

## CHAPTER XVIII

### SECURITY DEPOSITS

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## **CHAPTER XVIII SECURITY DEPOSITS**

1801. **Introductory.** - The various classes of security deposits which may be accepted from employees and contractors are detailed below:-

(1) The security from Railway servants may be :-

- (i) a deposit of cash ;
- (ii) Government Securities including State Loan Bonds at 5 per cent below the market value ;
- (iii) deposit receipts, pay orders, demand drafts and Guarantee Bonds. These forms of security deposit could be either of the State Bank of India or of any of the nationalised banks ;
- (iv) Guarantee Bonds executed or Deposit Receipts tendered by all scheduled banks ;
- (v) a deposit in the Post Office Savings Bank;
- (vi) deposit in National Savings Certificates ; or
- (vii) a deposit-receipt or a guarantee bond of the Railway Co-operative Credit Society ;
- (viii) twelve year National Defence Certificates;
- (ix) ten year Defence Deposits ;
- (x) National Defence bonds ; and
- (xi) Unit Trust Certificates at 5 per cent below the market value or at the face value whichever is less.
- (xii) Indian Railway Finance Corporation Limited (IRFC) Bonds, whether tax-free or taxable.

Note. The certificates/bonds items (vi), (viii), (ix) and (x) may be accepted at their surrender value

(2) The security from contractor may be:-

- (i) as provided in clause (i) to (vi) and (viii) to (xii) of the preceding sub-rule paragraph ;
- (ii) a percentage deduction, ordinarily 10 per cent from the periodic payments made on account of work done or supply made ; or
- (iii) personal security of two persons of known probity and financial standing.

1802. In the case of Government securities, power should be reserved to call on the depositor to make good the deficiency in market value whenever occurring beyond 5 per cent.

1803. Where a security is offered in the form of a deposit receipt of a Bank or Railway Cooperative Credit Society, the depositor should be required to get the receipt

made out in the name of the Accounts Officer and the receipt should remain in the custody of the latter. The depositor should be authorised by the Accounts Officer to receive the interest, when due, direct from the bank or the Co-operative Credit Society. The deposit made with the Railway Co-operative Credit Society will be at the risk of the depositor.

1804. Security deposits lodged in the Post Office Savings Bank should be hypothecated by the depositor to the Accounts Office and the Bank's Pass Book should remain in the custody of the latter. The Pass Book should be sent to the Post Office as soon as possible after the close of the financial year in order that the necessary entries on account of interest may be made therein.

1805. Cash deposits may be converted, at the cost of the depositor, into one or more of the forms of interest-bearing securities provided :-

- (i) that the depositor has expressly desired this in writing, and
- (ii) that the acceptance of the new form of security is permissible under rule 1801 as well as under the terms or the agreement of bond.

1806. The security deposit whether made in cash or in one of the forms of security referred to above should be covered by a bond or agreement setting forth the conditions under which the security is held and may be ultimately refunded or appropriated.

1807. It should be stipulated in the bond *inter alia* that the amount of the deposit shall be liable to forfeiture, under the orders of the competent authority, specified in the bond in the event of any loss to Government due to fraud, negligence or any other action (direct or contributory) on the part of the depositor or for the non-fulfilment or any of the conditions of the bond. It should also be stipulated that no interest will accrue on the amount of the security deposited in cash.

1808. All security deposits received in cash should be accounted for in the books of the railway under the head "Deposits" and should be held at credit of that head until they are refunded, or appropriated under the orders of the competent authority. No interest will be allowed on security deposits received in cash.

1809. For cash securities a detailed record of the deposits and refunds should be kept in a separate section of the "Deposits Miscellaneous" Register (A. 320). When a deposit becomes refundable, the Executive Officer concerned will issue a pay order in favour of the employee or the contractor to whom it is refundable. He will, at the same time, certify that the purpose for which the security was deposited has been satisfactorily fulfilled, and if not so fulfilled indicate the amount ordered by him to be appropriated from the deposit or from other dues. The Accounts Officer will then check the correctness of the amount of the Security Deposit proposed to be refunded with the relevant entry in the Deposit Miscellaneous Register (A. 320) and pass the pay order for payment. The amount refunded in each case should be noted in the Deposit Miscellaneous Register against the relevant credit entry when the pay order is passed for

payment and the balance, if any, should be appropriated to the relevant final head of account, if it is not otherwise refundable to the party concerned.

1810. **Conversion of Cash Security into Paper Securities.** - If a person wishes to convert the security furnished in cash by him into any other form of security permissible under the rules, he should apply in writing to the Accounts Officer. On receipt of such an application, the Accounts Officer should take suitable action by purchasing (through the Reserve Bank) the Government papers or other scrips of the required denomination, or by lodging the cash security in the Scheduled Banks or in the Postal Savings Bank Account, as desired by the applicant.

1811. **Government Securities.** - The Government Securities Manual issued, by the Ministry of Finance Government of India, lays down the procedure to be followed in all Government Offices in dealing with securities of the rupee loans issued by the Central and State Governments. The rules contained in that Manual are of general applicability to all Indian Railways, The instructions prescribed in this Chapter should be considered as subsidiary to the rules prescribed in the Government Securities Manual.

1812. The following procedure should be invariably followed :-

- (a) All Government Promissory Notes lodged as security deposits should be got endorsed for payment to the Financial Adviser & Chief Accounts Officer in a form as near as possible to "Pay to . . . . .  
.....(designation of officer) or Order ".  
.....  
Signature of endorser
- (b) Government Promissory Notes to be accepted as deposits should be complete in respect of the following requirements :
  - (i) All interest accrued up-to-date should previously have been collected by the depositor.
  - (ii) The tendered scrip should have at least two blank cages after the depositor's endorsement to the railway. These are necessary for further endorsement to and by the Reserve Bank.
  - (iii) If endorsements on the scrip are signed "perpro" or "for" the previous holders, a certificate from the Local Public Debt Office is required in recognition of the validity of such endorsements.
- (c) Government Promissory Notes should be accepted at 95 per cent of their market value on the day of deposit. In case of any material depreciation in the value of Government Promissory Notes etc., the depositor should be called upon to make good the difference.

1813. **Fixed Deposit Receipts.** - Fixed Deposit Receipts when accepted, should be made out in favour of the Accounts Officer. The dates of maturity of the fixed deposit receipts will be watched by the Accounts Officer. The Executive Officer concerned should be asked in good time before the expiry of the Fixed Deposit Receipt to intimate how long the contract is likely to remain current. The Accounts Officer will arrange to renew the fixed Deposit Receipt from the bank concerned in order to avoid claims by the Contractor against the Railway Administration for loss of interest after maturity of the Fixed Deposit Receipt.

1814. It should be made clear to the contractors tendering Fixed Deposit Receipts as security that they should take action in good time regarding renewals of the Fixed Deposit Receipts and that the Railway Administration will not be held responsible for any loss of interest, if timely action for renewal of these Receipts is not taken by them.

1815. **Banker's Guarantee Bond.** - The Guarantee Bond issued by banks as security deposit will be checked by Accounts Officer to see :-

- (a) that it conforms to the conditions stipulated in sub-para (iii) & (iv) of para 1801.
- (b) that it is in the prescribed form laid down in Appendix X.
- (c) that the amount and period shown therein is in accordance with the terms and conditions of the contract.
- (d) that it has been properly stamped as required by law. After scrutiny the Guarantee Bond should be noted in the register of paper securities form A. 1817. The receipt and acceptance of the Guarantee Bond should be promptly intimated to the departmental officer concerned to enable him to execute the contract. The date of expiry of the Guarantee Bond should be watched and timely action taken for its renewal.

1816. The Accounts Officer is responsible for the custody of the Guarantee Bonds and for giving timely intimation to the Executive Officer concerned (say about 3 months in advance) of the date of expiry of the Guaranteed Bond, and the Executive Officer is responsible not only for concurrently keeping track of the currency of the Guarantee Bond but also specifically to ensure that it is extended from time to time for such periods as may be necessary with reference to the completion of the relevant work and any subsequent maintenance period that may be provided for in the particular contract. Cashing of the Guarantee Bonds, before its expiry will, however, remain the responsibility of the Accounts Officer.

1817. **Check of Register of Paper Securities.** - (1) A register in Form A. 1817 should be maintained for recording the receipt and return of all security deposits received in the form of Government Promissory Notes, Fixed Deposit Receipts, Guarantee Bonds issued by Banks, Post office Cash Certificates or Savings Bank Pass Books etc. On receipt, the documents should be first scrutinized to see that they are genuine, that the depositor's title thereto is clear and that the endorsements have been made in proper form.

The particulars of the Security deposited, date of expiry, description of the contract and contractor's name should then be entered in the Register of Paper securities. Separate pages should be allotted for different kinds of securities deposited Government Promissory Notes, whether deposited for twelve months or less or for more than twelve months and less than five years, or for five years or more, should be dealt with strictly in accordance with the procedure laid down in the Chapter X of the Government Securities Manual. All other Paper Securities may be kept for safe custody in the Accounts Office itself or sent to the Cash Office, as may be decided by the Financial Adviser and Chief Accounts Officer. Each entry in the Register of Paper Securities or return of any security should be attested by an Accounts Officer.

(2) No adjustment in the accounts of the railway should be made on account of paper securities deposited with the railway.

#### Form A.1817

1818. To enable a watch being kept over the market fluctuations of Government Securities, a list should be made out on the fly-leaf of the Securities Register (A. 1817) in which the market values should be entered against all kinds of Government Securities. The market values of the paper securities may be taken from a standard financial journal. The Securities Register should be interleaved with blank pages to enable calculations to be made each quarter. The Register should be put up to the Accounts Officer monthly after completion of the fly-leaf as regards market value for his information. It should be put up to the Accounts Officer once in every quarter with complete calculations of the market values of the Government Securities alongwith the action proposed to be taken to advise the department to obtain further security where necessary.

**1819. Check of Paper Security in the safe custody of the Reserve Bank and the Cashier.** - The offices of the Reserve Bank of India, which accept securities for safe custody on behalf of Accounts Officer, issues to the latter soon after the end of a calendar year, a certificate showing the amount of securities distributed by loans, held in safe custody on his behalf as on 31<sup>st</sup> Dec. each year. The Accounts Officer should watch for such certificate and check it on receipt with the entries in the Register A- 1817 and bring to the notice of the concerned office of Reserve Bank of India any discrepancies noticed therein within 21 days from the date of such certificate.

1820. Once in six months, on the 30<sup>th</sup> of September and the 31<sup>st</sup> of March each year, the Paper Securities with the Cashier should be checked by an Accounts Officer with the entries appearing in the register maintained in the Accounts Office.

**1821. Interest on Government Securities.** - The interest falling due on securities in the safe custody of the Reserve Bank of India will be remitted by the Bank, after deducting income-tax, to the officers with whom the securities were originally pledged for distribution to the pledgers, by means of Bank Drafts, if the officers are stationed at a place where there is an office of the Reserve Bank or a branch of the State Bank of India, and by Security Deposits Interest Payment Drafts on treasuries in other cases. Such drafts

should, on receipt in the Accounts Office, be sent to the Cashier for encashment and credit to the head "Deposits" in the accounts of the Railway, the payments to the respective depositors being separately arranged by issuing pay orders against the credit in the suspense head "Deposits".

Note. - When notes for securities are received by the Reserve Bank of India from Accounts Officers, interest falling due thereon will be remitted as above without deduction of income-tax to the Accounts Officer concerned by whom it will be distributed (after deducting the proper income-tax and surcharge) by payment orders among the depositors. The Accounts Officer should deduct the appropriate income-tax, and pay the net amount of interest to the depositor with a certificate in the form below. Any exemption or abatement certificate granted by Income-tax officers in respect of securities deposited with Accounts Officers should be retained and dealt with by them.

**CERTIFICATE OF DEDUCTION OF INCOME TAX FROM THE INTEREST ON PROMISSORY NOTES.**

Number of receipt for interest (This No. should also appear in the interest (vide paragraph 42 of the Manual). cages on the back of the Certificates). Certified that Rupees .....being income-tax at the rate of..... has been deducted in the interest receipt of this date, from Rupees..... Being the amount of interest on Government Promissory Notes for Rupees ..... of the ..... per cent loan ..... of ..... standing in the name of .....

Treasury .....

.....  
*Treasury Officer*

The .....20

.....  
**To be signed by the Claimant**

I hereby declare that the Government promissory notes on which interest, as above specified, has been received are my own property and are in the possession of .....

*Signature*.....  
*Date*.....

Note. - The securities to be produced, when required in support on any claim.  
Note. - This certificate should not be returned to the Public Debt Office. In case you desire to claim a refund of the whole or any part of the tax deducted as shown above, on the ground that your total annual income is less than that to which the maximum rate of income-tax applies, you should send  
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— this certificate to the income tax Office direct with which an application in the prescribed form to be obtained from the Office.

1822. **Return or appropriation of Paper Securities.** - (1) Before releasing any security deposit, the departmental officer should furnish a certificate as prescribed in paragraph 1809 ante. On receipt of an intimation from the departmental officer that the securities deposited in a particular case are to be returned, they should, if not kept in the Accounts Office, be called for from the Cashier or the Reserve Bank as the case may be, and sent to the party concerned, the date of return being entered at the same time in the Register of Securities (A.1817). Before returning the securities, they should be endorsed back to the parties concerned.

(2) If the advice to return the securities is not received within a month of the completion of the relevant contract, the departmental officer concerned should be addressed in the matter. Before returning the security deposits, the Accounts Officer should in all cases satisfy himself, from the facts available to him, that the purpose for which the securities were deposited has been satisfactorily served and that there are no claims of the railway against the party whose security deposits are being returned.

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