

5th September, 2009

Model Policy on Bank Deposits (Comprehensive Deposit Policy)

Preamble

One of the important functions of the Bank is to accept deposits from the public for the purpose of lending. The depositors and their interests form the key area of the regulatory framework for banking in India and this has been enshrined in the Banking Regulation Act, 1949. The Reserve Bank of India is empowered to issue directives/ advices on interest rates on deposits and other aspects regarding conduct of deposit accounts from time to time. With liberalization in the financial system and deregulation of interest rates, banks are now free to formulate deposit products within the broad guidelines issued by RBI.

This policy document on deposits outlines the guiding principles in respect of formulation of various deposit products offered by the Bank and terms and conditions governing the conduct of the account. The document recognizes the rights of depositors and aims at dissemination of information with regard to various aspects of acceptance of deposits from the members of the public, conduct and operations of various deposits accounts, payment of interest on various deposit accounts, closure of deposit accounts, method of disposal of deposits of deceased depositors, etc., for the benefit of customers.

POLICY:

This document is a broad framework under which the rights of common depositors are recognized. Detailed operational instructions on various deposit schemes and related services will be issued from time to time. This policy is framed in terms of RBI Master Circular on Customer Service in Banks dated 01 July 2009.

Types of Deposit Accounts

1. Various deposit products offered by the Bank are assigned different names. The deposit products can be categorized broadly into the following types. Definitions of major deposits schemes are as under:
 - A. “Demand deposits” means a deposit received by the Bank which is withdrawable on demand;
 - B. “Savings deposits” means a form of demand deposit which is subject to restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the Bank during any specified period;

- C. “Term deposit” means deposits received by the Bank for a fixed period withdrawable only after the expiry of the fixed period (though preclosure is also allowed) and include deposits such as Recurring / Fixed Deposits etc.
- D. “Current Account” means a form of 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 will also include other deposit accounts which are neither Savings Deposit nor Term Deposit;

2. Key Features on operation of different types of accounts

A. Account Opening and Operation of Deposit Accounts

- ❖ The Bank before opening any deposit account will carry out **customer** due diligence as required under “Know Your Customer” (KYC) guidelines issued by RBI and or such other norms or procedures adopted by the Bank. If the decision to open an account of a prospective depositor requires clearance at a higher level, reasons for any delay in opening of the account will be informed to the customer and the final decision of the Bank will be conveyed at the earliest to the customer.
- ❖ The account opening forms and other material would be provided to the prospective depositor by the Bank. The same will contain details of information to be furnished and documents to be produced for verification and or for record, it is expected of the Bank official opening the account, to explain the procedural formalities and provide necessary clarifications sought by the prospective depositor when he approaches for opening a deposit account.
- ❖ For deposit products like Savings Bank Account and Current Deposit Account, the Bank will normally stipulate certain minimum balances to be maintained as part of terms and conditions governing operation of such accounts. Failure to maintain minimum balance in the account will attract levy of charges as specified by the Bank from time to time. For Saving Bank Account, the Bank may also place restrictions on number of transactions, cash withdrawals, etc., for given period. Similarly, the Bank may specify charges for issue of cheques books, additional statement of accounts, duplicate passbook, folio charges, etc. All such details, regarding terms and conditions for operation of the accounts and schedule of charges for various services provided will be communicated to the prospective depositor while opening the account or from time to time as the case may be.
- ❖ Savings Bank Accounts can be opened for eligible person/ persons and certain organizations/ agencies (as advised by Reserve Bank of India (RBI) from time to time)
- ❖ Current Accounts can be opened by individuals/ partnership firms/ Private and Public Limited Companies/ HUFs/ Specified Associates/ Societies/ Trusts etc.
- ❖ Term Deposits Accounts can be opened by individuals/ partnership firms/ Private and Public Limited Companies/ HUFs/ Specified Associates/ Societies/ Trusts etc.

- ❖ The **customer** due diligence process, while opening a deposit account will involve satisfying about the identity of the person and address, satisfying about his occupation and source of income and obtaining recent photograph of the person/s opening/ operating the account. Obtaining introduction of the prospective depositor from a person acceptable to the Bank may also be used for customer due diligence.
- ❖ In addition to the due diligence requirements, under KYC norms the Bank is required by law to obtain Permanent Account Number (PAN) or General Index Register (GIR) Number or alternatively declaration in Form No. 60 or 61 as specified under the Income Tax Act/ Rules.
- ❖ Deposit accounts can be opened by an individual in his own name (status: known as account in single name) or by more than one individual in their own names (status: known as Joint Account). Savings Bank Account can also be opened by a minor jointly with natural guardian or with mother as the guardian (Status: known as Minor's Account). Minors above the age of 14 will also be allowed to open and operate saving bank account independently.
- ❖ Operation of Joint Account: The Joint Account opened by more than one individual can be operated by single individual or by more than one individual jointly. The mandate for operating the account can be modified with the consent of all account holders. The Savings Bank Account opened by minor jointly with natural guardian/ guardian can be operated by natural guardian only till the minor attains majority.
- ❖ The joint account holders can give any of the following mandates for the disposal of balance in the above accounts:
 - Either or Survivor: If the account is held by two individuals say, A & B, the final balance along with interest, if applicable, will be paid to survivor on death of anyone of the account holders.
 - Anyone or Survivor/s: If the account is held by more than two individuals say, A, B and C, the final balance along with interest, if applicable, will be paid to the survivor on death of any two account holders.

The above mandates will be applicable to or become operational during the tenure of the term deposit and on or after the date of maturity of term deposits. This mandate can be modified by the consent of all the account holders.

- ❖ At the request of the depositor, the Bank will register mandate/ Power of Attorney given by the customer authorizing another person to operate the account on his behalf.
- ❖ The term deposit account holders at the time of placing their deposits can give instructions with regard to closure of deposit account or renewal of deposit for further period on the date of maturity.
- ❖ Nomination facility is available on all deposit accounts opened by individuals. Nomination is also available to a sole proprietary concern account. Nomination can be made in favor of one individual only. Nomination so made can be cancelled or changed by the account holder/s any time. Nomination can be modified by the consent of account holder/s. Nomination can be made in favor of a minor also.
- ❖ Bank recommends that all depositors avail nomination facility. The nominee, in the event of death of the depositor/s, would receive the balance outstanding in the account as a trustee of legal heirs. The depositor will be informed of the advantages of the nomination facility while opening a deposit account.

- ❖ Statement of account will be provided by the Bank to Savings Bank as well as Current Deposit Account Holders periodically as per terms and conditions of opening of the account.
- ❖ The deposit accounts may be transferred to any other branch of the Bank at the request of the depositor.

B. Minors' Accounts

- Minor can open Savings Bank Account and the same can be operated by the natural guardian or by minor himself/ herself, if he/ she is above the age of 14 years.
- On attaining majority, the erstwhile minor should confirm the balance in his/ her account and if the account is operated by the natural guardian/ guardian, fresh specimen signature of erstwhile minor duly verified by the natural guardian would be obtained and kept on record for all operational purposes.

C. Account of Illiterate/ Blind Person

The Bank may at its discretion open deposit accounts other than Current Accounts of illiterate person. The account of such person may be opened provided he/ she calls on the Bank personally along with a witness who is known to both the depositor and the Bank. At the time of withdrawal/ repayment of deposit amount and/ or interest, the account holder should affix his/ her thumb impression or mark in the presence of the authorized officer who should verify the identity of the person. The Bank will explain the need for proper care and safe keeping of the passbook etc. given to the account holder. The Bank official shall explain the terms and conditions governing the account to the illiterate/ blind person.

Banking facilities like cheque book facility, operation of locker, depository operations will be offered to visually challenged without any discrimination.

D. Addition or Deletion of the Name/s of Joint Account Holders

The bank may at the request of all the joint account holders allow addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint account holder.

E. Dormant Accounts

Status of accounts which are not operated for a considerable period of time (as defined by the Regulator) will be changed to dormant/ inoperative account status in the interest of the depositor as well as the Bank. The depositor will be informed of charges, if any, which the Bank will levy on dormant/ inoperative accounts. The depositor can request the Bank to activate the account for operating it.

3. Directives on interest payment and term deposits

A. Interest Payments

- a. Interest shall be paid on saving account at the rate specified by Reserve Bank of India directive from time to time. However, term deposit interest rates are decided by the Bank **within the general guidelines issued by the Reserve Bank of India from time to time.**
- b. The rate of interest on deposits will be prominently displayed in the branch premises. Changes, if any, with regard to the deposit schemes and other related services shall also be communicated upfront by prominently displaying it at branch premises and on the website.
- c. Bank has statutory obligation to deduct tax at source if the total interest paid/ payable on all term deposits held by a person exceeds the amount specified under the Income Tax Act. The Bank will issue a tax deduction certificate (TDS Certificate) for the amount of tax deducted. The depositor, if entitled to exemption from TDS can submit declaration in the prescribed format at the beginning of every financial year.
- d. In terms of Reserve Bank of India's directives, interest shall be calculated at quarterly intervals on term deposits and paid at the rate decided by the Bank depending on the period of the deposit. In case of monthly deposit schemes, interest shall be calculated for the quarter and paid monthly at discounted value. **The interest on term deposits is calculated by the Bank in accordance with the formulae and conventions advised by Indian Banks association**

B. Premature Withdrawal of Term Deposit

The Bank on request from the depositor, at its discretion may allow withdrawal of term deposit before completion of the period of the deposit agreed upon at the time of placing the deposit. **The Bank shall declare their penal interest rates for premature withdrawal of term deposit. The Bank shall make depositors aware of the applicable rate along with the deposit rate.**

C. Premature Renewal of Term Deposit

In case the depositor desires to renew the deposit by seeking premature closure of an existing term deposit account, the bank will permit the renewal at the applicable rate on the date of renewal, provided the deposit is renewed for a period longer than the balance period of the original deposit. While prematurely closing a deposit for the purpose of renewal, interest on the deposit for the period it has remained with the bank will be paid at the rate applicable to the period for which the deposit remained with the bank and not at the contracted rate.

D. Renewal of Overdue Term Deposits

When a term deposit is renewed on maturity, on renewed deposit interest rate for the period specified by the depositor as applicable on the date of maturity would be applied. If request for renewal is received after the date of maturity, such overdue deposits will be renewed with

effect from the date of maturity at interest rate applicable as on the due date, provided such request is received within 14 days from the date of maturity. If request for renewal is received after 14 days from the date of maturity, such deposits will be renewed with effect from the date of receipt of request.

E. Advances Against Deposits

The Bank may consider request of the depositor/s for loan/ overdraft facility against term deposits duly discharged by the depositor/s on execution of necessary security documents. The Bank may also consider loan against deposit standing in the name of minor, however, a suitable declaration stating that loan is for the benefit of the minor, is to be furnished by the depositor -applicant.

4. Deceased account handling

A. Settlement of Dues in Deceased Deposit Account

- a. If the depositor has registered nomination with the Bank, the balance outstanding in the account of the deceased depositor will be transferred to the account of/ paid to the nominee after the Bank satisfies about the identity of the nominee, etc.
- b. The above procedure will be followed even in respect of a joint account where nomination is registered with the Bank.
- c. In a joint deposit account, when one of the joint account holders dies, the Bank is required to make payment jointly to the legal heirs of the deceased person and the surviving depositor(s). However, if the joint account holders had given mandate for disposal of the balance in the account in the forms such as “either or survivor, former/latter or survivor, anyone of survivors or survivor; etc., the payment will be made as per the mandate to avoid delays in production of legal papers by the heirs of the deceased.
- d. In the absence of nomination and when there are no disputes among the claimants, the Bank will pay the amount outstanding in the account of deceased person against joint application and indemnity by all legal heirs or the person mandated by the legal heirs to receive the payment on their behalf without insisting on legal documents up to the limit approved by the bank’s management. This is to ensure that the common depositors are not put to hardship on account of delays in completing legal formalities.
- e. Bank shall adhere to existing policy on “Settlement of Claims in respect of deceased depositors”, in place.

B. Interest Payable on Term Deposit in Deceased Account

- a. In the event of death of the depositor before the date of maturity of deposit and amount of the deposit is claimed after the date of maturity, the Bank shall pay interest at the contracted rate till the date of maturity. From the date of maturity to the date of payment, the Bank shall pay simple interest at the applicable rate obtaining on the date of maturity, for the period for which the deposit remained with the Bank beyond the date of maturity; as per the Bank's policy in this regard.
- b. However, in the case of death of the depositor after the date of maturity of the deposit, the bank shall pay interest at savings deposit rate obtaining on the date of maturity from the date of maturity till the date of payment.

5. Facilitation of Other Banking Services

A. Stop Payment Facility

The Bank will accept stop payment instruction from the depositors in respect of cheques issued by them. Charges, as specified, will be recovered.

B. Safe Deposit Lockers

This facility is not offered through all bank branches and wherever the facility is offered, allotment of safe deposit vault will be subject to availability and compliance with other terms and conditions attached to the service. Bank has an approved Locker Policy in place.

6. Safeguarding Customer Interests

A. Customer Information

The information provided by the customer for KYC compliance while opening an account is confidential. Banks shall treat the information collected from the customer for the purpose of opening of account as confidential and not divulge any details thereof without the consent of the customer.

B. Secrecy of Customer's Accounts

The Bank shall not disclose details/ particulars of the customer's account to a third person or party without the expressed or implied consent from the customer. However, there are some exceptions, viz. disclosure of information under compulsion of law, where there is a duty to public to disclose and where interest of the Bank requires disclosure.

C. Insurance Cover for Deposits

All bank deposits are covered under the insurance scheme offered by Deposit Insurance and Credit Guarantee Corporation of India (DICGC) subject to certain limits and conditions. The details of the insurance cover in force will be made available to the depositor.

D. Redressal of Complaints and Grievances

Depositors having any complaint/ grievance with regard to services rendered by the Bank have a right to approach authority (ies) designated by the Bank for handling customer complaint/ grievances. The details of the internal set up for redressal of complaints/ grievances will be displayed in the branch premises. The branch officials shall provide all required information regarding procedure for lodging the complaint. In case the depositor does not get response from the Bank within one month from date of complaint or he is not satisfied with the response received from the Bank, he has a right to approach Banking Ombudsman appointed by the Reserve Bank of India.

7. Policy Revision: This policy is subject to revision based on the extant RBI guideline from time to time