



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2009-10/447

UBD. BPD. PCB. Cir. No. 65/ 13.01.000/ 2009-10

May 05, 2010

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir,

Conversion of term deposits, daily deposits or recurring deposits for reinvestment in term deposits by Primary (Urban) Co-operative Banks (UCBs)

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 instructions contained in paragraph 12 of circular UBD.DC.102/V.1-86/87 dated June 25, 1987 on Interest Rates on Deposits and paragraphs 9.1 and 9.2 of Master Circular [UBD.No.BPD.MC.No.11/13.01.000/2009-10](http://www.rbi.org.in/udgata/UBD.No.BPD.MC.No.11/13.01.000/2009-10) dated July 01, 2009 on Interest Rates on Rupee Deposits, UCBs, 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. UCBs should 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,

(A. Udgata)
Chief General Manager



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.