

July1, 2004

1. The Chairman & Managing Director/
Chief Executive Officer
(All Banks having Currency Chests)
2. Directors of Treasuries
(State Governments as per list enclosed).

Dear Sir,

Master Circular-Levy of Penal Interest for Delayed Reporting /
Wrong Reporting / Non-Reporting of Currency Chest transactions
and cases involving Shortages in Currency Chest Balances

In supersession of all existing instructions/guidelines relating to levy of penal interest for delayed reporting/wrong reporting/non-reporting of currency chest transactions and cases of shortages in the chest balances, the following fresh instructions/guidelines are issued:

1. Reporting of Currency Chest Transactions

- a) The minimum amount of deposit into/ withdrawal from Currency Chests will hereafter be Rs.1,00,000 (instead of Rs.1,000 as at present) and thereafter, it will be in multiples of Rs.50,000/- (instead of Rs.500 as at present).

b) Time limit for reporting

The Currency Chests should invariably report all transactions to the Link Office on the same day and the Link Office in turn should report the consolidated position to the Issue Office on the next working day. The Sub-Treasury Offices should report all transactions direct to the Issue Office of the Reserve Bank on the same day.

c) Levy of penal interest for delays

In the event of delay beyond three clear working days (including the date of transaction) in reporting of figures relating to a particular chest in the Link Office Statement, or delay in submission of the Chest Slip in the case of single chest or STOs directly linked to Issue Department of the Circle, penal interest at the rate indicated in Para 3 below will be levied for the period of delay excluding the date of transaction and date of receipt of figures/chest slip. Such penal interest will be levied on the amount due from the chest holding bank.

d) Wrong reporting and levy of penal interest

Penal Interest will also be levied in respect of all cases of wrong reporting in the same manner till the date of receipt of corrected advice by the Bank. It is expected that Link Offices should ensure the correctness of figures reported by the respective Currency Chests.

- e) A few examples are given in annexure.

2. Shortages in Currency Chest balances due to pilferage/frauds or otherwise and inclusion of amounts of safe custody deposits in chest balances

Penal Interest will be levied on the entire amount of shortage detected in the chest balances from the date following the date when the chest balance was last verified by RBI inspectors/bank's internal inspectors/ bank's/government's own officers deputed for the purpose till the date when the shortage is made good. However, in cases where it is possible

kept in safe custody in sealed covers, trunks, etc. on behalf of Courts, Government Departments, etc., and included in the chest balance, from the date of inclusion of such amounts in chest balance till the date of removal thereof. The currency chest is not supposed to keep such amounts as a part of chest balance.

3. Rate of Penal Interest

The penal interest shall be levied at Bank Rate as applicable during the period of irregularity plus 2 %.

4. Levy of Penal Interest in respect of Currency Chests at Treasuries

The above instructions shall be applicable to Currency Chests at Sub-Treasury Offices also.

5. Date of effect

The instructions contained in this circular shall be effective from August 1, 2004.

6. Representations

As the sole criterion for the levy of penal interest will be the number of days of delay, there should ordinarily be no occasion for banks to request for reconsideration of the Bank's decision in individual cases. However representations, if any, on account of genuine difficulties faced by chests especially in hilly / remote areas and other chests affected by natural calamities, etc, should be made only to the concerned Regional Office of the Issue Department. As the intention behind the levy of penal interest is to inculcate discipline among banks so as to ensure prompt/ correct reporting, pleas by banks such as non-utilisation of the Bank's funds, no shortfall in the maintenance of CRR/SLR, clerical error, unintentional or arithmetical error, etc., will not be considered as valid grounds for waiver of penal interest.

7. Please acknowledge receipt.

Yours faithfully,

Sd/
(V.R.Gaikwad)

Chief General Manager

Encl : 2

ANNEXURE

Example 1. All cases of delayed reporting, where utilisation of RBI's fund i.e. where the bank's current A/c stands credited is involved

Days/dates of transaction	<u>Details of transactions</u>
1 st Day (01.06.2004)	Date of Transaction
2 nd Day (02.06.2004)	Working Day
3 rd Day (03.06.2004)	Working Day (If reported, no penal interest will be levied)
4 th Day (04.06.2004)	Working Day (If reported, penal interest will be levied for both days i.e. 2 nd and 3 rd day)

Example 2. Wrong reporting – When excess deposit is reported

Days/dates of transaction	<u>Days/dates of transaction</u>
1 st Day (01.06.2004)	Date of Transaction (Deposit of Rs. 5,00,000/-)
2 nd Day (02.06.2004)	Working Day
3 rd Day (03.06.2004)	Working Day (Reported wrongly as deposit of Rs. 50,00,000/-)
4 th Day (04.06.2004)	Working Day
5 th Day (05.06.2004)	Holiday
6 th Day (06.06.2004)	Working Day (If the corrected advice is received on 6 th Day, the penal interest will be levied from 2 nd day to 5 th day, both days inclusive on Rs.50,00,000– Rs.5,00,000 =Rs.45,00,000/)

Example 3. Wrong reporting – When less withdrawal is reported

Days/dates of transaction	<u>Days/dates of transaction</u>
1 st Day (01.06.2004)	Date of Transaction (Withdrawal of Rs. 5,00,000/-)
2 nd Day (02.06.2004)	Working Day
3 rd Day (03.06.2004)	Working Day (Reported wrongly as withdrawal of Rs. 50,000/-).
4 th Day (04.06.2004)	Working Day
5 th Day (05.06.2004)	Holiday
6 th Day (06.06.2004)	Working Day (If the amount reported wrongly on 3rd day and a corrected advice is received on 6 th Day, the penal interest will be levied from 2 nd day to 5 th day,

both days inclusive on RS.5,00,000–RS.50,000 =RS.4,50,000/)

Example 4. Wrong reporting – When inward remittance from RBI or other currency chest is reported as deposit.

Treatment similar to Example -2

Example 5. Wrong reporting – When deposit is reported as withdrawal.

Days/dates of transaction	Days/dates of transaction
1 st Day (01.06.2004)	Date of Transaction (Deposit of Rs. 5,00,000/-)
2 nd Day (02.06.2004)	Working Day
3 rd Day (03.06.2004)	Working Day (Reported as withdrawal of Rs. 5,00,000/-)
4 th Day (04.06.2004)	Working Day
5 th Day (05.06.2004)	Working Day (If the amount reported wrongly on 3rd day is reported with a corrected advice as deposit, on 5 th Day, no penal interest will be levied)

List of the Director of Treasuries

- 1) The Director of Treasuries
Government of Gujarat
Ahmedabad
- 2) The Director of Treasuries
Government of Karnataka
Bangalore
- 3) The Director of Treasuries
Government of Madhya Pradesh
Bhopal
- 4) The Director of Treasuries
Government of Maharashtra
Mumbai
- 5) The Director of Treasuries
Government of Himachal Pradesh
Chandigarh
- 6) The Director of Treasuries
Government of Tamil Nadu
Chennai
- 7) The Director of Treasuries
Government of
- 8) The Director of Treasuries
Government of Andhra Pradesh
Hyderabad
- 9) The Director of Treasuries
Government of Uttar Pradesh
Kanpur

Demerit

- 11) The Director of Treasuries
Government of Kerala
Thiruvananthapuram
- 12) The Director of Treasuries
Government of Nagaland
Kohima
- 13) The Director of Treasuries
Government of Arunachal Pradesh
Itanagar

- 14) The Director of Treasuries
Government of Manipur
Imphal