

**Draft Reserve Bank of India (Urban Co-operative Banks – Interest Rate on Deposits) Directions, 2025**

**DRAFT FOR COMMENTS**

RBI/2025-26/--

DOR.SOG(SPE).REC.No./00.00.000/2025-26

XX, 2025

**Reserve Bank of India (Urban Co-operative Banks – Interest Rate on Deposits)  
Directions, 2025**

**Table of Contents**

Chapter I	: Preliminary .....	3
A.	Introduction.....	3
B.	Short Title and Commencement.....	3
C.	Objective .....	3
D.	Applicability .....	3
E.	Definitions.....	3
Chapter II	: General Guidelines (Interest Rate Framework) .....	6
Chapter III	: Domestic Rupee Deposits .....	8
A.	Interest Rate on Domestic Current Account.....	8
B.	Interest Rate on Domestic Savings Deposit.....	8
C.	Interest Rate on Domestic Term Deposits .....	8
D.	Payment of Additional Interest on Domestic Deposits .....	9
E.	Interest on Overdue Domestic Deposits.....	10
F.	Floating Rate Domestic Term Deposits.....	11
G.	Periodicity of Payment of Interest on Domestic Savings Deposit .....	11
H.	Interest Payable on the Domestic Deposit Account of Deceased Depositor .....	11
I.	Penalty on Premature Withdrawal of Domestic Term Deposit.....	11
Chapter IV	: Rupee Deposits of Non-Residents .....	12
A.	Interest Rate on Rupee Deposits - Non-Residents .....	12
B.	Prohibition on Marking Lien.....	13
C.	Penalty on Premature Withdrawal of Non-Resident External (NRE) Deposits .....	13
D.	Interest Payable on the Non-Resident External (NRE) Term Deposit Account of Deceased Depositor .....	13
Chapter V	: Foreign Currency Deposits .....	14
A.	Foreign Currency (Non-Resident) Accounts (Banks) Scheme .....	14
B.	Manner of Calculation of Interest on Foreign Currency (Non-Resident) Accounts .....	

(Banks) {FCNR(B)} Deposits .....	15
C. Calculation of Interest on Renewal of Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Deposits .....	15
D. Interest Payable on the Deposit of a Deceased Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Depositor .....	16
E. Payment of Interest on Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Deposits of Non-Resident Indians (NRIs) on Return to India .....	16
F. Conversion of Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Accounts of Returning Indians into Resident Foreign Currency (RFC) Accounts / Resident Rupee Accounts - Payment of Interest.....	17
G. Premature Withdrawal of Foreign Currency Deposits.....	17
H. Penalty on Premature Withdrawal of Foreign Currency Deposits.....	17
I. Resident Foreign Currency Accounts Scheme .....	18
Chapter VI : Prohibitions and Exemptions .....	19
A. Prohibitions.....	19
B. Exemptions.....	20
SCHEDULE- I .....	21
Chapter VII : Repeal and Other Provisions .....	22
A. Repeal and saving.....	22
B. Application of other laws not barred .....	22
C. Interpretations .....	22

## **Chapter I: Preliminary**

### **A. Introduction**

1. In exercise of the powers conferred under Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, and all the powers enabling it in this behalf, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

### **B. Short Title and Commencement**

2. These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks - Interest Rate on Deposits) Directions, 2025.

3. These Directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India.

### **C. Objective**

4. These Directions provide a framework for Urban Co-operative Banks to follow while formulating their policies on Interest Rate on Deposits.

### **D. Applicability**

5. These Directions shall be applicable to Urban Co-operative Banks (hereinafter collectively referred to as 'banks' and individually as a 'bank').

*In this context, 'Urban Co-operative Banks (UCBs)' shall mean Primary Co-operative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949.*

### **E. Definitions**

6. In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

(1) 'Alternative Reference Rate (ARR)' means any widely accepted ARR for the respective currency as prescribed in RBI circular on Roadmap for LIBOR Transition issued vide CO.FMRD.DIRD.S39/14.02.001/2021-22 dated July 08, 2021.

(2) 'Bulk Deposit' means

(i) Single Rupee term deposits of ₹1 crore and above for Tier 3 and Tier 4 Scheduled Primary (Urban) Co-operative Banks (UCBs) as defined under

Reserve Bank of India (Urban Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025.

(ii) Single Rupee term deposits of ₹15 lakh and above for other Co-operative Banks (i.e., other than Tier 3 and 4 Scheduled Primary UCBs mentioned above).

(3) '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.

(4) 'Daily Product' means the interest applied on the end of day balance.

(5) 'Demand Deposit' means a deposit received by a bank, which is withdrawable on demand.

(6) 'Domestic Rupee Deposits' mean rupee deposits maintained in India in the form of current account, savings deposit or term deposit.

(7) 'Family' includes members as mentioned in a bank's Service / Staff Regulations.

(8) 'FCNR(B) Account' means a Foreign Currency Non-Resident (Bank) account referred to in Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

(9) 'Hindu Undivided Family' (HUF) means HUF as defined under Income-tax Act, 1961.

(10) 'Individual' means a natural person.

(11) '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 for 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.

(12) 'Notice Deposit' means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.

(13) 'NRE Account' means a Non-Resident External deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time

to time.

(14) 'NRO Account' means a Non-Resident Ordinary deposit account referred to in Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

(15) 'Reinvestment deposits' refers to 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.

(16) 'Retired Member of the bank's Staff' means an employee retiring whether on superannuation or otherwise as provided in the bank's Service / Staff Regulations.

(17) 'RFC Account' means a Resident Foreign Currency account referred to in Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2016, as amended from time to time.

(18) '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 a bank during any specified period.

(19) 'Scheduled Co-operative Bank' means a State Co-operative Bank and a Primary (Urban) Co-operative Bank included in Second Schedule of Reserve Bank of India Act, 1934.

(20) 'Term Deposit' means an interest-bearing deposit received by a bank for a fixed period and shall also include deposits such as Recurring / Cumulative / Annuity / Reinvestment deposits and Cash Certificates.

(21) 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 (Interest Rate Framework)**

7. A bank shall pay interest on deposits (other than current account deposits) accepted or renewed by them in their domestic, Ordinary Non-Resident (NRO), Non-Resident (External) (NRE) and Foreign Currency (Non- Resident) Accounts (Banks) Scheme {FCNR(B)} deposit account on the terms and conditions specified in these directions:

(1) There shall be a comprehensive policy duly approved by the Board of Directors or any Committee of the Board to which powers have been delegated in respect of:

- (i) Interest rate on deposits.
- (ii) Penalties for premature withdrawal of term deposits, including partial premature withdrawal.
- (iii) Penalties for premature withdrawal of NRE term deposits.
- (iv) Penalties for premature withdrawal of FCNR(B) term deposits.

(2) The interest rates offered on deposits 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 deposit of similar amount, accepted on the same date, at any of its offices.

(3) Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance.

(4) The rates shall not be subject to negotiation between the depositors and the bank.

(5) The interest rates offered shall be reasonable, consistent, transparent, and available for supervisory review / scrutiny as and when required.

(6) All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits and to two decimal places for FCNR(B) deposits.

### **(7) 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, a 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, a bank shall pay interest for the intervening non-business working day on the maturity value.

### **Chapter III: Domestic Rupee Deposits**

#### **A. Interest Rate on Domestic Current Account**

8. 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.

#### **B. Interest Rate on Domestic Savings Deposit**

9. In addition to the conditions laid down in paragraph 7 of these Directions, interest on domestic rupee savings deposit shall be subject to the following:

(1) Interest shall be calculated on a daily product basis as under:

(i) A uniform interest rate shall be set on balance up to ₹1 lakh, irrespective of the amount in the account within this limit.

(ii) Differential rates of interest may be provided for any end-of-day savings bank balance exceeding ₹1 lakh.

#### **C. Interest Rate on Domestic Term Deposits**

10. In addition to the conditions laid down in paragraph 7 of these Directions, interest rates on term deposits shall vary only on account of one or more of the following reasons:

(1) Tenor of deposits

A 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.

(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.

(3) Non-availability of premature withdrawal option

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



***Provided that*** all term deposits accepted by a bank from individuals (held singly or jointly) and HUF for amount of ₹1 crore and below shall have premature withdrawal facility.

### **C.1 Payment of interest on pre-mature withdrawal**

**11.** The interest rates applicable on term deposits withdrawn before the maturity date shall be as under:

- (1) 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.
- (2) No interest shall be paid, where premature withdrawal of deposit takes place before completion of the minimum period specified in paragraph 10(1).

### **D. Payment of Additional Interest on Domestic Deposits**

**12.** A 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 to bank's staff and their exclusive associations as well as on deposits of Chairman, Chairman & Managing Director, Executive Director, or such other Executives appointed for a fixed tenure and Managing Director who acts as Chief Executive of Co-operative Bank drawing regular salary from the Co-operative Bank, subject to the following conditions:

- (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.
- (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) 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 deposit account opened with it during the period of deputation.
- (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.

(5) Bank Employees' Federations, in which bank employees are not direct members, shall not be eligible for additional interest.

(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 that the staff member / retired staff member is the principal account holder; or

**Note:** Additional interest admissible to the bank's staff shall not be paid on the compensation awarded by the court to a minor child and deposited in the joint name of minor child and parent as the money belongs to the minor child and not the bank's staff.

- (ii) the spouse of a deceased member or a deceased retired member of the bank's staff; and

**Note:** Children (including minor) are not eligible for additional interest admissible to deceased member of the bank's staff.

- (iii) an Association or a fund, members of which are members of the bank's staff.

**13.** A bank may, 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 HUF, even if the Karta is a resident Indian senior citizen.

**14.** A bank may, at its discretion, give its resident Indian retired staffs, 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 bank's staff.

#### **E. Interest on Overdue Domestic Deposits**

**15.** The rate of interest to be paid on renewal of overdue term deposits shall be subject to the stipulation contained in the paragraph 7 of these Directions.

**16.** If a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with a bank, shall attract rate of interest as applicable to savings account

or the contracted rate of interest on the matured TD, whichever is lower.

#### **F. Floating Rate Domestic Term Deposits**

**17.** Floating rate domestic term deposits shall be linked to a directly observable and transparent market determined external benchmark.

#### **G. Periodicity of Payment of Interest on Domestic Savings Deposit**

**18.** Interest on savings deposit shall be credited by a bank at quarterly or longer intervals.

**19.** 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.

#### **H. Interest Payable on the Domestic Deposit Account of Deceased Depositor**

**20.** 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 as per comprehensive policy on interest rate on deposits and subject to the conditions laid down in paragraph 7 of these Directions.

#### **I. Penalty on Premature Withdrawal of Domestic Term Deposit**

**21.** There shall be a comprehensive policy on penalties for premature withdrawal of term deposits, including partial premature withdrawal, approved by the Board of Directors or any Committee of the Board to which powers have been delegated.

**22.** The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of deposits. If not, no penalty shall be levied.

**23.** 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.

## Chapter IV: Rupee Deposits of Non-Residents

**24.** Rupee deposits of non-residents under NRE and NRO deposits shall be accepted only by those banks that are authorised under Foreign Exchange Management Act, 1999 (FEMA) by Reserve Bank of India from time to time.

### **A. Interest Rate on Rupee Deposits - Non-Residents**

**25.** Interest on deposits of money accepted or renewed under NRE / NRO deposit scheme shall be on the terms and conditions specified in the ensuing paragraphs:

(1) The interest rates shall be subject to the conditions laid down in paragraph 7 of these Directions.

(2) Interest rates on savings deposits under NRE Deposits / NRO Deposits shall be in accordance with paragraph 9 of these Directions.

(3) Interest rates on NRE / NRO term deposits shall vary only on account of one or more of the following reasons:

(i) Tenor of deposits

A bank shall have the freedom to determine the maturity / tenor of the deposit subject to the condition that minimum tenor of NRE term deposits shall be one year and that of NRO term deposits shall be seven days.

(ii) Size of deposits

Differential interest rate shall be offered only on bulk deposits.

(iii) Non-availability of premature withdrawal option

A bank shall have the freedom to offer NRE / NRO term deposits without premature withdrawal option.

***Provided that*** all NRE / NRO term deposits accepted from individuals (held singly or jointly) for amount of ₹1 crore and below shall have premature withdrawal facility.

(4) Interest rates on NRE / NRO deposits shall not be higher than those offered by the bank on comparable domestic rupee term deposits.

(5) The benefit of additional interest rate on deposits on account of being bank's own staff or senior citizens shall not be available to NRE and NRO deposits.

(6) Interest on savings deposits shall be credited at quarterly or longer intervals by a

bank.

(7) If an NRE account holder, immediately on return to India, requests for conversion of the NRE term deposit into Resident Foreign Currency (RFC) account, interest shall be paid as under:

- (i) If the NRE deposit has not run for a minimum period of one year, interest shall be paid at a rate not exceeding the rate payable on savings deposits held in RFC accounts.
- (ii) In all other cases, interest shall be paid at the contracted rate.

### **B. Prohibition on Marking Lien**

**26.** A bank shall not mark any type of lien, direct or indirect, against NRE saving deposits.

### **C. Penalty on Premature Withdrawal of Non-Resident External (NRE) Deposits**

**27.** There shall be a comprehensive policy on penalties for premature withdrawal of NRE term deposits approved by the Board of Directors or any Committee of the Board to which powers have been delegated, subject to the following:

- (1) The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of the deposits.
- (2) No penalty shall be levied for premature withdrawal of NRE term deposits for conversion into RFC account.
- (3) Penalties for premature withdrawal shall be levied for conversion of NRE deposit into FCNR(B) deposit and vice versa.

### **D. Interest Payable on the Non-Resident External (NRE) Term Deposit Account of Deceased Depositor**

**28.** In case the claimant(s) of an NRE term deposit account of a deceased depositor are residents, the deposit on maturity shall be treated as a domestic rupee term deposit and interest shall be paid for the subsequent period at a rate applicable to a domestic term deposit of similar maturity.

## Chapter V: Foreign Currency Deposits

**29.** Foreign Currency Deposits under FCNR(B) Scheme shall be accepted only by those banks that are authorised under Foreign Exchange Management Act, 1999 (FEMA) by Reserve Bank of India from time to time.

### **A. Foreign Currency (Non-Resident) Accounts (Banks) Scheme**

**30.** Interest on deposits of money accepted or renewed under the FCNR(B) Scheme shall be in accordance with the terms and conditions specified in the ensuing paragraphs:

(1) The interest rates shall be subject to the conditions laid down in paragraph 7 of these Directions.

(2) Interest rates on term deposits under the FCNR(B) Scheme shall vary only on account of one or more of the following reasons:

(i) Tenor of deposits

The maturity period for term deposits under the FCNR(B) Scheme shall be as under:

- a) One year and above but less than two years;
- b) Two years and above but less than three years;
- c) Three years and above but less than four years;
- d) Four years and above but less than five years; and
- e) Five years only.

***Provided that***, no bank shall accept or renew FCNR(B) deposits over five years and no recurring deposits shall be accepted under the FCNR(B) Scheme.

(ii) Size of deposits

A bank shall, at its discretion, decide the currency-wise minimum quantum on which differential rates of interest may be offered.

(3) The interest rates on all deposits, including where differential rates of interest are offered, shall be subject to the overall ceiling prescribed at paragraph 30(7) below.

(4) Interest on floating rate deposits shall be paid within the ceiling of swap rates for the respective currency / maturity and in case of fixed rate deposits, interest shall be paid within the ceiling of Overnight Alternative Reference Rate (ARR) for the respective currency / maturity.

- (5) The interest reset period shall be six months for all floating rate deposits.
- (6) The Overnight ARR for the respective currency / SWAP rates as on the last working day of the preceding month shall form the base for fixing ceiling rates for the interest rates offered effective in the following month.
- (7) The interest rates ceiling on FCNR(B) deposits shall be as under:

Period of Deposit	Ceiling Rate
One year to less than three years	Overnight ARR for the respective currency / Swap plus 250 basis points
Three years and above upto and including five years	Overnight ARR for the respective currency / Swap plus 350 basis points

- (8) The Overnight ARR for the respective currency / Swap rates quoted / displayed by Financial Benchmarks India Pvt. Ltd. (FBIL) shall be used as the reference for arriving at the interest rates on FCNR(B) deposits.

**B. Manner of Calculation of Interest on Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Deposits**

**31.** Interest on the deposits accepted under the Scheme shall be calculated on the basis of 360 days to a year.

**32.** The interest on FCNR (B) deposits shall be calculated and paid at intervals of 180 days each and thereafter for the remaining actual number of days.

***Provided that*** the option to receive the interest on maturity with compounding effect shall vest with the depositor.

**C. Calculation of Interest on Renewal of Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Deposits**

**33.** Interest calculation on renewal of FCNR(B) deposits shall be as under:

- (1) 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.

(2) 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.

(3) If, after renewal, the deposit is withdrawn before completion of the minimum stipulated period under the Scheme, a bank authorised under FEMA, 1999, may, at its discretion, recover the interest paid for the overdue period, i.e., period beyond the original date of maturity.

**D. Interest Payable on the Deposit of a Deceased Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Depositor**

**34.** A bank shall pay interest on the term deposits standing in the name(s) of a deceased FCNR(B) individual depositor or two or more joint depositors, where one of the depositors has died, as under:

(1) If paid on the maturity of the deposit, interest shall be paid at the contracted rate.

(2) If the deposit is claimed before the maturity date, interest shall be paid not at the contracted rate but at the rate applicable to the period for which the deposit remained with the bank and without charging penalty for pre-payment.

(3) In case the depositor dies before the date of maturity of the deposit, but the amount of the deposit is claimed after the date of maturity, interest shall be paid at the contracted rate till the date of maturity and simple interest at the applicable rate operative on the date of maturity for the period for which the deposit remained with the bank beyond the date of maturity.

(4) In case of death of the depositor after the date of maturity of the deposit, the interest rate operative on the date of maturity in respect of savings deposit held under RFC Account Scheme shall be paid from the date of maturity till the date of payment.

(5) In case the claimants are residents, the maturity proceeds shall be converted into Indian Rupees on the date of maturity and interest shall be paid for the subsequent period at the rate applicable to a domestic term deposit of similar maturity.

**E. Payment of Interest on Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Deposits of Non-Resident Indians (NRIs) on Return to India**

**35.** A bank may, at its discretion, on receipt of the request from the depositor, allow



FCNR(B) deposits of persons of Indian nationality / origin who return to India for permanent settlement to continue till maturity at the contracted rate of interest subject to the conditions that:

- (1) The rate of interest as applicable to FCNR(B) deposits shall continue.
- (2) Such deposits shall be treated as resident deposits from the date of return of the account holder to India.
- (3) The FCNR(B) deposits on maturity shall be converted into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder.
- (4) The rate of interest on the new deposit (Rupee account or RFC Account) shall be the relevant rate applicable for such deposit account.

**F. Conversion of Foreign Currency (Non-Resident) Accounts (Banks) {FCNR(B)} Accounts of Returning Indians into Resident Foreign Currency (RFC) Accounts / Resident Rupee Accounts - Payment of Interest**

**36.** Subject to the conditions given in paragraph 7 of these Directions, a bank shall pay interest at the time of conversion of FCNR(B) Account into RFC / Resident Rupee Account even if the deposit has not completed the minimum maturity period mentioned in paragraph 30(2)(i) above.

***Provided that*** the rate of interest shall not exceed the rate payable on savings bank deposits held under RFC Account Scheme.

**G. Premature Withdrawal of Foreign Currency Deposits**

**37.** A bank shall, on request from the depositor, permit premature withdrawal of deposits under the FCNR(B) Scheme.

**38.** If the premature withdrawal of FCNR(B) deposits takes place before completion of the minimum stipulated period as mentioned in paragraph 30(2)(i) above, no interest shall be paid.

**H. Penalty on Premature Withdrawal of Foreign Currency Deposits**

**39.** There shall be a comprehensive policy on penalties for premature withdrawal of FCNR(B) term deposits approved by the Board of Directors or any Committee of the Board to which powers have been delegated, subject to the following:

- (1) The components of penalty shall be clearly brought to the notice of the

depositors at the time of acceptance of the deposits. If not, the exchange loss arising out of premature withdrawal shall be borne by the bank.

(2) Penalty shall be levied on premature withdrawal of FCNR(B) deposits

- (i) when the depositors return to India for permanent settlement.
- (ii) for conversion of FCNR(B) deposits into NRE deposits or vice-versa.

(3) In case of splitting of the amount of term deposit at the request from the claimant(s), 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.

(4) A bank shall, at its discretion, levy penalty to recover the swap cost in the case of premature withdrawal of FCNR(B) deposits.

(5) No penalties shall be levied in the case of premature conversion of balances held in FCNR(B) deposits into RFC Accounts by Non-Resident Indians on their return to India.

#### **I. Resident Foreign Currency Accounts Scheme**

**40.** A bank shall have the freedom to determine interest on deposits of money accepted by it or renewed by it under the RFC Account Scheme, in accordance with the comprehensive policy on interest rate on deposits duly approved by the Board of Directors or any Committee of the Board to which powers have been delegated.

## **Chapter VI: Prohibitions and Exemptions**

### **A. Prohibitions**

**41.** A bank shall not:

(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:

- (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 of co-operative banks as approved by Reserve Bank of India from time to time.

(2) Offer prize / lottery / free trips (in India and / or abroad), etc., or any other initiative having element of chance for mobilising deposits.

(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) 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.

(5) Accept interest-free deposit other than in current account or pay compensation indirectly.

(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.

(7) Grant advances against term deposits maintained with other banks.

(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.

**Note:** Savings Bank account cannot be opened in the name of a private entity for implementation of the Government funding schemes.

(9) Create any fund to be utilised for charitable purposes in consultation with the depositors.

## **B. Exemptions**

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

(1) A deposit received by a 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.

(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 41(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 authorisation 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.

## **Chapter VII: Repeal and Other Provisions**

### **A. Repeal and saving**

**43.** With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Interest Rate on Deposits as applicable to Urban Co-operative Banks stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

**44.** Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

### **B. Application of other laws not barred**

**45.** The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

### **C. Interpretations**

**46.** For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.