

POLICY FOR PAYMENT OF INTEREST ON DEPOSITS

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Contents

CHAPTER – I	4
PRELIMINARY	4
1. Short Title and Commencement.....	4
2. Applicability.....	4
3. Definitions.....	4
CHAPTER – II	6
GENERAL GUIDELINES.....	6
4. Interest Rate framework.....	6
CHAPTER - III	7
DOMESTIC RUPEE DEPOSITS	7
5. Interest rate on domestic Current Account	7
6. Interest Rate on domestic Saving Deposits	7
7. Interest Rates on domestic Term Deposits	7
8. Payment of Additional interest on domestic deposits.....	8
9. Interest on overdue domestic deposits	9
10. Floating rate domestic term deposits	10
11. Periodicity of payment of interest on domestic savings deposits.....	10
12. Interest payable on the domestic deposit account of deceased depositor.....	10
13. Penalty on premature withdrawal of domestic term deposit.....	10
CHAPTER – IV	11

RUPEE DEPOSITS OF NON-RESIDENTS	11
14. Interest rates on Rupee Deposits - Non-Residents	11
15. Prohibition on marking lien	12
16. Penalty on premature withdrawal of NRE deposits	12
17. Interest payable on the NRE term deposit account of deceased depositor	12
CHAPTER - V	12
FOREIGN CURRENCY DEPOSITS	12
CHAPTER – VI	12
PROHIBITIONS AND EXEMPTIONS	12
28. Prohibitions	12
29. Exemptions	14
SCHEDULE- I	14

CHAPTER – I PRELIMINARY

1. Short Title and Commencement

- a) This policy shall be called Policy for Payment of Interest on Deposits.
- b) This policy shall come into effect on the day it is approved by the Board.

2. Applicability

The provisions of these Directions shall apply to branches & offices of The Kalyan Janata Sahakari Bank Ltd.

3. Definitions

- (a) In these Policy, 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 one crore and above for Scheduled UCBs categorised as Tier 3 and 4 UCBs under the revised regulatory framework.
 - Single Rupee term deposits of Rupees fifteen lakh and above for all other Co-operative banks (i.e., other than Scheduled UCBs in Tier 3 and 4).
 - 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 guidelines /rules

- 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. (only for information)
- ix) "Individual" means a natural person.
- x) "Banks employees" means a person employed on a regular basis.
- xi) "Notice Deposit" means term deposit for specific period but withdrawable on giving at least one complete banking days' 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, (only for information)
- xiv) "Retired banks employees" means an employee retiring on superannuation.
- 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. (only for information)
- 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

Bank shall pay interest on deposits of money (other than current account deposits) accepted or renewed in its Domestic, Non-Resident (External) Accounts (NRE) deposit account on the terms and conditions specified in this Policy:

- (a) Bank shall have 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/branches.
- (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 Weekly holiday / holiday / non-business working day
 - i) If a term deposit is maturing for payment on a Weekly holiday / holiday / non-business working day, bank shall pay interest at the originally contracted rate on the original principal deposit amount for the Weekly holiday / 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

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 this policy, 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, subject to approval of such product by the Board.

7. Interest Rates on domestic Term Deposits

- (a) In addition to the conditions laid down in section 4 of this policy, interest rates on term deposits shall vary only on account of one or more of the following reasons:

i) Tenor of Deposits

Bank 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

Bank 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 bank and not be 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).

(c) Differential interest shall not be applicable to deposits under Long Term Deposit Scheme (Considered as Tier II capital) of the same tranche. All the terms & conditions including interest thereon of such LTDR shall be as per the permission received for the same from the regulator i.e. Reserve Bank of India.

8. Payment of Additional interest on domestic deposits.

(a) Bank shall, 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 bank's staff as well as to Managing Director who acts as the Chief Executive Officer of the bank drawing regular salary from the 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) Only permanent employees are eligible for additional rate of interest
- iv) 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 of 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
- (b) Bank shall, at its 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 and in case of death of the senior resident citizen the additional interest shall be payable till date of claim or till the date of maturity of a term deposit account, whichever is earlier.

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. Further, where an employee/retired employee or spouse of deceased employee is senior citizen, they shall not be eligible for additional rate of interest as senior citizen over and above additional interest being payable to them by virtue of being member of retired employees or spouse of retired employee.

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 this Policy.
- (b) 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 account or the contract

rate of interest on the matured term deposit, 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 at such intervals as permitted by RBI.
- (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 this policy.

13. Penalty on premature withdrawal of domestic term deposit

- a) Penalty by way of reduction of 1% in the applicable rate as per point (c) below, will be charged for premature withdrawal of term deposits.
- 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 premature withdrawal i.e., in the event of the payment of deposit being claimed before the maturity date: Interest will be paid at applicable rate for the amount and the period, for which the deposit has remained with the bank, as on the date of deposit and will be subject to levying of penalty as per point 13(a) above.
- d) 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

14. Interest rates on Rupee Deposits - Non-Residents

Interest on deposits of money accepted or renewed under NRE 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 this Policy.
- (b) Interest rates on savings deposits under Non-Resident (External) Rupee (NRE) Deposit shall be in accordance with section 6 of this Policy.
- (c) Interest rates on NRE term deposits shall vary only on account of one or more of the following reasons:

i) Tenor of Deposits:

Bank 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.

ii) Size of Deposits

Differential interest rate shall be offered only on bulk deposits

iii) Non-availability of Premature withdrawal option:

Banks shall have the freedom to offer NRE term deposits without premature withdrawal option, provided that all NRE 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 deposits shall not be higher than those offered by the bank on comparable domestic rupee term deposits.
- (e) The benefit of additional interest rate on deposits on account of being banks own staff or senior citizens shall not be available to NRE deposits.

- (f) Interest on savings deposits shall be credited at quarterly or at such intervals as permitted by RBI.

15. Prohibition on marking lien

Bank shall not mark any type of lien, direct or indirect, against NRE savings deposits.

16. Penalty on premature withdrawal of NRE deposits

- (a) No interest will be payable in case of premature payment of deposit within one year of deposit.
- (b) The components of penalty shall be reduction by 1% in applicable rate for premature withdrawal (as per point No.12 (c) above) and shall be clearly brought to the notice of the depositors at the time of acceptance of the deposits.

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)

Schemes shall be accepted by scheduled co-operative banks

(Authorized Dealer — Category I) only. **(Our Bank is not accepting these type of deposits,**

Therefore Section related to this area are not applicable to bank)

CHAPTER – VI

PROHIBITIONS AND EXEMPTIONS

28. Prohibitions

Bank 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, subject to policy approved by the board for their appointments.
- (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 mobilization.
- (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 bank for the particular period. Simple rate of interest per annum for the period of deposit shall 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 favoring 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) Co-operative banks shall not:
- 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 organizations / agencies listed in Schedule – I

Explanation

For the purpose 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.

29. Exemptions

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

- (a) A deposit received by the 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 18 (h) mentioned above {Master Direction of RBI 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 programs / 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

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