or in the denominated currency.

Under the existing instructions, the Authorized Dealers (Banks authorized to deal in foreign exchange) without the prior approval of the State Bank, can open foreign currency accounts of the following:

- All Pakistan nationals resident in or outside Pakistan, including those having a dual nationality.
- All foreign nationals, whether residing abroad or in Pakistan.
- Joint Account in the names of residents and non-residents.
- All diplomatic missions accredited to Pakistan, and their Diplomatic Officers.
- All International Organizations in Pakistan.
- Firms and companies established/incorporated and functioning in Pakistan, including those having foreign share-holdings except those unauthorized under provision of State Bank's Foreign Exchange Manual.
- Charitable Trusts, Foundations etc. which are exempted from income tax.
- Branches of foreign firms and companies in Pakistan.
- Non-resident Exchange Companies even if owned by a bank or financial institution.
- All foreign firms/corporations, other than banks and financial institutions owned by banks, incorporated and operating abroad provided these are owned by persons who are otherwise eligible to open foreign currency accounts.

Features of Foreign Currency Account

- Deposits only in foreign currency.
- No restriction on transfer of funds to any country abroad.
- Profit is paid to the foreign currency depositors.
- Traveler cheques and other remittances can be obtained by debit to the account at current exchange rate.
- Credit card facility can be obtained by the account holders to the extent of the balances held in their respective accounts, for utilization in and outside Pakistan.
- Holders of foreign currency accounts are free to transfer their accounts from one Authorised Dealer to another.
- Banks may recover reasonable charges on handling cash transactions in foreign currencies received into or paid out of such accounts.
- The non-residents are exempted from payment of withholding tax and compulsory deduction of Zakat.

Categories	Basic Banking Account	Current Account	Savings Account	Term Deposit
Minimum Balance Requirement	No	Yes	Yes	N/A
ATM Card	Yes	Yes	Yes	No
Debit Card	Yes	Yes	Yes	No
Profit Payment	No	No	Yes	Yes
Direct Debits	Yes	Yes	Yes	N/A
Restriction on Deposits	Two per month	No	No	Yes
Cheque Withdrawal	Two per month	Unlimited	Unlimited	No
ATM Withdrawal	Unlimited	Unlimited	Unlimited	No
Utility Bills Payment	Yes	Yes	Yes	No
Internet or Mobile Banking	Yes	Yes	Yes	No