

RBI/2004/152

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April 16, 2004
Chaitra 27, 1926 (S)

The Chairman and Managing Director,
State Bank of India and its Associates
Nationalised Banks
ICICI Bank Ltd., HDFC Bank Ltd., UTI Bank Ltd.
IDBI Bank Ltd., & SHCIL

Dear Sir,

Issue and servicing of Relief / Savings Bonds - Payment of interest/ Verification of documents

The Captioned Bonds are being issued / serviced by your bank / corporation as agents of Reserve Bank of India. Although guidelines / instructions have been issued by us for proper servicing of these Bonds from time to time, we have been receiving complaints / grievances from investors / customers regarding inadequate / unsatisfactory services rendered by agency banks / corporation. We reiterate our existing instructions / issue fresh instructions, as per the following paragraphs, to address the customer's complaints / grievances in respect of some specific areas:

(i) Payment of Interest on Due Date:

a. In terms of paragraph 4.10 (Part II – Accounting procedure to be followed for handling 9% Relief Bonds, 1999) of the Memorandum of Procedure (MOP) you are required to despatch interest warrants to the investors in Relief /Savings Bonds so as to reach them on due date. Despite the above instructions delays have been reported for reasons best known to the designated branches. The matter has since been reviewed and it has been decided that the interest warrants in respect of the half-yearly interest due on the bonds may be despatched **one month in advance from the due date** to avoid any complaint from the investors/holders.

b) In case of credit of interest to the SB/Current account of the holders as per the mandate furnished by the holders, it may be ensured that the interest is credited to the account of the holder on the due date positively. The holders should be advised about the interest due to be credited in his / their account one month in advance from the due date.

(ii) Repayment of maturity Value:

In terms of instructions contained in paragraph 1.18 of the MOP, the attention of the holder/s may be drawn to the ensuing maturity of his/their bond one month before the date on which Bond Ledger account is due for repayment, to enable him/them to decide whether to encash the bond or otherwise. You may please reiterate the instructions to all the dealing branches to issue one month's notice prior to the due date to the Bond holders **invariably** to enable them to decide to either encash the bonds or reinvest the amount in eligible schemes.

(iii) Submission of Power of Attorney / Birth Certificates

It has also been brought to our notice that some banks have been insisting upon submission of Original Power of Attorney on behalf of the investors to be deposited with the bank branch. Likewise, the banks insist on holding the Original Birth Certificate for its records. The matter was examined, and it is advised that no Original certificate should be held by the agency banks even temporarily and these should be examined and returned across the counter after necessary verification. However, attested copy of the Power of Attorney and / or Birth Certificate may be kept by the branch concerned for documentation and record.

2. Please issue necessary instructions to all the designated branches which are issuing and servicing Relief / Savings Bonds to follow these instructions scrupulously.

3. Please acknowledge receipt.

Yours faithfully,

(B.B.Sangma)
General Manager