

RBI/2008-09/90

DCM(CC) No.G-2/03.35.01/2008-09

July 01, 2008

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

Dear Sir/Madam

Master Circular – Levy of Penal Interest for Delayed Reporting/Wrong Reporting/Non-Reporting of Currency Chest Transactions and Cases involving Shortages/Inclusion of Counterfeit Banknotes in Chest Balances/Chest remittances

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/inclusion of counterfeit banknotes in the chest balances/chest remittances, the following fresh instructions/guidelines are issued:

1. **Reporting of Currency Chest Transactions**
 - a) The minimum amount of deposit into/withdrawal from currency chest will Rs.1,00,000 and thereafter, in multiples of Rs.50,000/-
 - b) Time limit for reporting
 - (i) The currency chests should invariably report all transactions to their Link Offices on the same day and the Link Offices in turn should report the consolidated position to the Issue Offices positively on the next working day. However, in Issue circles where reporting of chest transactions through ICCOMS has been operationalised, chest transactions should invariably be reported on the same day by uploading over the Secured Website (SWS) latest by 11 PM.
 - (ii) The Sub-Treasury Offices should report all transactions direct to the Issue Office of the Reserve Bank on the same day.
 - c) Relaxation in respect of strike period in banks

Relaxation in the reporting period on account of general/specific strike situation will be considered. Further, as normal internal work is carried out on holidays observed for half-yearly/annual closing by banks, these days should be treated as working days for the purpose of reckoning the permissible reporting period.

d) Levy of penal interest for delays

- (i) 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 paragraph 3 of this circular 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.

In the Issue circles where reporting is through ICCOMS, penal interest will be calculated on T+0 basis i.e. penal interest will be levied in respect of transactions not reported by Link Office to the Issue Office by 11 PM on the same business day. However, till the new system stabilizes, the Bank may at its discretion grant appropriate grace period in the matter of levy of penal interest.

e) In case of persistent/continued delays/discrepancies in reporting, our Regional Offices will take up the matter with controlling offices of the bank concerned after issuing suitable warnings to the currency chests.

f) 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 would ensure the correctness of figures reported by the respective currency chests*. Particular care should be taken to ensure that 'remittance' transactions are not reported as 'deposit' transactions in the Link Office Statements.

g) Counterfeit banknotes in remittances received from currency chests

In case counterfeit banknotes are found in remittances from currency chests, entire amount equal to the value of counterfeit banknotes will be debited to the bank's current account and penal interest will be levied on the amount of counterfeit banknotes from the date of previous remittance to RBI. FIRs will also be lodged with the Police in all cases of detection of counterfeit banknotes in chest remittances.

h) Reissuable banknotes in remittances received from currency chests

In case reissuable banknotes are found to be in excess of 5% in any soiled note remittance, the entire remittance will be returned to the bank at its cost besides debiting the amount of the remittance to the account of the bank maintained with the Reserve Bank of India.

i) Minimum penal interest to be charged

There is no stipulation regarding the minimum amount of penal interest leviable for wrong/delayed reporting. As the intention is to ensure timely and correct reporting of chest transactions, penal interest will be recovered in all applicable cases, irrespective of the amount of the transaction concerned/amount of penal interest subject to rounding off the interest amount to the nearest Rupee.

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 in all cases where the bank has enjoyed 'ineligible' credit in its current account with RBI on account of discrepancies in chest balances/reporting of transactions (wrong/delayed/non-reporting, shortages in chest balances/remittances, counterfeit banknotes detected in chest balances/remittances). Further, only cash held in the custody of joint custodians and 'freely available' to them is eligible for inclusion in the chest balances. Thus, cash kept for safe custody in sealed covers for whatever reasons/cash in trunks/bins under the lock and key of any official/s other than the Joint Custodians or bearing a third lock put by any official in addition to the two locks of the Joint Custodians is not eligible for being included in the chest balances. Such amounts, if included in chest balances will attract penal interest.

In all the above cases, penal interest will be leviable from the date of inclusion of 'ineligible' amounts in chest balances/date of occurrence of shortage (if identifiable) till the exclusion of such amounts from chest balances. Otherwise, penal interest will be levied from the date of last remittance (in case of discrepancies detected in remittances)/last verification of cash balances by RBI/bank's own/Government inspectors (in case of discrepancies in chest balances).

3. Rate of penal interest

The penal interest shall be levied at the rate of 2% over the prevailing Bank Rate for the period of irregularity.

4. Levy of penal interest in respect of currency chests at treasuries

The above instructions shall be applicable to currency chests at treasury/sub-treasury offices also.

5. Representations

As the sole criterion for levy of penal interest for delayed reporting is 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 Issue Office concerned. In the case of wrong reporting representations for waiver will not be considered. {cf. para 1(f) above}. 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-utilization of the Bank's funds, no shortfall in the maintenance of CRR/SLR, clerical mistake, unintentional or arithmetical error, first time error, inexperience of staff etc., will not be considered as valid grounds for waiver of penal interest. As debits/credits to banks' current accounts are raised on the basis of the figures reported in the Link Office Statements, penal interest will be invariably levied in all cases of reporting correctly in the chest slips but wrongly in the Link Office Statements.

This Master Circular is available on our website www.rbi.org.in.

Yours faithfully

(U.S. Paliwal)
Chief General Manager

Endt.DCM(CC) No.G- /03.35.01/2008-09 of date

Copy forwarded for information to –

1) The Regional Director/Chief General Manager/Officer-in-Charge, Reserve Bank of India, Issue Department, Ahmedabad / Bangalore / Belapur (Navi Mumbai) /Bhopal /Bhubaneswar/ Chandigarh / Chennai /Guwahati / Hyderabad / Jaipur / Jammu / Kanpur / Kolkata / Lucknow / Mumbai / Nagpur /New Delhi / Patna / Thiruvananthapuram.

i) The Regional Director/Chief General Manager will have full powers to grant relaxation in the reporting period/waive penal interest on being satisfied about genuine difficulties faced by currency chests especially in hilly/remote areas or on account of disturbed conditions/disruption in communication facilities, natural calamities etc.

ii) The Regional Offices should ensure that figures reported by chests/Link Offices are booked correctly and in time. In case penal interest recovery is necessitated due to lapses on the part of the Bank's staff, accountability should be fixed for such lapses without fail.

2) The Chief General Manager, Reserve Bank of India, Inspection Department, Central Office, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

3. The Chief General Manager, Reserve Bank of India, Department of Government & Bank Accounts, Central Office, Mumbai Central P.O., Byculla, Mumbai-400 008.

(Pradeep Garg)
Assistant General Manager