

**RBI/2004/4**

**REF: No. MPD.245/07.01.279/2003-04**

**January 5, 2004**

15 Pausha 1925 (S)

Select all-India Financial Institutions

Dear Sir

**Term Deposits: Premature Withdrawal**

As you are aware, the All-India Financial Institutions (AIFIs) have been permitted to raise resources by way of term money, term deposits, Certificates of Deposit, Commercial Paper and Inter-Corporate Deposits, where applicable, under umbrella limit of one time of their net owned funds (NOF) as per their latest audited balance sheet.

2. Consequent upon references received from some market participants regarding the difficulties faced by them in processing request for premature withdrawal of term deposits before completion of one year due to death of depositor, medical exigencies, educational expenditure and other such reasons, it has now been decided that in case of the request for premature withdrawal of deposits due to medical exigencies, educational expenditure and other such reasons, no interest should be payable in respect of premature withdrawal of deposits before 6 months. In case of premature withdrawal of deposits between 6 and 12 months, interest rate not exceeding the savings bank rate as specified by RBI for the scheduled commercial banks may be paid.

3. An Annex containing the revised terms and conditions in this regard is enclosed.

Kindly acknowledge receipt.

Yours faithfully

(D. Anjaneyulu)

Principal Monetary Policy Adviser

Encl.: as above

**Annex**

**Terms and conditions for mobilisation of resources by way of Term Deposits  
by select all-India financial institutions**

<b><u>Sr. No.</u></b>	<b><u>Item</u></b>	<b><u>Current Instructions</u></b>
1	Amount of deposits	Within the overall ceiling of one time Net Owned Fund (NOF) as per the latest audited balance sheet.
2	Maturity Period	1 to 5 years
3	Interest rates	FIs are free to fix interest rate.
4	Minimum size of deposit	Rs. 10,000/-
5	Brokerage	1 % of the deposits accepted
6	Premature withdrawal of Term Deposits	<ul style="list-style-type: none"><li>i. Premature withdrawal before 6 months - no interest to be paid.</li><li>ii. Premature withdrawal between 6 months and 1 year - interest rate not exceeding savings bank rate as specified by RBI for scheduled commercial banks be paid.</li><li>iii. Beyond 1 year, FIs have freedom to fix their own penal rate of interest on premature withdrawal of deposits.</li></ul>
7	Rating	Mandatory Rating from approved Rating Agencies as approved by SEBI.
8	Other terms & conditions	FIs should not provide any loan against the term deposits accepted.

