

# **Policy for Automatic Renewal of Term Deposits**

## **1. Introduction**

The advent of technology usage by the banks led to innovative ways of customer centricity and introduction of automatic renewal of term deposits was one such initiative. Our bank, too, adopted the practice of auto-renewal of term deposits in 2002 and guidelines to this effect were circulated vide Circular # 242 dated 09.01.2002. The auto-renewal policy adopted by the bank spanned all term deposit types and covered customer-mandated as well as bank-initiated auto renewals.

However, the debility of Business Units (BUs) in obtaining mandate from the depositors for auto-renewal or controlling offices least concern for enforcing the implementation of the Auto Renewal Policy resultantly accumulation of ever increasing overdue deposits and anomalies of interest payments for the overdue (broken) periods.

With an aim to reinforce the “Automatic Renewal Facility” procedure in our bank vibrantly, a revised and comprehensive ‘**Automatic Renewal Policy**’ replete with prognosis of probable issues and their resolution is detailed in the forthcoming paras.

## **2. Rationale**

Automatic renewal of term deposits confers benefits on the customers as well as the bank. The customer is relieved from approaching the bank branch every time his / her deposit matures and is also precluded from any interest loss. The benefits for the bank are; reduced footfall, streamlined operations, optimal technology leveraging, better ALM, fair distribution of interest expense, etc.

## **3. Purpose**

The purpose of this policy is to address the issue of ever increasing overdue deposits portfolio of the bank. The policy will also ensure equitable vouching of interest expense and avoid distortions owing to non-accrual of interest on the overdue deposits or accrual at fairly lower rates than are admissible for the broken (overdue) periods when such deposits are renewed. On top of these, customer convenience, operational efficiency and reduced footfalls at the BUs shall be assured with the implementation of this policy.

## **4. Scope**

### **4.1 Live & Prospective**

The policy shall cover all eligible live term deposit accounts and fresh term deposits.

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### **4.2 Core Banking / Distributed Network**

The policy shall be applicable to BUs on CBS / B2K as well as to Manual Branches.

### **4.3 Mandated / Bank Induced**

The auto renewals can be customer mandated or, in absence of any instruction to the contrary, bank initiated.

### **4.4 Term Deposit Types**

The bouquet of term deposit plans of the bank comprises of Cumulative (Re-investment) deposits, Non-cumulative deposits, Installment deposits, Monthly Income deposits and Hybrid plans. While there is no issue in automatic renewal of certain vanilla type term deposits under the same plan as the basic deposit but some types of term deposits have specialized and bundled features and may have to be renewed under plans different from the original deposit. For instance, Banks generally do not offer auto renewal facility for installment deposits like Recurring / Recurring Plus / Aasra Pension Plan / Tax Saver plans, etc. Similarly, we have deposit plans, which stipulate deposit amounts as multiples of some round sum and auto renewal of such deposits (Principal + interest) under same plan may not be possible owing to this criterion. Likewise, auto renewal of term deposits, against which loans (TL / SOD) have been availed, needs to be dealt specially by not putting the customer to inconvenience or causing loss of interest.

It is evident that providing of automatic renewal facility under the same plan as the original deposit may not be practicable for all types of term deposits. However, the bank may offer auto renewal facility for as many term deposit plans as possible by specifying the alternative but quite similar plan under which the deposit could be renewed. A list of the term deposit plans of the bank with salient features and the plans for auto renewal are given in [annexure 'A'](#).

### **4.5 Exceptions**

The policy shall not cover the following deposits;

- Corporate Term Deposits of Rs. 1.00 Crore and above.
- Inter-bank Term Deposits.
- Term Deposits contracted at preferential rate of interest.
- Term deposits already overdue for renewal / payment on the day of implementation of this policy.

## **5. Renewal – Period & Number of Renewals**

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### **5.1 Customer Induced (Mandated) Renewals**

Generally, instructions for disposal of the maturity proceeds of a term deposit are given by the depositor at the time of initial deposit in the relevant fields provided in the 'Customer Relationship Form'. The instructions may be;

- Payment by credit to a certain account,
- payment by issue of a draft / pay order
- Renewal for a specified period / Number of times auto renewal requested.

Renewal of term deposit done in response to the customer instruction is customer induced and may be done only as mandated – period as well as number. The account cannot be classified as inoperative so long as the mandate of the customer is valid / executable.

### **5.2 Bank Induced Renewals**

However, there may be instances where the customer does not give maturity / payment instruction for the term deposit. In all such cases, the bank may initiate auto renewal of the term deposit as per the provisions of the 'Automatic Renewal Policy' and incorporate a clause in the 'Customer Relationship Form' to this effect under the 'Terms & Conditions' (T&C) section. Such a renewal shall constitute bank-induced auto renewal and may be restricted for a total period of two years as the account shall be classified as inoperative beyond this period, if no instructions are forthcoming from the depositor during this period. Bank induced renewals of term deposits are proposed in the following manner;

#### **i) Term**

Renewal for a period similar to the term of original deposit subject to maximum of one year.

**Example :** A short term deposit placed for a period of 46 days will be renewed for a further period of 46 days from the due date. A fixed deposit placed for one year or more will be renewed for a further period of one year only from the due date.

#### **ii) Number of Times Renewal to be effected**

The deposit shall continue to be auto renewed till the total period of all such bank-induced renewals not exceeding two years.

**Example :** A short term deposit placed for a period of 6 months will be successively renewed 4 times for a further period of 6 months each so that the total renewal term does not exceed 2 years. Deposits with original maturity of one year and above will be allowed a maximum of two renewals for conforming to the proposed cap of two years.

However, the cap of two years shall not apply to term deposits frozen by enforcement agencies or pledged to government departments, provided that information to such

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effect is given to the bank at least one working day before the contracted maturity of the deposit.

### **6. Mandate – Modification / Revocation / Invocation**

The mandate for auto renewal can be given / modified / revoked by the depositor at the time of deposit or during the tenancy of the deposit but at least one working day before the contracted maturity date.

### **7. Request for Change of Tenure of Renewed Deposit**

The depositor can request for change in tenure of the renewed deposit subject to surrendering of original deposit receipt with necessary endorsements.

#### **7.1 Request received within 6 months of auto renewal**

The depositor shall be given the following two options;

- i) The change in tenure shall be effected retrospectively from the date of original maturity.
- ii) The change in tenure / date of maturity shall be effected from current date and interest for the interregnum (original maturity date to current date) shall be paid as per the rate applicable for such period on the date of original maturity without levy of penal interest.

#### **7.2 Request received after 6 months of auto renewal**

The change in tenure shall be effected from the current date only (no retrospective effect).

Interest for the interregnum shall be paid at the rate which is the least of the following:

- i) the rate of interest as on the date of maturity, and
- ii) the rate of interest as on the date of presentation of deposit receipt for renewal.

(No penal interest shall be charged if the requested tenure is more than the remaining tenure of the renewed deposit i.e. the maturity of the renewed deposit is not pre-poned. However, penal rate of 0.50% shall be charged for the interregnum for pre-ponement of maturity date of the renewed deposit).

### **8. Request for Premature Payment of Renewed Deposit**

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Penal interest of 1% shall be levied for premature payment of renewed deposit before completion of 6 months and 0.50% for premature payment thereafter on the applicable rate of interest the deposit has remained with Bank.

### **9. General Principles / Procedures**

- i) The 'Customer Relationship Form' may be modified suitably to provide space for payment / maturity instructions of the term deposit.
- ii) The Business Units may invariably obtain customer mandates for auto-renewal for fresh term deposits and on a best effort basis for the live deposits.
- iii) BUs must educate the depositors of the benefits and flexibility of customer-centric facilities like auto-renewal, nomination, etc. to induce them towards using such facilities.
- iv) Finacle team may put the bank-induced renewal parameters as default auto-renewal instructions in the system, which can be modified by the BUs in accordance with the customer-mandated renewals instructions.
- v) The Term Deposits shall be renewed automatically in CBS / B2K during the EoD – BoD process without any manual intervention.
- vi) BUs must obtain fresh and lucid mandate while granting loans against Term Deposits and record / update the same in the system.
- vii) The auto-renewals may be intimated to the depositors by the BUs on a best effort basis.
- viii) The auto renewal of Term Deposits would be net of TDS, if any
- ix) The interest rate payable shall be the card rate applicable on the date of auto renewal of Term Deposit, depending upon the tenure.
- x) The BUs need not print / issue fresh TD receipts for the renewed deposits. BUs shall be required to do so only where the depositor surrenders the original deposit receipt.

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### (Annexure A)

#### List of Term Deposit Plans of the Bank & Proposed Plans for Renewal Reinvestment

Deposit Plan	Deposit Amount	Special Feature	Term	Intt. Frequency / Compounding / Type	Renewal Amount	Proposed Plan for Renewal
<b>Cash Certificate</b>	Rs. 1000 & Above	Deposit in multiples of Re. 1/-	6 Mth to 10 Yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate
<b>Open-ended Deposit \$\$</b>	Rs. 1000 + Multiples of Rs. 500	Deposit in Units of Rs. 500. Units withdrawable prematurely.	6 Mth to 10 Yrs	Qly / Compounding / Fixed	Principal + Interest	Open Ended Deposit
<b>Flexi-Deposit \$\$</b>	Rs. 1000 + Multiples of Rs. 100	Deposit in Units of Rs. 100. Flexi-Credit allowed	6 Mth to 10 Yrs	Qly / Compounding / Fixed	Principal + Interest	Flexi Deposit
<b>Mehendi Deposit</b>	Issue Price for MV 25 K, 50 K or 100 K	Fixed maturity values 25K, 50K or 100K	5, 7, 10, 12 & 15 Yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate
<b>Floating Rate Deposit @@</b>	Rs. 1000 + Multiples of Rs. 100	Floating Intt. rate	1 yr to 10 yrs	Qly / Compounding / Floating	Principal + Interest	Floating Rate Deposit
<b>Tax Saver (III) CCR</b>	Rs. 1000X	Term fixed 5 Yrs or 10 Yrs. Amt. in multiples of Rs. 1000/-	Min 5 Yrs Max 10 Yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate

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<b>Fixed Deposit</b>	Rs. 100 and above	Interest in / intt out options	7 days to 10 Yrs	Qly / Simple / Fixed	Principal only for I/out. Prin. + Intt for I/in	Fixed Deposit
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<b>Deposit Plan</b>	<b>Deposit Amount</b>	<b>Special Feature</b>	<b>Term</b>	<b>Intt. Frequency / Compounding / Type</b>	<b>Renewal Amount</b>	<b>Proposed Plan for Renewal</b>
<b>Super Earner @@</b>	Rs. 1000 + Multiples of Rs. 100	Floating Intt. rate	1 yr to 10 yrs	Qly / Simple / Floating	Principal only for I/out. Prin. + Intt for I/in	Super Earner
<b>Tax Saver (I) FD</b>	Rs. 1000X	Interest in / intt out options	Min 5 Yrs Max 10 Yrs	Qly / Simple / Fixed	Principal only for I/out. Prin. + Intt for I/in	Fixed Deposit
<b>Recurring Deposit ##</b>	Rs. 50+ Rs. 5X	Installment Deposit	1 yr to 10 yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate <b>(Reinvestment)</b>
<b>RD Plus ##</b>	Rs. 100X	Variable / Multiple installments	1 yr to 10 yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate <b>(Reinvestment)</b>
<b>Monthly Yield (MYD)</b>	Rs. 1000X	Pension Plan Monthly payout of Intt.	1 yr to 10 yrs	Monthly / Discounted / Fixed	Principal	Monthly Yield (MYD)
<b>Tax Saver (II) Monthly Payout</b>	Rs. 1000X	Monthly payout of Intt.	Min 5 Yrs Max 10 Yrs	Monthly / Discounted / Fixed	Principal	Monthly Yield (MYD)
<b>Childcare Deposit</b>	Hybrid (RD+CCR)	2 Phase deposit (Recurring & Cash Certificate)	RD 7, 9, 10 Yrs CCR 5, 7, 10 Yrs	Qly / Compounding / Fixed	Principal + Interest	Cash Certificate <b>(without accident cover)</b>
<b>Aasra Pension Plan</b>	Hybrid (RD+MYD)	2 Phase deposit (Recurring & MYD)	RD 5, 7, 10 Yrs MYD – Option of depositor	Phase I - Qly / Compounding / Fixed Phase II - Monthly / Discounted / Fixed	Principal (of phase II)	Monthly Yield (MYD)
<b>Smart Saver</b>	Dual Acctt. (Operative SB/CD + Term CCR)	Core Deposit as CCR = 25000+	6 Mth to 10 Yrs	Qly / Compounding / Fixed	Principal + Interest (of Core deposit)	Cash Certificate (Linked to operative Acct)

@@ Modification in the deposit plan by specifying deposit amount as a multiple of Re. 1/- shall resolve the issue.

## We may offer reinvestment option (under Lump sum deposit plans) for maturity amounts of installment deposits.

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\$\$ Fractional amounts may be paid to the depositor by credit to operative account / by way of Pay Order.

NB. Accounts frozen on the orders of enforcement agencies and deposits pledged as security with govt. or other departments shall be renewed under simple interest (FD) plans only.