

Policy on Bank Deposits, 2020

Compliance Department

Document History

Document Name	Policy on Bank Deposits
Document Type	Policy
Version No	8
Author	Compliance
Release Range	ICBC Mumbai Branch
Approved By	Compliance Committee
Date of Approval	June 18, 2020

Version	Revised By	Summary of changes	Approved By	Approval Date
1.0		Initial Policy	Chief Executive Officer	1-Sept-2011
2.0	Malcolm Cooper	Modifications / enhancements indicated in red	Local Management Committee	26-Feb-2014
3.0	Malcolm Cooper	Modifications / enhancements	Local Management Committee	21-Nov-2014
4.0	Malcolm Cooper	Review	Compliance Committee	26-Nov-2015
5.0	Malcolm Cooper	Review	Compliance Committee	29-Sep-2016
6.0	Malcolm Cooper	Review	Compliance Committee	23-April-2018
7.0	Viiveck Shetty	Annual Review	Compliance Committee	27-March-2019
8.0	Viiveck Shetty	Annual Review		

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For any comments on this document please contact Team-Compliance.

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1. Preamble

One of the important functions of the Bank is to accept deposits from the public for the purpose of lending. In fact, depositors are the major stakeholders of the Banking System. The depositors and their interests form the key area of the regulatory framework for banking in India and this has been enshrined in the Banking Regulation Act, 1949. The Reserve Bank of India is empowered to issue directives / advices on interest rates on deposits and other aspects regarding conduct of deposit accounts from time to time. With liberalization in the financial system and deregulation of interest rates, banks are now free to formulate deposit products within the broad guidelines issued by RBI.

This policy document on deposits outlines the guiding principles in respect of formulation of various deposit products offered by the Bank and terms and conditions governing the conduct of the account. The document recognizes the rights of depositors and aims at dissemination of information with regard to various aspects of acceptance of deposits from the members of the public, conduct and operations of various deposits accounts, payment of interest on various deposit accounts, closure of deposit accounts, method of disposal of deposits of deceased depositors, etc., for the benefit of customers. It is expected that this document will impart greater transparency in dealing with the individual customers and create awareness among customers of their rights. The ultimate objective is that the customer will get services they are rightfully entitled to receive without demand.

While adopting this policy, the bank reiterates its commitments to individual customers outlined in the code of Banks Commitment to Customer adopted by the banks. This document is a broad framework under which the rights of common depositors are recognized. Detailed operational instructions on various deposit schemes and related services will be issued from time to time.

2. Types of Deposit Accounts

While various deposit products offered by the Bank are assigned different names. The deposit products can be categorized broadly into the following types. Definition of major deposits schemes is as under: -

- i) "Demand deposits" means a deposit received by the Bank which is withdraw able on demand;
- ii) "Savings deposits" means a form of demand deposit which is subject to restrictions as to

the number of withdrawals as also the amounts of withdrawals permitted by the Bank during any specified period;

- iii) “Term deposit” means a deposit received by the Bank for a fixed period withdraw-able only after the expiry of the fixed period and includes deposits such as Recurring / Double Benefit Deposits / Short Deposits / Fixed Deposits /Monthly Income Certificate /Quarterly Income Certificate etc.
- iv) Notice Deposit means term deposit for specific period but withdraw-able on giving at least one complete banking days’ notice;
- v) “Current Account” means a form of demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount and will also include other deposit accounts which are neither Savings Deposit nor Term Deposit.

3. Account Opening and Operation of Deposit Accounts

- A. The Bank before opening any deposit account will carry out due diligence as required under “Know Your Customer” (KYC) guidelines issued by RBI Anti-Money laundering rules and regulations and or such other norms or procedures as laid down in the KYC-AML Policy of the bank. If the decision to open an account of a prospective depositor requires clearance at a higher level, reasons for any delay in opening of the account will be informed to him/her and the final decision of the Bank will be conveyed at the earliest to him/her.
- B. The Bank is committed to providing basic banking services to disadvantaged sections of the society. Presently, the bank is offering business for corporates, but as soon as and when Retail Banking services will be offered to those through no frill/ Basic Banking / Small Accounts and accounts shall be opened with relaxed customer acceptance norms as per regulatory guidelines.
- C. The account opening forms and other material shall be provided to the prospective depositor by the Bank. The same will contain details of information to be furnished and documents to be produced for verification and or for record. The bank official opening the account shall explain the procedural formalities and provide necessary clarification sought by the prospective depositor when he approaches for opening a deposit account.
- D. The regulatory guidelines require banks to categorize customers based on risk perception

and prepare profiles of customers for the purpose of transaction monitoring. Inability or unwillingness of a prospective customer to provide necessary information/details could result in the bank not opening an account.

- E. Inability of an existing customer to furnish details required by the bank to fulfill statutory obligations could also result in closure of the account after due notice(s) is provided to the customer.
- F. For Deposit products like Savings Bank Account and Current Deposit Account, the bank will normally stipulate certain minimum balances to be maintained as part of terms and conditions governing operation of such accounts. For Saving Bank Account the bank may also place restrictions on number of transactions, cash withdrawals, etc., for given period. Similarly, the bank may specify charges for issue of cheque books, additional statement of accounts, duplicate passbook, folio charges, etc. All such details, regarding terms and conditions for operation of the account and schedule of charges for various services provided will be communicated to the prospective depositor while opening the account.
- G. Savings Bank Accounts can be opened for eligible person/persons and certain Organizations / agencies (as advised by Reserve Bank of India from time to time).
- H. Current Accounts can be opened by individuals / partnership firms / Private and Public Limited Companies / HUFs / Specified Associates / Societies / Trusts. Departments of Authority created by Government (Central or State), Limited Liability Company, etc.
- I. Term Deposits Accounts can be opened by individuals / partnership firms / Private and Public Limited Companies / HUFs/ Specified Associates / Societies / Trusts, Departments of Authority created by Government (Central or State), Limited Liability Company, etc.
- J. The due diligence process, while opening a deposit account will involve satisfying about the identity of the person, verification of address, satisfying about his occupation and source of income. Obtaining recent photograph of the person/s opening / operating the account form part of due diligence process.
- K. In addition to the due diligence requirements, under KYC norms the Bank is required by law to obtain Permanent Account Number (PAN) or alternatively declaration in Form No. 60 as specified under the Income Tax Act / Rules.

L. Deposit accounts can be opened by an individual in his own name (status: known as

account in single name) or by more than one individual in their own names (status: known as Joint Account).

- M. Operation of Joint Account – The Joint Account opened by more than one individual can be operated by single individual or by more than one individual jointly. The mandate for operating the account can be modified with the consent of all account holders.
- N. The joint account holders can give any of the following mandates for the disposal of balance in the above accounts:
 - i. Either or Survivor: If the account is held by two individuals say, A & B, the final balance along with interest, if applicable, will be paid to survivor on death of anyone of the account holders.
 - ii. Anyone or Survivor/s : If the account is held by more than two individuals say, A, B and C, the final balance along with interest, if applicable, will be paid to the survivor on death of any two account holders.

The above mandates will be applicable to or become operational only on or after the date of maturity of term deposits. This mandate can be modified by the consent of all the account holders.

- O. At the request of the depositor, the Bank will register mandate / power of attorney given by him/her authorizing another person to operate the account on his /her behalf.
- P. The term deposit account holders at the time of placing their deposits can give instructions with regard to closure of deposit account or renewal of deposit for further period on the date of maturity.
- Q. Nomination facility is available on all deposit account opened by individuals. Nomination is also available to an account opened by a sole proprietor. Nomination can be made in favour of one individual only. Nomination so made can be cancelled or changed by the account holder/s any time. While making nomination, cancellation or change thereof, it is required to be witnessed by a third party. Nomination can be modified by the consent of account holder/s. Nomination can be made in favour of a minor also.
- R. Bank recommends that all depositors avail nomination facility. The nominee, in the event of death of the depositor/s, would receive the balance outstanding in the account as a trustee of legal heirs. The depositor will be informed of the advantages of the nomination facility while opening a deposit account.

- S. A statement of account will be provided by the Bank to Savings Bank as well as Current Deposit Account Holders periodically as per terms and conditions of opening of the account. Alternatively, the Bank may issue a Pass Book to Savings Bank account holders.

4. Interest Payments

- i) Interest shall be paid on saving account at the rate specified by Reserve Bank of India directive from time to time. However, term deposit interest rates are decided by the Bank within the general guidelines issued by the Reserve Bank of India from time to time.
- ii) In terms of Reserve Bank of India directives, interest shall be calculated at quarterly intervals on term deposits and paid at the rate decided by the Bank depending upon the period of deposits. In case of monthly deposit scheme, the interest shall be calculated for the quarter and paid monthly at discounted value. The interest on term deposits is calculated by the Bank in accordance with the formulae and conventions advised by Indian Banks' Association.
- iii) The rate of interest on deposits will be prominently displayed in the branch premises. Changes, if any, with regard to the deposit schemes and other related services shall also be communicated upfront and shall be prominently displayed.
- iv) The Bank has statutory obligation to deduct tax at source if the total interest paid / payable on all term deposits held by a person exceeds the amount specified under the Income Tax Act. The Bank will issue a tax deduction certificate (TDS Certificate) for the amount of tax deducted. The depositor, if entitled to exemption from TDS can submit declaration in the prescribed format at the beginning of every financial year.

5. Account of Illiterate Persons

The Bank may at its discretion open deposit accounts other than Current Accounts of an illiterate person. The account of such person may be opened provided he/she calls on the Bank personally along with a witness who is known to both the depositor and the Bank. Normally, no cheque book facility is provided for such Savings Bank Account. At the time of withdrawal/repayment of deposit amount and/or interest, the account holder should affix his / her thumb impression or mark in the presence of the authorized officer who should verify the identity of the person. The Bank will explain the need for proper care and safe keeping of the passbook etc. given to the account holder. The Bank official shall explain the terms and conditions governing

the account to the illiterate person.

6. Addition or deletion of the name/s of joint account holders

The bank may at the request of all the joint account holders allow addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint account holder.

7. Customer information

The customer information collected from the customers shall not be used for cross selling of services or products by the Bank, its subsidiaries and affiliates. If the Bank proposes to use such information, it shall be strictly with the consent of the account holder.

8. Secrecy of customer's accounts

The Bank shall not disclose details / particulars of the customer's account to a third person or party without the expressed or implied consent from the customer. However, there are some exceptions, viz. disclosure of information under compulsion of law, where there is a duty to public to disclose and where interest of the Bank requires disclosure.

9. Premature withdrawal of term deposit

The Bank on request from the depositor, at its discretion may allow withdrawal of term deposit before completion of the period of the deposit agreed upon at the time of placing the deposit. The Bank shall declare the penal interest rates applicable for premature withdrawal of term deposit. The Bank shall make depositors aware of the applicable rate along with the deposit rate.

10. Premature renewal of term deposit

In case the depositor desires to renew the deposit by seeking premature closure of an existing term deposit account, the bank will permit the renewal at the applicable rate on the date of renewal, provided the deposit is renewed for a period longer than the balance period of the original deposit. While prematurely closing a deposit for the purpose of renewal, interest on the deposit for the period it has remained with the bank will be paid at the rate applicable on the date of deposit to the period for which the deposit remained with the bank and not at the contracted rate. Further, the bank may levy penalty for pre-mature closure of an existing

deposit at such rates as may be decided by the bank from time to time.

11. Renewal of overdue term deposits

When a term deposit is renewed on maturity, rate of interest on the renewed deposit for the period specified by the depositor as applicable on the date of maturity would be applied. If request for renewal is received after the date of maturity, the deposit will be issued from the date of such request received, at the rate of interest applicable on the said date of request.

12. Advances against deposits

The Bank may consider the request of the depositor/s for loan / overdraft facility against term deposits duly discharged by the depositor/s on execution of necessary security documents.

13. Settlement of dues in deceased deposit account

- A. If the depositor has registered nomination with the Bank – the balance outstanding in the account of the deceased depositor will be transferred to the account of / paid to the nominee after the Bank satisfies about the identity of the nominee, etc.
- B. The above procedure will be followed even in respect of a joint account where nomination is registered with the Bank.
- C. In a joint deposit account, when one of the joint account holders dies, the Bank is required to make payment jointly to the legal heirs of the deceased person and the surviving depositor(s). However, if the joint account holders had given mandate for disposal of the balance in the account in the forms such as “either or survivor, former / latter or survivor, anyone of survivors or survivor; etc., the payment will be made as per the mandate to avoid delays in production of legal papers by the heirs of the deceased.
- D. In the absence of nomination and when there are no disputes among the claimants, the Bank will pay the amount outstanding in the account of deceased person against joint application and indemnity by all legal heirs or the person mandated by the legal heirs to receive the payment on their behalf without insisting on legal documents up to the limit approved by the Local Management Committee. This is to ensure that the common depositors are not put to hardship on account of delays in completing legal formalities

14. Interest payable on term deposit in deceased account

In the event of death of the depositor before the date of maturity of deposit and amount of the deposit is claimed after the date of maturity, the Bank shall pay interest at the contracted rate till the date of maturity. From the date of maturity to the date of payment, the Bank shall pay simple interest at the applicable rate obtaining on the date of maturity, for the period for which the deposit remained with the Bank beyond the date of maturity; as per the Bank's policy in this regard.

15. Insurance Cover for Deposits

All bank deposits are covered under the insurance scheme offered by Deposit Insurance and Credit Guarantee Corporation of India (DICGC) subject to certain limits and conditions. The details of the insurance cover in force, will be made available to the depositor, on demand.

16. Stop Payment Facility

The Bank will accept stop payment instruction from the depositors in respect of cheques issued by them. Charges, as specified, will be recovered.

17. Dormant Accounts

A Savings Deposit as well as Current Account shall be treated as inoperative and dormant if there are no transactions in the account for over a period of two years. The depositor can request the Bank to activate the account. The account can be activated only after obtaining requisite fresh KYC documents of the account holder. The Bank shall review the number of dormant accounts annually.

18. Redressal of complaints and grievances

Depositors having any complaint / grievance with regard to services rendered by the Bank shall have a right to approach authority(ies) designated by the Bank for handling customer complaint

/ grievances. The details of the internal set up for redressal of complaints / grievances will be displayed in the branch premises or bank's website. The branch officials shall provide all required information regarding procedure for lodging the complaint. In case the depositor does not get response from the Bank within 30 days from date of complaint or he is not satisfied with the response received from the Bank, he has a right to approach Banking Ombudsman appointed by the Reserve Bank of India.

19. Bulk Deposits

In terms of the RBI Master Direction on Interest Rate on Deposits updated from time to time, single rupee deposits (including NRE and NRO term deposits) of Rs.2 Crore and above are classified as bulk deposits. The rate of interest on these deposits shall depend on:

- The rate of interest
- The rate of interest on thes
- The rate of interest on
- The rate of interest on these deposits

The bank may offer differential rate of interest for Bulk deposits of the same maturity. However, care shall be taken to ensure that the rates offered for such Bulk deposits on any given day remain the same for identical amount & period.

The bank can accept Bulk Deposits with following two options:

1. Premature withdrawal permitted
2. Premature withdrawal is not permitted

The Bank shall notify all bulk depositors of its policy of allowing / disallowing premature withdrawal at the time of accepting such deposits.

In case of option 1, where premature withdrawal is permitted, Treasury shall at the time of providing the special rate of interest, also provide the interest rates applicable for various tenures. Treasury shall also provide the quantum of penalty applicable, if any, for premature withdrawal. CEO/DGM/Management can waive the penalty applicable on premature withdrawal of Bulk deposit including interest difference, if any.

In case of option 2, under special circumstances, the bank may permit pre-mature withdrawal of Bulk deposits accepted from Individuals / HUFs only with specific approval from **CEO/DGM/Management**. The details of premature withdrawal of Bulk deposits shall be put up to ALCO at monthly intervals.

Care shall be taken to ensure that the rates offered for such Bulk deposits on any given day remain the same for identical amount & period.

The Bank has statutory obligation to deduct tax at source if the total interest paid/ payable on all term deposits held by a person exceeds the amount specified under the Income Tax Act and as per CBDT (Central Board of Direct Taxes) guidelines issued from time to time. The Bank will issue a tax deduction certificate (TDS Certificate) for tax deducted on quarterly basis. The depositor, if entitled to exemption from TDS can submit declaration in Form 15G/H at the beginning of every financial year.

20. Suo Moto Closure of Savings and Current Account

The Bank shall close accounts, which are considered undesirable and un- remunerative.

These accounts shall be closed only after sending proper written notice to the customer, at the address of the customer available as per Bank records. Examples of undesirable and unremunerative features are:

- a. Drawing cheques without funds.
- b. Rash / fraudulent transactions routed through Bank account which may expose the Bank to unnecessary risks.
- c. Nil Balance Accounts
- d. Dormant / inoperative accounts as per extant RBI directives.
- e. Accounts where transactions, such as huge cash transactions, are being made, disproportionate to the profile of the customer.
- f. Accounts in which, in the opinion of the Bank, transactions having money laundering angle are being conducted.
- g. Accounts, in which, the Bank is not able to apply appropriate KYC measures due to non - furnishing of information by customer and / or non – co-operation by the customer in this regard.
- h. Non-compliance of Minimum Balance requirements for current and savings account, as applicable to the relevant scheme / product.

Up-to-date interest, if any, shall be credited to the Customer's account at rates applicable from time to time. Penal interest, if any, at rates applicable from time to time shall be collected in case of pre - mature closure of Term Deposits. The amount lying in the account net of all charges and out-of-pocket expenses, shall be credited to the customer's account with another bank, as per the bank details provided by the customer in the closure request letter. If the Bank is initiating closure due to undesirable and unremunerative features, as mentioned above, Management approval to be sought for parking of the balances in the suspense account to be created for this purpose. This account should be reconciled at regular intervals by the department authorized by Management and put up to Local Management Committee.
