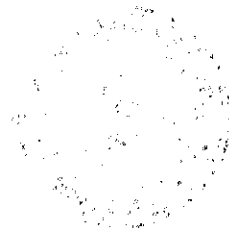
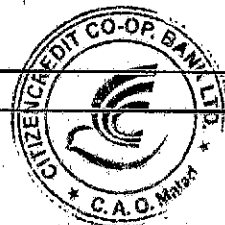




INTEREST RATE ON DEPOSITS POLICY



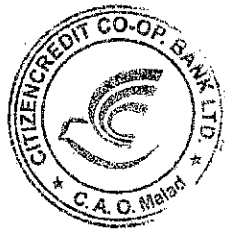
Department	Operations Department
Committee Review	Directors Planning Committee
Last Review Date	29.02.2024
Placed at the Planning Committee (Reviewed Policy)	25.06.2025
Placed at the Board (Reviewed Policy)	30.06.2025





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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

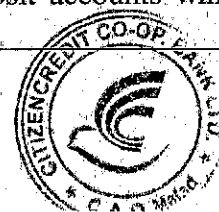
This policy document on Bank interest on deposits outlines the guiding principles in respect of interest paid on various deposit products offered by the Bank and terms and conditions governing the conduct of the account. The document provides information about various aspects of acceptance of deposits 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) Definitions

1	Banks	1) Commercial Banks, which include
		(a) Scheduled Commercial Banks,
		(b) Regional Rural Banks (RRBs),
		(c) Small Finance Banks (SFBs),
		(d) Payment Banks, and
		(e) Local Area Banks (LABs).
		2 Co-operative Banks, which include
		(a) Primary (Urban) Co-operative Banks (UCBs),
		(b) State Co-operative Banks (StCBs), and
		(c) District Central Co-operative Banks (DCCBs).
2	Bulk Deposit	Single Rupee term deposits of Rupees One Crore and above for Tier 3 and Tier 4 Scheduled Primary (Urban) Co-operative Banks (UCBs) as defined under Revised Regulatory Framework for UCBs issued vide circular DOR.REG.No.84/07.01.000/2022-23 dated December 01, 2022.
3	Current Account	A form of non-interest bearing demand deposit 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;

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4	Daily Product	The interest applied on the end of day balance.
5	Demand Deposit	A deposit received by the bank, which is withdrawable on demand.
6	Domestic Rupee Deposits	Rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
7	Family	Includes members as mentioned in the bank's Service/ Staff Regulations.
8	Hindu Undivided Family (HUF)	HUF as defined under Income-tax Act, 1961
9	Individual	A natural person.
10	Member of the Bank's Staff	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.
11	Notice Deposit	Term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
12	NRE Account	A Non-Resident External deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.
13	NRO Account	A Non-Resident Ordinary deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.
14	Retired Member of the Bank's Staff	An employee retiring whether on superannuation or otherwise as provided in the bank's Service/ Staff Regulations.
15	Savings Deposit	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.
16	Scheduled Co-operative Bank	A State Co-operative Bank and a Primary (Urban) Co-operative Bank included in Second Schedule of Reserve Bank of India Act, 1934.
17	Term Deposit	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.
18	Callable Deposit	Availability of premature withdrawal option.
19	Non-callable Deposit	Non-availability of premature withdrawal option.
	Note: All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.	

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, Non-Resident Ordinary deposit (NRO) and Non-Resident (External) Accounts (NRE) on the terms and conditions specified in the policy:





1. 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.
2. 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.
3. Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance.
4. The rates shall not be subject to negotiation between the depositors and the Bank.
5. The interest rates offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
6. All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.
7. Deposits maturing on a Sunday / holiday / non-business working day :
 - 7.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.
 - 7.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 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.

4.2 Interest Rate on Domestic Saving Deposits

In addition to the conditions laid down in paragraph 3, interest on domestic rupee savings deposit shall be subject to the following:

4.2.1 Interest on domestic rupee savings deposits shall be calculated on a daily product basis as under:

- (i) A uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit.
- (ii) Differential rates of interest may be provided for any end-of-day savings bank balance exceeding Rupees One Lakh.

4.3 Interest Rate on Domestic Term Deposits

In addition to the conditions laid down in paragraph 3, interest rates on term deposits shall vary only on account of one or more of the following reasons:

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4.3.1) 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 (7) days.

4.3.2) Size of Deposit:

Differential interest rate shall be offered only on bulk deposits.

- **Provided that differential interest shall not be applicable on deposit schemes framed on the basis of the Bank Term Deposit Scheme, 2006.**

4.3.3) 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.
- Provided that all term deposits accepted from Hindu Undivided Families for amount of Rupees One Crore and below shall have premature-withdrawal facility.

4.3.4) Payment of interest on Premature Withdrawal:

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

- **Interest 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.**
- **No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period specified in paragraph 4.3.1**

4.4. Payment of additional interest on Domestic Deposits

4.4.1 The Bank shall, at its discretion, allow additional interest of 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 bank's staff and their exclusive associations as well as on deposits of Chairman, Chairman & Managing Director, Executive Director, or such other Executives appointed for a fixed tenure and Managing Director who acts as Chief Executive of Co-operative Bank drawing regular salary from the Co-operative Bank, subject to the following conditions:

- 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 employees taken over pursuant to the scheme of amalgamation, the additional interest is allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate, which could have been allowed if such employees were originally employed by the bank.
- In the case of employees taken on deputation from another bank, the bank from which they are deputed may allow additional interest in respect of the savings or term deposit account opened with it during the period of deputation.
- 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.





- v. Bank Employees Federations, in which co-operative bank employees are not direct members, shall not be eligible for additional interest.
- vi. 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's staff, 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's staff; and
 - An Association or a fund, members of which are members of the bank's staff.

4.4.2 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.

4.4.3 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.

4.5 Interest on Overdue Domestic Deposits

- 4.5.1 The rate of interest to be paid on renewal of overdue term deposits shall be subject to stipulations contained in paragraph 3.
- 4.5.2 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.

4.6 Floating Rate Domestic Term Deposits

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

4.7 Periodicity of payment of interest on Domestic Savings Deposits

- 4.7.1 Interest on savings deposit shall be credited at quarterly or longer intervals
- 4.7.2 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.

4.8 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 subject to conditions laid down in paragraph 3.





4.9 Penalty on premature withdrawal of Domestic Term Deposit

4.9.1 Policy on penalties for premature withdrawal of domestic term deposits shall be duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.

4.9.2 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.

4.9.3 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.

4.9.4 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.

4.9.5 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.

4.9.6 Interest shall be paid at 1% below the rate applicable for the period the deposit was held with the Bank.

4.9.7 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. (Refer Circular No-2014-15/2 dated April 01, 2014)

4.10 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) Rupee Deposit Non Residents

5.1. Interest rates on Rupee Deposits-Non-Residents

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

5.1.1 The interest rates shall be subject to the conditions laid down in paragraph 3.

5.1.2 Interest rates on savings deposits under NRE Deposit/NRO Deposit shall be in accordance with Interest Rate on Domestic Saving Deposits.

5.1.3 Interest rates on NRE/NRO 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 and that of NRO term deposits shall be seven days.

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● **Size of Deposits:**

Differential interest rate shall be offered only on bulk deposits.

● **Non-availability of Premature withdrawal option:**

The Bank shall have the freedom to offer NRE / NRO term deposits without premature withdrawal option.

Provided that all NRE / NRO term deposits accepted from individuals (held singly or jointly) for amount of Rupees One Crore and below shall have premature withdrawal facility.

5.1.4 Interest rates on NRE/NRO 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 Bank's own staff or senior citizens shall not be available to NRE/NRO deposits.

5.1.6 **Interest on savings deposit shall be credited at quarterly or longer 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

Policy on penalties for premature withdrawal of NRE term deposits shall be duly approved by the Board of Directors or any committee of the Board to which powers have been delegated, subject to the following:

- 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.**
- **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.**
- **Interest shall be paid at 1% below the rate applicable for the period the deposit was held with the Bank.**
- **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.**

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 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: 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.

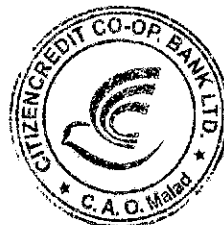
- i) Create any fund to be utilized for charitable purposes in consultation with the Depositors.

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

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8) Authority for change in Interest Rates

Asset and Liability Committee (ALCO) shall have the power to review and change interest rates on deposits.

9) Authority for Differential Interest Rates

Differential interest rate shall be offered on Single Rupee term deposits of Rupees **One Crore** and above. The rate will be decided by Head Office Committee (HOC) as and when required.

10) Review of Policy

The Policy will be reviewed by the Board through the Directors' Planning Committee, once in two years. The Approved Policy may be reviewed/amended before due date if, there is any change or revised guidelines issued by RBI.

SCHEDULE- I

(1)	Primary Co-operative 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 except societies registered under the State Co-operative Societies Acts and specific state enactment creating Land Mortgage Banks.
(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 paragraph 6(h) 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

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