



**POLICY ON GOVERNMENT BUSINESS
FOR THE YEAR 2019-20**

Policy on Government Transaction		
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1. Introduction

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. Reserve Bank of India in turn has authorized our Bank to act as an agent of RBI for conducting Government business. RBI pays agency commission (also called turnover commission) to the agency banks for the government business handled by them.

Initially, our Bank started with entire job of Government Business under Corporate Accounts Department. Subsequently in order to have more focused approach and take it forward as a separate profit center, a Department named Government Transaction Department was formed.

Subsequently, the CPPC (Central Pension Processing Centre) was established under Government Transactions Department in the year 2011 with an objective of centralizing the entire activity of pension calculation, disbursement, arrear payment, revision for all pension payments handled by Bank.

Now, the department functions with two major verticals, CPPC & Government Transactions department.

All the activities under Government Transaction are dealt by a three layered approach such as Branch, Nodal/ Focal Point Branch & Link Office. While all the branches undertake Government works (except very few), there are different Nodal branches for different Govt. Business activities. Our Nagpur branch (0482) is the only Link Cell for settling Central Govt. transactions with Central Accounts Section (CAS), Nagpur of RBI. Commission earned over such business is booked by the Branches against each scheme as detailed below under heading TOC on Government Business.

2. Scope of Government Business Transactions :

Our Bank at present undertakes following business activities, besides participating in Atal Pension Yojana which is being controlled by Financial Inclusion Department.

- a) Revenue receipts and payments on behalf of the Central / State Government (CBDT, CBIC, GST, State Taxes)
- b) Pension payments in respect of Central / State Governments
- c) Special Deposit Scheme (SDS) 1975
- d) Small Savings Schemes:-
 - (1) Public Provident Fund (PPF) Scheme, 1968
 - (2) Senior Citizen Savings Scheme (SCSS), 2004
 - (3) Sukanya Samriddhi Account (SSA)
- (e) Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds / Savings Bonds / Sovereign Gold Bond [SGB] etc. transactions).
- (f) National Pension System (NPS) under all Citizen Model.



3. Operations of Government Business Transactions

Government Businesses like Good & Services Tax (GST), Sovereign Gold Bond (SGB), West Bengal, Orissa State taxes through all its branches & Public Provident Fund (PPF), Senior Citizen Savings Scheme (SCSS), Sukanya Samriddhi Account (SSA) etc. also through all its branches (except few single linked branches). However, Collection of CBDT (physical mode), is being done through designated branches only. But, Collection of CBDT, CBEC through e-challan can be done through all branches. While, all Branches are authorized to handle pension payment, other Government Payments viz. Ministry of Coal, President's Secretariat, Customs etc. are handled by the Branches, where the accounts are being maintained. Bank has been registered as Point of Presence (PoP) as well as Aggregator under Pension Fund Regulatory and Development Authority (PFRDA) and act as a distribution channel for NPS under all Citizen Model.

4. Operating System of Govt. Business Transactions

Major part of Government Business transactions viz. CBDT, PPF, SCSS, SSA, Pension, SDS, Taxable Bonds are being carried out in a separate Operating System called Government Business Module (GBM) under Finacle which is available in all the branches. A separate Interface, Inspirisys Solutions Ltd. (ISL) erstwhile Accel Frontline Ltd. (AFL) is the Service Provider of GBM. A few of our Govt. business transactions like GST, Government Receipts Portal System (GRIPS), SGB etc. are functioning in Finacle only.

5. Systems and Controls for conduct of Government Business Transactions

Reserve Bank of India, every year, issues Master Circular on 'Conduct of Government by Agency Banks-Payment of Agency Commission' and 'Disbursement of Government Pension by Agency Banks that, inter alia, deal with Systems and Controls in agency banks for conduct of government business which in time our bank also circulates and follows while doing government business.

In addition, an agency bank must ensure that there is internal/concurrent audit at bank branches who verifies that government business is being conducted as per rules and regulations prescribed by Government / RBI. Accordingly, the internal/concurrent audit at bank branches ensures that various aspects of government business such as disbursing of pension and claiming of agency commission are being done properly. A check list as prescribed by RBI is provided to the inspecting officers/auditors for their checking and reporting.

6. Central Pension Processing Centre (CPPC)

In order to have a better control and centralizing the entire activity of pension, Bank has been accorded permission by Reserve Bank of India for establishing one Central Pension Processing Centre (CPPC) at Kolkata. The prime objective of centralizing the entire activity of Pension payments is to pay the pension more accurately and within the stipulated time to each individual pensioner. Further, any type of modifications, changes, implementation of new pension components issued by the Pension Disbursing Authorities from time to time can also be done as per guideline without any delay or error. Accordingly, CPPC was established and started its operation in the year 2011 under Govt. Transaction Department at HO. The CPPC function include overseeing & managing the Pensioners query, accepting Life Certificate (Digital & Physical) and other small requirements of the Pensioners like providing Pension slip, arrear payment details, etc.



Functions of Central Pension Processing Centre:

Bank deals with two types of Pension payment categorized as **PENSION (Schematic) & PENSION (Non-schematic)**.

Non-schematic Pensions are those pension accounts, where the Bank makes payment to the Pensioner and then claims reimbursement from respective Treasuries through RBI. In such category, the entire activities of Pension payment, such as receipt of PPO from Sanctioning Authority, checking of the same about its genuinity, making entry into our system, record keeping of PPO and release of monthly and other payments rests with the Bank. The entire works are being done through GBM menu under Finacle. Pension Sanctioning Authority releases the payments to the bank on receipt of Scroll / Claim through RBI. The Commission is also released by RBI based on the data submitted to them on quarterly basis. Bank is at present handling following types of non-schematic pensions:

- a. Central Civil (CPAO),
- b. Defence,
- c. Railways,
- d. Postal,
- e. Telecom,
- f. Freedom Fighters &
- g. Different State Pensions.

Legacy Pension Data

Since our bank has been handling the process of pension payments prior to the present procedure of payment through GBM system, the PPO and the related data was distributed accordingly to branches. Bank migrated the existing data in GBM system. However, the original PPO is still maintained with the Branches. Due to scarcity of space the same could not be shifted to CPPC at HO and non validation of old data with physical copy of the PPO led to delay in full system based implementation of the CPPC module under GBM.

At present, all PPOs and Revisions have been receiving since 2014 for treasuries under CPAO, Defence, Telecom, Postal & Freedom Fighters are being maintained at CPPC end for doing all types jobs for payment of pension. Branch will get a scanned copy of the PPOs for their record and accepting Life Certificate in physical mode every year. For PPOs of Railway and State Pension, the existing system of branch wise distribution as per mandate of the pensioner will prevail.

An audit of documents and data migrated from branches to the CPPC to create the database needs to be carried out once the entire activity is complete. Such audit may be internal or external, which will closely scrutinize to ensure that the database is comprehensive, error free and reliable. Based on the report of the Audit team, the bank needs to undertake data cleansing and validation of data vis-à-vis the original records in GBM system. The exercise needs to be carried out multiple times to ensure that all data available in the database of CPPC is error free. **The audit of the data shall form part of inspection activating while carrying out the inspection of the Department by the internal inspectors.**

Schematic Pension are those pension accounts, where the Bank is merely maintaining the Account of the Pensioners, facilitating the disbursement of Pension based on the data & fund provided by the Pension Sanctioning Authority and collecting the Life certificate of the Pensioners after its authentication. The



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consolidated life certificate is passed on to the designated office of the Pension Sanctioning Authority. The Commission in such type of Pension falling under **Schematic Pension** category is based on the mutual agreement between the Bank & Pension Sanctioning Authority. Bank is at present handling following types of pension and the commission as agreed and applicable at present is indicated against each type of pension:

(a)	DVC Payment	60/- per Transaction
(b)	KMDA Payment	50/- per Transaction
(c)	Coal Mines Payment	30/- per Transaction
(d)	KPT Payment	10/- per Transaction
(e)	EPF Payment	1.25% of Amt paid
(f)	KMWSA Payment	1.25% of Amt paid
(g)	KIT Payment	1.25% of Amt paid
(h)	NPS	Rs.200.00 per registration & 0.25% on subscriptions

Since the pension payment under these categories does not require calculation part of the pension payable, the same has not been included in the application procured for CPPC in GBM system and the same is handled by the individual Branches manually.

7. Focal Point Branch / Nodal Branch- Roles & Responsibilities:

Depending upon the type of Government business, some of the Branches are designated to act as Nodal Branch. The main functions of the Nodal Branch is to ensure that data and fund for a particular type of Government business including Pension and linked to the particular Nodal Branch are being transmitted to them. Usually, collections of funds under Govt. business by the operating branches are being pooled at the time of EoD of GBM/Finacle to the designated accounts of Nodal/Focal point branches. All records / data received from branches attached to such Nodal Branch are being compiled and tallied with remittances pooled against those data. Nodal branches also need to reconcile the pool account created for each type of Government Business they handle as Nodal Branch. After reconciling the same they are required to transmit the compiled data and fund to the Link Branch designated for each type of Government Business within 11.00 a.m. on next working day. All these activities are required to be done on the next working day within 11.00 a.m., so that Link Branch can settle the fund with Central Accounts Section (CAS), Nagpur on T+1 day basis within the stipulated time to avoid any delay of reporting as well as remittances of the fund. In case of any payment by the Bank Branches also, the system has been developed accordingly to automate the process of transmitting of the data to Nodal branches for collation and reconciliation of the same. Nodal branches then send the reports to Link branch for claiming the payment amount from the Govt. authorities for reimbursement to branches through Nodal branches.

In case of CBDT receipts, the Nodal Branch must ensure that the Major Head wise collection shown in the Nodal Branch Scroll of a particular date tallies with the corresponding totals in the OLTAS data transmitted to the Link Cell for submission to TIN.

The receipts & payments of Central Government are consolidated (both on-line & offline) at Nodal Branches for the branches under each Nodal and then transferred to Link Branch.



Goods and Services Tax (GST)

After the introduction of GST in the country from 1st of July, 2017, all our branches have been customized for collection of GST payments by the taxpayers. As per the directive of the Ministry to designate one branch/office from Mumbai, our Mumbai RO (0372) has been designated as e-Focal point branch. GST data is being transmitted & settled centrally from Govt. Transaction Deptt at Head Office through SFTP server with RBI.

8. Link Branch- Set up & Functions:

Our Nagpur branch acts as Link Cell of Central Govt. Business transactions. They report all the data to respective departments and settles funds with the CAS, Nagpur of RBI. Link Branch need to ensure that all Nodal Branches attached to the Link Branch are transmitting the data and fund on a day to day basis within the stipulated time. They should ensure that data is received from all Nodal Branches, even with NIL figures also to avoid any future complications. All such data is consolidated with proper marking in respect of off-line & on-line receipts for calculation of agency commission in future. There needs to be also marking for the transactions made by the Bank for its own internal purpose, since such transactions are not eligible for TOC. Such consolidated data needs either to be uploaded to RBI under e-Kuber and, or reported to Central Accounts Section (CAS), RBI. Some data are transmitted to the office / center in the manner as stated by the Department of Government on whose behalf such transaction is being made by the Bank like OLTAS for CBDT & ESIST for CBIC (erstwhile CBEC).

However, transactions for State taxes/revenues like WB GRIPS, Orissa CYBER, Tamilnadu VAT collection are being uploaded to e-Kuber of RBI by designated officers of Govt. Transaction department, HO on daily basis after getting data from the designated Nodal branches. Apart from that uploading, modification, closure of Inflation Index Bond, Sovereign Gold Bond etc. are also being done by the designated officers of Govt. Trans. Deptt. HO.

At the end of each quarter the claims in respect of commission receivable for receipts under Central Government transactions is lodged by Bank's Link Branch, which is cross checked at RBI / Department level against the data already available with them, after which the same is released by credit the commission on government receipts. For transactions related to State Governments, TOC are lodged by the Nodal branches to the RBI of the respective States.

On receipt of the TOC from RBI / Departments of Central Govt. / State Government Department, the Link Branch/Nodal branch needs to distribute the TOC to the Branches based on the transactions data available with Link Branch/Noda branch retaining the TOC on Govt. transactions related to their branch only.

Penal Interest on delayed reporting / remittances

As per Standard Operating Procedure (SOP) for conducting Govt. Business issued by the Ministry of Finance, Govt. of India, all the funds collected under Govt. business transactions are to be settled within the stipulated period of 'T+1' day basis in most of the cases. If bank fails to report and remit the fund within the above noted time, the respective Govt. departments / authorities will impose penal interest on bank for delayed reporting/remittances.



9. Earnings under Government Business Transactions:

The following types of Government business transactions undertaken by our bank is eligible for agency commission (Turnover Commission), which is paid by RBI at a pre determined rates:

- 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) Sukanya Samriddhi Yojana
- g) Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds / Savings Bonds / SGB etc. transactions)

10. Agency Commission & rates

Agency 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 accounting of these transactions and dispatching of the scrolls and documents to the Pay and Accounts Offices, Treasuries, etc.

Rates of Agency Commission

As per agency bank agreement, RBI pays agency commission at a rate prescribed by it and the applicable rates with effect from July 1, 2012 are as under:

Sr. No.	Type of Transaction	Unit	Rate
a	i) Receipts - Physical mode	Per transaction	Rs.50.00
	ii) Receipts - e-mode	Per transaction	Rs.12.00
b	Pension Payments	Per transaction	Rs.65.00
c	Payments other than Pension	Per Rs.100	5.5 paise

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 remitter's bank account through internet banking as well as such transactions which



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do not involve physical receipt of cash / instruments at all. However, challan generated electronically and submitted to bank for collection along with cash / instruments will be treated as transactions under physical mode.

After the implementation of Goods and Services Tax (GST) regime, a single Common Portal Identification Number (CPIN), processed successfully by the bank leading to generation of a Challan Identification Number (CIN), under GST payment process will be treated as a single transaction, even if multiple major head / sub major head / minor head of accounts are credited.

Our bank deals with Central Civil, Defence, Telecom, Railway and other State pensions including Freedom Fighter pension, where works related to calculation and disbursement is made by the bank which entitles agency commission at the rate of Rs.65/- per transaction. The Bank normally is eligible for receipt of agency commission for a maximum of 14 transactions per pensioner per year. This includes twelve monthly credits 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.

Bank is eligible to get agency commission for payment of transactions at the rate of Rs.65/- per transactions only when the entire work relating to disbursing of pension including pension calculation works are done by us. If the work relating to pension calculations, etc., is done by concerned Govt. Department / Treasury / Other Statutory Bodies and the bank is required only to credit the amount of pension to the pensioners' account maintained with the bank by a single debit to Govt. / Treasury / Statutory Bodies Account, such transactions will be categorized under 'other than pension payment' and bank will be eligible for payment of agency commission @5.5 paise per Rs.100/- turnover or at a pre-determined rate.

Our bank also disburse some other pensions like Coal India Limited at Dhanbad, DVC Pension at DVC extension Counter etc, where we receive a consolidated cheque along with a list of pensioners, their account number and amount of pension to be disbursed. In such cases the payment disbursing Branch is realizing the commission from that Govt. department / treasury / Statutory Bodies.

11. Booking of Agency Commission by Branches / Offices:

Bank earns agency commission at pre-determined rate of RBI, already mentioned in this policy. All agency commissions related to Central Govt. Business transactions are being claimed by our Nagpur branch (Link Cell) on quarterly basis from Central Accounts Section of RBI, Nagpur. Transactions related State Governments are being claimed by the respective Nodal branches from regional offices of RBIs.

In order to give a boost to the branches for mobilizing more Govt. business, bank has implemented booking of agency commission on monthly basis according to the performance of the branches into their P/L heads on the aforesaid rates from October, 2018 vide Circular no.GT/Agency/52/OM-442/18-19 dated 04.10.2018 and again vide circular no.GT/Agency/87/OM-761/18-19 dated 30.01.2019 instead of booking by the Link and, or Nodal branches. This will incentivize the Branches / Offices, who actually, scouting or garnering the Government business on behalf of the bank.

The above mechanism of agency commission booking will also comply GST rules, since, income from Govt. business is also liable for GST and the state GST (SGST) will be payable to respective State where the services are being rendered.



12. Claiming Agency Commission

Bank is required to submit its claims for agency commission in the prescribed format to Central Accounts Section (CAS), Nagpur in respect of Central Government transactions and the respective Regional Offices of Reserve Bank of India for State Govt. transactions on quarterly basis. However, agency commission claims in respect of GST receipts transactions will be submitted to Mumbai Regional Office of RBI on quarterly basis. The formats for claiming agency commission and submitted with a set of certificates to be signed by the branch officials and External Auditor. These certificates are in addition to the usual Certificate from Executive Director / Chief General Manager (in charge of Govt. business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor.

In addition to this, bank is required to ensure that its internal inspectors verify the agency commission claims submitted by the branches and confirm their accuracy during the course of their inspection.

Bank is also required to ensure that agency commission claims submitted to the Regional Offices of RBI / CAS, Nagpur as applicable in the prescribed format are accurate.

Bank should furnish its claims on agency function to RBI within 60 calendar days from the end of the quarter in which the transactions have been conducted. If the bank fails to lodge the claims within the stipulated period mentioned above it may forward the same to RBI only after giving reasons for delay.

At United Bank of India, we do not have any arrangement with any Bank for sharing the Government business so the Bank is claiming the entire commission from RBI.

However, for commission on NPS operations it is on upfront basis to be realized from the subscribers at the time of registration as well as making subscriptions.

13. Deduction of TDS on Agency Commission

Though RBI is not deducting any tax on the turnover commission paid or credited by it, however such agency commission is taxable as the same forms as part of the bank's income. Under GST regime bank is liable to pay GST as per applicable rate of 18% as Agency Commission earnings.

RBI has decided to reimburse agency banks the amount of GST paid by them on agency commission with effect from July 1, 2017.

14. Penal Interest on Agency Commission

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. Further, bank is also liable to pay penal interest for delayed remittances (beyond stipulated period) of fund collected on Govt. business transactions to the respective Govt. department / Authorities.



15. Reconciliation and claim of Commission / Scroll:

The Branches undertaking Government Business are required to reconcile all the pool accounts created for routing Transactions on a monthly basis and attempt should be made to make such account with zero balance on any particular day. Branches are also should reconcile the TOC received by them vis-à-vis transaction undertaken by them.

Similarly, the Nodal Branch & Link Branch needs to reconcile on a daily basis and some officials needs to be entrusted with job under a proper office order, whose prime objective will be reconciliation & remittance of the fund within the specified time.

16. Marketing of Government Business:

Bank will constantly evaluate the available options under Government Business segment as available in the market along with its vitality. MIS Department is involved to access the profitability of Bank under each segment of the Government Business. This serves as basis for government to take a decision in respect of future course of action by the Bank.

17. Engagements of Commission Agents for Government Business:

Wherever RBI allows engagement of commission agent, the Department will evaluate the proposals to augment business for increasing income.

18. Compliance & Other Statutory Obligations:

Periodical Reports and Returns & other Statutory Obligations related to Govt. Business of the bank to be complied by Govt. Transaction deptt. HO or Link/Nodal branch as per requirement of the Central / State Govt., RBI and Other Statutory Bodies.

19. Redressal of Complains:

Bank has a separate Grievance Redressal Policy for all its banking related operations. Pensioners and Other Customers can register their complaints into dedicated portals like Comprehensive Complaints Management System (CCMS) of the bank, CPGRAMS of Govt. of India, etc. which is monitored by the dedicated persons. Bank also entertains complaints received on physical mode either at branch or at CPPC, Govt. Transaction department, HO. All such complaints are redressed in a time bound manner to the satisfaction of the complainants.

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