

RBI/ 2006-07/211

Ref. No. DGBA.CDD. No. H- **9741** / 15.15.001 / 2006-07

December 18, 2006

The General Manager
Government Accounts Department, Head Office
State Bank of India / State Bank of Indore / State Bank of Patiala
State Bank of Bikaner & Jaipur / State Bank of Saurashtra
State Bank of Travancore / State Bank of Hyderabad / State Bank of Mysore
Allahabad Bank / Bank of Baroda / Bank of India / Bank of Maharashtra/
Canara Bank / Central Bank of India / Corporation Bank / Dena Bank / Indian Bank/
Indian Overseas Bank / Punjab National Bank / Syndicate Bank /UCO Bank /
Union Bank of India / United Bank of India / Vijaya Bank / ICICI Bank Ltd /

Dear Sir,

Senior Citizens Savings Scheme, 2004 –
Payment of interest in case of Pre-mature withdrawal- Clarification

We have been receiving a number of queries regarding broken period interest payable to the depositor in case of pre-mature withdrawal under Senior Citizens Savings Scheme, 2004. The matter was referred to Government of India, Ministry of Finance, who have vide their letter No. F.15/8/ 2005/NS-II dated May 11, 2006, clarified that under Rule 9(1)(a)(b) of the Scheme, the penalty amount has to be deducted from the amount of deposit at the time of premature withdrawal and, therefore, the penal amount has to be deducted from the principal amount. However, interest at the rate of 9% will have to be calculated on the total amount of deposit till the date of premature closure, as the total deposit will be available in the account till that date.

2. The contents of this circular may be brought to the notice of designated branches of your bank operating the captioned scheme.

3. Please acknowledge receipt.

Yours faithfully,

(Balu K.)
Deputy General Manager