



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2013-14/121

DNBS.PD/CC.No.350/03.02.001/2013-14

July 04, 2013

All NBFCs

Dear Sirs,

Payment of interest on overdue public deposits

Kindly refer to clause (10) of paragraph 4 of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2007. NBFCs are at times required to freeze the term deposits of customer based on the orders of the enforcement authorities or the deposit receipts are seized by the enforcement authorities. As doubts have been raised on the payment of interest on such deposit which have either been seized by the government authorities, and/or have been frozen till further clearance is received by the concerned government authorities, the NBFCs are advised to follow the procedure mentioned below:

- i. A request letter may be obtained from the customer on maturity. While obtaining the request letter from the depositor for renewal, NBFCs should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, NBFCs may renew the same for a term equal to the original term
- ii. No new receipt is required to be issued. However, suitable note may be made regarding renewal in the deposit ledger
- iii. Renewal of deposit may be advised by registered letter / speed post / courier service to the concerned Government department under advice to the depositor. In the advice to the depositor, the rate of interest at which the deposit is renewed should also be mentioned.

- iv. If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal may be done from the date of maturity. If it exceeds 14 days, NBFCs may pay interest for the overdue period as per the policy adopted by them, and keep it in a separate interest free sub-account which should be released when the original fixed deposit is released

However the final repayment of the principal and the interest so accrued should be done only after the clearance regarding the same is obtained by the NBFCs from the respective Government agencies.

2. Copy of Amending Notification No. DNBS 258/CGM (CRS)-2013 dated July 04, 2013 is enclosed for meticulous compliance.

Yours faithfully,

(C.R. Samyuktha)
Chief General Manager

**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI, 400 005.**

Notification No.DNBS(PD). 258/ CGM (CRS) 2013 dated July 04, 2013

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend "Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998". contained in Notification No. DFC.118/DG(SPT)-98 dated January 31, 1998, in exercise of the powers conferred by Sections 45J, 45K and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended as follows,

In clause (10) of para 4, under the title, 'Payment of interest on overdue public deposits', the following may be inserted as clause (10A),

'(10A) In regard to the payment of interest on such deposit which have either been seized by the government authorities, and/or have been frozen till further clearance is received by the concerned government authorities, the NBFCs are advised to follow the procedure mentioned below:

- i. A request letter may be obtained from the customer on maturity. While obtaining the request letter from the depositor for renewal, NBFCs should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, NBFCs may renew the same for a term equal to the original term
- ii. No new receipt is required to be issued. However, suitable note may be made regarding renewal in the deposit ledger

- iii. Renewal of deposit may be advised by registered letter / speed post / courier service to the concerned Government department under advice to the depositor. In the advice to the depositor, the rate of interest at which the deposit is renewed should also be mentioned.
- iv. If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal may be done from the date of maturity. If it exceeds 14 days, NBFCs may pay interest for the overdue period as per the policy adopted by them, and keep it in a separate interest free sub-account which should be released when the original fixed deposit is released

However the final repayment of the principal and the interest so accrued should be done only after the clearance regarding the same is obtained by the NBFCs from the respective Government agencies.'

(C. R. Samyuktha)
Chief General Manager