

RBI/2004/305

DGBA.GAD.No.H-2625-2658/31.12.010(C)/2004-05

December 17, 2004

The Chairman & Managing Directors/
Managing Directors
All Agency Banks including
Jammu & Kashmir Bank Ltd
(As per list)

Dear Sir,

**Remuneration for Conduct of Government business by Agency Banks -
Payment of Turnover Commission (ToC)**

As you are aware, Reserve Bank acts as banker to the Central and State Governments in terms of Section 20, 21 and 21A of the Reserve Bank of India Act, 1934. The Bank has appointed your bank as its agent for conduct of Government business. In terms of the agency agreement, your bank is entitled for remuneration in the form of Turnover Commission (ToC).

2. Of late, we have been receiving references as to whether a particular transaction carried out on behalf of Central/State Government Departments by agency banks is eligible for ToC or not. We clarify that the following items of

Government business will only qualify for payment of ToC:

| <u>Sr.No.</u> | <u>Items of work</u> |
|----------------------|--|
| i. | Revenue Receipts and Payments on behalf of the Central/State Governments. |
| ii. | Pension Payments in respect of Central Government and State Governments. |
| iii. | Payments made by banks to account holders under Compulsory Deposit Scheme(ITP). |
| iv. | Special Deposit Scheme (SDS) 1975, Public Provident Fund (PPF). |
| v. | Any other item of work specifically advised by Reserve Bank as eligible for ToC (viz. Relief Bonds/Savings Bonds etc. transactions). |

3. It is further clarified that short term/long term borrowings of State Governments raised directly from financial institutions and banks etc. are not eligible for ToC as these transactions are not entered into by banks as our agents. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of Public Debt. We reiterate that transactions arising out of Letter of Credit (L/C) opened by banks on behalf of Ministries/Departments etc. will not qualify for ToC.

4. We also advise that in future all agency banks, while claiming turnover commission should certify that no claim of ToC is made on ineligible transactions.

5. Please acknowledge receipt.

Yours faithfully,

(M.T. Varghese)
General Manager