

FAQs on Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025

Q 1. Whether banks can accept interest-free deposits?

Ans. Banks can accept interest free deposits only in current account in terms of paragraph 29.5 of Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025.

Q 2. What is meant by Reinvestment Deposit?

Ans. In terms of paragraph 4.22 of Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025, reinvestment deposits are those deposits where interest (as and when due) is reinvested at the same contracted rate till maturity which is withdrawable with the principal amount on maturity date.

Q 3. Whether banks can pay additional interest admissible to bank's staff on the deposit placed in the name of minor child/ children of the deceased member of staff?

Ans. No. In terms of paragraph 9.1.6 of these Directions, children (including minor) are not eligible for additional interest admissible to deceased member of the bank's staff.

Q 4. Whether additional interest admissible to bank's staff can be paid on the compensation awarded by the court to a minor child and deposited in the joint name of minor child and parent?

Ans. No. As the money belongs to the minor child and not the bank's staff, additional interest cannot be paid, in terms of paragraph 9.1.6 of these Directions.

Q 5. Whether banks can give additional rate of interest on term deposits of member / retired member of the bank staff (held jointly with member /members of the family) if the name of the staff is appearing in second or third order?

Ans. No. In terms of paragraph 9.1.6 of these Directions, the benefit of additional interest on term deposits held by bank's staff member/ retired staff member singly or

jointly with family members is only available where the staff member/ retired staff member is the principal account holder.

Q 6. Whether banks can levy penalty in case of partial premature withdrawal?

Ans. Provisions related to penalty are contained in paragraph 15 of these Directions. The detailed procedure for premature withdrawal including partial premature withdrawal are determined by the banks in terms of their comprehensive Board approved policy.

Q 7. Whether banks can open savings bank account in the name of Government Departments/ Government schemes?

Ans. In terms of paragraph 29.8 of these Directions, savings bank account can be opened in the name of only those Government Department/ Government Schemes given in Schedule-I of [Master Direction - Reserve Bank of India \(Interest Rate on Deposits\) Directions, 2025.](#)

Q 8. Whether banks can open savings bank account in the name of private entities for implementation of Government funding schemes?

Ans. No. In terms of paragraph 29.8 read with item (vii) of Schedule-I of these Directions, savings bank account cannot be opened in the name of a private entity for implementation of the Government funding schemes.

Q 9. Whether societies registered under respective State Co-operatives Societies Act, are eligible for opening savings bank account?

Ans. No. In terms of item (iv) of Schedule-I to paragraph 29.8 of these Directions, societies registered under Societies Registration Act, 1860 (SRA,1860) or societies registered under any other law in force in a State or a Union Territory with the same object & purpose of promoting literary, scientific, and charitable activities as the SRA,1860, are eligible to open savings bank account with banks. Accordingly, savings bank accounts cannot be opened in the name of any other society/societies.

Q 10. What rate of interest shall be provided by banks on overdue domestic term deposits?

Ans. In terms of paragraph 10.2, if a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the bank will attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower.

Q 11. At what rate the interest is payable on the matured domestic deposit standing in the name of deceased depositor?

Ans. In terms of paragraph 13 read with paragraph 5 of these Directions, 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, will be as per comprehensive policy duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.

Q 12. Whether banks can levy penalty for premature withdrawal?

Ans. Yes. In terms of paragraphs 15, 18 and 27 of [Master Direction - Reserve Bank of India \(Interest Rate on Deposits\) Directions, 2025](#), banks can levy penalty for premature withdrawal as per the comprehensive policy approved by their Board of Directors. The components of penalty should be clearly brought to the notice of the depositors at the time of acceptance of deposits.

Q 13. Whether banks can accept recurring deposits under FCNR(B) Scheme?

Ans. No. As per paragraph 20.2.1 of these Directions, banks cannot accept recurring deposits under FCNR(B) Scheme.

Q 14. What is the rate of interest paid in case of renewal of FCNR(B) deposits?

Ans. In terms of paragraph 22 of these Directions, interest will be paid as per following:

- i. If the 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 the deposit so renewed shall be the appropriate rate of interest for the period

of renewal as prevailing on the date of maturity or on the date when the depositor seeks renewal, whichever is lower.

- ii. In all other cases of renewal, interest rates for the overdue period on the renewed amount shall be determined by treating it as a fresh term deposit.
- iii. If, after renewal, the deposit is withdrawn before completion of the minimum stipulated period under the scheme, banks authorized under FEMA, 1999 may, at their discretion, recover the interest paid for the overdue period i.e., period beyond the original date of maturity.

Q 15. Whether banks can pay any fees /brokerage/commission for mobilizing deposits?

Ans. No. In terms of paragraph 29.1 of these Directions, banks cannot 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. commission paid to Direct Selling Agents/ Direct Marketing Agents as part of the outsourcing arrangements by commercial banks
- iii. remuneration paid to Business Facilitators or Business Correspondents.
- iv. incentives granted to staff members of co-operative banks as approved by Reserve Bank of India from time to time.