

RBI modifies norms for undertaking govt business by private banks

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The Reserve Bank on Monday came out with modified guidelines that allow sound private sector banks to undertake government business, whether at the Centre or in states.

According to the modified norms, scheduled private sector banks, which are not under the Prompt Corrective Action (PCA) framework of the RBI, can undertake government business after executing an agreement with the central bank.

"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 PCA framework or moratorium at the time of making the application or signing of the agreement with RBI," the central bank said in a notification.

It may be mentioned that the Finance Ministry in February 2021 had lifted the embargo imposed in September 2012 on further allocation of government business to private sector banks.

In view of the lifting of the embargo, the RBI has decided to revise the framework for authorising Scheduled Private Sector Banks as agency banks of RBI for conduct of government business.

The notification further said existing private Sector agency bank with whom RBI already has agency banking agreement and who are authorised to do government agency business may continue to do these government agency businesses for Central and/or State Governments without taking any fresh approval from the central bank.

It also said 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 CGA (for Central Government) or the Finance Department of the State Government, keeping the RBI informed in the matter.