



RBI/DCBR/2015-16/23

Master Direction DCBR.Dir.No.1/13.01.000/2015-16

May 12, 2016

[\(Updated as on October 26, 2023\)](#)

[\(Updated as on September 16, 2022\)](#)

[\(Updated as on November 11, 2021\)](#)

[\(Updated as on July 02, 2021\)](#)

**Master Direction - Reserve Bank of India  
(Co-operative Banks - Interest Rate on Deposits) Directions, 2016**

In exercise of the powers conferred by Sections 21 and 35 A read with section 56 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, hereby, issues the Directions hereinafter specified.

INDEX	
Section	Particulars
<b><u>CHAPTER – I</u></b> <b><u>PRELIMINARY</u></b>	
1.	<a href="#">Short Title and Commencement</a>
2.	<a href="#">Applicability</a>
3.	<a href="#">Definitions</a>
<b><u>CHAPTER – II</u></b> <b><u>GENERAL GUIDELINES</u></b>	
4.	<a href="#">Interest Rate framework</a>
<b><u>CHAPTER – III</u></b> <b><u>DOMESTIC RUPEE DEPOSITS</u></b>	
5.	<a href="#">Interest rate on domestic Current Account</a>
6.	<a href="#">Interest Rate on domestic Saving Deposits</a>
7.	<a href="#">Interest Rates on domestic Term Deposits</a>
8.	<a href="#">Payment of Additional Interest on domestic deposits</a>

9.	<a href="#">Interest on overdue domestic deposits</a>
10.	<a href="#">Floating rate domestic term deposits</a>
11.	<a href="#">Periodicity of payment of Interest on domestic savings deposits</a>
12.	<a href="#">Interest payable on the domestic deposit account of deceased depositor</a>
13.	<a href="#">Penalty on premature withdrawal of domestic term deposit</a>
<b><u>CHAPTER – IV</u></b> <b><u>RUPEE DEPOSITS OF NON-RESIDENTS</u></b>	
14.	<a href="#">Interest rates on Rupee Deposits-Non-Residents</a>
15.	<a href="#">Prohibition on marking lien</a>
16.	<a href="#">Penalty on premature withdrawal of NRE deposits</a>
17.	<a href="#">Interest payable on the NRE term deposit account of deceased depositor</a>
<b><u>CHAPTER – V</u></b> <b><u>FOREIGN CURRENCY DEPOSITS</u></b>	
18.	<a href="#">Foreign Currency (Non-resident) Accounts (Banks) Scheme</a>
19.	<a href="#">Manner of calculation of interest on FCNR(B) deposits</a>
20.	<a href="#">Calculation of interest on renewal of FCNR (B) deposits</a>
21.	<a href="#">Interest payable on the deposit of a deceased FCNR(B) depositor</a>
22.	<a href="#">Payment of interest on FCNR (B) deposits of NRIs on return to India</a>
23.	<a href="#">Conversion of FCNR (B) Accounts of Returning Indians into RFC Accounts/Resident Rupee Accounts- Payment of interest</a>
24.	<a href="#">Premature withdrawal of deposits</a>
25.	<a href="#">Penalty on Premature Withdrawal of deposits</a>
26.	<a href="#">Resident Foreign Currency Accounts Scheme</a>
<b><u>CHAPTER – VI</u></b> <b><u>PROHIBITIONS AND EXEMPTIONS</u></b>	
27.	<a href="#">Prohibitions</a>
28.	<a href="#">Exemptions</a>
	<a href="#">SCHEDULE- I</a>
<b><u>CHAPTER – VII</u></b> <b><u>REPEAL AND OTHER PROVISIONS</u></b>	
29.	<a href="#">List of circulars</a>

## **CHAPTER - I**

### **PRELIMINARY**

#### **1. Short Title and Commencement**

- (a) These Directions shall be called the Reserve Bank of India (Co-operative Banks - 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 co-operative bank licensed or permitted to carry on banking business in India by the 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 single Rupee term deposits of Rupees fifteen lakh and above.
  - ii) "Co-operative bank" means a State co-operative bank, a Central co-operative bank and a Primary co-operative bank.
  - iii) "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 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 banks Service/Staff Regulations.
  - viii) "FCNR(B) account" means a Foreign Currency Non-Resident (Bank) account referred to in Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
  - ix) "Individual" means a natural person.
  - x) "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 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 banks staff" means an employee retiring whether on superannuation or otherwise as provided in the banks Service/Staff Regulations.
  - xv) "RFC account" means a Resident Foreign Currency account referred to in Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2000, as amended from time to time.
  - xvi) "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;
  - xvii) "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.
  - xviii) "Term deposit" means 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

Co-operative 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), Non-Resident (External) Accounts (NRE) and Foreign Currency (Non-resident) Accounts (Banks) Scheme {FCNR(B)} deposit account 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 co-operative 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 and to two decimal places for FCNR (B) 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, co-operative banks 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, co-operative banks shall pay interest for the intervening non-business working day on the maturity value.

**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:

Interest on domestic rupee savings deposits shall be calculated on a daily product basis as under:

- (a) A uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit.
- (b) 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*

Co-operative 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, 2006.

iii) *Non- availability of premature withdrawal option*

Co-operative 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) and Hindu Undivided Families for amount of Rupees one crore and below shall have premature-withdrawal-facility.

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

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 co-operative 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).

**8. Payment of Additional Interest on domestic deposits**

(a) Co-operative 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 term deposits of banks staff and their exclusive Associations as well as on deposits of Managing Director who acts as the Chief Executive of the 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 co-operative bank.
- iii) In the case of employees taken on deputation from another bank, the co-operative 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 co-operative 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 co-operative banks 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 co-operative banks staff; and

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

(b) Co-operative 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) Co-operative banks shall, at their discretion, 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 co-operative banks staff.

#### **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 section 4 of these Directions.

(b) If a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the co-operative bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower.

#### **10. Floating rate domestic term deposits**

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

#### **11. Periodicity of payment of interest on domestic savings deposits**

(a) Interest on savings deposit shall be credited at quarterly or longer 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.

#### **12. 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.



**13. 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.
- (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.

**CHAPTER - IV**  
**RUPEE DEPOSITS OF NON-RESIDENTS**

Rupee deposits of non-residents under Non-Resident (External) Rupee (NRE) Deposits and Non-Resident Ordinary (NRO) Deposits shall be accepted by only those co-operative banks that are authorised by the Reserve Bank of India in this behalf.

**14. 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:*  
Co-operative 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
  - iii) Non-availability of Premature withdrawal option:  
Co-operative Banks shall have the freedom to offer NRE / NRO term deposits without premature withdrawal option, provided that all NRE / NRO term deposits accepted from individuals (held singly or jointly) for amount of Rupees one crore and below shall have premature-withdrawal-facility.
- (d) Interest rates on NRE/ NRO deposits shall not be higher than those offered by the co-operative banks on comparable domestic rupee term deposits.
- (e) The benefit of additional interest rate on deposits on account of being co-operative banks 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 longer intervals.
- (g) If an NRE account holder, immediately on return to India, requests for conversion of the

NRE term deposit into Resident Foreign Currency Account (RFC), interest shall be paid as under:

- i) if the NRE deposit has not run for a minimum period of one year, interest shall be paid at a rate not exceeding the rate payable on savings deposits held in RFC accounts.
- ii) In all other cases, interest shall be paid at the contracted rate.

#### **15. Prohibition on marking lien**

Co-operative banks shall not mark any type of lien, direct or indirect, against NRE savings deposits.

#### **16. 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.
- (b) No penalty shall be levied for premature withdrawal of NRE term deposits for conversion into Resident Foreign Currency (RFC) Account.
- (c) Penalties for premature withdrawal shall be levied for conversion of NRE deposit into FCNR (B) deposit and vice versa.

#### **17. 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 at the rate applicable to a domestic term deposit of similar maturity.

**CHAPTER - V**  
**FOREIGN CURRENCY DEPOSITS**

Foreign Currency deposits under Foreign Currency (Non-Resident) Accounts (Banks) Scheme shall be accepted by scheduled co-operative banks (Authorised Dealer – Category I) only.

**18. Foreign Currency (Non-Resident) Accounts (Banks) Scheme**

Interest on deposits of money accepted or renewed under the Foreign Currency (Non-Resident) Accounts (Banks) Scheme shall be in accordance with 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 term deposits under FCNR(B) scheme shall vary only on account of one or more of the following reasons:
  - i) *Tenor of deposits*

The maturity period for term deposits under the FCNR(B) scheme shall be as under:

- a. One year and above but less than two years
- b. Two years and above but less than three years
- c. Three years and above but less than four years
- d. Four years and above but less than five years
- e. Five years only

Provided that no scheduled co-operative bank (Authorised Dealer) shall accept or renew FCNR(B) deposits over five years and no recurring deposits shall be accepted under the FCNR(B) Scheme.

- ii) *Size of deposits*

Scheduled co-operative banks (Authorised Dealers) shall, at their discretion, decide the currency-wise minimum quantum on which differential rates of interest may be offered.

- (c) The interest rates on all deposits, including where differential rates of interest are offered, shall be subject to the overall ceiling prescribed at 18 (g) below.
- (d) Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency/ maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate<sup>1</sup> for the respective currency/ maturity.
- (e) The interest reset period shall be six months for all floating rate deposits.

(f) The Overnight Alternative Reference Rate<sup>1</sup> for the respective currency / SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month.

(g) The interest rates ceiling on FCNR(B) deposits shall be as under:

<b>Period of deposit</b>	<b>Ceiling rate</b>
1 year to less than 3 years	Overnight Alternative Reference Rate <sup>1</sup> for the respective currency / Swap plus 250 basis points
3 years and above upto and including 5 years	Overnight Alternative Reference Rate <sup>1</sup> for the respective currency / Swap plus 350 basis points

(h) The Overnight Alternative Reference Rate<sup>1</sup> for the respective currency / Swap rates quoted / displayed by Financial Benchmarks India Pvt. Ltd. (FBIL) shall be used as the reference for arriving at the interest rates on FCNR(B) deposits.

#### **19. Manner of calculation of interest on FCNR(B) deposits**

(a) Interest on the deposits accepted under the scheme shall be calculated on the basis of 360 days to a year.

(b) The interest on FCNR(B) deposits shall be calculated and paid at intervals of 180 days each and thereafter for the remaining actual number of days,

Provided that the option to receive the interest on maturity with compounding effect shall vest with the depositor.

#### **20. Calculation of interest on renewal of FCNR (B) deposits**

Interest calculation on renewal of FCNR(B) deposits shall be as under:

(a) If the period from the date of maturity till the date of renewal (both days inclusive) does not exceed 14 days, 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 or on the date when the depositor seeks renewal, whichever is lower.

(b) In all other cases of renewal, interest rates for the overdue period on the renewed amount shall be determined by treating it as a fresh term deposit.

(c) If, after renewal, the deposit is withdrawn before completion of the minimum stipulated period under the scheme, the banks may, at their discretion, recover the interest paid for the overdue period i.e. period beyond the original date of maturity.

## **21. Interest payable on the deposit of a deceased FCNR(B) depositor**

Scheduled co-operative banks (Authorised Dealers) shall pay interest on the term deposits standing in the name(s) of a deceased FCNR(B) individual depositor or two or more joint depositors where one of the depositors has died, as under:-

- (a) If paid on the maturity of the deposit, interest shall be paid at the contracted rate;
- (b) If the deposit is claimed before the maturity date, interest shall be paid not at the contracted rate but at the rate applicable to the period for which the deposit remained with the co-operative bank and without charging penalty for pre-payment;
- (c) In case the depositor dies before the date of maturity of the deposit but the amount of the deposit is claimed after the date of maturity, interest shall be paid at the contracted rate till the date of maturity and simple interest at the applicable rate operative on the date of maturity for the period for which the deposit remained with the bank beyond the date of maturity.
- (d) In case of death of the depositor after the date of maturity of the deposit, the interest rate operative on the date of maturity in respect of savings deposits held under Resident Foreign Currency (RFC) Account Scheme shall be paid from the date of maturity till the date of payment.
- (e) In case the claimants are residents, the maturity proceeds shall be converted into Indian Rupees on the date of maturity and interest shall be paid for the subsequent period at the rate applicable to a domestic term deposit of similar maturity.

## **22. Payment of interest on FCNR(B) deposits of NRIs on return to India**

Scheduled co-operative banks (Authorised Dealers) may, at their discretion, on receipt of the request from the depositor, allow FCNR(B) deposits of persons of Indian nationality / origin who return to India for permanent settlement to continue till maturity at the contracted rate of interest subject to the conditions that:

- (a) The rate of interest as applicable to FCNR(B) deposits shall continue.
- (b) Such deposits shall be treated as resident deposits from the date of return of the account holder to India.
- (c) The FCNR(B) deposits on maturity shall be converted into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder.
- (d) The rate of interest on the new deposit (Rupee account or RFC Account) shall be the relevant rate applicable for such deposit account.

**23. Conversion of FCNR(B) Accounts of Returning Indians into RFC Accounts / Resident Rupee Accounts - Payment of interest**

Subject to the conditions given in section 4 of these Directions, a scheduled co-operative bank (Authorised Dealer) shall pay interest at the time of conversion of FCNR(B) Account into RFC/ Resident Rupee Account even if the deposit has not completed the minimum maturity period mentioned in section 18(b)(i) above,

Provided that the rate of interest shall not exceed the rate payable on savings bank deposits held under RFC Account Scheme.

**24. Premature withdrawal of deposits**

(a) Scheduled co-operative banks (Authorised Dealers) shall, on request from the depositor, permit premature withdrawal of deposits under the FCNR(B) Scheme.

(b) If the premature withdrawal of FCNR(B) deposits takes place before completion of the minimum stipulated period as mentioned in section 18(b)(i) above, no interest shall be paid.

**25. Penalty on premature withdrawal of deposits**

There shall be a comprehensive policy on penalties for premature withdrawal of FCNR(B) 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. If not, the exchange loss arising out of premature withdrawal shall be borne by the banks.

(b) Penalty shall be levied on premature withdrawal of FCNR(B) deposits,

i) when the depositors return to India for permanent settlement.

ii) for conversion of FCNR (B) deposits into NRE deposits or vice-versa.

(c) In case of splitting of the amount of term deposit at the request from the claimant/s, 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) Scheduled co-operative banks (Authorised Dealers) shall, at their discretion, levy penalty to recover the swap cost in the case of premature withdrawal of FCNR(B) deposits.

(e) No penalties shall be levied in the case of premature conversion of balances held in FCNR(B) deposits into RFC Accounts by Non-Resident Indians on their return to India.

**26. Resident Foreign Currency Accounts Scheme**

A scheduled co-operative bank (Authorised Dealer) shall have the freedom to determine

interest on deposits of money accepted by it or renewed by it under the Resident Foreign Currency Account Scheme, in accordance with the 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.

## **CHAPTER - VI**

### **PROHIBITIONS AND EXEMPTIONS**

#### **27. Prohibitions**

Co-operative banks shall 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 mobilizing 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.

(i) Create any fund to be utilized 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 the co-operative 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

(1)	Primary Agricultural Credit Society which is being financed by the co-operative bank
(2)	Khadi and Village Industries Boards
(3)	Agriculture Produce Market Committees
(4)	Societies registered under the Societies Registration Act, 1860 or any other corresponding law in force in a State or a Union Territory
(5)	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
(6)	Institutions other than those mentioned in Section 27(h) and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961
(7)	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 authorization from the respective Central / State Government departments to open savings bank account
(8)	Development of Women and Children in Rural Areas (DWCRA)
(9)	Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members
(10)	Farmers Clubs - Vikas Volunteer Vahini – VVV

**CHAPTER - VII**  
**REPEAL AND OTHER PROVISIONS**

29. With the issue of these directions, the instructions / guidelines contained in the following circulars issued by the Reserve Bank of India stand repealed :

**A. List of circulars on Interest Rates on Rupee Deposits held in Domestic/NRO/NRE Accounts**

<b>Sr. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1	RPCD.No.RF.DIR.445/D.1-84/85	18.03.1985	Acceptance of Interest free Deposits
2	UBD.DC.21/V.I-85/86	02.09.1985	Directives on Interest Rates on Deposits
3	UBD.No.DC.101/V.1-88/89	27.03.1989	Interest Rates on Deposits
4	UBD.No.DC.9/V.1.89/90	31.07.1989	Interest Rates on Deposits - Payment of Interest on Term Deposits
5	RPCD.No.RF.BC.68/D.1-90/91	01.01.1991	Rounding off Transactions to the Nearest Rupee
6	UBD.(PCB)34/DC.V-1-90/91	16.01.1991	Interest Rates on Deposits
7	RPCD.No.RF.DIR.BC.36/D.1-91/92	13.09.1991	Interest Rates on Deposits – Payment of Interest on Term Deposits
8	RPCD.No.RF.BC.15/D.1(F)-92/93	24.08.1992	Resident Foreign Currency Accounts -Waiver of penalty for Conversion of FCNR/NRE Account
9	UBD(SUC)74/DC.V.1(B)/92-93	29.08.1992	Resident Foreign Currency Accounts - Waiver of penalty for Conversion of FCNR/NRE Account
10	RPCD.No.DIR.BC.108/07.38.01/93-94	02.03.1994	Interest Rates on Deposits
11	RPCD.No.BC.84/07.38.01/95-96	09.02.1996	Deposit Mobilisation Schemes - Offering of Incentives
12	UBD.No.DS.CIR.(PCB)43/13.01.00/95-96	15.02.1996	Deposit Mobilisation Schemes - Offering of Incentives
13	UBD.No.DS.PCB.DIR.24/13.01.00/95-96	30.03.1996	Interest Rates on Deposits
14	RPCD.No.BC.130/07.38.01/95-96	25.04.1996	Advances against Fixed Deposit Receipts (FDRs) issued by Other Banks
15	UBD.No.DS.PCB.Cir.65/13.01.00/95-96	31.05.1996	Advances against Fixed Deposit Receipts (FDRs) issued by Other Banks
16	RPCD.No.DIR.BC.110/07.38.01/96-97	05.03.1997	Interest Rates on Deposits
17	UBD.No.DSP.DIR.25/13.01.00/96-97	19.04.1997	Interest Rates on Deposits
18	UBD.No.DS.PCB.Cir.2/13.01.00/97-98	17.07.1997	Interest Rates on Deposits
19	UBD.No.DS.PCB.Cir.12/13.01.00/97-98	21.10.1997	Interest Rates on Deposits.
20	UBD.No.DS.PCB.CIR.53/13.01.00/97-98	29.04.1998	Interest Rate on Deposits

21	RPCD.No.RF.BC.39/07.02.08/98-99	04.12.1998	Interest Rates on Deposits
22	RPCD.No.Dir.BC.23A/07.38.01/2000-01	06.10.2000	Interest Rates on Deposits
23	RPCD.No.Dir.BC.29/07.38.01/2000-01	17.10.2000	Interest Rates on Deposits
24	UBD.No.DS.Dir.3/13.01.00/2000-01	03.01.2001	Interest Rates on Deposits
25	RPCD.CO.No.RF.DIR.BC.65/07.38.01/2000-01	05.03.2001	Payment of Interest on the Term Deposit of a Deceased Depositor
26	RPCD.No.RF.DIR.BC.76/07.38.01/2000-01	19.04.2001	Interest Rates on Deposits
27	RPCD.No.RF.DIR.BC.77/07.38.01/2000-01	19.04.2001	Monetary and Credit Policy for the Year 2001-2002 - Interest Rate Policy
28	UBD.No.DS.PCB.Cir.50/13/01.00/2000-2001	19.04.2001	Monetary and Credit Policy for the Year 2001-2002- Interest Rate on Deposits
29	RPCD.No.RF.BC.38/07.38.01/2002-03	29.10.2002	Interest on Current Account
30	RPCD.RF.BC.No.91B/07.38.01/2002-03	29.04.2003	Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)
31	UBD.BPD.PCB.Cir.49/13.01.00/2002-03	29.04.2003	Deposits under Non-Resident (External) Rupee (NRE) Accounts Scheme
32	RPCD.CO.RF.BC.No.9/07.38.01/2003-04	17.07.2003	Interest Rate on Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)
33	UBD.BPD(PCB)Cir.No.46/13.01.00/2003-04	17.04.2004	Interest rates on deposits under Non-Resident (External) Rupee A/c (NRE A/cs)
34	RPCD.CO.RF.BC.55/ 07.38.01/2004-05	01.11.2004	Mid-term Review of Annual Policy Statement for the year 2004-05- Reduction of Tenor of Domestic /Ordinary Non-Resident (NRO) Term Deposits
35	UBD.No.28/13.01.00/ 2004-05	01.11.2004	Mid-term Review of Annual Policy Statement for the Year 2004-05- Reduction of Tenor of Domestic /Ordinary Non-Resident (NRO) Term Deposits
36	<a href="#">RPCD.CO.RF.BC.No.31/07.38.01/2009-10</a>	12.10.2009	Payment of Interest on Savings Bank Account on a Daily Product Basis
37	<a href="#">UBD.PCB.BPD.Cir.No.48/13.01.000/2009-10</a>	04.03.2010	Payment of interest on savings bank account on daily product basis
38	<a href="#">UBD.BPD.PCB.Cir.No.13/13.01.000/2011-12</a>	25.11.2011	Deregulation of Savings Bank Deposit Interest Rate
39	<a href="#">RPCD.CO.RCB.BC.No.47/07.38.01/2011-12</a>	26.12.2011	Deregulation of Savings Bank Deposit Interest Rate - Guidelines
40	<a href="#">RPCD.CO.RCB.Dir.BC.No.49/07.38.01/2011-12</a>	28.12.2011	Deregulation of Interest rates on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) Accounts
41	<a href="#">UBD.BPD.PCB.Cir.No.16/13.01.000/2011-12</a>	28.12.2011	Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) Accounts
42	<a href="#">RPCD.CO.RCB.BC.Dir.No.15/07.38.01/2012-13</a>	23.07.2012	Interest Rates on Deposits held in Ordinary Non -Resident(NRO) and Non-Resident (External) (NRE) Accounts

**B. List of circulars on Interest Rates on FCNR(B) Deposits**

<b>Sr. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1	RPCD.No.DIR.BC.85/07.38.04/96-97	16.12.1996	Calculation of Interest on FCNR (B) Deposits
2	UBD.No.DS.AD.Cir.6/13.02.00/97-98	20.02.1998	Conversion of FCNR(B) Accounts of the Returning Indians into RFC Accounts/Resident Rupee Accounts – Payment of Interest
3	RPCD.No.RF.BC.100/07.38.04/97-98	17.03.1998	Conversion of FCNR(B) Accounts of Returning Indians into RFC Accounts/Resident Rupee Accounts – Payment of Interest
4	RPCD.No.DIR.BC.111C/07.38.04/97-98	29.04.1998	Interest Rates on Deposits held under Foreign Currency (Non-Resident) Accounts (Banks) Scheme –FCNR(B) Scheme
5	UBD.No.DS.Dir.(AD).15/13.02.00/97-98	29.04.1998	Interest Rates on Deposits held under Foreign Currency Non-Resident Accounts (Banks) Scheme
6	RPCD.No.DIR.BC.117/07.38.04/97-98	08.05.1998	Premature Withdrawal of FCNR(B) Deposit - Recovery of Swap Cost
7	RPCD.No.RF.Dir.BC.15/07.38.04/99-2000	19.08.1999	Interest Rates on Deposits held under Foreign Currency Non-Resident (Banks) Scheme
8	RPCD.RF.No.BC.16/07.38.04/99-2000	19.08.1999	Interest Rates on Deposits held under Foreign Currency Non-Resident (Banks) Scheme
9	UBD.No.DS.1/13.02.00/1999-2000	21.09.1999	Interest Rates on Deposits held under Foreign Currency Non-Resident (Banks) Scheme
10	RPCD.No.RF.DIR.BC.88B/07.38.01/99-2000	27.04.2000	Foreign Currency (Non- Resident) Accounts (Banks) Scheme
11	UBD.No.DS.DIR(AD).9/13.02.00/1999-2000	27.04.2000	Foreign Currency (Non-Resident) Accounts (Banks) Scheme
12	RPCD.No.Dir.BC.23C/07.38.04/2000-01	06.10.2000	Foreign Currency (Non- Resident) Accounts (Banks) Scheme
13	RPCD.CO.No.RF.DIR.BC.66/07.38.04/2000-2001	05.03.2001	Foreign Currency (Non- Resident) Accounts (Banks) Scheme
14	UBD.No.AD.DIR.9/13/02.00/2000-2001	18.05.2001	Foreign Currency (Non-Resident) Accounts (Banks) Scheme
15	<a href="#">RPCD.CO.RF.BC.54/07.38.01/2004-05</a>	01.11.2004	Mid-term Review of Annual Policy Statement for the year 2004-05- Foreign Currency Non-Resident (Banks) FCNR (B) Accounts

16	RPCD.CO.RF.BC.Dir.No.80/07.38.01/2006-07	26.04.2007	Foreign Currency (Non- Resident) Accounts (Banks) Scheme
17	<a href="#">UBD.BPD.AD.Cir.No.7/13/01.000/2013-14</a>	07.02.2014	Interest Rates on FCNR(B) Deposits
18	<a href="#">RPCD.CO.RRB.RCB.BC.No.87/03.05.33/2013-14</a>	11.02.2014	Interest Rates on FCNR(B) Deposits

30. All approvals / acknowledgements given under the above circulars shall be deemed as given under these Directions.

31. All deposits accepted by banks based on the guidelines contained in the above circulars prior to issue of these Directions shall be deemed as covered under these Directions.

---

<sup>1</sup>Alternative Reference Rate (ARR) refers to any widely accepted ARR for the respective currency (Ref: [RBI circular CO. FMRD. DIRD.S39/14.02.001/2021-22 dated July 08, 2021](#) on 'Roadmap for LIBOR Transition').