

## **2.9 Deposit Scheme for Senior Citizens**

(i) Banks have been permitted to formulate, with the approval of their Boards of Directors, fixed deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size. These schemes should also incorporate simplified procedures for automatic transfer of deposits to the nominee of such depositors in the event of death. The above additional interest is not applicable to any type of non-resident deposits.

(ii) In the case of a term deposit which is standing in the name of an HUF, the Karta of the Hindu Undivided Family (HUF) cannot be offered higher rate of interest, even if he is a resident Indian senior citizen, as the beneficial owner of the deposit is the HUF and not the Karta in his individual capacity.

## **2.10 Premature withdrawal of term deposit**

(i) A bank, on request from the depositor, should allow withdrawal of a term deposit before completion of the period of the deposit agreed upon at the time of making the deposit. The bank will have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. The bank should ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. While prematurely closing a deposit, interest on the deposit for the period that 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. No interest is payable, where premature withdrawal of deposits takes place before completion of the minimum period prescribed. Prior to April 1, 2013, the bank had discretion to disallow premature withdrawal of large deposits held by entities other than individuals and HUFs.. With effect from April 1, 2013, banks will have the discretion to disallow premature withdrawal of a term deposit in respect of bulk deposit of Rupees one crore and above of all depositors, including deposits of individuals and HUFs. The bank should, however, notify such depositors of its policy of disallowing premature withdrawal in advance, i.e., at the time of accepting such deposits. A bank on request from a depositor shall allow withdrawal of a Rupee term deposit of less than Rupees one crore, before completion of the