

# Agency bank

August 20, 2021

**In news-** Recently, several banks such as Karnataka Bank, IndusInd Bank, DCB bank and South Indian got empanelled as Agency Bank to the Reserve Bank of India(RBI).

## Background

The Union Finance Minister had on February 24 this year announced that the embargo on grant of government business to private banks has been lifted.

The RBI had then notified guidelines for the appointment of scheduled private sector banks as agency banks.

## What is an Agent(agency) Bank?

- It is a bank that **performs services in some capacity on behalf of an entity**. An agent bank, also known as agency bank, **can offer a wide variety of services for businesses looking to expand internationally**.
- **RBI has empanelled these banks as 'Agency Bank' to facilitate banking and payment transactions for Centre and the state governments**.
- Agent banks cater to the needs of both individuals as well as businesses through a wide range of services.

## Transactions covered-

An Agency Bank is authorised to handle transactions pertaining to the following types of Government businesses:

- Revenue receipts under CBDT, CBIC & GST on behalf of the State/Central Government.
- Pension payments on behalf of the State/ Central Government.
- Work related to Small Savings Schemes (SSS).
- Collection of stamp duty charges.

- Collection of stamp duty from citizens for franking of documents.
- Collection of state taxes such as Professional Tax, VAT, State Excise etc. on behalf of various State Governments.

### **RBI's revised guidelines on appointment of Agency Banks:**

The existing guidelines on appointment of Scheduled Private Sector Banks as Agency Banks of RBI have been reviewed and the revised guidelines/framework for authorising Scheduled Private Sector Banks as agency banks of RBI for conduct of government business attracting agency commission are as follows:

#### **(i) For existing Private Sector Agency Banks (already having agency banking agreement with RBI):**

- Such existing private Sector Agency bank with whom RBI already has agency banking agreement and who are authorized to do government agency business for Civil/Non-Civil Ministry/Department (for Central Government) or concerned department of a State Government (for State Government) may continue to do these government agency business for Central and/or State Governments without taking any fresh approval from RBI.
- For the purpose of undertaking fresh/additional government agency business by these existing private sector agency banks, after obtaining approval from **Controller General of Accounts (CGA)** (for Central Government) or the Finance Department of the State Government (for State Government) they need to obtain approval from DGBA.

#### **(ii) For other private sector banks (not having agency banking agreement with RBI):**

- Scheduled private sector banks, not having agency banking agreement with RBI, but intend to handle

Government agency business, may be appointed as agents of RBI upon execution of an agreement with RBI.

- This will be subject to the condition that the concerned bank is not under Prompt Corrective Action (PCA) framework or moratorium at the time of making the application or signing of the agreement with RBI.

**The choice of accrediting an agency bank** (including a scheduled private sector agency bank) for any particular government agency business rests solely with the concerned Central Government Departments /State Governments.

Further, Government Departments /State Governments have the option to discontinue the arrangement after giving notice to the concerned agency banks, keeping RBI informed.

**Note:** Once RBI authorises a bank for any Government business, separate approval from RBI with regard to mode (physical or e-mode) and area of operations is not required and the same will be decided by the office of Controller General of Accounts (CGA) (for Central Government) or the Finance Department of the State Government, keeping RBI informed in the matter.

### **Controller General of Accounts (CGA), Ministry of Finance**

Controller General of Accounts derives his mandate from Article 150 of the Constitution. This statutory mandate as incorporated in the **Allocation of Business Rules 1961** brings out the duties and responsibilities of CGA as below:

- General principles of Government accounting relating to Union or State Governments and form of accounts, and framing or revision of rules and manuals relating thereto.
- Reconciliation of cash balance of Union Government with Reserve Bank in general and, in particular, of Reserve Deposits pertaining to Civil Ministries or Departments.
- Overseeing the maintenance of adequate standards of accounting by Central Civil Accounts Offices.

- Consolidation of monthly accounts, preparation of review of trends of revenue realization and significant features of expenditure etc and preparation of annual accounts (including Summary, Civil Appropriation Accounts) showing under the respective heads, the annual receipts and disbursements for the purpose of the Union Government.
- Administration of Central Treasury Rules and Central Government Account (Receipt and Payment Rules 1983).
- Coordination and assistance in the introduction of management accounting system in Civil Ministries or Departments.
- Cadre management of Group 'A' (Indian Civil Accounts Service) and Group 'B' Officers of the Central Civil Accounts Offices.

Matters relating to the Central Civil Accounts staff belonging to Group 'C' and 'D'.

- Disbursement of Pension through Public Sector Banks (PSBs) in respect of Central Civil Pensioners, Freedom Fighters, High Court Judges, Ex-M.P.s and Ex-Presidents.