

PRINCIPAL ACCOUNTS OFFICE  
GOVT. OF NCT OF DELHI  
A-B BLOCK, VIKAS BHAWAN, I.P. ESTATE, NEW DELHI

No. Pr. AO/CAM/08/T-1/2009/1042-1101

Date : 03/05/2016

To  
✓ The Pr. Secretaries/Secretaries,  
Govt. of NCT of Delhi,  
Delhi/New Delhi

**Sub : Letter of Credit – Government Agency Business Arrangement.**


Sir,

I would like to inform you that as per the existing procedure for procurement of equipment from foreign suppliers Letter of Credit (LOC) are opened with banks on behalf of departments for arrangement of payment to the foreign suppliers. The Dy. CGA vide their OM No. 11012/1(12)/Pvt. Banks/CGA/2012/RBD/661-720 dated 14-03-2016 has clarified that transactions arising out of Letters of Credits opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission.

A copy of the above said OM dated 14-03-2016 of the Dy. CGA, Ministry of Finance along with circular dated 01-07-2015 of the RBI is forwarded herewith for information and necessary action.

End : As above.

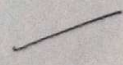
Yours faithfully,

  
(Parkash Chand)  
Controller of Accounts

No. Pr. AO/CAM/08/T-1/2009/

Date :

Copy forwarded for information and necessary action to all Pay & Accounts Office,  
Delhi/New Delhi.

  
Controller of Accounts

No. 11012/3(12)/Fvt. Bks/CGA/2012/RBD/661-77

Government of India  
Ministry of Finance  
Department of Expenditure  
Controller General of Accounts  
Lok Nayak Bhawan, Khan Market  
New Delhi-110511

Telefax : 011-24649365, E-mail : [sao-rbd@nic.in](mailto:sao-rbd@nic.in)

Dated : 07.03.2016

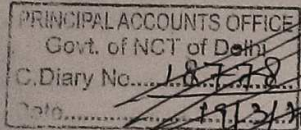
OFFICE MEMORANDUM

Subject: **Letter of Credit - Government Agency Business Arrangement.**

Reference is invited to this office OM No.S-11012/3(1)/Ref. case/2010/RBD/1119-1179 dated 30.06.2015, through which it has been clarified that Department of Financial Services embargo imposed on further allocation of Government Business to private sector banks vide their letter dated 13.09.2012 and 19.02.2015 relates to Government Agency Business, which is the business for which Reserve Bank of India pays agency commission to banks.

Further vide Reserve Bank of India, para 3 of Master Circular dated 01.07.2015 on Agency Commission, RBI/2015-16/81.DGBA/GAD/Mp/2- /31.12.010/2015-16 which consolidates all important instructions on the subject including letter of credits it has been clarified - "Transactions arising out of letters of credit opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission".

You are requested to take necessary action accordingly. This issues with the approval of Addl. CGA.



Yours faithfully -

*T. P. Ghosh*  
(Tripti P Ghosh)

Dy. Controller General of Accounts

To,  
All Civil/Non-Civil Ministries/Departments, UTs

Copy to:-

1. Dy. Comptroller and Auditor General (Government Accounts), O/o the Comptroller and Auditor General, Pocket-9, Deen Dayal Upadhyay Marg, New Delhi-110124.
2. Joint Secretary, Department of Financial Services, Ministry of Finance, 3<sup>rd</sup> Floor, Jeevan Deep Building, Parliament Street, New Delhi-110001.
3. Chief General Manager, DGBA, Reserve Bank of India, Opposite Mumbai Central Railway Station, Mumbai-400008.
4. Dy. CGA (TA).
5. Dy. CGA (ITD) with a request to upload this OM on the website of CGA Office.
6. Sr. PS to CGA.
7. PS to Addl. CGA (GPG).

## Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission

2015-16/81

SBA.GAD.No 2/31.12.010/2015-16

July 1, 2015

(As updated on January 21, 2016)

All Agency Banks

Dear Sir / Madam

**Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission**

Please refer to our Master Circular RBI/2014-15/109 dated July 1, 2014 on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till June 30, 2015.

2. A copy of the revised Master Circular is enclosed for your information. This circular may also be downloaded from our website [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Yours faithfully

(G. Sreekumar)

Chief General Manager

Encl: As above

**MASTER CIRCULAR ON AGENCY COMMISSION****Introduction**

1. The Reserve Bank of India carries out the general banking business of the Central and State Governments through its own offices and through the offices of the agency banks appointed under Section 45 of the RBI Act, 1934, by mutual agreement. RBI pays agency commission (also called turnover commission) to the agency banks for the government business handled by them. This Master Circular consolidates the instructions contained in the circulars listed in Annex 1.

**Government transactions eligible for agency commission**

2. Transactions relating to the following government business undertaken by agency banks are eligible for agency commission:

- a. Revenue receipts and payments on behalf of the Central/State Government
- b. Pension payments in respect of Central / State Governments
- c. Special Deposit Scheme (SDS) 1975
- d. Public Provident Fund (PPF) Scheme, 1968
- e. Senior Citizen Savings Scheme (SCSS), 2004
- f. Kisan Vikas Patra, 2014 and Sukanya Samridhi Account
- g. Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds/ Savings Bonds etc. transactions)

3. Short term/long term borrowings of State Governments raised directly from financial institutions and banks are not eligible for agency commission as these transactions are not considered to be in the nature of general banking business. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of public debt. Transactions arising out of Letters of Credit opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission.

4. Whenever agency banks collect stamp duty through physical mode or e-mode (challan based), they are eligible for payment of agency commission, provided the agency banks do not collect any charges from the members of public or receive remuneration from the State Government for doing this work.

5. If the agency bank is engaged by the State Government as Franking Vendor and it collects stamp duty from the public for franking the documents, it will not be eligible for agency commission since the State Government is paying commission to it as Franking Vendor. However, the agency bank which collects the stamp duty paid by the Franking Vendor for credit to the Treasury through challan in physical or e-mode for purchase of the franking bar, would be eligible for agency commission since it is a regular payment of Stamp Duty as stated above.

6. All agency banks while claiming Turnover Commission (ToC) should certify that no claim of ToC is made on ineligible transactions.

7. Agency banks paying their own tax liabilities through their own branches or through authorised branches of State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll. Such transactions will not be eligible for

on Tax, etc.) paid by them have been excluded while claiming agency commission.

In connection, it is clarified that the following activities do not come under the purview of agency bank business and are therefore not eligible for payment of agency commission.

- (a) Furnishing of bank guarantees/security deposits, etc through private sector banks by government contractors/suppliers, which constitute banking transactions undertaken by banks for their customers.
- (b) The banking business of autonomous/statutory bodies.
- (c) Payments of a capital nature such as capital contributions/subsidies/grants made by governments to cover losses incurred by autonomous/statutory bodies.
- (d) Prefunded schemes which may be implemented by a Central Government Ministry/Department (in consultation with CGA) and a State Government Department through any bank without reference to RBI.

#### Rates for agency commission

8. As per paragraph 5 of the agency bank agreement, RBI pays agency commission at rates determined by it. The rates applicable with effect from July 1, 2012 are as under:

Sr. No.	Type of Transaction	Unit	Revised Rate
a. (i)	Receipts - Physical mode	Per transaction	₹ 50/-
(ii)	Receipts - e-mode	Per transaction	₹ 12/-
b.	Pension Payments	Per transaction	₹ 65/-
c.	Payments other than Pension	Per ₹ 100 turnover	5.5 paise

9. In this context, the 'Receipts-e-mode transactions' indicated against Sr. No. a.(ii) in the above table refer to those transactions involving remittance of funds from the remitter's bank account through internet banking as well as such transactions which do not involve physical receipt of cash /instruments.

10. Agency banks would be eligible to claim agency commission for pension transactions at the rate of ₹ 65/- per transaction only when the entire work relating to disbursement of pension including pension calculation is attended to by them. If the work relating to pension calculations, etc., is attended to by the concerned Government Department / Treasury and the bank branches are required only to credit the amount of pension to the pensioners' accounts maintained with them by a single debit to Government Account, such transaction is to be categorised under 'other than pension payment' and would be eligible for payment of agency commission @ 5.5 paise per ₹ 100/- turnover w.e.f. July 1, 2012.

11. Turnover commission is payable to an agency bank at the full rate provided the transactions are handled by the bank at all stages. Where, however, the work is shared between two banks, the turnover commission is shared between the banks in the proportion of 75:25. Thus, broadly, the turnover commission is payable to the agency banks as detailed below:

- a. At the full rate, in cases where the transactions are handled by the bank at all stages, i.e., up to the stage of dispatch of scrolls and challans / cheques to the Pay and Accounts Offices, and treasuries/sub-treasuries.
- b. At 75% of the applicable rate, where the dealing branch is required to account for the transaction by passing on the scrolls and documents to the local/nearest branch of Reserve Bank of India or any agency bank conducting government business.
- c. At 25% of the applicable rate, in the case of agency branch which received the scrolls and documents from dealing branches of other banks and is responsible for the accountal of these transactions and dispatching of the scrolls and documents to the Pay and Accounts Offices, Treasuries, etc.

12. The number of transactions eligible for payment of agency commission should not exceed 14 per pensioner per year. This includes one monthly credit for payment of net pension and a maximum of two per year for payment of arrears on account of increase in dearness relief, if applicable. Cases involving payment of arrears on account of late start/restart of pension qualifies as a single transaction for claiming of agency commission. In other words, any payment of arrears on account of late start/restart of pension should be treated as a single credit transaction and not as separate monthly credits.

#### Claiming agency commission

13. Agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. The revised formats for claiming agency commission claims for all agency banks and separate and distinctive set of certificates to be signed by the branch officials and Chartered Accountants are given in Annex-2. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of government business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

14. Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor. The auditor's certificate should, inter-alia, state that:

- a. receipt and proper payment transactions' as also the agency commission claims for 'payments other than

in the records maintained at the concerned branches of the agency bank and the agency commission claims made in respect of volume (number) based transactions viz. 'deposit' and 'pension payment transactions' have been claimed only once and the same stands excluded while arriving at value based transactions in respect of 'payments other than pension payments'.

In addition to this, agency banks are required to ensure that the agency bank's internal inspectors / auditors verify the agency commission claims submitted by their branches and confirm their accuracy during the course of their inspection / audit.

15. Agency banks are required to ensure that agency commission claims submitted to the Regional Offices of Reserve Bank of India / Central Accounts Section, Nagpur in the prescribed format are accurate. Agency banks may also alert their branches concerned to ensure that agency commission claims submitted to our Regional Offices are accurate. Such erroneous claims, if certified by the Internal / Concurrent Auditors, will defeat the very purpose of making such requirement an essential condition for making quarterly claims.

**Deduction of TDS on Agency Commission**

16. Central Board of Direct Taxes (CBDT) has clarified that 'tax would not be required to be deducted by RBI on the turnover commission paid or credited by it to agency banks for transacting general banking business of the Central Government and State Governments'. However, agency commission would be taxable in the accounts of banks concerned as it is part of the bank's income.

**Penal interest for wrong claims**

17. Agency banks will be liable to pay penal interest at Bank Rate as notified by Reserve Bank of India plus 2% for any wrong claims of agency commission settled.