



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2011-12/577

RPCD.CO.RCB.BC.No. 78 /07.38.01/2011-12

May 28, 2012

All State and Central Co-operative Banks

Dear Sir,

Conversion of Term Deposits, Daily Deposits or Recurring Deposits for Reinvestment in Term Deposits by State and Central Co-operative Banks

Please refer to paragraph 104 of the Annual Policy Statement for the year 2010-11 of Reserve Bank of India (extract enclosed).

2. As per the instructions contained in paragraph 11 of circular RPCD.No.RF.DIR.BC.53/D.1-87/88 dated November 2, 1987 on Interest Rates on Deposits, StCB/DCCB on request from the depositor, should allow closure of a term deposit, a deposit in the form of daily deposit or recurring deposit, to enable the depositor to immediately reinvest the amount lying in the aforesaid deposits with the same bank in another term deposit. The bank shall pay interest in respect of such term deposit without reducing the interest by way of penalty provided that the deposit remains with the bank after reinvestment for a period longer than the remaining period of the original contract.

3. On a review of the extant regulatory norms, and in order to facilitate better Asset Liability Management (ALM), it has been decided to permit banks to formulate their own policies towards conversion of deposits with immediate effect.

Yours faithfully

(C.D. Srinivasan)
Chief General Manager
Encl.: 1

Extract of Paragraph 104 of Annual Policy Statement for the Year 2010-11

Conversion of Term Deposits, Daily Deposits or Recurring Deposits for Reinvestment in Term Deposits

104. As per extant guidelines, banks should allow conversion of term deposits, daily deposits or recurring deposits to enable depositors to immediately reinvest the amount lying in the aforesaid deposits with the same bank in another term deposit. Banks are required to pay interest in respect of such term deposits without reducing the interest by way of penalty, provided that the deposit remains with the bank after reinvestment for a period longer than the remaining period of the original contract. On a review of the extant regulatory norms and in order to facilitate better asset-liability management (ALM), it is proposed :

- * to permit banks to formulate their own policies towards conversion of deposits.