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# **INTEREST RATE ON DEPOSITS POLICY**

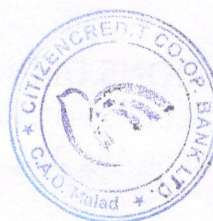
**OPERATIONS DEPARTMENT**  
CITIZENCREDIT CO-OP. BANK LTD  
Updated as on Aug'22





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## ❖ Importance of Interest rate for an economy

Amongst all the rates, it is the Repo rate which influences most the given money supply in the economy. Repo rate is the rate at which the banks borrow short-term funds from the RBI. It is a secured nature of borrowing similar to a loan against fixed deposits availed by individuals during emergencies. RBI raises repo rate to increase the overall cost of funds in the banking system.

Higher costs will keep in check the demand for funds. If the central bank hikes its repo rate, it becomes costly for banks to borrow money from RBI so they in turn hike the loan interest rates at which customers borrow money from them to compensate for the hike in repo rate. Interest Rates are a very important tool for an economy. It determines country's growth, its inflation, value of its currency, indirectly the level of employment and investments prospects in the country.

### 1) Introduction

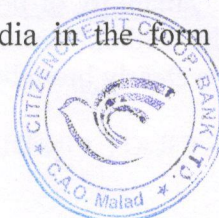
This policy document on Bank interest on deposits outlines the guiding principles in respect of interest paid on various deposit products offered by the Bank and terms and conditions governing the conduct of the account. The document provides information about various aspects of acceptance of deposits from the members of the public, conduct and operations of various deposits and payment of interest on various deposit accounts for the benefit of customers. It is expected that this document will impart greater transparency in dealing with individual customers. The ultimate objective is that the customer will get services they are rightfully entitled to receive without demand.

While adopting this policy, the Bank reiterates its commitments to individual customers outlined in the code of Bank's Commitment to Customers adopted by the Bank.

### 2) Types of Deposit Accounts

While various deposit products offered by the Bank are assigned different names, the deposit products can be categorized broadly into the following types. Definition of major deposits schemes is as under:

- "Demand deposit" means a deposit received by the Bank which is withdraw able on demand.
- "Current Account" shall mean a form of demand deposit where from withdrawals are allowed any number of times depending upon the balance in the account or upto a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit;
- "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.
- "Term deposit" means a deposit received by the Bank for a fixed period withdrawable only after the expiry of the fixed period and includes deposits such as Recurring Deposits / Fixed Deposits (FD) / Monthly Income Plan (MIP) / Quarterly Interest Reinvestment Plan (QIRP) / Rapid Accrual Plan (30 days / 90 days) (RAP 30 / RAP 90), Fixed Deposit for (365 days / 500 days / 1000 days), etc.
- "Notice Deposit" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
- "Bulk Deposit" means Single Rupee term deposit of Rupees Fifteen Lakhs and above.
- "Daily product" means the interest applied on the end of day balance.
- "Domestic Rupee Deposits" mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.







- “NRE account” means a Non-resident External deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.

### 3) **Interest Rate Framework**

The Bank shall pay interest on deposits of money (other than current account deposits) accepted or renewed in their Domestic Rupee Deposits and Non-Resident (External) Accounts (NRE)

- The Bank’s policy on interest rates on deposits shall be duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.
- 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, except on bulk deposits.
- Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance.
- The rates shall not be subject to negotiation between the depositors and the bank.
- The interest rates offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
- All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.
- Deposits maturing on a Sunday / holiday / non-business working day :
  - i. If a term deposit is maturing for payment on a Sunday / holiday / non-business working day, the Bank shall pay interest at the originally contracted rate on the original principal deposit amount for the Sunday / holiday / non-business working day, 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.
  - ii. In case of reinvestment deposits and recurring deposits, the Bank shall pay interest for the intervening non-business working day on the maturity value.

## 4) **DOMESTIC RUPEE DEPOSITS**

### 4.1 **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.

### 4.2 **Saving Deposits**

Interest on domestic rupee savings deposits shall be calculated on a daily product basis (End of the day Balance)

### 4.3. **Term Deposits**

Interest rates on term deposits shall vary only on account of one or more of the following reasons:

- Tenor of Deposits: The Bank at its discretion shall determine the maturity/tenor of the deposit subject to the condition that minimum tenor of the deposit offered shall be seven days.
- Rate of Interest: Differential interest rate shall be offered on Single Rupee Term Deposits of Rs. 2 Crore and above. The rate will be decided by Head Office Committee (HOC) as and when required.
- Non-availability of premature withdrawal option: The Bank shall have the freedom to offer term deposits without premature withdrawal option. The components of such option/deposit offered shall be clearly brought to the notice of the depositors at the time of acceptance of deposit.





#### 4.4. Payment of interest on Pre-mature Withdrawal/Encashment

The interest rates applicable on term deposits withdrawn before the maturity date shall be as under:

- i. Interest shall be paid at 1% below the rate applicable for the period the deposit was held with the Bank under RAP90/FDR/FD365/QIRP/MIP/FD 1000.
- ii. Term Deposits under RAP30/90 will earn interest only upto the last 30/90 day cycle.
- iii. No interest shall be paid, on deposits held with the Bank for less than 7 days.
- iv. **Premature payments on Term Deposit of Senior Citizens will not be charged any penalty charges. The deposit may be held in single or in joint names with others (Senior Citizens or persons below the age of 60 years). However, the first name should be of the Senior Citizen. (Internal Circular No-2014-15/2 dated April 01, 2014)**

#### 4.5. Payment of additional interest on Domestic Deposits

4.5.1 The Bank shall, at its discretion, allow additional interest or upto one per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or term deposits of banks staff subject to the following conditions:

- i. 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.
- ii. 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.
- iii. Bank Employees Federations, in which co-operative bank employees are not direct members, shall not be eligible for additional interest.
- iv. The additional interest may be paid on the following deposits after obtaining a declaration from the depositor concerned, that the monies deposited or which may be deposited from time to time into such account belong to the depositor.:
  - member or a retired member of the bank, either singly or jointly with any member or members of his/her family; or
  - the spouse of a deceased member or a deceased retired member of the bank.

4.5.2 The Bank shall, at its discretion, formulate term deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size, Provided that this facility is not offered on the term deposit standing in the name of an HUF or the Karta of the Hindu Undivided Family (HUF), even if the Karta is a resident Indian senior citizen.

4.5.3 The Bank shall, at its discretion, give their resident Indian retired staff, who are senior citizens, the benefit of additional interest rates as admissible to senior citizens over and above the additional interest payable to them by virtue of their being retired staff members of the bank.

#### 4.6 Interest on Overdue Domestic Deposits

4.6.1 The rate of interest to be paid on renewal of overdue term deposits shall be subject to stipulations contained in section 3 of this Policy.

4.6.2 If a Term Deposit matures and proceeds are unpaid, the amount left unclaimed with the bank for over 10 years the same will be transferred to DEA Fund at the rate specified by RBI. (Refer point 4.11)

4.6.3 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 TD, whichever is lower.







#### 4.7 Floating Rate Domestic Term Deposits

Floating rate domestic term deposits shall be linked to a directly observable and transparent market determined external benchmark.

#### 4.8 Periodicity of payment of interest on Domestic Savings Deposits

4.8.1 Interest on savings deposit shall be credited at half yearly intervals.

4.8.2 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.

#### 4.9 Interest payable on the Domestic Term 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 subjected to conditions laid down in section 3 of this Policy.

#### 4.10 Penalty on premature withdrawal of Domestic Term Deposit

4.10.1 Penalties for premature withdrawal of domestic term deposits if any, is to be approved by concerned authority to whom powers have been delegated.

4.10.2 The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of deposits. If not, no penalty shall be levied.

4.10.3 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.

4.10.4 No penalty for premature withdrawal shall be levied, where depositors of the branch desires premature withdrawal of deposit consequent to the transfer of business to another branch.

**4.10.5 No penalty for premature withdrawal shall be levied, if the depositor is desirous of shifting his/her present term deposits to another scheme with a higher ROI with the Bank, subject to the tenor being more than the present Term Deposit tenor.**

#### 4.11 Depositor Education and Awareness Fund Scheme (DEA Fund), 2014- Payment of Interest

In respect of unclaimed amount transferred to the Depositor Education and Awareness Fund (DEA Fund), the Bank shall be liable to repay a depositor or any other claimant, claiming his deposit or unclaimed amount, at such rate of interest as may be specified by the Reserve Bank in this behalf. Accordingly, Reserve Bank hereby specifies that the rate of interest payable by banks to the depositors/claimants on the unclaimed interest bearing deposit amount transferred to the Fund shall be 3% wef 11.05.2021 (subject to review from time to time by RBI) simple interest per annum until further notice. The amount of interest should be rounded to the nearest rupee.







## 5) NON-RESIDENT DEPOSITS

### 5.1. Interest rates on Rupee Deposits-Non-Residents

Interest on deposits of money accepted or renewed under NRE deposit scheme shall be on the terms and conditions specified in the ensuing paragraphs:

5.1.1 The interest rates shall be subject to the conditions from time to time.

5.1.2 Interest rates on savings deposits under Non-Resident (External) Rupee (NRE) shall be in accordance with Interest Rate on Domestic Saving Deposits.

5.1.3 Interest rates on NRE term deposits shall vary only on account of one or more of the following reasons:

- Tenor of Deposits: The bank shall have the freedom to determine the maturity / tenor of the deposit subject to the condition that minimum tenor of NRE term deposits shall be one year.
- No interest is to be paid, if an NRE deposit has not run a minimum period of one year.
- Size of Deposits: Differential interest rate shall be offered only on bulk deposits.

5.1.4 Interest rates on NRE deposits shall not be higher than those offered by the bank on comparable domestic rupee term deposits.

5.1.5 The benefit of additional interest rate on deposits on account of being the banks own staff or senior citizens shall not be available to NRE deposits.

5.1.6 Interest on Savings Deposits shall be credited at Half yearly intervals.

### 5.2. Prohibition on Marking Lien

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

### 5.3. Penalty on premature withdrawal of NRE Deposits

Penalties for premature withdrawal of NRE term deposits if any, is to be approved by concerned authority to whom powers have been delegated subjected to the following;

- The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of deposits.

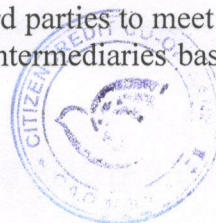
### 5.4. Interest payable on the NRE Term Deposit Account of Deceased Depositor

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) Prohibitions

The Bank shall not:

- a) Pay any remuneration or fees or commission or brokerage or incentives on deposits in any form or manner to any individual, firm, company, association, institution or any other person except:
  - Commission paid to agents employed to collect door-to-door deposits under a special scheme.
  - Remuneration paid to Business facilitators or Business Correspondents.
  - Incentives granted to staff members as approved by the Reserve Bank of India from time to time.
- b) Offer prize / lottery / free trips (in India and / or abroad), etc., or any other initiative having element of chance for mobilizing deposits.
- c) Resort to unethical practices of raising of resources through agents / third parties to meet the credit needs of the existing / prospective borrowers or to grant loans to the intermediaries based on the consideration of deposit mobilization.







- d) Issue any advertisement / literature soliciting deposits from public highlighting only the compounded yield on term deposits without indicating the actual rate of simple interest offered by the co-operative bank for the particular period. Simple rate of interest per annum for the period of deposit should be indicated invariably.
- e) Accept interest-free deposit other than in current account or pay compensation indirectly.
- f) Accept deposits from / at the instance of private financiers or unincorporated bodies under any arrangement which provides for either issue of deposit receipt/s favouring client/s of private financiers or giving of an authority by power of attorney, nomination or other-wise, for such clients receiving such deposits on maturity.
- g) Grant advances against term deposits maintained with other banks.
- h) **Open a savings deposit account in the name of Government departments / bodies depending upon budgetary allocations for performance of their functions / Municipal Corporations or Municipal Committees / Panchayat Samitis / State Housing Boards / Water and Sewerage / Drainage Boards / State Text Book Publishing Corporations / Societies / Metropolitan Development Authority / State / District Level Housing Co-operative Societies, etc. or any political party or any trading/business or professional concern, whether such concern is a proprietary or a partnership firm or a company or an association and entities other than individuals, Karta of HUF, and organisations / agencies listed in Schedule – I.**

**Explanation Note:**

For the purposes of this clause, 'political party' means an association or body of individual citizens of India, which is, or is deemed to be registered with the Election Commission of India as a political party under the Election Symbols (Reservation and Allotment) Order, 1968 as in force for the time being.

- i) Create any fund to be utilized for charitable purposes in consultation with the depositors.

**7) Exemptions**

The provisions in the above paragraphs shall not be applicable to:

- a) A deposit received by the Bank:
  - from the institutions permitted to participate in the Call / Notice / Term Money Market both as lenders and borrowers.
  - for which it has issued a participation certificate.
- b) Payment of interest on delayed collection of outstation instruments like cheques, drafts, bills, telegraphic/mail transfers, etc

**8) Authority for change in Interest Rates.**

**Asset and Liability Committee (ALCO) shall have powers to to review and change interest rates on deposits (increase /decrease) in Basis points (bps).**

**9) Review of Policy**

The Policy will be reviewed by the Board through the Directors' Planning, Business Development, Communications and Marketing Committee, once in two years or as and when there is a major change in the Master Circular issued by RBI.







### SCHEDULE- I

(1)	Primary Agricultural Credit Society which is being financed by the co-operative bank
(2)	Khadi and Village Industries Boards
(3)	Agriculture Produce Market Committees
(4)	Societies registered under the Societies Registration Act, 1860 or any other corresponding law in force in a State or a Union Territory
(5)	Companies licensed by the Central Government under Section 8 of Companies Act, 2013 or Section 25 of Companies Act, 1956 or under the corresponding provision in the Indian Companies Act, 1913 and permitted, not to add to their names the words 'Limited or the words 'Private Limited
(6)	Institutions other than those mentioned in <b>section 6 (h)</b> and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961
(7)	Government departments / bodies / agencies in respect of grants/ subsidies released for implementation of various programmes / Schemes sponsored by Central Government / State Governments subject to production of an authorization from the respective Central / State Government departments to open savings bank account
(8)	Development of Women and Children in Rural Areas (DWCRA)
(9)	Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members
(10)	Farmers Clubs - Vikas Volunteer Vahini – VVV

