

March 21, 2007

The Chairman & Managing Director/ Managing Director
All Public Sector Banks (excluding IDBI Bank Ltd.)

Dear Sir,

**Maintenance of State Government Accounts
– Recovery of Interest on delayed remittances
(State Government Transactions)**

Please refer to our circular DGBA. GAD. No. 1377/ 31.04.008/ 2002-03 dated February 22, 2003 wherein our instructions regarding the implementation of the recommendations of the Working Group on “Accounting and Reconciliation of State Government Transactions” were conveyed to Banks. In partial modifications of the instructions contained in para 5.11 (A) and 5.11 (B) of the “Memorandum of Instructions” forwarded with our circular referred to above, we advise as under:

2. With a view to bringing in uniformity in time-frame for reporting both Central and State Government Transactions to the Reserve Bank, it has been decided with the approval of Comptroller and Auditor General of India that the existing procedure applicable to Central Government transactions, as explained below, may also be made applicable to State Government transactions.

(a) Local Transactions - 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.

(b) Outstation Transactions- wherever the collecting bank branch and the focal point branch of the bank are in different cities/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.

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

(d) Delayed period interest shall be imposed on the banks for the actual delayed period and not from the date of transaction. In other words, the ‘delay period’ calculation will start from the day following the prescribed put through date.

(e) The period of delay in respect of transactions of Rs.1 lakh and above shall attract delayed period interest at Bank Rate + 2%.

(f) For transactions below Rs.1 lakh each, the delayed period interest shall be levied at the Bank Rate for delays up to 5 calendar days and at the Bank Rate + 2 % in case of delays above 5 calendar days **for the full period of delay.**

(g) The above instructions at para 4 (a) to (f) shall also be applicable in respect of Non-Tax and all other Government receipts.

(The Bank Rate will be the rate notified by the RBI from time to time as applicable at the time of transaction).

3. The revised procedure will come into effect from April 1, 2007. The procedure for claiming/ recovering of delayed period interest will remain unchanged and it will be charged irrespective of the amount of remittance involved in a particular transaction.

4. You may bring the revised procedure to the notice of your branches accredited to conduct State Government transactions and advise them to strictly adhere to the prescribed time schedule for reporting State Government transactions.

5. All the State Governments are being advised about the revised procedure.

Yours faithfully,

(M. T. Varghese)
General Manager