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भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

DGBA.GAD.No. H- 6762 / 45.01.001 /2011-12

April 13, 2012

The Chairman
State Bank of India
State Bank Bhawan
Madame Cama Road
Mumbai 400 021

Dear Sir

**Pension payments to Central / State Government pensioners by Agency banks -
Compensation for delay**

Please refer to our circular DGBA.GAD.No.H-8213 / 45.01.011 / 2010-11 dated March 11, 2011, on the captioned subject, wherein we had advised the agency banks that all the pensioners, including non-State resident pensioners, would be compensated for delay in credit of pension / revised pension / arrears, for the delayed period beyond the due date at the "Bank Rate plus two per cent" penal interest.

2. Recently, the Bank Rate, which was kept unchanged at 6 per cent since April 2003, has been aligned with Marginal Standing Facility (MSF) rate and currently stands at 9.5 %. Henceforth, whenever there is an adjustment to the MSF rate, the Reserve Bank will consider and align the Bank Rate with the revised MSF rate.

3. It has now been decided to delink the penal interest levied for delayed credit of pension / revised pension / arrears, from the Bank Rate plus two per cent, and charge a fixed interest rate of 8 per cent on such delays. This rate will be subject to review by RBI as considered appropriate.

4. You may please issue suitable instructions to your concerned Regional Offices / branches authorized to disburse pension, accordingly.

5. Please acknowledge receipt.

Yours faithfully,

etc

(G.C. Biswal)
Deputy General Manager