**Kangra Central Co-operative Bank Ltd**
**H.O. Dharamshala, District Kangra**
**Himachal Pradesh**

# Policy on Interest Rates on Deposits

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# CHAPTER – I

## PRELIMINARY

### A. Short Title and Commencement :

1. These Directions shall be called the **"Kangra Central Co-operative Bank Ltd. – Interest rate on Deposits.**

2. This Policy shall come into force with effect from the date of circulation and shall remain in force until modified or superseded.

### B. Objective :

3. These directions provide a framework for Bank to follow while formulating their policies on interest rate on deposits.

### C. Applicability :

4. The "Bank" refers in the policy means Kangra Central Co-operative Bank Ltd.

### D. Definitions :

5. In these directions, unless the context otherwise requires, the term herein shall bear the meanings assigned to them below :

**i) "Bulk Deposit"** means single Rupee term deposits of Rupees fifteen lakh and above.

**ii) "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.

**iii) "Daily product"** means the interest applied on the end of day balance.

iv) **"Demand deposit"**means a deposit received by the bank, which is withdrawable on demand;

v) **"Domestic Rupee Deposits"** mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.

vi) **"Family"** includes members as mentioned in a bank's Service/ Staff Regulations.

vii) **"Hindu Undivided Family"** (HUF) means HUF as defined under Income-tax Act, 1961.

viii) **"Individual"** means a natural person.

ix) **"Member of the banks 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 for 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.

x) **"Notice deposit"** means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.

xi) **"Reinvestment deposits"** refers to those deposits where interest (as and when due) is reinvested at the same contracted rate till maturity which is withdrawable with the principal amount on maturity date.

xii) **"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.

xiii) **"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;

xiv) **"Scheduled co-operative bank"** means a State co-operative bank and a Primary co-operative bank included in second schedule of Reserve Bank of India Act, 1934.

xv) **"Term deposit"** means an interest bearing deposit received by a bank for a fixed period and shall also include deposits such as Recurring / Cumulative / Annuity / Reinvestment deposits and Cash Certificates.

**(xvi)** 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.

# CHAPTER – II

## GENERAL GUIDELINES

### 6. Interest Rate framework

A bank shall pay interest on deposits (other than current account deposits) accepted or renewed by them in their domestic deposit account on the terms and conditions specified in these directions:

**(a)** There shall be a comprehensive policy, duly approved by the Board of Directors or any Committee of the Board to which such powers have been delegated, governing the determination and revision of interest rates. While the policy shall remain subject to the approval of the Board, revisions to interest rates, necessitated by prevailing market conditions, changes in the cost of funds, financial margins, or other business considerations, may be approved by the Asset Liability Committee (ALCO) in accordance with the Board-approved delegation framework. Such revisions shall be placed before the Board of Directors for ex post facto approval at its next meeting.

(i) Interest rate on deposits.

(ii) Penalties for premature withdrawal of term deposits, including partial premature withdrawal.

**(b)** The interest rates offered on deposits 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 a Sunday / holiday / non-business working day**

(i) If a term deposit is maturing for payment on a Sunday / holiday / non-business working day, 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, bank shall pay interest for the intervening non-business working day on the maturity value.

# CHAPTER – III

## DOMESTIC RUPEE DEPOSITS

### A. Interest rate on domestic Current Account

**7.** 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.

### B. Interest Rate on domestic Saving Deposits

**8.** In addition to the conditions laid down in paragraph 6 of these Directions, Interest on domestic rupee savings deposits shall be calculated on a daily product basis method and shall be credited to the account on quarterly basis.

### C. Interest Rates on domestic Term Deposits

**9.** In addition to the conditions laid down in paragraph 6 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**

Term deposits are accepted by Banks for a specified period of time. The minimum tenor of the deposit is seven days and maximum tenor is 10 years, provided some special schemes of State or Central Government.

**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, 2006.

**iii) Non- availability of premature withdrawal option**

Premature withdrawal shall not be permitted in respect of all term deposits accepted by a bank under the "Non-Callable" clause.

The non-callable condition shall not apply in the event of the death of the depositor(s), pursuant to an order of a competent court, or where premature withdrawal is required under any applicable law, statutory provision, regulatory direction.

**(iv) Premature withdrawal option**

On the request of the depositor, the bank shall permit premature withdrawal of term deposits, provided that such deposits have been accepted under the "Callable" clause.

## C.1 Payment of Interest on pre-mature withdrawal:

10. 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 of seven days as specified in section 9(i).

## D. Payment of Additional Interest on domestic deposits

11. A bank shall, at its discretion, allow additional interest of 0.50 per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or term deposits to 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

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 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 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, provided that the staff member /retired staff member is the principal account holder; or

**Note: Additional interest admissible to the bank's staff shall not be paid on the compensation awarded by the court to a minor child and deposited in the joint name of minor child and parent as the money belongs to the minor child and not the bank's staff.**

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

**Note: Children (including minor) are not eligible for additional interest admissible to deceased member of the bank's staff.**

(c) an Association or a Fund, members of which are members of the co-operative banks staff;

### 12. Senior Citizen and Super Senior Citizen

An additional interest rate of 50 basis points (0.50%) is admissible to senior citizens who have attained the age of 60 years or above on term deposits with a tenure of one year or more, except under Special Deposit Schemes.

An additional interest rate of 80 basis points (0.80%) is admissible to super senior citizens who have attained the age of 80 years or above on term deposits with a tenure of one year or more, except under Special Deposit Schemes.

The rate of interest applicable to Special Deposit Schemes shall be governed by the specific terms and conditions of the respective scheme.

**Provided that** the facility of additional rate of interest is not offered on the term deposit standing in the name of an HUF or the Karta of the HUF, even if the Karta is a resident Indian senior citizen.

**13.** The Bank will 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 members of the bank's staff.

## E. Interest on overdue domestic deposits

**14.** The rate of interest to be paid on renewal of overdue term deposits shall be subject to the stipulation contained in the paragraph 6 of these Directions.

**15**. If a Term Deposit (TD) matures and the proceeds remain unpaid, the unclaimed amount retained with the Bank shall pay interest from the date of maturity until the date of payment or renewal, at the rate applicable to a Savings Account or the contracted rate of interest on the matured TD, whichever is lower.

## F. Periodicity of payment of interest on domestic savings deposits

**16.** Interest on savings deposit shall be credited by the bank on quarterly basis.

**17.** 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. However, withdrawals/ debits can be allowed only when the accounts are released by the Enforcement Authorities.

## G. Interest payable on the domestic deposit account of deceased depositor

**18.** 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 as under :

(i) If the depositor dies before the maturity date and the deposit is claimed before the maturity, the bank shall pay interest at the rate applicable to the period the deposit remained with the bank, without any penalty.

(ii) In the event of death of the depositor before the date of maturity of Term deposit and where the deposit proceeds are claimed after the death of maturity, the bank shall pay interest at the contracted rate till the date of maturity. From the date of maturity to the date of payment, the bank shall pay rate of interest as applicable to savings account (as on the date of maturity) or the contracted rate of interest on the matured TD, whichever is lower.

(iii) However, in the case of death of the depositor after the date of maturity of the deposit, the bank shall pay interest at Saving Deposit rate ( as on the date of maturity) from the date of maturity till the date of payment."

## H Penalty on premature withdrawal of domestic term deposit

19. In the case of premature withdrawal of a Term Deposit, interest shall be paid at a rate that is 1% lower than the rate applicable, on the date of deposit, for the period for which the deposit actually remained with the Bank, and not at the originally contracted rate of interest.

20. 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.

21. 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.

## I. Premature withdrawal of RD Accounts

**22.** The Bank will pay the interest on the accounts at the following rates in case of premature withdrawal

(i) Less than 12 months SB rate of interest as applicable on the date of closure.

(ii) Above 12 months 1.00% below the rate applicable to RD for the period for which the deposit has actually run.

## J. Premature renewal of Term Deposit

**23.** If the depositor desires to renew the deposit by seeking premature closure of an existing Term Deposit, the bank will renew the same at the applicable rates 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 renewal, interest will be paid for the period it remained with the bank at the rate applicable for that period and not at the contracted rate.

## K. Renewal of Term deposits frozen by law enforcement authorities :

**24.** In the case of term deposit accounts frozen by the Bank on the orders of the enforcement authorities, the bank shall obtain a request letter from the depositor on maturity for renewal of deposit. The depositor shall be given an option to choose the term for renewal of the deposit.

In case, the depositor does not exercise his option of choosing the term for renewal, the Bank will renew the deposit for a term equal to the original term.

### L. Auto-Renewal of Deposits

**25.** Where the depositor has provided instructions for auto-renewal, the Term Deposit shall be renewed on the date of maturity for the same tenor and at the rate of interest applicable on the date of renewal, unless otherwise instructed by the depositor before the date of maturity.

### M. Display of Interest Rates

**26.** The Bank shall prominently display the applicable deposit interest rates on its official website, at all branches through notice boards. Any revision in deposit interest rates shall be promptly updated across all such channels to ensure transparency and timely dissemination of information to customers.

# CHAPTER – IV

# PROHIBITIONS AND EXEMPTIONS

### 27. Prohibitions

Bank will 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:

i) commission paid to agents employed to collect door-to-door deposits under a special scheme.

ii) remuneration paid to Business facilitators or Business Correspondents.

iii) 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 mobilising 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 mobilisation.

(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** 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.

Note: Savings Bank account cannot be opened in the name of a private entity for implementation of the Government funding schemes.

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

## 28. Exemptions

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

(a) A deposit received by a bank:

i) from the institutions permitted to participate in the Call / Notice / Term Money Market both as lenders and borrowers.

ii) 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.

**SCHEDULE- I**

i. Primary Co-operative Credit Society which is being financed by the bank.

ii. Khadi and Village Industries Boards.

iii. Agriculture Produce Market Committees.

iv. 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.

v. 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'.

vi. Institutions other than those mentioned in paragraph 26(h) and whose entire income is exempt from payment of income tax under the Income-tax Act, 1961.

vii. 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 authorisation from the respective Central / State Government departments to open savings bank account.

viii. Development of Women and Children in Rural Areas (DWCRA).

ix. Self-Help Groups (SHGs), registered or unregistered, which are engaged in

promoting savings habits among their members.

x. Farmers' Clubs – Vikas Volunteer Vahini – VVV

## Chapter V: Repeal and Other Provisions

### A. Repeal and saving

**29.** With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Interest Rate on Deposits stand repealed.

**30.** Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

(1) any right, obligation or liability acquired, accrued, or incurred thereunder;

(2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;

(3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

## B. Application of other laws not barred

**31.** The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

## C. Interpretations

**32.** For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein, and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

**33.** If any amendment is required in the Policy keeping in view the Regulatory directions, practical aspects/ feedback from branches, Managing Director of the KCCB is authorised to circulate the necessary directions as deemed fit and that shall form the part of this policy.