

## RECURRING DEPOSITS (RD)

Depositor pays a **fixed amount monthly** for a predetermined period.

- Maturity amount includes the cumulative deposits plus **compounded interest (quarterly rests)**.

1. **Missed Instalments:** Delayed payments result in a **reduced maturity amount.**

2. **Foreclosure and Loan:** Rules for **foreclosure** and **loans** are the same as for Fixed Deposits.

- For foreclosure, interest is paid without compounding for the incomplete quarter.

3. **Restrictions:** RDs are not accepted under the **FCNR (B) Scheme.**

## OTHER TYPES OF DEPOSITS

### Combinations of Demand and Fixed Deposits

Banks offer hybrid deposits combining features of demand and fixed deposits, known by different names in various banks.

Examples include:

1. **Savings Bank (SB) Account with Auto-Transfer:**

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- Automatically transfers a specified amount from the **SB account to a Term Deposit (TD)**, leaving a minimum balance in the SB account.
  - [Can include **auto-reversal** from TD to SB to meet cheque payments.]
2. **Fixed Deposits (FD) in Units:** FDs are opened in units (e.g., ₹1,000 each), allowing premature withdrawal of only the required portion of the deposit.

### VARIANTS OF DEPOSITS

#### **(a) Cash Certificates**

1. **Definition:** A variant of **reinvestment deposits** issued at a **discounted value**.

- The **face value** represents the **maturity value**.

2. **Features:** Interest rate and regulations applicable to TDs also apply to **Cash Certificates**.

#### **(b) Annuity Deposits**

1. **Definition:** Opposite of **Recurring Deposits (RDs)**.

- Principal is returned in **periodical instalments** (monthly/quarterly) over the deposit tenor.

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**Example:** A 5-year annuity deposit with quarterly installments will return the principal and interest in 20 equal payments.

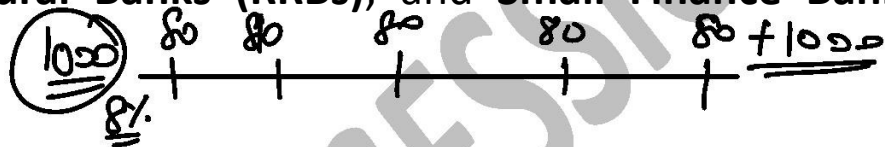
2. **Regulations:** Similar to those applicable to TDs.

### (c) Certificate of Deposits (CDs)

1 year

Short-term negotiable money market instruments, distinct from other bank deposits.

1. **Eligibility:** Issued by Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), and Small Finance Banks (SFBs).



- Available to all resident persons in India.

### 2. Features:

- **Denomination:** Minimum ₹5 lakh, multiples of ₹5 lakh thereafter.

- **Tenor:** Minimum 7 days, maximum 1 year.

- **Interest Rate:** Can be fixed or floating (linked to a benchmark rate, e.g., specified by FIMMDA).

- **Issue Price:** Can be issued at a discounted value or with a coupon for interest.

- **Secondary Market:** CDs are traded in the secondary market.

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3. **Buyback Option:** Allowed if offered to **all investors** in a specific issue.
4. **Stamp Duty:** Issuance of CDs attracts **stamp duty**.

## **INTEREST ON DEPOSIT ACCOUNTS**

### **General Norms for Interest on Deposits**

1. Banks must have a **comprehensive policy** on deposit interest rates, approved by their **Board of Directors** or a delegated committee.
2. **Uniform rates** across all branches and customers for deposits of the same amount and date.
3. Interest rates must adhere to a **pre-disclosed schedule** and maintained in the **Core Banking System (CBS)** for review.
4. Rates **cannot be negotiated** with depositors.
5. Interest policies should be **reasonable, transparent,** and available for **supervisory scrutiny**.
6. Interest payments:
  - **Rounded off to the nearest rupee for INR deposits.**
  - **Two decimal places for FCNR (B) deposits.**
7. Customers and branches should be notified of **interest rate changes** promptly.

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## FIXED DEPOSITS: INTEREST CALCULATION

$$\frac{89}{365} \times \frac{P}{100} \times P$$

1. For deposits repayable in **less than three months** or incomplete quarters, interest is calculated proportionately for **actual days** (365 days in a year; 366 in leap years).
2. Banks must inform depositors about the **interest calculation method** and display it at branches.

### Fixed Deposits Maturing on Non-Business Working Days

1. Interest is paid at the **contracted rate** for the intervening days.
2. For **reinvestment deposits and RDs**, interest is paid on the maturity value for the intervening days.

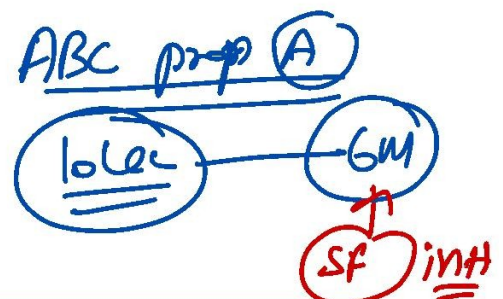
### Transfer of Deposit Accounts

Deposit accounts transferred between banks (due to branch takeovers):

- Governed by the **original terms of the contract**.
- The **same interest rate** remains applicable until maturity.

### Interest on Domestic Current Accounts

1. No interest is paid on **current accounts**.



2. For deceased individual/sole proprietor accounts:

- Interest is paid from the **date of death** until repayment at the **savings bank rate** applicable on the date of payment.

### **Interest on Domestic Savings Bank Deposits**

1. Banks can decide **SB interest rates**, calculated on the **daily end-of-day balance**.
2. For balances:
  - **Up to ₹1 lakh:** Uniform interest rate.
  - **Above ₹1 lakh:** Differential rates may be applied.
3. Interest should be credited **quarterly or more frequently**, as per the bank's policy.

### **Interest on Domestic Term Deposits (TDs)**

#### **(a) Factors Affecting Interest Rates**

1. **Tenor of Deposit:** Banks can freely determine the **tenors** (minimum 7 days) and offer different rates for various periods.
2. **Size of Deposit:** Differential interest rates are allowed for **bulk deposits** only (not applicable under the Term Deposit Scheme, 2006 or Capital Gains Accounts Scheme, 1988).

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3. **Premature Withdrawal Option:** TDs without a premature withdrawal option can have different rates.

- Premature withdrawal is mandatory for TDs of ₹1 crore and below for individuals.

### (b) Premature Withdrawal

1. Interest is paid at the **rate applicable** for the actual deposit period, not the contracted rate.

2. No interest is paid for premature withdrawals made **before 7 days.**

3. **Penalty for premature withdrawal:**

- Must be **disclosed upfront** to the depositor.
- Not applicable if the withdrawal is due to **bank transfers** or splitting deposits for deceased constituents.

### (c) Overdue Term Deposits

1. Renewed TDs earn interest as per the **bank's policy.**
2. Unclaimed proceeds: Interest is paid at the **savings rate** or **contracted rate**, whichever is lower.

### (d) Floating Rate TDs

Floating rate TDs are linked to **transparent market-determined benchmarks.**

### Interest on NRO, NRE, and FCNR(B) Deposits

1 year → 7.90%  
6M → 5.40% - penal

7.90%  
5.40% - 1Y.  
4.40% - (in H)

## **Additional Interest on Domestic Deposits**

### **1. Eligible Categories for Additional Interest:**

#### **• Bank's Staff:**

- Includes **staff members, exclusive staff associations, Chairman, Managing Directors, Executive Directors, or other executives with a fixed tenure.**
- Additional interest of **1% p.a.** over the scheduled rate for **Savings, Term Deposits (TDs), or Recurring Deposits (RDs).**
- Also payable on deposits held **jointly with dependents.**

#### **• Senior Citizens (Resident Indians):**

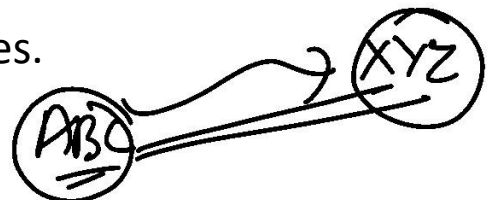
- Higher interest rate compared to normal deposits.
- Additional rate is decided by the bank (commonly **0.25% to 0.5% p.a.**).

### **2. Conditions for Additional Interest:**

#### **• Eligibility Period:**

- Additional interest is payable only while the person is eligible.
- For **fixed deposits**, additional interest is paid until **maturity**, even if eligibility ceases.

#### **• Employees on Deputation:**





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- Employees on deputation to another bank can receive additional interest from both banks.
- **Fixed Tenure Contracts:**
  - Eligibility ceases at the end of the deputation or contract term.
- **Ineligible Deposits:**
  - Bank Employees' Federations (where employees are not direct members) are **not eligible**.

### 3. **Declaration for Additional Interest:**

A declaration is required confirming that funds belong to the depositor for the following cases:


- Member or retired member of the bank's staff (singly or jointly with family members).
- Spouse of a deceased staff member or retired staff member.
- Associations or funds where members are bank staff.

### ~~Interest on Inoperative Accounts/Unclaimed Deposits~~

1. **Savings Accounts (SB):** Interest is credited regularly, even if the account is **inoperative**.

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2. **No Penal Charges:** No penalty for **minimum balance shortfall** in inoperative accounts. 
3. **Unclaimed Term Deposits (TDs):** Interest is paid at the **SB rate** or the **contracted rate**, whichever is lower, for unpaid matured deposits.

### **Interest on Accounts Frozen by Banks**

#### **1. Frozen Term Deposits (TDs):**

- If **TD matures while frozen:**

- A **request letter** from the depositor is needed for renewal with interest. 

- Renewal:

- **Within 14 days** of maturity: Renewal is backdated to the maturity date.

- **After 14 days:** Renewal starts from the date of request.

- Interest for the intervening period is held in a **separate interest-free account** and released with the TD payment.

- If no request is received, the bank may renew the TD for the same original term.

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- **Communication:** Notify the enforcement authority and depositor about the renewal and applicable interest rate.

**2. Frozen Savings Accounts (SB):** Interest is credited regularly even when accounts are frozen.