

THE SIRSI URBAN SAHAKARI BANK LIMITED, SIRSI – 581 401

POLICY ON INTEREST RATES ON DEPOSITS

1.0 INTRODUCTION

- 1.1 Accepting deposits from the public for the purpose of lending is one of the important functions of the bank. The Banking Regulation Act, 1949 (AACs) recognizes the depositors as the major stakeholders of the banks and protecting them and their interest is the key area of the regulatory framework for the banks. The interest rates on deposits have been deregulated with the liberalization of the financial system and banks are now free to formulate various deposit products within the broad guidelines issued by Reserve Bank of India (RBI).
- 1.2 In exercise of powers conferred under Section 21 and 35A of the Banking Regulation Act, 1949 (AACs), RBI has issued master directions to Urban Co-operative Banks (UCBs) with effect from May 12, 2016 which have been revised and updated from time to time. In compliance with these directions, this policy on Interest rates on deposits aims to address various aspects concerning rates of interest on deposits

2.0 TYPES OF DEPOSITS

- 2.1 **Current Account** means a form of non-interest bearing demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount and shall also include other deposit accounts which are neither Savings Deposit nor Term Deposit;
- 2.2 **Savings deposits** means a form of interest bearing demand deposit, which is meant to encourage thrift among the people and collect their savings. They may be designated as "Savings Account", Savings Bank Account", "Savings Deposit Account", Basic Savings Bank Deposit Account" or any other account by whatever name called which is subject to the restrictions as to number of withdrawals as also the amounts of withdrawals permitted by the bank during the specified period.
- 2.3 **Term Deposit** means interest bearing deposit accepted by the bank for a fixed period and shall include deposits such as Recurring, Cumulative, Annuity, Re-investment deposits and Cash Certificate etc., Presently the bank is offering the following term deposits

1. Fixed Deposits – with option to receive interest at monthly, quarterly, half yearly and on maturity
2. Nitya and Pavan Deposits – which are pigmy deposits collected on a daily basis by the Pigmy Collectors appointed by the bank.
3. Recurring Deposits – which is opened by the depositors wherein he pays a pre-determined amount for a fixed period.
4. Kalpataru Cash Certificate – a term deposit product wherein a fixed amount is placed for a minimum period of One year on which the interest as per the contracted rate accrues and compounds at quarterly intervals and the maturity amount i.e., principal along with interest is repaid on maturity.
5. Samruddhi Deposit Certificate – a term deposit accepted under a special scheme which carries rate of interest as decided by the bank with an option to the depositor to receive interest at monthly, quarterly, half yearly and on maturity.
6. Any other interest bearing deposit products as decided by the Board in compliance with the RBI directions issued from time to time.

3.0 RATES OF INTEREST ON DEPOSITS

- 3.1 Presently, bank is authorised only to accept rupee deposits maintained in India in the form of Savings deposits, Current Account or term deposits, which is called as Domestic Rupee Deposits.
- 3.2 While accepting and renewing the deposits, the bank shall follow the terms and conditions specified by Reserve Bank of India in this regard from time to time. The terms and conditions presently adopted by the bank are as follows:
 - 3.2.1 The interest rates offered on deposits shall be uniform across all the branches and for all customers and there shall be no discrimination in the interest paid on deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.
 - 3.2.2 Interest rates payable on deposits shall strictly be as per the schedule of Interest rates notified by the bank in advance
 - 3.3.3 The interest rates shall not be subjected to negotiation between the depositor and the bank

- 3.3.4 The interest rates offered by the bank shall be reasonable, consistent, transparent and available for supervisory review as and when required.
- 3.3.5 All the transactions involving payment of interest on deposits shall be rounded off to nearest rupees, by rounding off 50 paisa and above to next rupee and paisa below 50 paisa shall be ignored
- 3.3.6 In the case of deposits maturing on a Sunday/ Holiday/ non-business working day, bank shall pay interest for such 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 as under:
- a. In the case of term deposit interest shall be paid on the original principal amount.
 - b. In the case of re-investment deposits and recurring deposits, interest shall be paid on the maturity value
- 3.3.7 No interest shall be paid on deposit held in Current Account
- 3.3.8 Interest on Savings Bank Deposit shall be calculated on a daily product basis and a uniform interest rate is set on balance up to Rs.1.00 Lakh, irrespective of the amount in the account within the limit. Though differential rate of interest may be provided for Savings Bank Deposit exceeding Rs.1.00 Lakh bank presently does not provide differential rates of interest
- 3.3.9 Interest Rates on Term Deposits shall vary on account of one or more of the following reasons
- 1 Tenor of Deposit – The minimum tenor of deposit shall be seven days and bank shall accept deposits up to a maximum period of ten years. However, where the deposit opened and placed in the name of a minor, the maximum tenor of deposit shall be until the minor attains the majority.
 2. Size of Deposits – Differential rate of interest is offered only on bulk deposits. ‘Bulk deposit’ means single rupee term deposit of **Rupees Fifteen Lakh and above.**
 3. Non availability of premature withdrawal option – Bank shall have option to offer and accept term deposits without premature withdrawal option. Such type of deposits shall be shall be accepted for single deposit of Rs.15.00 Lakh and above only, from non-

individual entities like trusts, co-operative societies and such other institutions and so also High Networth Individuals placing bulk deposits. Bank shall offer premature withdrawal facility for all term deposits accepted from individuals (held singly and jointly) and Hindu Undivided Families for amount of Rupees Fifteen lakh and below.

3.3.10 Payment of additional interest on domestic deposits

1. Bank shall allow additional interest of One percent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or term deposits of bank staff including Managing Director who acts as the Chief Executive Officer of the Bank on regular salary and exclusive associations of staff on following conditions:
 - a. 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 maturity of the term deposit.
 - b. 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 additional rate does not exceed the rate, which could have been allowed if such employees were originally employed by the bank.
 - c. In case of the employees taken on deputation from another bank, the bank from which they are deputed may allow additional interest on savings and term deposit accounts opened with it during the period of deputation.
 - d. In case of employees taken on deputation for a fixed tenure or on a contract of a fixed tenure, the benefit shall cease to accrue on the expiry of the term of deputation or contract, as the case may be.
 - e. In case where employees of the bank are not direct members of Bank Employees Federation, such federation are not eligible for additional interest.
 - f. 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 in such account belong to the depositor
 - i. Member or a retired member of the bank staff, either singly or jointly with any member or members of his/ her family; or
 - ii. the spouse of the deceased member or a deceased retired member of the

bank staff

iii. An association or a fund, members of which are members of bank staff.

2. Bank at its discretion, formulate term deposit schemes specifically for resident Indian **Senior Citizens** and **Super Senior Citizens**, offering higher and fixed rates of interest as compared to normal deposits of any size.

Senior Citizens for the purpose mean an individual who has attained age of 60 years on the date of the deposit. Super Senior Citizens for the purpose means an individual who has attained age of 80 years on the date of the deposit

3. Bank shall also give their retired staff, who are senior citizens, the benefit of additional interest as admissible to senior citizens over and above the additional interest payable by virtue of their being retired members of the bank staff.

3.3.11 Interest on Overdue Term Deposits

1. Bank shall allow renewal of overdue term deposit at rate of interest for the period for which the deposit is proposed to be renewed at rate of interest ruling on the date of maturity, only if the depositor approaches the bank for renewal within 30 days from the date of maturity and as decided by the management from time to time.
2. Thereafter, 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 Bank Account or the contracted rate of interest on the matured term deposit, whichever is lower on the date of maturity.

3.3.12 Penalty on premature withdrawal of term deposit

1. No interest is payable on premature withdrawal of term deposit within 7 days from the date of placement/ renewal
2. In other cases, where the term deposit is withdrawn before the maturity date, interest shall be paid by applying a penalty of One percent on the rate applicable to the amount and period for which the deposit remained with the bank or contracted rate whichever is lower.
3. In the case of splitting of the amount of term deposit at the request of the claimant of the deceased depositors or joint account holders, no penalty for premature withdrawal

of term deposit would be levied, if the period and aggregate amount of the deposit do not undergo any change.

3.3.13 Interest payable on deposit account of deceased depositor

1. The amount lying in the current account standing in the name of the deceased individual depositor or sole proprietorship concern shall attract interest from the date of the death of the depositor till the date of the repayment to the claimant/s at the rate of interest applicable to the savings deposit as on the date of the payment.
2. In case of a term deposit standing in the name of the deceased depositor, bank shall pay the interest as here below:
 - a. At contracted rate on maturity
 - b. In the event of payment of deposit being claimed before the maturity date, bank shall pay interest for the period for which the deposit has remained with the bank without charging penalty for premature withdrawal
 - c. If the amount of term deposit is claimed after the date of maturity, the bank shall pay interest at contracted rate till the maturity date, thereafter, from the date of maturity till the date of payment, the bank shall pay interest as at the rate of interest applicable to the savings deposit as on the date of maturity or contracted rate of the term deposit whichever is lower. The same procedure shall be followed for payment of term deposits where the depositor has died before or after the date of maturity.
 - d. If at the request from claimant/s the bank agrees to split the amount of term deposit and issues two or more term deposit receipts individually in the names of the claimant/s, it shall not be treated as premature withdrawal of the term deposit, provided that the period and aggregate amount of the deposit do not undergo any change

3.3.14 Periodicity of payment of interest on savings deposits

1. Interest on savings deposit shall be credited at half yearly intervals on daily product basis.

2. Interest on savings deposit accounts shall be credited on regular basis irrespective of the operational status of the account including those accounts frozen by the government.

4.0 RESIDUAL MATTERS

- 4.1 "Bank" herein referred to in this policy means The Sirsi Urban Sahakari Bank Limited, its branches, extension counters which accept deposits as defined under the Banking Regulation Act, 1949 (AACS)
- 4.2 All other matters other than those referred to above shall be referred shall be in strict compliance with directives/circulars/instructions issued by Reserve Bank of India or any other regulatory body from time to time.

Sd/-

Chief Executive Officer

Sd/-

President