



THE KASARAGOD CO-OPERATIVE
TOWNBANK
LTD, No.970

POLICY ON PAYMENT OF INTEREST ON DEPOSITS

RES No. Dated

PREAMBLE

This policy on payment of interest on deposits aims to provide a comprehensive framework for calculating and disbursing interest on various deposit accounts offered by the Bank. It recognizes the importance of depositors and their interests, which are a key area of the regulatory framework for banking in India, as enshrined in the Banking Regulation Act, 1949, and the Reserve Bank of India's directives. The Bank is committed to transparency and fairness in its dealings with depositors, ensuring that interest payments are calculated and disbursed accurately and in accordance with the terms and conditions of each deposit account. This policy also aims to disseminate information regarding various aspects of acceptance of deposits from the members of the public, conduct and operations of various deposit accounts, payment of interest on various deposit accounts,

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CHAPTER – I: PRELIMINARY

It is our primary function to accept deposit and lend the funds for the needy by adhering to the procedures prescribed for it. Our Bank is accepting deposits from the customer's subject to the condition of payment of interest on such funds deposited with us. However, the payment of interest is depending upon the conditions stipulated for such payment based on the maturity of deposits, pre mature closure and withdrawal and continuation of deposits by renewing the deposits on it's maturity. For making the NIM more advantageous to the Bank, we are considering the funds available for lending after maintaining the statutory Reserves and possible earning capacity of such funds so that a fair offer of interest is possible to the customers who are reposing their trust with the Bank by depositing their valuable earnings with our Bank. The Bank shall pay interest on various deposit schemes (except Current Account) to the customers. We are offering various deposit schemes such as Savings Bank Deposits, Fixed deposits, Cumulative Deposits, Daily deposit schemes (applicable for Domestic depositors). The procedure for offering interest on these deposits is mentioned here below.

- a) Interest rates are uniform to all branches and depositors.
- b) No discrimination of interest rate for the deposits accepted on the same date except in the case of bulk deposits.
- c) Deposits from Co Operative societies and Non individual deposits accepted will be subjected to the supervisory decisions and may carry a different rate of interest vis-à-vis rate of interest offered to individuals, subject to compliance of paragraph 2.2 below.
- d) The interest rates offered shall be consistent, reasonable and transparent and will be made available for supervisory review/scrutiny as and when required.
- e) The payment is rounded off to the nearest rupee.
- f) For the deposits maturing on holidays, Bank will make payment of interest on the Principal till its maturity at the contracted rate and also for the intervening holidays till its succeeding working day on its contracted rate.

1. Definitions

In this Policy, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

1. "Bulk Deposit" means:Single Rupee term deposits of Rupees fifteen lakh and above.
2. "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;
3. "Daily Product" means the interest applied on the end of day balance.
4. "Demand Deposit" means a deposit received by the bank, which is withdrawable on demand;

5. "Domestic Rupee Deposits" mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
6. "Family" includes members as mentioned in the bank's Service/ Staff Regulations.
7. "Individual" means a natural person.
8. "Member of the bank's 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.
9. "Notice Deposit" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
10. An employee of the Bank means a person who is appointed by the Bank on its confirmed muster rolls or on probation and provisionally appointed on regular or contracted basis but does not include attending any casual work.
11. A retired employee means whose services has been terminated on attaining superannuation or voluntary retirement opted by such person, subject to the compliance of the terms in this regard, or resigned with the permission of the Bank, which does not include compulsory retirement, dismissal on imposing punishment on account of disciplinary action for dereliction of duties, frauds etc.
12. A resigned employee means an employee who has completed a continuous tenure of 20 years or more of service in the Bank.
13. "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.
14. "Term Deposit" means an 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.
15. "Senior Citizen" means any person who is aged 60 years or more.
16. 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

2. Interest Rate Framework

- 2.1. Bank shall pay interest on deposits of money (other than current account deposits) accepted by them or renewed by them in their domestic deposit account on the terms and conditions specified in this policy.
- 2.2. 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.
- 2.3. Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance.
- 2.4. The rates shall not be subject to negotiation between the depositors and the Bank.
- 2.5. The interest rates offered shall be reasonable, consistent, transparent, and available for supervisory review/ scrutiny as and when required.
- 2.6. All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee.
- 2.7. Deposits maturing on a Sunday/ holiday/ non-business working day:
 - 2.7.1. If a term deposit is maturing for payment on a Sunday/ holiday/ non-business working day, the 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.
 - 2.7.2. In case of reinvestment deposits and recurring deposits, the bank shall pay interest for the intervening non-business working day on the maturity value.
- 2.8. Consequence of transfer of branch of any other bank to our bank
 - 2.8.1. Deposit accounts transferred from another bank branch to our bank branch on account of takeover of bank branches in rural and semi-urban centers shall adhere to the following conditions:
 - 2.8.1.1. deposit accounts shall be deemed to be transferred to our bank and will continue to be governed by the terms of contract agreed to between the customer and the bank branch that is being taken over by us.
 - 2.8.1.2. the same rate of interest shall be payable till maturity on such transferred deposits, as was payable at the time of takeover of the branch.

CHAPTER – III: DOMESTIC RUPEE DEPOSITS

3. Interest Rate on Domestic Account

3.1. 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.

3.2. Interest Rate on Domestic Savings Deposit

In addition to the conditions laid down in Chapter – II above, interest on domestic rupee savings deposit shall be subject to the following:

3.2.1. Interest on domestic rupee savings deposits shall be calculated on a daily product basis paid half-yearly with a minimum of one rupee, as follows:

- 3.2.1.1. A uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit.
- 3.2.1.2. Differential rates of interest may be provided for any end-of-day savings bank balance exceeding Rupees one lakh.

3.3. Interest Rates on Domestic Term Deposits

3.3.1. In addition to the conditions laid down in Chapter II above, interest rates on term deposits shall vary only on account of one or more of the following reasons:

- 3.3.1.1. 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.

- 3.3.1.2. 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 announced by Government of India vide their notification No. 203/2006 dated July 28, 2006.

3.3.1.3. Non-availability of premature withdrawal option

Bank shall have the freedom to offer term deposits without premature withdrawal option.

3.3.2. Payment of interest on pre-mature withdrawal:

The interest rates applicable on term deposits withdrawn before the maturity date shall be as follows:

- 3.3.2.1. Interest shall be paid at 100 basis point below the rate applicable to the amount and period for which the deposit remained with the bank and not at the contracted rate.
- 3.3.2.2. No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period of seven days.

3.4. Payment of Additional Interest on Domestic Deposits

3.4.1. 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 a term deposits of bank's staff as well as on deposits of Chief Executive Officer or such other Executives appointed for a fixed tenure and drawing regular salary from the Bank, subject to the following conditions:

- 3.4.1.1. 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.
- 3.4.1.2. 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.
- 3.4.1.3. 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 savings or term deposit account opened with it during the period of deputation.
- 3.4.1.4. 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.
- 3.4.1.5. Chairman, Members of Board of Directors or Board of Management, who are not on the salary rolls of the Bank and associations of the staff members collectively with staff members of other organizations are not eligible for additional interest.

3.4.1.6. 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:

- i. member or a retired member of the bank's staff, either singly or jointly with any member or members of his/ her family, provided the first name in the case of joint deposits should be that of the staff member or retired staff member; or
- ii. the spouse of a deceased member or a deceased retired member of the bank's staff; and
- iii. an Association or a fund, the members of which are only the members of the bank's staff.

3.4.1.7. Serving or retired staff member, if a senior citizen, shall be eligible for the additional interest of one per cent over and above the half percent eligible in his capacity as senior citizen.

3.4.2. Fixed deposits or recurring deposits of senior citizens shall attract additional interest by 50 basis points above the regular rates as applicable to non-senior citizens.

3.5. Interest on Overdue Domestic Deposits

3.5.1. The rate of interest to be paid on renewal of overdue term deposits shall be subject to the stipulation contained in the paragraph 2 above. The matured deposits which are renewed after the due date, simple interest as applicable to savings deposit rate will be paid for the intervening period between the maturity date and date of renewal and the deposit will be renewed at the applicable rate on the date of renewal

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

3.6. Periodicity of Payment of Interest on Domestic Savings Deposit

- a) For SB Account on half yearly basis on every September 30th and March 31st..
- b) For term deposits: Monthly/Quarterly or at maturity as per the request of the depositor
- c) For RD accounts on maturity
- d) For daily deposit schemes on Maturity.
- e) For Deceased general deposits: Contracted rate till maturity and Domestic SB interest after maturity till settlement
- f) For deceased senior citizen deposits: interest at the contracted rate till maturity and domestic SB rate after maturity till settlement. In the case of joint account, the contracted interest will be paid till maturity even if the joint depositor/nominee/legal heir is not a senior citizen.

3.6.1. 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. Interest accrual on Frozen Term Deposits shall continue at the contracted rate or rate prevailing on the date of renewal till such time the payment

of principal is made to the customer. However, if freeze is on a term deposit, where the simple interest is paid periodically to the customer, such payments shall also be frozen and the interest thereafter will be made on compounded basis.

3.7. 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 paragraph 2 above.

3.8. Penalty on Premature Withdrawal of Domestic Term Deposit

3.8.1. In the case of premature withdrawal, rate of interest will be applicable to the period of which the deposit has run less 1% and not at the contracted rate.

3.8.2. If the deposit does not complete the prescribed minimum tenure, then it will not earn any interest for the period it remained with the Bank.

3.8.3. For extension of the existing deposit : The rate of interest on the date of the extension is allowed subject to the condition that the extended deposit will continue for more than the balance period of such closed accounts. The rate applicable for such closed accounts will be the rate applicable for the period deposit remained with the Bank. If the renewed deposit does not complete the minimum period after renewal, it will not earn any interest.

3.8.4. 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.

3.8.5. No penalty for premature withdrawal shall be levied, where depositors of the branch of a bank as mentioned in paragraph 2.8 above desire premature withdrawal of deposit consequent to the transfer of business to another bank.

CHAPTER – IV: PROHIBITIONS AND EXEMPTIONS

4. Prohibitions

The Bank shall not:

4.1. 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:

- a) commission paid to agents employed to collect door-to-door deposits under a special scheme.
- b) commission paid to Direct Selling Agents/ Direct Marketing Agents as part of the outsourcing arrangements by commercial banks
- c) remuneration paid to Business Facilitators or Business Correspondents.
- d) incentives granted to staff members as approved by Reserve Bank of India from time to time.

4.2. Offer prize/ lottery/ free trips (in India and/ or abroad), etc., or any other initiative having element of chance for mobilizing deposits. However, inexpensive gifts costing not more than Rupees 250/- which is the amount prescribed by the Indian Banks' Association (IBA) as part of the Ground Rules and Code of Ethics framed by them, may, at the Bank's discretion, be given to depositors at the time of accepting deposits.

4.3. 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.

4.4. 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 should be indicated invariably.

4.5. Accept interest-free deposit other than in current account or pay compensation indirectly.

4.6. 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 otherwise, for such clients receiving such deposits on maturity.

4.7. Grant advances against term deposits maintained with other banks.

4.8. 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.

4.9. Create any fund to be utilized for charitable purposes in consultation with the depositors.

5. Exemptions

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

- 5.1. A deposit received by the bank:
 - a) from the institutions permitted to participate in the Call/Notice/Term Money Market both as lenders and borrowers.
 - b) for which it has issued a participation certificate.
- 5.2. 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 29.8 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 authorization 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.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN