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BANK PROMOTION EXAM NOTES

VOLUME 2 | 2026 EDITION

Deposits, Branch Operations and Customer Protection



RBI REGULATIONS • PUBLIC-SECTOR BANKING

REGIONAL RURAL BANKS (RRBs)

State Bank of India
Canara Bank
Indian Bank
Indian Overseas Bank

Bank of Baroda
Union Bank of India
Central Bank of India
UCO Bank

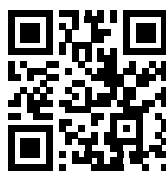
Punjab National Bank
Bank of India
Bank of Maharashtra
Punjab & Sind Bank

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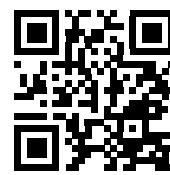
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Chapter 1 — Deposit Accounts and Interest Rate Rules

Topics covered

1. Deposit products and who may not open a savings account (paragraphs 6, 43)
2. General interest-rate rules for all deposits (paragraph 7)
3. Interest on savings deposits (paragraphs 9, 18, 19)
4. Interest on term deposits — tenor, size and callability (paragraph 10)
5. Premature withdrawal of term deposits (paragraphs 11, 22 to 25)
6. Additional interest for staff and senior citizens (paragraphs 12 to 14)
7. Overdue deposits, deceased depositors and non-resident deposits (paragraphs 8, 15, 16, 20, 26 to 34)
8. Prohibitions and exemptions on deposit business (paragraphs 43 and 44)

Basic background

What governs deposit interest. The RBI (Commercial Banks – Interest Rate on Deposits) Directions, 2025 is the rulebook

that tells a bank how it may price and pay interest on deposits. It was issued on 28 November 2025 and replaced the earlier Master Direction of 2016.

Who runs it. The Reserve Bank of India (RBI) issues the Directions. Inside the framework RBI sets, each bank's own Board

of Directors fixes the actual rates it will pay.

Who it covers. The Directions apply to all commercial banks operating in India. They do not apply to the foreign branches of Indian banks, since those branches follow the host country's rules. Parallel Directions cover Small Finance Banks, Regional Rural Banks, Local Area Banks, payments banks and co-operative banks; the figures for those categories can differ from the ones in this chapter.

Its history in short lines.

- Interest on savings deposits was fixed by RBI (last at 4% per annum) until it was deregulated on 25 October 2011. Since then, each bank's Board decides the rate.
- The minimum tenor of a domestic term deposit was 15 days until 2004, when it was cut to 7 days.
- The "bulk deposit" threshold — the amount above which a bank may price a term deposit differently — has moved several times: ₹1 crore, then ₹2 crore from 2019, then ₹3 crore from 7 June 2024.
- The floor for "non-callable" (deposits that cannot be closed before maturity) individual deposits was raised from ₹15 lakh to ₹1 crore on 26 October 2023.

Coverage at a glance.

Category of lender	Bulk-deposit threshold
Scheduled commercial banks and Small Finance Banks	₹3 crore and above
Regional Rural Banks and Local Area Banks	₹1 crore and above
Foreign branches of Indian banks	Not covered by these Directions

Topic 1 — Deposit products and who may not open a savings account (paragraphs 6,

43)

Meaning

Paragraph 6 of the Directions defines the deposit products a branch sells every day. Getting these definitions right decides which interest rule applies.

Main rules

Product	Meaning	Interest
Current account	A demand deposit (repayable on demand, any number of withdrawals up to the balance or an agreed limit) that is neither a savings deposit nor a term deposit	No interest, except on the balance of a deceased individual or sole proprietor (Topic 7)
Savings deposit	An interest-bearing demand deposit, by whatever name — Savings Account, Savings Bank Account, Savings Deposit Account, or a BSBDA (Basic Savings Bank Deposit Account, a no-frills account) — with restrictions on the number or amount of withdrawals in a period	Daily product; uniform up to ₹1 lakh (Topic 3)



Product	Meaning	Interest
Term deposit	A deposit repayable after a fixed period. It may be a plain fixed deposit or a reinvestment (cumulative) deposit, where interest is added back to the principal and paid only at maturity. Minimum tenor 7 days	Rate varies only by tenor, size and callability (Topic 4)
Recurring deposit	Fixed monthly instalments for a fixed period. Treated as a term deposit	Term-deposit rules
Bulk deposit	A single rupee term deposit of ₹3 crore and above (₹1 crore and above for Regional Rural Banks and Local Area Banks)	Differential rate permitted, from the bank's rate card
Floating-rate term deposit	A term deposit whose rate is linked to a directly observable, transparent, market-determined external benchmark, instead of a fixed number	Benchmark plus a spread
Composite cash credit (a farmer's borrowing account with a savings-like module)	A cash-credit limit that also carries a small savings-type balance	Interest, if any, only on the minimum balance between the 10th and the last day of the month

Practical banking application

Paragraph 43(8) bars a savings account for entities that are not individuals or Kartas (heads) of a Hindu Undivided Family (HUF). Barred categories include Government departments and bodies living on budget grants, municipal bodies, panchayat samitis, housing and drainage boards, development authorities, political parties, and any trading, business or professional concern — whether a proprietorship, partnership or company.

A short list of entities is still allowed a savings account: primary co-operative credit societies financed by the bank, Khadi and Village Industries Commission boards, Agricultural Produce Market Committees, societies registered under the Societies Registration Act, 1860, companies formed for a charitable purpose under Section 8 of the Companies Act, income-tax-exempt institutions, Government departments handling grants or subsidies under a sponsored scheme (with written authorisation), and organised self-help and farmers' groups. A private company merely implementing a Government scheme is not on this list, so it cannot hold a savings account.

Simple example

A district administration wants a savings account for a scholarship-disbursement scheme it runs with a private trust as its implementing partner. The trust applies in its own name. The branch must refuse: a private trust running a scheme is not a Government department and is not on the permitted list. The Government department itself, if it applies directly with proper authorisation for the sponsored scheme, may be allowed.

Remember this

- Current account: no interest (except a deceased proprietor's balance). Savings deposit: interest, with withdrawal restrictions. Term deposit: minimum tenor 7 days.
- Bulk deposit = ₹3 crore and above for banks; ₹1 crore and above for Regional Rural Banks and Local Area Banks.
- Political parties, Government bodies living on budget grants, and trading/business concerns cannot hold savings accounts, unless specifically listed as an exception.

Topic 2 — General interest-rate rules for all deposits (paragraph 7)**Meaning**

Paragraph 7 lays down the ground rules that apply to interest on every deposit product, before the product-specific rules in later paragraphs.

Main rules

Requirement	Rule
Board policy	A comprehensive policy, approved by the Board (or a Board committee), covering interest rates and premature-withdrawal penalties for term deposits, including partial withdrawal
Uniformity	Rates must be uniform across all branches and all customers; a bank cannot pay two customers different rates for a similar amount accepted on the same date at any office
Disclosed schedule	Interest must follow a schedule of rates disclosed in advance;
Requirement	Rule
	nothing outside that schedule
Bulk-deposit rate card	Kept in the bank's Core Banking System (CBS — the computer system linking every branch) for supervisory review
No negotiation	A depositor and the bank cannot negotiate the interest rate
Reasonableness	Rates must be reasonable, consistent, transparent, and open to supervisory scrutiny