

Policy on Interest Rate on Deposits - 2023-24

<u>INDEX</u>	
1.	Introduction
2.	Interest Rate Framework
3.	Definitions
4.	Domestic Rupee Deposits
5.	Rupee Deposit of Non-Residents
6.	Foreign Currency Deposits [Foreign Currency (Non-Resident)Accounts (Bank) Scheme
7.	Resident Foreign Currency Accounts Scheme
8.	Penalties for premature withdrawal of term deposits
9.	Methodology of calculation of interest rate on Term Deposits
10.	Pricing of Deposits (Domestic & NRE Term Deposits) including bulk deposits
11.	Policy Review and Revision

Policy on Interest Rate on Deposits - 2023-24

1. INTRODUCTION:

Bank accepts deposits from the public, pays certain amount of interest on them and in turn lends to customers to earn profit by way of charging interest on money advanced.

Bank shall pay interest on deposits of money (other than current account deposits) accepted or renewed in various types of deposit schemes such as Domestic, Ordinary Non-Resident (NRO), Non-Resident (External) Accounts (NRE) and Foreign Currency (Non-Resident) Accounts (Banks) Scheme [FCNR(B)] deposit accounts on certain terms and conditions as directed by Reserve Bank of India.

2. INTEREST RATE FRAMEWORK:

Interest shall be paid on various deposit schemes subject to the conditions specified hereunder.

- a. The rates shall be uniform across all branches and for all customers and there shall be no discrimination in the matter of interest paid on the deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.
- b. Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance. The bank shall maintain the bulk deposit interest rate card in its Core Banking System to facilitate supervisory review.
- c. The rates shall not be subject to negotiation between the depositors and the bank.
- d. The interest rates offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
- e. All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits and to two decimal places for FCNR (B) deposits.

f. Deposits maturing on a holiday:

If a term deposit is maturing for payment on a holiday Bank shall pay interest at the originally contracted rate on the original principal deposit amount for the holiday intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.

3. DEFINITIONS:

- a. "Bulk Deposit" means single rupee term deposit of Rupees two crore and above.
- b. "Current Account" means a form of non-interest bearing demand deposit account where from withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit.
- c. "Daily product" means the interest applied on the end of day balance.
- d. "Demand deposit" means a deposit received by the bank, which is withdrawable on demand.
- e. "Domestic Rupee Deposits" mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
- f. "FCNR (B) account" means a Foreign Currency Non-Resident (Bank) account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
- g. "Individual" means a natural person.
- h. "Member of the bank's staff" means a person employed on a regular basis, whether full-time or part-time, and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.

- i. "Retired member of the bank's staff" means an employee retiring whether on superannuation or otherwise as provided in the bank's Service/Staff Regulations. However, an employee who has been dismissed/discharged/removed in consequence of disciplinary action is excluded for extending the benefits.
- j. "a resigned employee" means an employee who has resigned from service after having served for a period of 20 years and above (including probationary period).
- k. "Family" includes members as mentioned in the bank's Service/Staff Regulations.
- l. "Exclusive Association" means an association or a fund, members of which are the members of the Bank's staff/retired staff.
- m. "NRE account" means a Non-resident External deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
- n. "NRO account" means a Non-resident ordinary deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
- o. "RFC account" means a Resident Foreign Currency account referred to in Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2000, as amended from time to time.
- p. "Savings deposit" means a form of interest bearing demand deposit which is a deposit account whether designated as "Savings Account", "Savings Bank Account", "Savings Deposit Account", "Basic Savings Bank Deposit Account (BSBDA)" or other account by whatever name called which is subject to the restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the bank during any specified period;

- q. "Term deposit" means an interest bearing deposit received by the bank for a fixed period and shall also include deposits such as Recurring /Cumulative /Annuity /Reinvestment deposits and Cash Certificates;
- r. "Minimum Period" means the period which the term deposit is held with the bank under term deposit scheme for minimum number of days/month/year. Minimum period shall vary for different types of schemes as specified by bank from time to time.

4. DOMESTIC RUPEE DEPOSITS:

- i. Interest rate on Domestic Current Account:
No interest shall be paid on deposits held in current accounts. Provided that balances lying in current account standing in the name of a deceased individual depositor or sole proprietorship concern shall attract interest from the date of death of the depositor till the date of repayment to the claimant/s at the rate of interest applicable to savings deposit as on the date of payment.
- ii. Interest Rate on domestic Savings Bank account:
Interest on domestic rupee savings bank account shall be calculated on a daily product basis. A uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit. For end of day balances exceeding Rupees One Lakh, separate rate of interest shall be adopted.
- iii. Interest Rates on domestic Term Deposits:
 - a. Interest rates on term deposits shall vary only on account of one or more of the following reasons:
 - 1. Tenor of Deposits:
The minimum tenor of the term deposit offered shall be seven days. Maximum period for Term Deposit shall be fixed at 120 months. However, in case of minors, the deposit may be accepted till the minor attains majority or for a maximum period of 120 months, whichever is later or as per the order of the competent court.

2. Size of Deposits:

Differential interest rate shall be offered only on bulk deposits.

3. Non- availability of Premature withdrawal option:

Bank shall have the freedom to offer term deposits without premature withdrawal option.

b. Payment of interest on pre-mature withdrawal:

The interest rate on premature withdrawal of term deposits shall be paid at the rate applicable to the amount and period for which the deposit remained with the bank and not at the contracted rate. Further, No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period as prescribed by the bank from time to time.

c. Premature Renewal of Term Deposit /Conversion of term deposits, daily deposits or recurring deposits for reinvestment in term deposits:

In case the depositor desires to renew/convert the term deposit, daily deposit or cumulative deposit by seeking premature closure of an existing term deposit account, the bank shall permit the renewal / conversion at the applicable rate on the date of renewal, provided the deposit is renewed for a period longer than the balance period of the original deposit. While prematurely closing a deposit for the purpose of renewal, interest on the deposit for the period it has remained with the bank shall be paid at the rate applicable to the period for which the deposit remained with the bank and not at the contracted rate. However, no interest is payable, where premature withdrawal of deposit takes place before completion of the minimum period prescribed.

iv. Payment of additional interest on Term Deposits:

- a. Bank Staffs and their exclusive associations /retired staff /resigned staff/spouse of deceased staff /spouse of deceased retired staff member/spouse of deceased resigned employee, Managing Director/ WTD/ED or such other Executives appointed for a fixed tenure:

Bank shall pay an additional interest, not exceeding one percent per annum, over and above the rate of interest mentioned in the schedule of

interest rates on all domestic term deposits and not exceeding 0.50% on savings bank deposits.

The additional interest is payable till the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of a term deposit account.

In case of joint deposit with *family* members, the staff name shall be the first name to avail the benefit of additional interest since the money belongs to him/her as per the declaration furnished.

In the case of persons taken on deputation for a fixed tenure or on a contract of a fixed tenure, the benefit will cease to accrue on the expiry of the term of deputation or contract, as the case may be.

b. Senior Citizens:

Bank shall pay an additional interest for senior citizens who have completed the age of 60 years on the date of opening Term Deposits as specified by the bank from time to time. In case of joint term deposits to get the additional benefits of senior citizen on Term Deposits, first holder should be senior citizen. Further, If the depositor becomes a senior citizen during the contracted period of the term deposit, the applicable additional interest offered to senior citizens as above on the said existing term deposit will come into effect only after maturity i.e., at the time of renewal of the existing term deposit.

Senior citizen benefits will be extended to recurring deposit account.

Bank shall pay additional interest rates on resident retired / resigned staff members, who are senior citizens, as applicable to senior citizens.

Term Deposits opened in the name of firm, even if the authorised/joint signatory/s is/are senior citizen, is/are not eligible for additional benefit of interest rate.

In the case of a term deposit which is standing in the name of a HUF, the Karta of the HUF cannot be offered higher rate of interest, even if he is a resident Indian senior citizen, as the beneficial owner of the deposit is the HUF and not the Karta in his individual capacity.

v. Interest on Overdue domestic deposits:

The rate of interest to be paid on renewal of overdue term deposits shall be subject to conditions as under:

- a. If a request for renewal is received for overdue term deposits after maturity, but within 30 days from the date of maturity, such overdue term deposits will be renewed with effect from the date of maturity at interest rate applicable as on the due date.
- b. In respect of request for renewal of overdue deposits after 30 days from the date of maturity, simple interest for the overdue period will be paid at Saving Bank rate of interest prevailing on due date of deposit or applicable term deposit rates on the date of renewal, whichever is less and the Term Deposit will be renewed from the date of such request.
- c. If a Term Deposit [TD] matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured Term Deposit, whichever is lower.

vi. Periodicity of payment of Interest on domestic savings deposits:

Interest on savings deposit shall be credited at quarterly basis. Interest on savings bank accounts, including those frozen by the enforcement authorities, shall be credited on regular basis irrespective of the operational status of the account.

vii. Interest payable on the domestic deposit account of deceased depositor

The rate of interest on matured deposits standing in the name of a deceased individual depositor, or two or more joint depositors, where one of the depositors has died shall be subject to the conditions specified in section 2 of this policy. Interest will be paid at the contracted rate upto the maturity of the deposit in case of death of the depositor. In case of senior citizens' deposits, if

the depositor dies, before the maturity of the deposit, interest at the contracted rate will be paid upto the date of maturity, even if the joint depositor/nominee/legal heir, is not a senior citizen, provided no changes are made to the term of the deposit. From the date of maturity upto the date of settlement/payment, simple interest applicable to savings bank accounts will be paid to the term deposit.

5. RUPEE DEPOSIT OF NON-RESIDENTS:

- i. Interest on savings account under Non-Resident (External) Rupee (NRE Deposit / Ordinary Non-Resident (NRO) deposits shall be in accordance with the Interest rate on Domestic Savings Banks.
- ii. Interest on savings deposit shall be credited on quarterly intervals.
- iii. Interest rates on NRE/NRO term deposits shall vary on account tenor of deposits. The minimum tenor of NRE term deposits shall be one year and that of NRO term deposit shall be seven days. Differential interest rate shall be offered only on bulk deposits. Maximum period for Term Deposits shall be fixed at 120 months.
- iv. No interest shall be paid, where premature withdrawal of term deposits takes place before completion of the minimum period as prescribed by the bank from time to time.
- v. Interest rate on NRE/NRO term deposits shall not be higher than those offered by the banks on comparable domestic rupee term deposit.
- vi. The benefit of additional interest rate on deposits on account of being bank's own staff or senior citizen shall not be available to NRE and NRO deposits.
- vii. If an NRE account holder, immediately on return to India, requests for conversion of the NRE term deposit into Resident Foreign Currency Account (RFC), interest shall be paid as under:
 - a. If the NRE deposit has not run for a minimum period of one year, interest shall be paid at a rate not exceeding the rate payable on savings deposits held in RFC accounts.
 - b. In all other cases, interest shall be paid at the contracted rate.

viii. Prohibition on marking lien:

Bank shall not mark any type of lien, direct or indirect, against NRE savings deposits.

ix. Interest payable on the NRE term deposit account of deceased depositor:

In case the claimants of an NRE term deposit account of a deceased depositor are residents, the deposit on maturity shall be treated as a domestic rupee term deposit and interest shall be paid for the subsequent period at a rate applicable to a domestic term deposit of similar maturity.

6. FOREIGN CURRENCY DEPOSITS [FOREIGN CURRENCY (NON-RESIDENT) ACCOUNTS (BANKS) SCHEME]:

Interest on deposits of money accepted or renewed under the Foreign Currency (Non-Resident) Accounts (Banks) Scheme shall be in accordance with the following terms and conditions:

i. Interest on term deposits under the FCNR (B) scheme shall vary only on account of one or more of the following reasons:

1. Tenor of deposits: The maturity period for term deposits under the FCNR (B) scheme shall be as under:

- (a) One year and above but less than two years
- (b) Two years and above but less than three years
- (c) Three years and above but less than four years
- (d) Four years and above but less than five years
- (e) Five years only.

ii. The interest rates on all deposits, including where differential rates of interest are offered, shall be subject to the overall ceiling prescribed below.

iii. Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate for the respective currency/ maturity.

iv. The interest reset period shall be six months for all floating rate deposits.

- v. The Overnight Alternative Reference Rate for the respective currency/SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month.
- vi. The interest rates ceiling on FCNR (B) deposits shall be as under:

Period of deposit	Ceiling rate
1 year to less than 3 years	Overnight Alternative Reference Rate for the respective currency/Swap plus 250 basis points.
3 years and above upto and including 5 years	Overnight Alternative Reference Rate for the respective currency/Swap plus 350 basis points.

- vii. The Overnight Alternative Reference Rate for the respective currency /Swap rates quoted/displayed by Foreign Exchange Dealers Association of India [FEDAI] shall be used as the reference for arriving at the interest rates on FCNR[B] deposits.
- viii. Calculation of interest on renewal of FCNR (B) Deposits:
Interest calculation on renewal of FCNR (B) deposits shall be as under:
- (a) If the period from the date of maturity till the date of renewal (both days inclusive) does not exceed 14 days, the rate of interest payable on the amount of the deposit so renewed shall be the appropriate rate of interest for the period of renewal as prevailing on the date of maturity or on the date when the depositor seeks renewal, whichever is lower.
- (b) In all other cases of renewal, interest rates for the overdue period on the renewed amount shall be determined by treating it as a fresh term deposit
- (c) If, after renewal, the deposit is withdrawn before completion of the minimum stipulated period under the scheme, bank may, recover the interest paid for the overdue period i.e. period beyond the original date of maturity.

- ix. Interest payable on the deposit of a deceased FCNR (B) depositor.
Bank shall pay interest on the term deposits standing in the name(s) of a deceased FCNR(B) individual depositor or two or more joint depositors where one of the depositors has died, as under:-
- (a) If paid on the maturity of the deposit, interest shall be paid at the contracted rate:
 - (b) If the deposit is claimed before the maturity date, interest shall be paid not at the contracted rate but at the rate applicable to the period for which the deposit remained with the bank and without charging penalty for pre-payment;
 - (c) In case the depositor dies before the date of maturity of the deposit but the amount of the deposit is claimed after the date of maturity, interest shall be paid at the contracted rate till the date of maturity and simple interest at the applicable rate operative on the date of maturity for the period for which the deposit remained with the bank beyond the date of maturity.
 - (d) In case of death of the depositor after the date of maturity of the deposit, the interest rate operative on the date of maturity in respect of savings deposits held under Resident Foreign Currency (RFC) Account Scheme shall be paid from the date of maturity till the date of payment.
 - (e) In case the claimants are residents, the maturity proceeds shall be converted into Indian Rupees on the date of maturity and interest shall be paid for the subsequent period at the rate applicable to a domestic term deposit of similar maturity.
- x. Payment of interest on FCNR (B) deposits of NRIs on return to India:
On receipt of the request from the depositor, Bank may allow FCNR (B) deposits of persons of Indian nationality/origin who return to India for permanent settlement to continue till maturity at the contracted rate of interest subject to the conditions that:
- (a) The rate of interest as applicable to FCNR(B) deposits shall continue

- (b) Such deposits shall be treated as resident deposits from the date of return of the account holder to India.
- (c) The FCNR (B) deposits on maturity shall be converted into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder.
- (d) The rate of interest on the new deposit (Rupee account or RFC Account) shall be the relevant rate applicable for such deposit account.
- xi. Conversion of FCNR (B) Accounts of Returning Indians into RFC Accounts/Resident Rupee Accounts- Payment of interest:

Bank shall pay interest at the time of conversion of FCNR (B) Account into RFC/Resident Rupee Account even if the deposit has not completed the minimum maturity period mentioned above. Provided that the rate of interest shall not exceed the rate payable on savings bank deposits held under RFC Account Scheme.
- xii. Premature withdrawal of deposits:
 - (a) Bank shall, on request from the depositor, permit premature withdrawal of deposits under the FCNR (B) Scheme.
 - (b) If the premature withdrawal of FCNR (B) deposits takes place before completion of the minimum stipulated period as mentioned above, no interest shall be paid.

7. RESIDENT FOREIGN CURRENCY ACCOUNTS SCHEME:

Bank shall have the freedom to determine interest on deposits of money accepted by it or renewed by it under the Resident Foreign Currency Account Scheme. The interest shall be applicable as per section 6(vi).

8. PENALTIES FOR PREMATURE WITHDRAWAL OF TERM DEPOSITS:

Penalties for premature withdrawal of term deposits are as under:

i. Domestic Term Deposits:

- (a) Bank shall clearly bring to the notice of the depositors about the penalty for premature withdrawal of term deposit at the time of acceptance of the deposits.

- (b) In case of splitting of the amount of term deposit at the request from the claimant/s of deceased depositors or Joint account holders, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.
- (c) Penalty of 0.50% on applicable rate shall be levied for premature closure of term deposit of below Rs.2 crore.
- (d) Penalty of 1% on applicable rate shall be levied for premature closure of single rupee term deposit of Rs.2 crore & above. For the purpose, applicable rate means interest rate applicable for the period the deposit has remained with the Bank or contracted rate, whichever is less.
- (e) **Bank is poised to provide its customer with Flexi Deposit, wherein levying penalty interest for premature closure will not be applicable.**

ii. NRE/NRO Term Deposits:

- (a) Bank shall clearly bring to the notice of the depositors about the penalty for premature withdrawal of term deposit at the time of acceptance of the deposits.
- (b) No penalty shall be levied for premature withdrawal of NRE term deposits for conversion into Resident Foreign Currency (RFC) Account.
- (c) Penalties for premature withdrawal shall be levied for conversion of NRE deposit into FCNR (B) deposit and vice versa.
- (f) Penalty of 0.50% on applicable rate shall be levied for premature closure of term deposit of below Rs.2 crore.
- (d) Penalty of 1% on applicable rate shall be levied for premature closure of single rupee term deposit of Rs.2 crore & above. For the purpose, applicable rate means interest rate applicable for the period the deposit has remained with the Bank or contracted rate, whichever is less.

iii. Foreign Currency (Non-Residency) Accounts (Banks) Scheme:

- (a) Bank shall clearly bring to the notice of the depositors about the penalty for premature withdrawal of term deposit at the time of acceptance of the deposits.

- (b) Penalty shall be levied on premature withdrawal of FCNR (B) deposits:
 - a. When the depositors return to India for permanent settlement.
 - b. For conversion of FCNR (B) deposits into NRE deposits or vice-versa.
- (c) In case of splitting of the amount of term deposit at the request from the claimant/s, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.
- (d) Banks shall, levy penalty to recover the swap cost in the case of premature withdrawal of FCNR (B) deposits.
- (e) No penalties shall be levied in the case of premature conversion of balances held in FCNR (B) deposits into RFC Accounts by Non-Resident Indians on their return to India.

9. METHODOLOGY OF CALCULATION OF INTEREST RATE ON TERM DEPOSITS:

a. Domestic/NRE/NRO deposits:

Term deposit interest rates are decided by the Bank within the general guidelines issued by the Reserve Bank of India from time to time. In terms of Reserve Bank of India directive, interest shall be calculated at quarterly intervals on term deposits and paid at the rate decided by the Bank depending upon the period of deposit. Interest at monthly interval is also offered at discounted rate. Bank will adopt the "Code for Banking Practice" issued by the Indian Banks Association for the purpose of calculation of interest on Domestic/NRE/NRO term deposits. Interest on term deposits shall be paid on the basis of 365 days in a year, irrespective of whether it is a leap year or not.

b. FCNR (B) deposits:

Interest on the deposits accepted under the scheme shall be calculated on the basis of 360 days to a year. The interest on FCNR (B) deposits shall be calculated and paid at intervals of 180 days each and thereafter for the remaining actual number of days. Provided that the option to receive the interest on maturity with compounding effect shall vest with the depositor.

10. PRICING OF DEPOSITS (DOMESTIC & NRE TERM DEPOSITS) INCLUDING BULK DEPOSITS:

Asset Liability Committee (ALCO) headed by Managing Director & CEO shall be conducted as and when required, especially at monthly intervals. The committee decides the rate of interest on various tenors of term deposits including Savings Bank deposits.

Based on the decision in the committee the interest rates are fixed and published through internal circulars for the information of staff member and published in branch notice board and Bank's website for the information of customers.

11. POLICY REVIEW AND REVISION:

This Policy will be reviewed annually and is subject to revision based on the extant RBI guidelines from time to time.