

Interest Rates on Deposits

**Reserve Bank of India
Central Office
Department of Banking Operations and Development
Centre - 1, World Trade Centre
Cuffe Parade, Colaba, Mumbai - 400 005**

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DBOD No. Dir BC 104/13.03.00/2000-01

Interest Rates on Deposits

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, and in partial modification of its Directive DBOD No. Dir. BC. 46/13.03.00/2000-2001 dated November 4, 2000, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest to do so, hereby directs that:

- i) Annexure I to the aforesaid Directive shall be substituted by the revised Annexure.
- ii) the Clause (c) of paragraph 22 of the aforesaid Directive shall be substituted by the following:

“(c) discriminate in the matter of interest paid on deposits, between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except in respect of fixed deposit schemes specifically for **senior citizens** offering higher and fixed rates of interest as compared to normal deposits of any size and single term deposits of Rs. 15 lakh and above on which varying rates of interest may be permitted on the basis of size of deposits. The permission to offer varying rates of interest will be subject to the following conditions.

- i) The permission to offer varying rates of interest for deposits of the same maturity shall apply to single term deposits of Rs. 15 lakh and above. Banks may, therefore, offer same rate of interest or different rates of interest for deposits of Rs. 15 lakh and above. For deposits below Rs. 15 lakh of the same maturity the same rate will apply.
- ii) Banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as per the schedule and should not be subject to negotiation between the depositor and the bank”.
- iii) the clause (i) of paragraph 9 of the aforesaid Directive shall be substituted by the following:

“(i) A bank, on request from the depositor, shall allow withdrawal of a term deposit before completion of the period of the deposit agreed upon at the time of making the deposit. The bank shall have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. The bank shall ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. However, the bank, at its discretion, may disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families. Bank should, however, notify such depositors of its policy of disallowing premature withdrawal in advance, i.e., at the time of accepting such deposits”.

iv) the clause (i) of paragraph 11 shall be substituted by the following:

“(i) A bank may, at its discretion, renew an overdue deposit or a portion thereof provided the overdue period from the date of maturity till the date of renewal (both days inclusive) does not exceed 14 days and 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. In the case of overdue deposits where the overdue period exceeds 14 days and if the depositor places the entire amount of overdue deposit or a portion thereof as a fresh term deposit, the bank may fix its own interest rates for the overdue period on the amount so placed as a fresh deposit”.

2. The other provisions of the directive DBOD No. Dir. BC. 46/13.03.00/2000-2001 dated November 4, 2000, shall remain unchanged.

(K.L. Khetarpaul)
Executive Director

Annexure

Rate of interest on Deposits held in
Domestic/Ordinary Non-Resident/
Non-Resident Special Rupee Accounts

(Per cent per annum)

Category of Account

(i) Current	Nil
(ii) Savings	4.0
(iii) <u>Term Deposits</u>	
a) Below Rs. 15 lakh,	

15 days and above	Free
b) Rs. 15 lakh and above,	
7 days and above	Free