

July 27, 2006
Shravana 5, 1928 (S)

The Chairman/Managing Director
State Bank of India and Associate banks
and 17 Nationalized banks
The Managing Director
ICICI Bank Ltd / IDBI Ltd / HDFC Bank Ltd / UTI Bank Ltd
Stock Holding Corporation of India Ltd

Dear Sir

Master Circular on Rates of Brokerage etc. for Relief / Savings Bonds

The Department of Government and Bank Accounts, Central Office, RBI has been issuing instructions relating to brokerage rates for Relief / Savings bonds from time to time. In order to enable the Offices/Agency banks to have all the currently operative instructions on the above subject at one place, a Master Circular on brokerage rates, etc. for Relief / Savings Bonds has been prepared, which is enclosed. You may also access the circular on our website www.rbi.org.in

2. Please acknowledge receipt.

Yours faithfully,

(B. B. Sangma)
General Manager

Master Circular

Payment & Rates of Brokerage for Savings Bonds

Rates of brokerage

Brokerage at the rate of Re. 0.50 (paise fifty only) per Rs.100/- will be paid to brokers registered/enrolled with RBI Offices, on applications tendered for investment in the bonds in the form of BLA at RBI Offices on behalf of their clients and bearing their stamp. No brokerage will be paid in respect of stock certificates.

Brokerage at the rate of 1.00 (Rupee One only) per Rs.100/- will be paid to brokers registered/enrolled with Agency banks on applications tendered for investment in the bonds in the form of BLA at designated branches on behalf of their clients and bearing their stamp. **(Ref.CO.DT.13.01.201/432/2000-01 dated 25-7-2000)**

No brokerage is payable in case the broker is one of the investor/applicant.

(Ref.CO.DT./13.01.298/H-2411/03-04 dated 29-10-2003)

No TDS on payment of brokerage:- Offices/agency banks may please note that no tax is required to be deducted at source while making payment of brokerage in respect of the Savings Bonds business canvassed by brokers in terms of Section 194(H) of the Income Tax Act, 1961.

(Ref.CO.DT.201/5900/2000-01 dated 28-5-2001 & CO.DT.13.01.298/H-3660/03-04 dt.3-1-04)

Offices/Agency Banks are advised to settle the brokerage claims expeditiously in any case not later than 30 days from the date of subscription.

(Ref.CO.DT.13.01.201/6260/2000-01 dated 13-6-2001)

Agency Banks are advised to first settle the brokerage claims and thereafter the reimbursement be sought from the Reserve Bank of India.

(Ref.CO.DT./13.01.201/4668/2000-01 dt.8-3-2001)

As a measure towards improvement in customer service, offices/agency banks may arrange to pay the brokerage to the agents, on a monthly basis by credit to their accounts through ECS after obtaining requisite mandate from them.

(Ref.CO.DT.13.01.298/H-4677/2002-03 dated 23-5-2003)

Reimbursement of brokerage claims in respect of Savings Bonds have been centralized at CAS Nagpur with effect from 1-7-2002 and it has been decided that 90% of the brokerage due to agencies on the basis of funds remitted/reported to CAS as at the close of business of the month will be paid on the 3rd working day of the succeeding month.

The balance of 10% is to be settled in due course on submission of Appendix IV **(Ref.CO.DT.13.01.272/11032/2001-02 dt.25-6-2002 & CO.DT.13.01.272/H-2906 / 2002-03 dated. 26-2-2003)**

In case detailed clarifications are required on specific issues, the circulars indicated above may please be referred to.