

RBI/2006-2007/235

DGBA.GAD.No.H-11763 / 42.01.011 /2006-07

January 24, 2007

The Chairman & Managing Director/Managing Director
State Bank of India and its Associates/
All Nationalised banks

Dear Sir,

Delay in Remittance of Government Receipts - Delayed Period Interest

Please refer to our circulars RBI/2005/431 dated April 25, 2005 and RBI/2006/150 dated October 10, 2006 regarding permissible time limit for remittance of Government Revenues.

2. The existing procedure relating to all the aspects of credit of Government revenues to the exchequer has been reviewed by a Committee set up by Government of India. Based on the recommendations of the Committee the Government of India, Ministry of Finance, Department of Expenditure in supercession of the earlier instructions as above has revised the procedure with effect from January 1, 2007 as detailed below:

1) **Local Transactions** – The existing time limit for remittance of the Government receipts to the Central Accounts Section (CAS), Reserve Bank of India (RBI) shall continue i.e. wherever the collecting bank branch and the focal point branch of the bank are in the same city/agglomeration, the settlement of transaction with RBI shall be completed within T+3 working days (where T is the day when money is available to the bank branch). For calculating the working days, the RBI calendar will be followed.

2) **Outstation Transactions** – The existing time limit for remittance of Government receipts to the Central Accounts Section (CAS), Reserve Bank of India shall continue, i.e. wherever the collecting bank branch and the focal point branch of the bank are in different city/agglomeration, the settlement of transaction with RBI shall be completed within T+5 working days (where T is the day when money is available to the bank branch). For calculating the working days, the RBI calendar will be followed.

3) In case of both the local and outstation transactions, the put through date, i.e. the date of settlement with the CAS, RBI shall be kept outside this existing time limit of T+3 and T+5 working days respectively.

4) Delayed period interest shall be imposed on the banks for the delayed period and not from the date of transaction. In other words, the 'delay period' calculation will start from the day following the put through date.

5) The period of delay in a transaction of Rs.1 lakh and above shall attract delayed period Interest at Bank Rate + 2%. The Bank rate will be the rate as being notified by the RBI from time to time.

6) For the transaction below Rs.1 lakh each, the delayed period interest shall be levied only at the Bank Rate for delays up to 5 calendar days and above 5 calendar days at the Bank Rate + 2 % **for the full period of delay**. The Bank Rate will be the rate notified by the RBI as applicable at the time of transaction.

7) In respect of Non-Tax and all other Government receipts also, for permissible time limit, calculation of delay period and delayed period interest, the above instructions at paras 1 to 6 shall be applicable.

8) It has also been decided by the Controller General of Accounts that every Principal Chief Controller of Accounts (Pr.CCAs), Chief Controller of Accounts (CCAs) and Controller of Accounts (CAs) in Ministries/Departments shall undertake Quarterly Review of all the remittances made by the banks. If the delay is found to be 5% and more with the bank as a whole or with any of its branches in two successive quarters, authorisation for the concerned bank or the branch will be forwarded to the CGA for review with the recommendations of PrCCA/CCA/CA. The banks are expected to build up their own internal control mechanism so that the preventive and corrective actions are taken by the bank for its branches well in time.

3. The Public Sector Banks, in particular, dealing with the Government business are expected to expedite implementation of the Core Banking Solution (CBS) and other Electronic Modes as early as possible. After one year the Controller General of Accounts (CGA) will review the performance of all the banks dealing with the Government transactions and also their status on technological developments in handling Government business. With this review the CGA may consider giving a fresh-look towards authorisation of bank/branches and other related parameters for efficient handling of Government transactions.

Yours faithfully,

(A.S.Kulkarni)
Deputy General Manager