

OPERATIONS DEPARTMENT

World Trade Centre, Tower no 4, Cuff Parade, Mumbai- 400 021

Instruction Circular No:2380:2021

Date: 05-01-2021

To All Branches / Offices

Maiden Policy on Staff Deposits & Payment of Additional Interest

Key Highlights

- Earlier, Instruction Circular No.3197 dated 17.02.1986 and IC 4957 Dt.16.04.1994 covering operational guidelines on Term Deposits and payment of interest based on Reserve Bank of India (RBI) Master Circular on Interest Rate on Deposit was circulated.
- The policy is now having common standard guidelines post amalgamation for all branches situated domestically.
- **The pillars of this Policy are:**
 - ✓ Harmonized Policy for e-AB, e-CB and UBI (stand-alone).
 - ✓ Common Standard Guidelines to administer the benefits equitably in a transparent manner.
 - ✓ Modalities to be adopted by the Amalgamated Entity in case of certain parameters has now been clarified.
 - ✓ Clarity on application of additional Interest benefits to staff.
 - ✓ The points/clauses updated in e-AB circular updated till Feb-2019 has been clarified for staff members/other constituents.
- The policy provides clarity on extending staff deposit rate benefit to eligible accounts retrospectively from 01.04.2020.
- Policy is valid upto 31.03.2022.

1. Aim & Objectives of the Policy:

1.1 Aim: The aim / objective of the Policy is to have common standard guidelines post amalgamation for all branches situated domestically. With standard guidelines, the branches / offices shall be in a position to administer the benefits with transparency and equitably.



- c. Bank Employees Federations where the Bank employees are not direct members.
- d. Staff Deposits under Capital Gains Account.
- e. NRE/NRO Deposit of Staff Members.

4.6 Point No: 13 deals with 'Applicability/continuation of Additional Interest on Existing Deposits'

4.7 Point No: 14 deals with 'Extension of Staff Deposit Benefit retrospectively'.

The deposit/s eligible under the enclosed policy which, in case, are deprived of eligible benefit due to amalgamation process/technical issues, will be eligible from retrospective effect (i.e. 1.4.2020) till the maturity of deposit. However, it should be ensured that such deposits should also have been eligible during the intervening period but were not extended the same due to technical issue (IT integration post amalgamation) and/or adoption of existing guidelines of erstwhile Bank i.e. e-AB or e-CB. Such proposals need to be forwarded to the Operation Department, Central Office for providing back-dated interest benefit as per the existing practice. On maturity of deposit, existing rate with applicable benefit will continue as per the terms of revised policy.

5. Conclusion: The rationale of having a 'Policy on Staff Deposits & Payment of Additional Interest' is :

- 5.1. To provide clarity on application of additional Interest on Staff deposits.
- 5.2. For prompt identification of the eligible or ineligible accounts and providing additional interest as per regulatory guidelines.
- 5.3. Laying down the modalities to be adopted by the Amalgamated Entity.
- 5.4. To capture in brief and give overall picture/clarity to Branches/Offices. Policy is furnished as per Annexure I.

All Branches/Offices are advised to be guided accordingly and ensure compliance.



(Asheesh Pandey)

CGM & Chief Operations Officer

Enclosed:

1. Annexure-I- Policy on Staff Deposits & payment of Additional Interest 2021-22

*** Hindi Version Follows**





भारत सरकार का उपक्रम A Government of India Undertaking



Policy On Staff Deposits And Payment Of Additional Interest

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**Operation Department, Central Office,
Mumbai.**

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ABBREVIATIONS

S. No.	Abbreviation	Description
1	RBI	Reserve Bank of India
2	CBI	Central Bureau of Investigation
3	ED	Enforcement Directorate
4	CVO	Chief Vigilance Officer
5	IO	Internal Ombudsman
6	DFS	Dept of Financial Services
7	IBA	Indian Banks Association

 

Policy on Staff Deposits & Payment of Additional Interest

1. Background:

- 1.1 **Guidelines on Additional Interest:** In order to encourage savings and thrift among Staff Members and also as an incentive to employees/staff of the Bank, RBI had permitted Banks to pay additional interest of 1.00% on staff deposits. Further, retired staff members who are “Senior Citizens” shall be eligible for benefit of additional 0.50% interest in addition to the above mentioned 1.00%.
- 1.2 **Guidelines of Bank (Stand-alone):** Based on the guidelines issued by RBI vide Master Circular on Interest Rate on Deposit, IC No.3197 dated 17.02.1986 and Instruction Circular 4957 Dt.16.04.1994 covering operational guidelines on Term Deposits and payment of interest thereon. These guidelines were last updated as on 31.03.2020 in Union e-Manual Portal of the Bank. As per IC No.01914-2020 (point no.11.5), dated 16th March, 2020, there is a maximum ceiling of Rs.500.00 lacs fixed for the amount invested in term deposits at all branches of the Bank put together under staff category.
- 1.3 **Guidelines of e-AB:** Guidelines on Staff Deposits were circulated in line with the RBI Directives vide its circular letter No.-666/27/182 dated 18.11.2019.
- 1.4 **Guidelines of eCB:** Guidelines on Staff Deposits were circulated in line with the RBI directives by using discretion vide its circular No. 282/2014 dated 12th April, 2014. As per circular there is a maximum ceiling of Rs.75.00 lacs fixed for the amount invested in term deposits at all branches of the Bank put together under staff category.
- 1.5 **Guidelines laid down by the Reserve Bank of India:** Master Direction of RBI vide DBR. Dir. No.84/13.03.00/2015-16 last amended on 22.02.2019 while specifying the overall framework for interest rate on various types of Deposits also dwells upon payment of additional interest on staff deposit as well as deposits of Chairman, Chairman & Managing Director, Executive Director or such other Executives appointed for a fixed tenure, persons taken on deputation for a fixed tenure or on a contract of a fixed tenure etc.
2. **Need for Revised Policy:** The separate independent policies followed by the erstwhile banks on staff deposits, prior to amalgamation, though were by and large similar, however, the modalities that need to be adopted by the Amalgamated Entity in case of certain types of Executives/Staff Depositors, Chief Vigilance Officer, Internal Ombudsman, employees on deputation to overseas subsidiaries/, domestic subsidiaries/, CBI / ED / Govt. Offices etc. has remained to be captured in detail in the guidelines/Instruction Circulars issued by the Bank as well as in the Policy on Bank Deposit 2020-21.



Policy on Staff Deposits & Payment of Additional Interest

- 2.1 Post amalgamation of e-Andhra Bank/e-Corporation Bank with Union Bank of India, there is a need to formalize a policy document for extending the additional interest benefits to staff to bring in clarity on some of the parameters.
- 2.2 In view of these, this revised policy in respect of deposits of Staff, Retired Staff, Staff on deputation into the Bank/outside the Bank in India as well as Overseas, Directors, Chairman, Managing Director & Chief Executive Officer, Executive Directors, Chief Vigilance Officer, Internal Ombudsman, persons taken on deputation for a fixed tenure or on a contract of a fixed tenure, etc. is placed before the Board in line with the extant RBI guidelines.
3. **Scope of the Policy:** The Deposits of the Staff / Officials as described in this Policy, held in India and in the branches of Amalgamated Entity (AE), shall be under the scope of the Policy. Hence, the benefits under the policy are applicable to such deposits which are held domestically as per the terms of this policy.
4. **Aim / Objective of the Policy:** The aim / objective of the Policy is to have common standard guidelines post amalgamation for all branches situated domestically. With standard guidelines, the branches / offices shall be in a position to administer the benefits with transparency and equitably.
5. **Policy Ownership:** The Policy Ownership shall be with the Operations Department and policy will be placed in consultation with the Human Resource Department, jointly before the Committee/Board of the Bank from time to time as per validity.
6. **Compliance:** The Policy is in compliance of the regulatory guidelines issued from time to time, Master Direction of RBI vide DBR. Dir. No.84/13.03.00/2015-16 last amended on 22.02.2019 is the base for this policy.
7. **Definitions:**
- 7.1 **Staff Member:** "A member of the Bank's staff" means a person employed on a regular basis, whether full time or part -time and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.
- 7.2 **Retired Staff Member:** "A retired member of the banks staff" means an employee retiring whether on superannuation or otherwise as provided in the bank's Service/Staff Regulations, but does not include an employee retired compulsorily or dismissed in consequence of disciplinary action or resigned employees. Such retired staff may also be senior citizen by virtue of their age.
- 7.3 **Family:** "Family" means and includes the spouse of the member/retired member of the bank's staff and the child/children , parents, brothers and sisters of the member/ retired member of the bank's staff who are



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Dependent on such member/retired member, but does not include legally separated spouse.

8. Payment of additional interest:

As per RBI directives, Master Direction DBR.Dir.No.84/13.03.00/2015-16 updated as on February 22, 2019, schedule commercial banks shall at their discretion, allow additional interest of one percent per annum, over and above the rate of interest mentioned in the schedule of interest rates on saving or term deposits of bank's staff and their exclusive associations as well as on deposits of Chairman, Chairman & Managing Director, Executive Director or such other Executives appointed for a fixed tenure, subject to the following conditions.

- (i) The additional interest is payable till the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of term deposit account.

It is clarified that, deposits made with our Bank, if any, by such Officials prior to their appointment will not be eligible for Staff benefit and shall continue till maturity at the contracted rate. However, deposits made by such Officials on or after their date of joining our Bank will be eligible for the additional interest benefit (as available for staff deposits).

Further, it is clarified that, on deposits made by the Chairman, Chairman & Managing Director, Executive Director or such other Executives appointed for a fixed tenure, after their tenure, shall be eligible for additional Rate of interest, as mentioned in this policy, if they are superannuating from the Bank and are eligible to draw pension/ retirement benefits from our Bank. The Deposits created by such officials (as per terms of this policy) after their tenure shall also be entitled for the benefit of additional interest along with the interest benefit available for Senior Citizen.

- (ii) In case of employees taken over pursuant to the scheme of amalgamation, the additional interest is allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate, which could have been allowed if such employees were originally employed by the bank.

For the above, it is clarified that the deposits made by the staff of erstwhile Andhra Bank and Corporation Bank, shall continue to be eligible for the additional Rate of Interest on all such deposits (as defined in this policy) post amalgamation as well. Deposits renewed/created after amalgamation will earn interest inclusive of the additional 1% as applicable to regular employees of the Bank, depending on tenor of deposits as per card rate prevailing on the date of deposit.



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Policy on Staff Deposits & Payment of Additional Interest

- (iii) In the case of employees taken on deputation from another bank, the bank from which they are deputed may allow additional interest in respect of saving or term deposit account opened with it during the period of deputation.

It is clarified that, persons onboarded on deputation as per the above Regulatory guidelines will be eligible for the additional interest benefit on deposits created during his/her tenure till its maturity and in case of his/her ceasing to be so eligible, till the maturity of the Term Deposit account. In case these Official/Executive/person is a Senior Citizen, the benefit as available for Senior Citizens will also be available on deposits created during his/her tenure with the Bank.

In the above context, for e.g. Chief Vigilance Officer appointed for a fixed tenure being in the nature of deputation from another Bank shall be governed by the terms as applicable for employees/executives on deputation

Employees deputed from our Bank to DFS, IBA, CBI/Enforcement Directorate, other Govt. offices, Other Agencies, Joint Venture entities of the Bank, Foreign Branches of the Bank/Foreign Subsidiaries of the Bank, Domestic Subsidiaries of the Bank etc. will be eligible for the benefit of additional interest on staff deposit till such time they remain on the rolls of the Bank

For the above, it is clarified that post-amalgamation of eCB & eAB, interest on deposit created prior to amalgamation for bank officials if any, will continue to earn interest at the contracted rate till maturity.

- (iv) In case of persons taken on deputation for a fixed tenure or on a contract of a fixed tenure, the benefit will cease to accrue on the expiry of the term of deputation or contract, as the case may be.

It is clarified that such persons will be eligible for the additional interest benefit on deposits created during his/her tenure till its maturity and in case of his ceasing to be so eligible, till the maturity of a Term Deposit account. In case these Official/Executive/person is a Senior Citizen, the benefit as available for Senior Citizens will also be available on deposits created during his/her tenure with the Bank.

In the above context, Internal Ombudsman appointed on a contract for a fixed tenure, this extra interest benefit shall be available for those deposits created during his/her tenor in the Bank. However, deposits created during the tenure will continue to receive the interest rate benefit at the contracted rate till its maturity. The benefit will cease to accrue on fresh deposits created after the expiry of the term of contract, as the case may be.


Union Bank of India

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For the above, it is clarified that post-amalgamation of eCB & eAB, interest on deposit of such persons created prior to amalgamation for bank officials if any will continue to earn interest at the contracted rate till maturity.

- (v) Bank Employee Federations, in which bank employee are not direct members, shall not be eligible for additional interest.

For the above, it is clarified that post-amalgamation exclusive federations of eCB & eAB employees, will continue to earn interest benefit on deposit created prior to amalgamation at the contracted rate till maturity.

- (vi) The additional interest may be paid on the following deposits after obtaining a declaration from the depositor concerned, that the monies deposited or which may be deposited from time to time into such account belong to the depositor.
- Member or a retired member of the bank's staff, either singly or jointly with any member or members of his/her family; or
 - The spouse of a deceased member or a deceased retired member of the bank's staff; and
 - An Association or a fund, members of which are members of the bank's staff;

On the above, further it is clarified that:

As per eCB policy point No. (a) And (b) herein above shall exclude legally separated spouse of a staff member/retired staff member. Further a declaration shall be obtained from the depositor concerned that the monies deposited or which may from time to time or be deposited into such account from time to time belong to the depositor (format furnished as Appendix-1). The same shall continue to be obtained in the Amalgamated Entity.by the

Staff deposits wherever stated will invariably include deposits in the name of staff members/Retired Staff who are senior citizens / Spouse of deceased staff members.

9. Joint Deposits of Staff:

- 9.1 **Staff Deposits jointly with family members of eAB, eCB & eUBI:** Where a joint holder of a deposit is a staff member, in order to be entitled for 1.0% p.a. additional interest, the name of the staff member should be first and not subsequent. However, a declaration from the staff member shall be obtained to the effect that the monies deposited or which may be deposited from time to time into such account/s, belong to the concerned staff member (furnished as



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Policy on Staff Deposits & Payment of Additional Interest

Appendix-I). The implication of this is that as per extant norms, applicable TDS will be deducted from the total interest paid and relevant TDS certificate will be issued in the name of the staff member only, irrespective of the fact the account is in joint name.

9.2 Deposit of Retired Staff (Senior Citizen) jointly with family members:

If a deposit is held by a retired staff member who is also a Senior Citizen jointly with his parents / spouse / child /children, brother or sister, then the branch can offer both Staff benefit and Senior Citizen benefit subject to obtaining a declaration from the staff member to the effect that the monies deposited or which may be deposited from time to time into such account/s, belong to the concerned staff member. In order to be entitled for Senior Citizen benefit, name of the retired staff member should be first and not subsequent in a joint deposit.

In other words, deposits maintained by retired staff members (who incidentally are senior citizens) jointly with eligible family members **would be entitled** for the staff benefit by way of additional 1.0% interest along with senior citizen benefit, only when the retired staff member is named first and not subsequent to the deposit.

9.3 Staff Deposit jointly with Senior Citizens: Where a joint holder of a deposit made by the Senior citizen is a staff member, to be entitled for 1% p.a. additional interest, only when the name of the staff member is first and not subsequent. A declaration from the staff member shall be obtained to the effect that the monies deposited or which may be deposited from time to time into such account/s, belong to the concerned staff member.

The benefit of additional interest of 0.5% p.a. as extended to senior Citizen scheme **shall not be** extended to such deposits (since the serving staff member is not a senior citizen). Applicable TDS will be deducted from the total interest paid and relevant TDS certificate will be issued in the name of the staff member only.

9.4 Deposits in the name of spouse of a deceased staff (jointly or singly): If a deposit is held jointly by the spouse of the deceased member of the staff who is senior citizen, then the branch can offer both staff interest and senior citizen interest subject to obtaining of the declaration that deposits belong to him/her. Here again, in order to be entitled for Senior Citizen benefit, name of the spouse of the deceased staff member, who is also a Senior Citizen, should be first in a joint deposit.

10. Premature closure of staff account:

On premature closure of a staff member's Term Deposit, penalty as applicable shall be levied (1% less than the card rate applicable for staff deposits as prevailing on the date of deposit for the tenure up to which the deposit remained with the Bank).



11. Ceiling on Staff Deposits:

The maximum ceiling of Rs.75.00 lacs was fixed in eCB on term deposits as per circular No.282/2014 dated 12.04.2014. For amalgamated entity, the maximum ceiling of Rs.5.00 crore would continue as per Standalone Union Bank of India's Instruction Circular No.01914-2020 dated 16.03.2020. The amount invested in Term Deposits (Principal amount) at all branches of the Bank put together under staff category on which the benefit of additional rate of 1.0% p.a. is admissible on deposits of staff category for individuals opened either singly or jointly with family members viz. as staff, ex-staff or spouse of a deceased member of staff or deceased retired member of the Bank's staff.

12. Accounts which are ineligible for benefits of staff accounts:

- 12.1 Ex-staff members who have resigned from the service of the Bank (irrespective of the number of years of service put in) will not be eligible for the benefit of the staff accounts in respect of the deposits placed/renewed by them after their resignation from the service of the Bank.
- 12.2 Even if the Karta of the family is a member of Bank's staff, the accounts of HUF shall not be eligible for staff rate of interest.
- 12.3 Bank Employees Federations, in which bank employees are not direct members, shall not be eligible for additional interest.
- 12.4 Deposits in the name of staff under Capital Gains account: If a deposit is held by the staff under Capital Gains Account, no additional interest benefit is available on that deposit. Likewise, additional interest for Senior citizen is also not available for staff deposits under Capital Gains.
- 12.5 NRE/NRO Deposits of Staff Members: Deposits held by the staff under NRE / NRO Deposit Account shall not be eligible for the additional interest benefit

13. Application of Additional Interest on Existing Deposits:

For deposits which are outstanding on the date of this policy will continue to earn interest as contracted without any change.

With respect to outstanding deposit of eAB & eCB staff members, in joint names, where name of the depositor is not first, the account shall continue to fetch benefit of additional interest till maturity of such deposit as per originally contracted terms of deposit. However, on maturity of such deposit, the benefit of additional interest to staff will cease to continue. Upon renewal of such deposits, the additional interest benefit will be available only if the name of the staff member is first



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ANNEXURE-I
Policy on Staff Deposits & Payment of Additional Interest

- 14. Validity of the Policy:** The Policy shall be valid till 31.03.2022. Nevertheless, changes / extension / modifications in guidelines, if any, brought out in this regard by the RBI during the currency of the Policy, may be brought into effect with prior approval of Managing Director & Chief Executive Officer (MD & CEO) of the Bank. However, the same shall be placed before the Board for Information.
- 15. Conclusion:** The rationale of having a ‘Policy on Staff Deposits and Payment of Additional Interest’ is to have prompt identification of the eligible or ineligible accounts and providing the additional interest as allowed per regulatory guidelines.






Appendix – I

Date :

From :

PF No.-----

To,

The Branch Head,

----- Branch.

Dear Sir,

Undertaking on Joint Deposit

This has reference to my/our Deposit account in the joint names of -----
(Staff/Retired Staff) and my -----(mention relationship) Mr./Mrs.-----
----- with your branch. In this regard, I confirm/swear/submit that though the deposit
amount is made in our joint names, the monies deposited or which may be deposited from time to time
into such account/s, belong to me (staff member/Retired Staff member).

In view of the above, kindly extend the benefit of additional interest available for staff deposits to the
above referred deposit made in our joint names. In case the above submission is found false at any time
during the currency of the deposit account, I have no objection in your reversing the additional interest
paid on the deposit.

Yours sincerely,



(Name of staff member depositor)