

October 24, 2008
Kartika 2, 1930 (S)

The General Manager
State Bank of India and Associate Banks
17 Nationalised Banks
The Managing Director
Axis Bank Ltd / HDFC Bank Ltd / ICICI Bank Ltd / IDBI Bank Ltd and SHCIL

Dear Sir,

Relief/Savings Bonds – Rights of Customers

Please refer to our Circular No RBI / 2004 / 181 (Ref No DGBA.CO.DT. No. 13.01.299 / H-6252./ 2003-04) dated April 22, 2004 wherein Agency Banks were advised to use a standardized application form for investment in Relief / Savings Bonds which contained, inter alia, duties and rights of the investors.

2. In this connection, we advise that the Bank had set up a Committee (Chairman: Shri H. Prabhakar Rao) to evaluate the efforts for improving public services to individuals undertaken by the Reserve Bank directly or through banks / institutions and to review existing policies and procedures with a view to their rationalisation. The Committee has, inter alia, recommended that the existing rights of the investors included in the standardised application form for Savings Bonds should be amplified to inform the investor of the maturity date, the right of the investor to transfer his account from one Agency Bank to another and the right to get savings bank account interest for delayed payments, etc.

3. The recommendations of the Committee have been accepted by the Reserve Bank and accordingly Agency Banks which are issuing and servicing the 8 % Savings (Taxable) Bonds, 2003 should include the revised list of rights, as per Annex, in the application form.

4. Further, the Committee had observed that in case of most banks, especially the public sector banks, the entire work related to the issue and servicing of the bonds is conducted manually even while other areas of operation of the branches are computerised. With a view to reducing the possibilities of errors/delays resulting in inconvenience and loss to the investors, Agency Banks are advised to automate, if not done already, the processing work connected with servicing of savings bonds so as to ensure timely servicing of the bonds.

5. Furthermore, the Committee had also recommended that banks should actively make efforts to obtain the bank account details of the investors with a view to migrate to electronic servicing of interest and maturity proceeds of the Savings Bonds through ECS and NEFT. In this connection, attention is invited to our Circular No. DGBA.CDD. No. H- 3249/13.01.299/2007-08 dated September 24, 2007 wherein Agency Banks were advised to use, as far as possible, ECS/EFT facility for making payment of principal and interest, and that those Agency Banks who have not yet implemented ECS/EFT option, may implement the same at the earliest. We reiterate the said instruction and urge Agency Banks to make all out efforts to use electronic payment products (ECS/NEFT/RTGS) for making payments to the investors, wherever such facility is available.

6. You may please advise all your designated branches and ensure compliance with the above instructions.

7. Please acknowledge receipt.

Yours faithfully,

(Dr. Balu K.)
Deputy General Manager

Annex

RIGHTS OF THE INVESTOR

- a. The Bond will be issued on the same day if subscription is received in cash and on realization of the cheque if subscription is received through cheque.
- b. Certificate of Holding will be issued within 5 days from the date of tender of application.
- c. The interest on the bond accrues from the date of subscription in cash or date of realization of cheque. The half-yearly interest warrants will be dispatched one month in advance from the due date.
- d. The interest on the date of 1st Feb / 1st Aug will be credited to the bank account or remitted by an interest warrant at the last registered address.
- e. An advice of payment of interest will be issued to the investor one month in advance from the due date.
- f. Maturity intimation advice will be issued one month before the due date of the bond.
- g. Facility of payment of interest and principal by 'demand draft free of cost or at par cheques' for up country customers is available.
- h. The facility of intra-bank branch and inter bank branch transfer of the bonds is available.
- i. Application forms for investments, redemption, ECS mandate, etc, in respect of Savings Bonds are available on the website at www.....com (Banks & SHCIL website)
- j. A sole holder or all the joint holders of the Bond together may nominate one or more persons who would be entitled to the bonds. Non-resident Indians can also be nominated.
- k. The nomination will be registered at the Office of Issue and a Certificate of Registration will be issued to the holder.
- l. The nomination can be varied by registering a fresh nomination.
- m. The existing nomination can be cancelled by a request to the Office of Issue.
- n. The redemption is due on the expiry of six years from the date of investment.
- o. The investor is entitled to receive the repayment amount automatically on due date if ECS mandate is given or within five clear working days from the date of tender of acquittance.
- p. Facility for payment of half yearly interest / redemption proceeds can be availed through electronic payment products (ECS/NEFT/RTGS), where such facility is available. Applicants may indicate their choice, to avoid delay in receipt of interest / redemption proceeds.
- q. Investors are entitled for compensation at current savings bank rate for delayed payments.
- r. If the issuing office does not comply with the above, investors may lodge a complaint in writing in the form provided at the counter and address the same to the nearest office of Reserve Bank of India as under:

The Regional Director,
Reserve Bank of India,
Grievances Redressal Cell,
(Location)

You may also address your complaint to:

The Chief General Manager
Reserve Bank of India
Central Office
Department of Government and Bank Accounts
Byculla (Opp. Bombay Central Railway Station)
Mumbai 400 008
Maharashtra