

Interest Rates on Deposits

DBOD No. Dir.BC. 27 /13.03.00/2000-01

October 6, 2000
Ashwina 14, 1922(S)

Interest Rates on Deposits

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949 and in partial modification of its Directive DBOD. No. Dir.BC 151/C.347-85 dated December 27, 1985, as amended from time to time, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that the existing paragraph 17 shall be substituted by the following with immediate effect:-

“17. Prohibitions

No bank shall

- (a) pay interest on Current Account save as provided in paragraphs 7 & 13(b) above;
- (b) pay countervailing interest on any current accounts maintained with it by its borrowers;
- (c) discriminate in the matter of the rate of interest paid on domestic term deposits and non-resident (external) rupee deposits, between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except in respect of single term deposit of Rs.15 lakh and above on the basis of size of deposits, subject to the following conditions:
 - (a) The permission to offer varying rates of interest for deposits of the same maturity shall apply to domestic term deposits and non-resident (external) rupee term deposits of Rs.15 lakh and above. Banks may, therefore, offer same rate of interest or differential rates of interest for such term deposits of Rs.15 lakh and above. For deposits below Rs.15 lakh of the same maturity the same rate will apply.
 - (b) Banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as per the schedule and not be subject to negotiation between the depositor and the bank.

- (d) pay brokerage on deposits in any form 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) Inexpensive gifts costing not more than the amount prescribed by the Indian Bank's Association in this regard from time to time, given to depositors at the time of accepting the deposits; and
 - (iii) Incentives granted to staff members as approved by the Reserve Bank of India from time to time.
- (e) employ/engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner, except to the extent permitted in sub-clause (i) of clause (d) above.”

2. The other provisions of the Directive DBOD No. Dir.BC. 151/C.347/85 dated December 27, 1985, as amended from time to time, shall remain unchanged.

(D.P. Sarda)
Executive Director

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(Chapter 9 Manual of Instructions,
DBOD, DBS, IECD
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9.I.14

- vi) employ/engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner, except to the extent permitted in sub-clause (a) of clause (iv) above.
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(Chapter 9 Manual of Instructions,
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Dir.BC. 28 of 2000)

9.III (xiii)

- (d) employ/engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner.