



**Government of India  
Ministry of Railways  
(Railway Board)**

RBA No. 26 /2015

No. 2006/AC-II/9/1/Pt.III

Dated 13 .04.2015

**FA&CAOs,  
All Zonal Railways and Production Units etc**

**Sub: Authorisation of Private Sector Banks to conduct Government business.**

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Please refer to Board's letter of even no. dated 7.12.12 (RBA No.45/ 2012) wherein Department of Financial Services/ Ministry of Finance's instructions regarding embargo on authorization of Private Sector Banks for government business were circulated with the advise to consider only Public Sector Banks for Government business and not to make any further allocation of government business to Private Sector Banks till further orders.

The position has been reviewed by Department of Financial Services/ Ministry of Finance and it has been decided that the present embargo on allowing authorization of Government business to private sector banks would continue and only Public Sector banks can be authorized for Government business. A copy of letter no. 7/10/2012-BO.II dated 19.2.15 of Department of Financial Services/ Ministry of Finance circulated under Controller General of Accounts/ Ministry of Finance 's OM No.S-11012/1(12)/Pvt Bank/CGA/2012/545-613 dated 9.4.15 in this regard is enclosed.

Kindly ensure compliance.

DA: As above

**(Sanjeev Sharma)**

**Joint Director Accounts  
Railway Board**

**Copy for information to:**

- 1. Dy CGA, Ministry of Finance, Department of Expenditure, Lok Nayak Bhawan, Khan Market, New Delhi-110511 w.r.t. their O.M.No. S-11012/1(12)/Pvt Bank/CGA/2012/545-613 dated 9.4.15.**
- 2. EDTC/R, EDPM, EDFC, ED/RRB, EDRS(G)**

5/4/15

No.S-11012/1(12)/Pvt. Bank/CGA/2012/546-613  
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)

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Dated : 09.04.2015

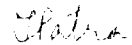
**OFFICE MEMORANDUM**

**Subject:- Government agency business arrangement – appointment of private sector banks as agency banks of RBI.**

I am directed to forward a copy of letter No.7/10/2012-BO.II dated 19.02.2015 of Department of Financial Services, Ministry of Finance, the contents of which are self explanatory.

2. Accordingly, only Public Sector Banks can be authorized for Government business as embargo on allowing further authorization of Government business to Private Sector banks would continue, as mentioned in the above cited letter.

Encls: As above.

  
(Tripti P Ghosh)  
Dy. Controller General of Accounts

To

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

Copy to:-

1. Office of the Comptroller & Auditor General, New Delhi.
2. Dy. CGA (ITD) with a request to upload this OM alongwith its enclosures on the website of CGA Office.
3. Dy. CGA (TA).
4. PPS to CGA.
5. PS to Addl. CGA (PK).
6. PS to Jt.CGA (MM).
7. PA to Dy. CGA (RBD).

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ACU

Smt. Ujjay

File No. 7/10/2012-BO.II  
Department of Financial Services  
Ministry of Finance  
Government of India

3<sup>rd</sup> Floor, Jeevan Deep Building,  
Parliament Street, New Delhi-110001

Date: 19<sup>th</sup> February, 2015

Shri H. R. Khan  
Deputy Governor  
Reserve Bank of India  
Central Office  
Mumbai.

Subject: Government agency business arrangement – appointment of private sector banks as agency banks of RBI

Dear Sir,

I am directed to refer to the DO letter No. DGBA. GAD. No.371/42.01.033/2014-15 from the Reserve Bank of India (RBI) dated 23<sup>rd</sup> July, 2014 regarding allowing private sector banks to act as agency banks to undertake the Government business.

2. As you would recall, the Government had advised RBI, with the approval of the Finance Minister, on 8<sup>th</sup> July, 2008, that private sector banks, which were authorised to undertake the Government agency business, should have a clear roadmap to achieve certain acceptable levels of priority sector lending and implementation of Government schemes and achieve financial inclusion target on par with the public sector banks (PSBs) for allowing the existing private sector banks to continue to act as agency banks. Although a review of RBI in December, 2009 found that the three private sector banks did not achieve all the parameters fixed by RBI, however, RBI did not submit any comprehensive review and a clear and transparent new policy for authorisation of private sector banks, as was advised by

the Government, and instead issued a circular on 31<sup>st</sup> January, 2012 enabling all the private sector banks to handle Government business.

3. The matter of unilateral liberalisation of agency business on the grounds of enhancing the quality of customer service and increasing competition was reviewed at the level of the Finance Minister in September, 2012 and it was recommended to RBI and Controller General of Accounts (CGA) that liberalisation of Government business in favour of private sector banks may be postponed for a period of, say, three years and both RBI and CGA were advised that there should not be any further allocation of Government business to private sector banks for the time being. Further, RBI was advised to undertake a comprehensive review of the policy of authorisation of Government business to private sector banks and propose any changes with prior approval of the Government.

4. RBI has responded to the letter of Government to state that in so far as participation of PSBs and private sector banks in the priority sectors / sub-sector lending is concerned, the comparison of last two years shows (on the ground of achievement of Priority sector lending targets) that the overall performance of the private sector banks is in no way better or worse than the PSBs. Therefore, it would not be appropriate to differentiate between public and private sector banks for appointment of these banks as agency banks on the social sector lending criteria. RBI has, therefore, mentioned that postponing the revised dispensation granted to the private sector banks may not be appropriate in the context of the equity, fairplay and convenience for the banks.

5. The matter has been reviewed in the Government. It may be stated that priority sector performance was not the sole factor in deciding grant of agency business to private sector banks and the other important parameter was satisfactory implementation of Government Schemes and participation by such private banks in financial inclusion. No analysis of this important parameter has been done by RBI in recommending complete liberalisation of the agency business in favour of private sector banks.



6. In view of the above, Government is of the view that unless complete review of the functioning of private sector banks is done, there is no reason to review its present stance. Therefore, the embargo on allowing further authorisation of Government business to private sector banks would continue. Thus, both RBI and CGA are advised that there should not be any further allocation of Government business to private sector banks.

7. This issues with the approval of the competent authority.

Yours faithfully,

-sd-

(M.M. Dawla)

Under Secretary (BO.II)

Tel: 23748731

Email: usbo2-dfs@nic.in, bo2@nic.in

Copy also to:

Shri Jawahar Thakur

Controller General of Accounts

Lok Nayak Bhawan

New Delhi.

  
(M.M. Dawla)