

Government of Jammu and Kashmir
Civil Secretariat, Finance Department

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Subject: Constitution and Administration of the Guarantee
- Redemption Fund (GRF) Scheme of Government of
Jammu and Kashmir.

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Government Order No. 268 F of 2006

Dated: 22 -08-2006

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Sanction is hereby accorded to the constitution and
administration of 'Guarantee Redemption Fund Scheme (GRF)' of
Government of Jammu and Kashmir as per the enclosed guidelines for
meeting obligations arising out of the Guarantees issued on behalf of
the State Government.

By order of the Government of Jammu and Kashmir.

Sd/-

Commr. Secretary to Government,
Finance Department

No: FD-VII-08(128) 2005-06

Dated: 22 -08-2006

Copy to the:

1. Financial Commissioner _____
2. Principal Secretary to Government, _____
3. Commr. Secretary to Government _____
4. Secretary to Government _____
5. Accountant General, J&K, Jammu/Srinagar.
6. Special Secretary to Chief Secretary.
7. Director, Finance (Finance Department).
8. Director Codes (Finance Department).
9. Director Accounts and Treasuries.
10. Addl. Secretary to Government, (PSUs) Finance Department.
11. Addl. Secretary to Hon'ble Deputy Chief Minister.
12. Pvt. Secretary to Commr. Secretary to Government, Finance Deptt.
13. Government Order file (w.2.s.c.)
14. Stock file

Rani Ma. P.
18/08

Director Budget
Finance Department

Constitution and Administration of the Guarantee Redemption Fund of
Government of Jammu and Kashmir

Title of the Scheme	1	The Scheme shall be called 'Guarantees Redemption Fund Scheme' (hereinafter referred to as 'the Fund') of the Government of J&K (hereinafter referred to as 'the Government').
Constitution of the Fund	2	A 'Guarantees Redemption Fund' shall be constituted by the Government for meeting its obligations arising out of the Guarantees issued on behalf of State Government departments / State-owned Corporations & PSUs and other autonomous and statutory bodies. The Fund shall be constituted in the non-interest bearing section of Public Account and classified under the Major Head: "8235-General and Other Reserve Funds-117-Guarantees Redemption Fund" in the accounts of the Government.
Objective of the scheme	3	The Fund shall be utilized for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies / institutions and invoked by the 'beneficiaries'.
		Explanation
		(a) The accumulations in the Fund shall be utilized only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued. (b) The Fund shall not be utilized for any purpose except as stated at (a) above.
Commencement of the Operation of the scheme	4	It shall come into force with effect from the financial year 2006-07.
Contributions to the Fund	5	(a) The Fund stands set up vide Govt. Order No. 90-F of 2006 dated 15.04.2006 with an initial corpus of Rs.20.00 lakh. The amounts credited to the Fund earlier under any orders of the Government shall form part of the Fund and shall be regulated under these Rules. (b) The balance in the Fund shall be increased with contributions made annually or at lesser intervals, so as to reach the level deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding 5 years.

		c. In order to enable transfer of the total amount of contribution to the Fund, the Government would make suitable provision on the expenditure side of their Budget under the Major Head: "2048-Appropriation or Avoidance of Debt – 200- Other Appropriation – GRF-Transfer to Reserve Fund and Deposit Accounts– Guarantees Redemption Fund". d. The Government shall not fund its contribution to the Fund out of borrowings from the Bank.
Relationship of the Fund with General Revenues / Public Account	6	(a) The corpus of the Fund comprises an initial amount demarcated by the Government, annual or other contributions made by the Government thereto as also periodic accretions by way of Guarantee Commission / Fee collected from the institutions in respect of whose bonds / obligations, the Government had issued the guarantee, in addition to the income accruing to the Fund. (b) The Fund shall be kept outside the General Revenues of the Government and shall be utilized only in the manner prescribed in this Scheme. The Account of the Fund shall be maintained in the Public Account Section under " Reserve Fund not bearing interest"- Major Head:8235-General and Other Reserve Fund – 117-Guarantee Redemption Fund.
Administration of the Fund	7	The Fund shall be administered by the Finance Department of the Government.
Accounting of Transactions	8	The responsibility for the administration of the Fund will rest with the Government. The Government will decide all matters connected with the Fund and if necessary the investment of the corpus of the Fund, reinvestment / dis-investment, obligations and application of the Fund, etc.
Investment of the corpus of the Fund	9	(a) The accretions to the Fund together with the income earned on the investment of the Fund shall, till instructions are issued to the contrary, be invested in one or more of the following instruments: i. Auctioned Treasury Bills. ii. Short term Maturities iii. Liquid assets ...for first two years where after a review will be held. (b) As far as practicable, the investment in dated securities of the Central / State Government should be made in their new issues, that is to say, at the time when they are offered for subscription to the public.

		Securities of J&K State Government shall be preferred to other State Governments' Securities. The incidental charges shall be accounted for as a charge to the Fund. (c) Finance Department will arrange to collect interest on these securities and credit the same to the Fund on due date. (d) The receipts on account of maturity or sale of the securities would be taken to the account of the Fund. The incidental charges on sale would be charged on the Fund. In case of premature disinvestment to meet the liability on account of claims to be paid, the Govt. in the Finance Department shall decide on the securities to be encashed and sell the securities at the ruling price and credit the amount realized, less incidental charges, to the Fund.
Account and Audit	10	The accounts of the Fund and the investments shall be maintained by the Accountant General J&K in the normal course.
Savings	11	The Government in Finance Department shall issue instructions relating to the provisions of the scheme as may be considered from time to time to enable smooth functioning of the Scheme. In case of any difficulty in the operation of any provision of the scheme, the Government may, if satisfied, relax the provisions.