

RBI/2005-06/77

DGBA.GAD.No. 379 /31.12.010(C)/2005-06

July 25, 2005

The Chairman and Managing Director /
Managing Director
State Bank of India and its Associates/
All Nationalised Banks /
HDFC Bank Ltd. / ICICI Bank Ltd./ UTI Bank Ltd./
IDBI Ltd./ Jammu & Kashmir Bank Ltd.

Dear Sir,

Conduct of Government Business – Agency Commission – Revision of Rates

As you are aware, the agency banks are at present being paid a commission of 11.80 paise per Rs.100/- of Government transactions (receipts and payments). In this connection, we refer to our letter DO.DGBA.GAD.No. 3/31.12.010(C)/2005-06 dated July 8, 2005, proposing modifications in the method of calculation as well as the rates of agency commission and seeking banks' comments in this regard. After deliberations, it has now been decided to prescribe the rates of agency commission payable to banks as under based on number of transactions instead of value of transactions, as at present:

| | | | |
|----|-----------------------------|------|-------------------------|
| a) | Receipts | | Rs.45/- per transaction |
| b) | Payments other than pension | | Rs.50/- per transaction |
| c) | Pension payments | | Rs.60/- per transaction |

2. The above rates will be effective in respect of transactions from July 1, 2005 and onwards. The date of realization of cheque/draft etc. as also deposit of cash will be treated as the date of transaction. A review of the rates will be taken up by end-March 2006. Based on the review, the agency commission rates may be revised either upwards or downwards depending on the analysis thereof.

3. As the agency commission is payable on per transaction basis, you are advised to maintain necessary records for claiming such commission which shall be made available to Reserve Bank or its authorized agencies for verification at any point of time. For calculating the number of transactions, the daily branch scroll rendered to the

Government Accounting authorities will be reckoned. Transactions reported in the 'Error scrolls' shall not be eligible for agency commission. The instructions issued by us in regard to the bank's own statutory liability for recovery/payment of various taxes as an assessee remain unchanged. Prescribed certificate to this effect should be furnished by the banks while claiming the commission.

4. As regards continuance of payment of agency commission in regard to Public Provident Fund (PPF) transactions, a separate review has been taken up in consultation with Government of India. A detailed communication will follow in this regard.

5. It may be carefully noted that quality of service rendered by agency banks will be monitored by RBI with special emphasis on service rendered by banks to pensioners.

Please acknowledge receipt.

Yours faithfully,

(Prabal Sen)
Chief General Manager-in-Charge

Withdrawn