



hpsc
(Scheduled Bank)

हिमाचल प्रदेश राज्य सहकारी बैंक सीमित
H.P. State Co-operative Bank Ltd.

HPStCB – POLICY FOR INTEREST RATES ON DEPOSITS 2023-24

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Preamble

The Bank has issued various instructions to Branches and Controlling Offices on interest rates on deposits from time to time. It has been observed that there is a need to dovetail all the existing instructions in the shape of a master circular for the convenience of the branches as well as controlling offices. With an objective of bringing together all the extant instructions and also with reference to Reserve Bank of India Master Direction DCBR.Dir.No.1/13.01.000/2015-16, May 12, 2016 "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, which shall apply to every co-operative bank licensed or permitted to carry on banking business in India, the following policy guidelines / operational instructions have been put in place.

1. Definition of terms used:

- (a) With reference to the directions contained, 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) **"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.
 - iii) **"Daily product"** means the interest applied on the end of day balance.
 - iv) **"Demand deposit"** means a deposit received by the bank, which is withdrawable on demand;
 - v) **"Domestic Rupee Deposits"** mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
 - vi) **"Family"** includes members as mentioned in the banks Service/Staff Regulations.
 - vii) **"Individual"** means a natural person.
 - viii) **"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.
 - ix) **"Notice deposit"** means term deposit for specific period but withdrawable on giving at least one complete banking days' notice, where so ever applicable.
 - x) **"Retired member of the banks staff"** means an employee retiring whether on superannuation or otherwise as provided in the banks Service/Staff Regulations.
 - xi) **"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;

- xii) **"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.

2. Interest Rate framework

The bank shall pay interest on deposits of money (other than current account deposits) accepted by it or renewed by it in its Domestic 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 bank's branches / 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 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.
- (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, 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.
 - ii) In case of reinvestment deposits and recurring deposits, the bank shall pay interest for the intervening non-business working day on the maturity value.

With reference to ensuring disclosure of interest rates in advance and interest rates

to be reasonable, consistent and transparent, the Bank has constituted **Asset Liability Committee (ALCO)** vide Head Office Order No.171/2007 dated 24.09.2007 which examines, inter alia, interest rate risk. Accordingly, interest rates on deposits are decided in the meeting of ALCO, as and when required, and the same are placed for ratification / approval before the Board of Directors, from time to time. The Board of Directors vide its resolution No.18 dated 22.05.2018 has authorized the ALCO to revise rates of interest on deposits and loans as and when deemed necessary, subject to ratification by the Board.

3. 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.

4. Interest Rate on domestic Saving Deposits

In addition to the conditions laid down in section 2 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 uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit.
- Differential rates of interest may be provided for any end-of-day savings bank balance exceeding Rupees one lakh.

With reference to guidelines under 4 above, the Bank has been paying the following interest rates to different categories of customers as under with effect from 03.05.2011 irrespective of the amount in the Saving Bank account:

Sr. No.	Category of Saving Bank Depositor	Interest rate on SB deposits			
		HOGC 45/2011 dated 03.05.2011	HOGC 03/2020 dated 04.04.2020	HOGC 82/2020 dated 05.09.2020	HOGC 137/2022 dated 29.10.2022**
1	General	4.00%	3.75%	3.00%	2.80%
2	PACS & Bank's Staff	4.50%	4.25%	3.50%	3.30%
3	Senior Citizen	4.50%	3.75%	3.00%	2.80%

**Present rates on saving deposits

However, the Bank may, if need arises consider to revise general rate of interest or pay differential rate of interest for any end of day savings bank balance exceeding Rupees one lakh, in future. In such an event, the bank will issue necessary guidelines

to the branches.

The necessary guidelines for calculation of interest on Saving Bank deposits on daily product basis with effect from 1st April 2010 have been circulated vide HOGC No.52/2010 dated 11.06.2010.

5. Interest Rates on domestic Term Deposits

(a) In addition to the conditions laid down in section 2 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

The bank shall have freedom to determine the maturity / tenor of deposits subject to the condition that minimum tenor of the deposit offered shall be seven days.

With reference to clause 5(a)(i), the maximum period of a term deposit will be 120 months. However, in special cases, say, under the order of a court of Law or where interest of a minor is involved and in the case of institutions, government undertakings, corporate bodies to meet their special needs like creation of a sinking fund / amortization fund etc. or for individuals for any other special needs by way of accounts opened under special recurring / cumulative deposit scheme, the deposit may be accepted for periods over 10 years. However, the period of deposit should not exceed 20 years.

ii) Size of Deposits

Differential interest rate shall be offered only on bulk deposits,

The Chairman and Managing Director Bank are authorized to allow upto 1% interest over and above normal rate of interest on the sizeable deposits of different Corporations , Boards, individuals and Government departments (BoD resolution No.7 dated 28.11.1998)

iii) Non- availability of premature withdrawal option

The 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 fifteen lakh and below shall have premature-withdrawal-facility.

The extant guidelines of the bank provide for / permit pre-mature withdrawal subject to levy of 1% penalty subject to such exceptions as given under clause 11 of these policy guidelines.

(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 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 5(a)(i), which is seven days.

6. Payment of Additional Interest on domestic deposits

The bank shall, at its 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 of Co-operative Banks, 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 that 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;
- (a) The bank will, 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.

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.

In this context, the Bank is presently offering 0.50% higher rate of interest to senior

citizens as well as bank staff over and above the normal rate of interest, subject to change / amendment from time to time.

- (b) The bank shall, at its discretion, give its 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.

7. 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 2 of these Directions.
- b. 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.

8. Renewal of Overdue Term Deposits

- (i) In case the overdue 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 deposit so renewed shall be the rate of interest as prevailing on the date of maturity or on the date of renewal whichever is higher.
- (ii) In case of the deposits, where overdue period from the date of maturity till the date of renewal (both the days inclusive) exceed 14 days. The Bank shall pay the rate of interest applicable to savings accounts or the contracted rate of interest on the matured TD, whichever is lower.
- (iii) 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.
- (iv) In case of absence of any instructions deposits will be treated as an auto renewal deposit and would be renewed for a similar period as that of matured deposit at the prevailing rate on due date. (Except the Tax Saver deposits)

9. 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.

With reference to guidelines under 9(a) above, the bank is crediting interest on Saving Bank accounts at half yearly intervals on 30th September and 31st March for the period 1st April to 30th September and 1st October to 31st March respectively. (HOGC No.52/2010 dated 11th June 2010)

10. 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 2 of these Directions.

In this context, the guidelines for the payment of interest on the term deposits of a deceased depositor have circulated vide Head Office General Circular No.73/2003 dated 28.07.2003 which states that in case of death of the depositor, interest shall be paid at saving deposit rates, operative on the date of maturity of the deposit. The interest so payable shall be from the date of maturity of the deposit till the date of actual payment to the nominee / legal heirs of the depositor.

The Bank has circulated guidelines for speedy and hassle free settlement of claims on the death of a depositor vide Head Office General Circular No. 112/2022 dated 3rd September 2022.

11. Penalty on premature withdrawal of domestic term deposit

- a. The Bank's policy approved by the Board of Directors or any Committee of the Board to which powers have been delegated, on penalties for premature withdrawal of term deposits will be as under:
 1. The components of penalty will be clearly brought to the notice of the depositors at the time of acceptance of deposits. If not, no penalty will be levied.
 2. 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.

Pursuant to Clause 11 (a) above and also taking into account clause 5(b)(i) above, the Bank's policy on premature withdrawal of term deposit (HOGC No.82/2001 dated 20.9.2001) will be:

- (i) No interest will be paid if the term deposit has remained with the bank for a period less than 7 days
- (ii) For term deposits which have remained for seven days and above, on premature withdrawal of such term deposits interest will be paid at the rate applicable for the period for which the deposit remained with the bank or the contracted rate whichever is lower less penalty of 1% or as applicable.
- (iii) However, in exceptional cases such as
 - (a) terminal illness of customer,
 - (b) death of the customer,
 - (c) if the deposit is prematurely closed for the purpose of investment to any other term deposit scheme of the bank provided that the deposit remains with the bank after the re-investment for a period longer than the remaining period of the original contract,
 - (d) Government Bulk Deposits,
 - (e) Order / directions of Competent Court of Law

The Bank may consider to allow waiving of penalty on premature withdrawal on bulk deposits as well as retail deposits.

The Managing Director will be authorized to consider proposals of pre-mature withdrawal in case of exceptional cases listed under (a), (d) & (e) above; whereas

the concerned Branch Manager(s) will be the authorized officer for considering cases listed under (b) and (c) above.

12. Prohibitions

The 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.
 - 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 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 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 organizations / 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. Create any fund to be utilized for charitable purposes in consultation with the depositors.

13. 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.

14. Amendments

The Managing Director is authorized by the Board of Directors to bring necessary amendments in the policy guidelines, from time to time, as and when required, subject to its ratification by the Board of Directors.

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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.	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
7.	Development of Women and Children in Rural Areas (DWCRA)
8.	Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members
9.	Farmers Clubs - Vikas Volunteer Vahini – VVV
10	Institutions other than those mentioned in section 12(h) and whose entire income is exempt from payment of income-tax under Income-Tax Act, 1961



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