

RBI/2006-2007/256

Ref No DGBA.CDD.No.H -12229/13.04.137/ 2006 - 07

February 08, 2007
Magha 19, 1928 (Saka)

The General Manager
State Bank of India & Associate Banks,
17 Nationalised Banks,
HDFC Bank Ltd., ICICI Bank Ltd.,
IDBI Ltd., UTI Bank Ltd. &
Stock Holding Corporation of India Ltd.

Dear Sir,

Repayment of 8% Relief Bonds, 2002

Please refer to our Loan Circular No 88 dated March 5, 2002 regarding issue of 8% Relief Bonds, 2002. The said bonds issued in terms of Government of India Notification No. F. 4 (5) W & M / 2002 dated February 28, 2002 will mature for repayment from March 1, 2007 onwards according to the date of individual investments. The Press Communiqué dated February 05, 2007 issued by Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi is enclosed for information. The general procedures to be strictly adhered to by the Agency banks in connection with the repayment of the bonds held under BLAs are given below:

1 Issue of Advices to Investors:

(i) The attention of the holders may be drawn to the ensuing maturity of their bonds one month before the date on which investment in the BLA is due for repayment as per the format given in Annexure I. The holders may be advised to submit the requisite documents 20 days in advance so that the repayment is effected on the due date itself. The advices should be sent by Registered / Speed Post. It should be ensured that the advices are sent only in respect of BLAs which are free from stoppage.

(ii) Further, as you are aware, Government of India had provided in the scheme a maximum limit of Rs.2 lakh per investor per annum with certain exception to retiring employees. The office of Principal Director of Audit (Central), Mumbai/ Accountant General's office had subsequently found out, through Computer Aided Audit Tools, several cases of investments in excess of Rs. 2 lakhs. Agency banks are advised to exercise utmost caution and ensure that interest is not paid on such excess investment. Furthermore, interest already paid on non-cumulative bonds may be recovered / adjusted from the principal amount at the time of repayment.

2. Post Maturity Interest: It may be emphasized that post maturity interest was withdrawn by the Government vide its Notification No. F. 4 (5)-W & M / 2002 dated February 28, 2003. You are, therefore, advised to indicate to the investors that **the investment does not carry Post Maturity Interest**, prominently in the above advices.

3. Discharge of Certificates by the investors

(i) As per paragraph 1.18 of the Memorandum of Procedure, the designated branches are required to obtain the Certificate Of Holding (COH) duly discharged at the time of repayment. However, COH may contain multiple investments, discharge on COH may not be insisted upon. The Certificates of Holding / Certificates of Investment (COHs / COIs) submitted by the investors may be verified with the BLAs. A stamped receipt obtained from the BLA holder in the prescribed format (**Annexure 1 A**) may be treated as discharge certificate and preserved. It should be ensured that all required details are furnished in the receipt before making payment.

(ii) As per extant instructions, the investor is required to furnish the particulars of his PAN / GIR number, or a declaration in Form No 60, in case the investor does not have PAN / GIR No, if the amount of repayment exceeds Rs. 1 lakh.

4. Payment to the Investors

- i) Although the receipt in Form Annexure IA is submitted well in advance for repayment, it should be ensured that actual payment of discharge value is made only on the due date, or later if the same is submitted after the due date of maturity. In the event of holiday being declared by the State Government under the Negotiable Instruments Act, 1881 on the maturity date or maturity date being Sunday, **payment of the maturity proceeds may be made on the previous working day.**
- ii) The repayment should be made only by the bank branch concerned, maintaining the BLA and the details of closure of the investment(s) i.e. date(s) and amount(s) should invariably be indicated in the BLA, duly authenticated by the Supervising Official.
- iii) If multiple investments are made against the same BLA, the repayment / closure of individual investment should be marked off under authentication of an official and reflected therein and a **statement of holding** duly indicating the BLA number, date of maturity and amounts in respect of individual investments maybe generated and given to the investor along with his COH. It should be ensured that the outstanding balance appearing in the BLA and the statement of holding are the same.
- iv) The payment may be made either by credit to the S.B. account of the investor or by issue of Payment Order depending on whether investor maintains an account with the bank or not. The payment may be made as per mandate of the investor under ECS/EFT also, subject to the extant instructions. In case the investor desires to receive the maturity proceeds by post, it may be dispatched by Speed / Registered Post, so as to reach him at least one day in advance from the date of maturity.

5. The Payment Order in advance: In case of repayment by issuance of Payment Order [paragraph 4 (iv) above], it should be ensured that the Payment Orders bearing the dates of redemption are prepared and kept ready / dispatched in case of request, so as to reach the holder at least one day in advance and for senior citizens, three days in advance.

6. Interest payments: As regards BLAs held under non-cumulative scheme, the interest for last broken period should be paid along with the principal. The interest warrants pertaining to such investments should be dispatched on the due date of maturity irrespective of whether the investor has surrendered the COH/COI/discharge receipt for repayment or not. While despatching such interest warrants of matured BLAs, the covering letter addressed to the investor should indicate that the investment has matured on the specific date. The advices to the investors should invariably contain the legend “**Interest will not accrue on the investment after ----/ ----/ ---- (date of maturity)**”.

7. Accounting: The principal and the interest should be separately accounted for and the scrolls drawn separately and kept on records for audit/ verification in terms of the extant instructions issued from time to time.

8. Reporting to Government of India: The designated branches should submit a statement showing the payments and outstanding in respect of the BLAs under the scheme on monthly basis to the Controller of Accounts, Department of Economic affairs, Ministry of Finance, Government of India, New Delhi through their Link Office. The repayment scrolls pertaining to the principal and the interest should be drawn separately as per Appendix XI & XII of MOP for this purpose.

9. Reporting to PDO of jurisdiction: The monthly report sent to the PDO of jurisdiction by Link Cell should invariably contain the details of repayments in part D of Appendix IV. The repayment scrolls pertaining to the principal and the interest drawn separately as per Appendix XII of MOP for the month as above may also be submitted alongside.

10. Reimbursement from CAS Nagpur: The agency banks / SHCIL must prefer claims **in the enclosed format** for reimbursement as per paragraph 1.14 and 1.18 (section I) of MOP **only after repayments have been effected** by them. Such claims must be submitted electronically, through digitally signed emails, in the data structure(s) advised by CAS, Nagpur, by the respective Link Cells. The claims must be duly supported by a certificate from the Internal / Concurrent Auditors to the effect that the repayment / interest figures have been checked 100% and that the amount have already been paid to the investors, in the format enclosed to this circular. The agency banks / SHCIL must ensure that the details given electronically tally with details given in the auditor's certificate, failing which the claim will be liable for rejection. Further, while submitting Appendix IV (part D) and XII to PDO of jurisdiction the banks must ensure and confirm to PDO of jurisdiction that the details given by

them to PDO of jurisdiction in Appendix IV (part D) and XII tally with the details submitted to CAS for fund settlement.

11. Preservation of Records: The instructions vide paragraph 1.22 of MOP regarding preservation of records should be followed meticulously.

12. Advice to designated Banks: Since most of the branches have computerized their operations, the requisite system changes required to comply with the above instructions, may please be made well in advance to avoid any hassles at the operational level and to render better customer service to the investors. The contents of this circular may please be brought to the notice of the designated branches concerned urgently.

13. The above instructions are illustrative and not exhaustive and should be read with the instructions in the MOP and circulars issued from time to time. In case of any specific doubts or queries on the above, the designated banks may please contact the PDO of jurisdiction.

14. Please acknowledge receipt and monitor compliance.

Yours faithfully,

(Imtiyaz Ahmad)
Assistant General Manager