

CLARIFICATION OF THE TERM 'DEPOSIT'

Section 2(g) of the Deposit Insurance and Credit Guarantee Corporation Act defines the term 'deposit' as the aggregate of the unpaid balances due to a depositor in respect of all his accounts by whatever name called, with an insured bank and excludes certain categories of deposits from the purview of the Act. It follows that in order to be 'deposits', the unpaid balances should be due to a depositor and should be in respect of accounts in his name or maintained by him. We have received several references seeking clarification whether a particular item would constitute 'deposit' or not and our views on the points raised have been communicated to the respective banks. However, the classification of some of the more common and important items is indicated below for your guidance. This, of course, is not an exhaustive list and clarification/s may be sought in case of doubt.

I. Items which are to be included within the category of 'deposits' as defined in the Act

1. Credit balances in cash-credit accounts
2. Margins held against letters of credit, guarantees, bills purchased etc., if these amounts are held in an account of the depositor marking merely a lien or instructions as to disposal.
3. Deposits held as security for advances or employees security deposits or staff cash Security.
4. Accrued interest on fixed and other term deposits.
5. Mail and telegraphic transfers from one deposit account to another.
6. Amount received for credit of deposit account but held in "suspense" pending receipt of full particulars or compliance with some formalities.
7. Overdue term deposits and unclaimed deposits/balances.
8. Provident Fund balances relating to the bank's own staff.
9. Deposits of local authorities and quasi-Government bodies like Municipal corporations, district Boards, housing and Electricity Boards etc., which are separate legal entities.
10. Deposits of autonomous or statutory bodies, Government owned Corporations, Government companies, life Insurance Corporation, Industrial and State Financial Corporation etc.
11. Security deposits and earnest monies held in the name of Government departments on account of constituents which are payable to the constituents, if not claimed by Government.

12. Deposits held in the individual names of Government and Embassy officials, Regimental officers etc.
13. Unpresented drafts and pay-orders held in the depositors' accounts.
14. Staff Security Deposits deposited in a scheduled bank as per provisions of Companies Act, 1956.
15. Balances held in 'Sundry Creditors' for the purpose of credit to depositors' accounts.
16. Recurring deposits, which have ceased to be deposits due to non-payment by clients, pending refund.
17. Deposits of Non Resident Rupee Accounts.
18. Provident Fund balances relating to bank's staff held by bank before they are transferred to provident Fund Commissioner.
19. Balances of small Farmers Development Agency (SFDA) Fish Farmers Development Agency (FFDA), District Rural Development Agency (DRDA).
20. Reserve fund of societies held with District/Central Co-operative Banks.
21. Daily collections of 'pigmy Deposits' credited to "Sundry Creditors" Account.
22. Surplus credited to 'Sundry Creditors' Account after appropriating loan due from the proceeds of Term Deposits.
23. Balance held in FCNR Account.
24. Amount representing pay orders/bankers cheque/demand drafts issued by closing of deposit accounts with or without reference to the depositors, but remaining unpaid.

II - Items which do not fall within the scope of the definition of 'deposit' given in the Act.

- (1) Deposits received outside India
- (2) Monies belonging to and deposits in the names of foreign Government, Central Government, State Governments, banking companies and co-operative banks (inter-bank deposits), deposits of State Land Development Banks held with State Co-operative Banks.
- (3) Outstanding Demand Drafts and telegraphic remittances other than transfers from one deposit account to another.
- (4) Proceeds of bills received for collection held in suspense pending remittance or compliance with certain formalities connected with the remittance.
- (5) Amounts held in suspense for appropriation towards any amount due to the bank. When payment has been received in respect of an advance and the same is held in suspense

on account of some dispute or compliance with certain formalities, such amount would not be 'deposit' as it is definitely meant to be appropriated towards the amount due.

- (6) Collection account balance held for purposes of remittances.
- (7) Taxes collected and held in suspense account for payment to competent authorities.
- (8) Security Deposits (Earnest Money) held in the name of Government or banking company
- (9) Share call money, deposit for godown locks, staffGuarantee Fund, Share Suspense Account.
- (10) Margins held separately for the specific purpose of appropriation in a contingency.
- (11) The amounts credited to the Depositor Education and Awareness Fund (DEAF) established by the Reserve Bank of India.
