

STRATEGIC PLANNING & DEVELOPMENT WING

**KERALA GRAMIN BANK
HEAD OFFICE : MALAPPURAM**

POLICY ON INTEREST RATE ON DEPOSITS – 2020-21

POLICY ON INTEREST RATE ON DEPOSITS

INTRODUCTION

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do issued the Directions on Interest Rate on Deposits vide RBI/DBR/2015-16/19 – Master Direction DBR.Dir.No.84/13.03.00/2015-16 dated March 03, 2016 hereinafter specified.

CHAPTER – I PRELIMINARY

1. Short Title and Commencement.

- (a) These Directions shall be called the Reserve Bank of India (Interest Rate on Deposits) Directions, 2016.
- (b) These directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India.

2. Applicability

The provisions of these Directions shall apply to every Scheduled Commercial Bank {including Regional Rural Banks(RRBs)} licensed to operate in India by Reserve Bank of India.

3. Definitions

- (a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
 - (i) “Bulk Deposit” means :
 - (i) Single Rupee term deposits of Rupees one crore and above for Scheduled Commercial Banks other than Regional Rural banks
 - (ii) Single Rupee term deposits of Rupees fifteen lakhs and above for RRBs.
 - (ii) “Composite Cash Credit” means a type of loan product having a cash credit limit with a fully savings module designed to take care of farmer’s interest.
 - (iii) “Current Account” means 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;
 - (iv) “Daily product” means the interest applied on the end of day balance.

- (v) "Demand deposit" means a deposit received by the bank, which is withdrawable on demand;
- (vi) "Domestic Rupee Deposits" mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
- (vii) "Family" includes members as mentioned in the bank's Service/Staff Regulations.
- (ix) "Individual" means a natural person.
- (x) "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.
- (xi) "Notice deposit" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
- (xii) "NRE account" means a Non-resident External deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
- (xiii) "NRO account" means a Non-resident ordinary deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
- (xiv) "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.
- (xv) "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;
- (xvi) "Scheduled commercial Bank" means banks other than co-operatives banks included in second schedule of Reserve Bank of India Act, 1934.
- (xvii) "Term deposit" means a 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;

- (b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

CHAPTER – II

GENERAL GUIDELINES

4. Interest Rate framework

Banks shall pay interest on deposits of money (other than Current Account deposits) accepted by them or renewed by them in their Domestic, Ordinary Non-Resident (NRO), and Non-Resident (External) Accounts (NRE) on the terms and conditions specified in these directions:

- (a) There shall be a comprehensive policy on interest rates on deposits duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.
- (b) 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.
- (c) Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance.
- (d) The rates shall not be subject to negotiation between the depositors and the bank.
- (e) The interest rates offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
- (f) All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.
- (g) Deposits maturing on non-business working day
- (i) If a term deposit is maturing for payment on a non-business working day, Banks shall pay interest at the originally contracted rate on the original principal deposit amount for the 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, Banks shall pay interest for the intervening non-business working day on the maturity value.

(h) Consequence of transfer of branch of one bank to another bank

Deposits accounts transferred from one bank branch to another bank branch on account of takeover of bank branches in rural and semi-urban centres shall adhere to the following conditions:

- (i) deposit accounts shall be deemed to be transferred to the new bank and will continue to be governed by the terms of contract agreed to between the customer and the bank branch that is being taken over.
- (ii) the same rate of interest shall be payable till maturity on such transferred deposits, as was payable at the time of takeover of the branch.

**CHAPTER – III
DOMESTIC RUPEE DEPOSITS**

5. 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.

6. Interest Rate on domestic Saving Deposits

In addition to the conditions laid down in section 4 of these Directions, interest on domestic rupee savings deposits shall be subject to the following:

- (a) 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.

7. Interest Rates on Domestic Term Deposits

- (a) In addition to the conditions laid down in section 4 of these Directions, interest rates on term deposits shall vary only on account of one or more of the following reasons:

(i) Tenor of Deposits:

Banks shall have the freedom to determine the maturity/tenor of the deposit subject to the condition that minimum tenor of the deposit offered shall be seven days.

(ii) Size of Deposits

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.

iii) Non- availability of Pre-mature withdrawal option

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

Provided that all term deposits accepted from individuals (held singly or jointly) for amount of Rupees fifteen lakh and below shall have premature-withdrawal- facility.

(b) Payment of Interest on pre-mature withdrawal:

Premature withdrawals are allowed. **Bank imposes a penalty of 1.00% for premature closure/part withdrawal/premature extension of term deposits that are accepted/ renewed on or after 09.11.2015 and is subject to change from time to time.**

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

(i) 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.

(ii) No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period specified in section 7(a)(i).

In the case of NRE term deposits, the minimum period of deposit is one year, and in the case of an NRE account if the account closed before completion of one year no interest will be paid.

8 Payment of Additional Interest on domestic deposits

(a) Banks shall, at their 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 a 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, 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 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.

(iii) In 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.

(iv) 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 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:

(a) member or a retired member of the bank's staff, either singly or jointly with any member or members of his/her family; or

(b) the spouse of a deceased member or a deceased retired member of the bank's staff; and

(c) an Association or a fund, members of which are members of the bank's staff;

(b) Banks shall, at their 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.

(c) Banks shall, at their discretion, give their resident Indian retired staffs, 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 members of the banks' staff but not eligible for additional interest rate for Senior citizen in the case of Gramin Tax Saver Deposits.

(d) Employees/Ex-employees/Spouse of deceased employees/Spouse of deceased retired employees/Ex-employee Senior Citizens are not eligible for additional rate under NRE/NRO Term deposits.

9. Interest on overdue domestic deposits

(a) The rate of interest to be paid on renewal of overdue term deposits shall be subject to the stipulation contained in the section 4 of these Direction

- (b) If a Term Deposit matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings deposit.

10. Floating rate of domestic term deposits

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

11 Interest rate on Flexi Recurring Deposit Account

Interest on Flexi RD Account will be calculated on a daily product basis as done in the case of SB accounts, compounded half yearly. The total amount along with accrued interest can be withdrawn on maturity after completing the period agreed upon at the time of opening the account. The rate of interest is 7% irrespective of the tenure. Premature closure is permissible after one year and there is no penal interest or penal cut in the interest rate fixed. But if account is to be closed before one year on specific request from customer then interest rate will be 2%. Loan amount up to a limit of 75% of the outstanding amount in the deposit account can be permitted against the security of the deposit as VSL at 2% above the deposit interest rate, that is 9%.

12 Periodicity of payment of Interest on domestic savings deposits

- (a) Interest on savings deposit shall be credited at quarterly or shorter intervals.
- (b) 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.

13 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 laid down in section 4 of these Directions.

14 Penalty on premature withdrawal of domestic term deposit

- (a) There shall be a comprehensive policy on penalties for premature withdrawal of term deposits approved by the Board of Directors or any committee of the Board to which powers have been delegated. The penalty for premature withdrawal/premature extension of term deposits is 1% at present in the Bank.
- (b) 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.
- (c) 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.
- (d) No penalty for premature withdrawal shall be levied, where depositors of the branch as mentioned in section 4(h) of this direction desires premature withdrawal of deposit consequent to the transfer of business to another bank.

CHAPTER – IV
RUPEE DEPOSITS OF NON-RESIDENTS

15 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 ensuing paragraphs:

- (a) The interest rates shall be subject to the conditions laid down in section 4 of these Directions.
- (b) Interest rates on savings deposits under Non-Resident (External) Rupee (NRE) Deposit/Ordinary Non-Resident (NRO) Deposits shall be in accordance with section 6 of these Directions.
- (c) Interest rates on NRE/NRO term deposits shall vary only on account of one or more of the following reasons:

(i) Tenor of Deposits:

Banks 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.

(ii) Size of Deposits

Differential interest rate shall be offered only on bulk deposits

- (d) Interest rates on NRE/ NRO deposits shall not be higher than those offered by the banks on comparable domestic rupee term deposits.
- (e) The benefit of additional interest rate on deposits on account of being bank's own staff or senior citizens shall not be available to NRE and NRO deposits.
- (f) Interest on savings deposits shall be credited at quarterly or shorter intervals.

16 Prohibition on marking lien

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

17 Penalty on premature withdrawal of NRE deposits

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

- (a) The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of the deposits. There shall be no interest paid if the deposit is closed before completion of one year. There shall be a penal cut of 1% if the deposit is closed prematurely after completion of one year.
- (b) No penalty for premature withdrawal shall be levied, where depositors of the branch as mentioned in section 4(h) of this direction desires premature withdrawal of deposit consequent to the transfer of business to another bank.

18 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, as applicable to domestic term deposits.

19 Callable/Non-Callable Deposits

Domestic/NRO term deposits of Rs.1Crore and above can be either Callable or Non-Callable. A Callable deposit (pre mature withdrawal permissible) can be closed before maturity at any point of time without penalty and the rate of interest will be payable at the rate prevailing on the date of opening for the period that the deposit has run.

A non-Callable Deposit (pre-mature withdrawal not permissible) is for period of 46 days and above and other than individual and HUF the deposit cannot be closed before maturity. Bank can offer comparatively higher rate of interest for non-callable deposits (generally bulk deposits of Rs.1 cr and above) based on ALM requirements. Bank will have discretionary power to waive penalty on premature closure of non-callable deposits of corporate customers.

20 REPEAL AND OTHER PROVISIONS

- A.** With the issue of these directions, the instructions / guidelines contained in the earlier circulars issued by the Reserve Bank stand repealed:
- B.** All approvals / acknowledgements given under the earlier circulars shall be deemed as given under these Directions.
- C.** All deposits accepted by banks based on the guidelines contained in the earlier circulars prior to issue of these Directions shall be deemed as covered under these Directions.

