# RBI issues Master Direction to consolidate Interest Rate on Deposits applicable to banks

The Reserve Bank of India (RBI) has issued a **new Master Direction (RBI/2025-26/134), effective April 1, 2025, titled "Reserve Bank of India (Interest Rate on Deposits) Directions, 2025**." This directive, DOR.SOG(SPE).REC.8/13.03.00/2025-26, dated April 01, 2025, consolidates all instructions related to interest rates on deposits for all banks operating in India.

By replaced the previous Master Directions from 2016, the RBI aims to provide a single, comprehensive document, whose key requirements are mentioned below.

A. The banks must have a clear, comprehensive policy on interest rates. This policy must be approved by the bank's Board of Directors or a designated committee. This ensures that the decisions regarding interest rates are made at the highest level, with careful consideration and oversight. A well-drafted policy helps maintain uniformity and fairness in the rates offered to depositors across different branches and regions.

B. The interest rates on deposits must be uniform across all branches of a bank. This eliminates the possibility of discrimination, ensuring that customers are offered the same rates for deposits of similar amounts, regardless of the branch or location. This policy promotes fairness and reduces any biases or inconsistencies that could arise if banks were allowed to set different rates at different branches.

C. The banks are required to disclose their interest rate schedules in advance. This transparency helps depositors make informed decisions when selecting deposit schemes. It also ensures that there is no ambiguity in terms of what rate a customer can expect to receive at the time of deposit, reducing the potential for disputes or confusion.

D. One critical aspect of this framework is that the interest rates are non-negotiable. This is particularly important as it prevents any manipulation or preferential treatment based on customer profiles or relationships with bank staff. By adhering to a set schedule, banks promote fairness and discourage unethical practices.

E. The method of calculating and paying interest is also clearly defined. For rupee deposits, interest is rounded off to the nearest rupee, while for FCNR(B) deposits, it is rounded off to two decimal places. This standardization ensures that interest calculations are simple and transparent, further enhancing trust between the bank and its customers.

F. Another important provision is how banks handle deposits maturing on non-business days. If a term deposit matures on a non-business working day, banks are required to pay interest at the original contracted rate for that day. This is to ensure that depositors are not penalized for the bank's holiday schedule, and their earnings are preserved.

G. In cases where a branch is transferred or taken over by another bank, the deposit accounts are automatically transferred to the new branch, and the original interest rates continue to apply until maturity. This ensures continuity for the depositor, who does not need to renegotiate terms after a branch takeover.

H. The framework also provides clarity on penalties for premature withdrawal of term deposits. Banks must have a clear policy in place, approved by the Board, outlining any penalties. Importantly, if the deposit is split or transferred due to certain circumstances, like the death of the depositor, no penalties should be levied, as long as the terms remain unchanged.

I. The framework allows banks to offer additional interest for certain groups, including employees of the bank, senior citizens, and retired staff. For example, employees may receive an additional 1% on deposits, and senior citizens may receive preferential interest rates on term deposits. This benefits groups that may rely on fixed income from their savings.

J. When a term deposit matures and the proceeds remain unclaimed, banks are required to pay interest on the amount either at the rate applicable to savings accounts or the contracted rate, whichever is lower. This ensures that depositors who forget or delay claiming their proceeds are not penalized.

**Link -** **https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12825&Mode=0#MD**