



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2009-10/408
DBOD. No. Dir. BC. 91/13.03.00/2009-2010

April 20, 2010

**All Scheduled Commercial Banks
(excluding RRBs)**

Dear Sir

**Conversion of term deposits, daily deposits or
recurring deposits for reinvestment in term deposits**

Please refer to paragraph 104 of the Monetary Policy Statement 2010-11 announced by Governor on April 20, 2010 (extract enclosed).

2. In terms of extant guidelines, as stipulated at paragraph 2.12 of the Master Circular dated July 1, 2009 on 'Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts', 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.

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

(P Vijaya Bhaskar)
Chief General Manager-in-Charge
Encl: as above

**Reserve Bank of India
Monetary Policy Statement 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.