

The Definitive Guide to Authorised Signatory Management: Board Resolutions, Legal Procedures, and Corporate Banking Protocols

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In the complex ecosystem of corporate governance and financial administration, the concept of the **authorised signatory** stands as a cornerstone of operational integrity. An authorised signatory is an individual vested with the legal power to sign documents, execute contracts, and manage financial transactions on behalf of a legal entity, such as a corporation, partnership, or non-profit organization. The management of these signatories—specifically their appointment, removal, and the periodic updating of their authorities—is not merely an administrative task; it is a critical safeguard against fraud, a requirement for regulatory compliance, and a fundamental component of fiduciary duty.

The Theoretical Framework of Signatory Authority

To understand the process of removing or changing a signatory, one must first grasp the legal principles of **Agency** and **Corporate Personhood**. A corporation is a legal fiction; it cannot pick up a pen or log into a banking portal. It acts through its agents. This authority is usually derived from the company's Articles of Association (or Bylaws), which empower the Board of Directors to delegate specific powers to individuals.

The **Doctrine of Indoor Management** (also known as the Rule in Turquand's Case) provides that outsiders dealing with a company are entitled to assume that internal procedural requirements have been complied with. This places a heavy burden on the company to ensure that its list of authorised signatories is accurate. If a terminated employee remains on the bank's signatory list and subsequently embezzles funds, the company may find it difficult to hold the bank liable if the bank acted on a valid (though outdated) mandate.

Core Mechanisms of Signatory Delegation

Signatory authority is typically classified into several tiers based on the risk profile of the transactions involved:

- **Sole Signatory:** A single individual can execute transactions of any value. This is common in small private companies but represents a high risk for larger entities.
- **Joint Signatory:** Requires two or more individuals to sign. This is a classic example of the 'Four-Eyes Principle', designed to prevent unilateral misconduct.
- **Sequential/Tiered Signatory:** Authority is granted based on monetary thresholds. For example, a Manager may sign for up to \$10,000, while a Director is required for anything above that amount.

Technical Analysis: The Board Resolution Process

The primary mechanism for changing a signatory is the **Board Resolution**. This is a formal document recording the decisions made by the Board of Directors. For a resolution to be legally binding, it must follow strict procedural workflows.

1. The Convening of the Board

The process begins with the issuance of a notice to all directors, specifying the time, date, and agenda. The agenda must explicitly mention the 'Change in Authorised Signatories for Bank Account [X].' A quorum—the

minimum number of directors required to make the meeting valid—must be present.

2. The Resolution Language

The wording of the resolution is critical. It must be precise to avoid ambiguity that a bank's legal department might reject. A standard technical template for removal usually includes a **Supersession Clause**. This clause explicitly states that the new resolution replaces all previous instructions regarding the account. This prevents 'ghost' signatories from retaining authority under old mandates.

3. The Execution of Minutes

Once the resolution is passed, it is recorded in the minutes of the meeting. The **Certified True Copy** of the resolution, signed by the Chairperson or the Company Secretary, is the legal instrument provided to the bank.

Element	Purpose	Legal Necessity
Resolution Number	Internal tracking and audit trail.	High
Effective Date	The exact moment authority ceases or begins.	Critical
Bank Account Details	Specific IBAN/Account Number to which the change applies.	Critical
Specimen Signatures	Providing the bank with a visual/digital reference for verification.	Mandatory
Revocation Clause	Specifically naming the individual being removed.	High

Step-by-Step Procedure for Removing a Signatory

Removing a signatory is often more sensitive than adding one, particularly if the removal is due to a contentious termination or a dispute. The following technical workflow ensures a seamless transition:

Step 1: Internal Audit and Risk Assessment

Before moving to a formal board meeting, the compliance department should review all active mandates. This involves identifying every platform, bank account, and legal registry where the individual is listed. Failure to remove a signatory from an obscure secondary account can leave a vulnerability in the company's financial perimeter.

Step 2: Formal Board Approval

The Board meets to pass the resolution. For the removal of a signatory, the resolution should read: *"RESOLVED THAT [Name] be and is hereby removed as an authorised signatory for the Company's bank accounts with [Bank Name] with immediate effect."*

Step 3: Documentation Gathering

Banks require a specific set of documents to process the change. These typically include:

1. The Certified True Copy of the Board Resolution.
2. Updated 'Account Mandate' forms provided by the bank.
3. Identification documents (KYC) for any new signatories being added to replace the outgoing one.
4. A formal cover letter on company letterhead, signed by an existing authorised signatory or director.

Step 4: Bank Submission and Verification

The documents are submitted to the bank. In the modern era, many banks require this to be done via a secure corporate portal. The bank's **Know Your Customer (KYC)** and **Anti-Money Laundering (AML)** teams will verify the signatures of the directors signing the resolution against the records they already hold.

Comparison of Corporate Signatory Structures

Different corporate structures require different levels of complexity in their signatory mandates. The table below compares the typical requirements for various entity types.

Entity Type	Primary Control Mechanism	Documentation Complexity	Typical Signatory Count
Sole Proprietorship	Owner's Discretion	Low	1-2
Private Limited Company	Board Resolution	Medium	2-5
Public Listed Company	Corporate Governance Committee	High	5-15 (Tiered)
Non-Profit / NGO	Trustee Board Minutes	High (due to grant rules)	3-6

Technical Challenges and Troubleshooting

In practice, the removal or change of signatories is rarely without hurdles. Technical writers and compliance officers must be prepared for several common failure modes.

The 'Signature Mismatch' Issue

One of the most frequent causes of delay is a mismatch between the signature on the resolution and the specimen signature the bank has on file for a director. As people age or sign documents quickly, their signatures evolve.

Solution:Banks often require a 'Signature Verification' or a 'Signature Attestation' from another bank if the discrepancy is significant.

Expired Identification

When adding a replacement signatory, the process often stalls because the individual's passport or national ID has expired. Banks operate under strict regulatory frameworks (like the **Financial Action Task Force - FATF** guidelines) and cannot accept expired documents, regardless of the person's status in the company.

The 'Holdout' Director

In cases of internal board disputes, a director who is also a signatory might refuse to sign the resolution that removes them or another ally. **Solution:**Most Articles of Association allow a majority of the board to pass a resolution. However, the company must ensure that the resolution is passed strictly according to the procedures laid out in their constitutional documents to prevent legal challenges later.

Digital Signatures and the Future of Mandates

The traditional ink-on-paper specimen signature is rapidly being replaced by **Digital Signature Certificates (DSC)** and **Biometric Verification**. In jurisdictions that have adopted **e-IDAS (Electronic Identification, Authentication and Trust Services)** or similar regulations, the board resolution itself can be digitally signed.

Digital management offers several advantages:

- **Instant Revocation:** Admin users can revoke access to online banking portals instantly, without waiting for the bank to process physical paperwork.
- **Audit Logs:** Digital systems provide a timestamped trail of who authorised what and when.
- **Multi-Factor Authentication (MFA):** Adds a layer of security that a physical signature cannot provide.

Implementation Guide for Digital Transition

1. **Policy Update:** Amend the company's internal financial policy to recognize digital signatures as legally

binding.

2. **Provider Selection:** Choose a provider that complies with local laws (e.g., DocuSign, Adobe Sign, or government-issued digital IDs).

3. **Bank Integration:** Ensure the company's banking partner accepts digital board resolutions. Many global banks (HSBC, J.P. Morgan, Citi) now have dedicated portals for digital mandate management.

Risk Mitigation and Best Practices

To maintain a robust signatory framework, companies should adopt the following institutional habits:

Annual Mandate Review

Once a year, the Company Secretary or Internal Auditor should generate a report of all active signatories across all global accounts. This report should be cross-referenced with the current HR employee list. Any individuals who have left the company or changed roles must be flagged for immediate removal.

The Use of 'General' vs. 'Specific' Resolutions

A **General Resolution** grants authority for all accounts, present and future. While convenient, it is a significant security risk. A **Specific Resolution**, which names the specific account numbers, is technically superior for risk management as it limits the 'blast radius' if a signatory's credentials are compromised.

Segregation of Duties (SoD)

The person who drafts the board resolution should not be the person who has the final authority to submit it to the bank. By separating the **preparation**, **approval**, and **execution** phases, a company creates multiple checkpoints where errors or fraudulent intent can be discovered.

The Strategic Importance of Compliance

Managing authorised signatories is a reflection of a company's broader commitment to corporate governance. In the eyes of investors, auditors, and regulators, the precision with which a company handles its banking mandates is an indicator of its internal control environment. A company that allows 'ghost' signatories to remain on accounts for months after their departure is often found to have other systemic weaknesses in its financial reporting and operational risk management.

Ultimately, the technical procedure of removing a signatory—while seemingly a matter of simple paperwork—is a vital exercise in protecting the organization's assets. By following a structured approach—utilizing clear resolution language, maintaining updated KYC documentation, and leveraging digital tools—organisations can ensure that their financial delegation remains secure, transparent, and fully compliant with both local and international standards. This proactive management facilitates smoother banking relationships and fortifies the company against the ever-evolving landscape of financial and operational risks.

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