

RBI/2007-2008/295

DBOD.No.BL.BC.74 /22.01.009/2007-2008

April 24, 2008

**All Scheduled Commercial Banks (including RRBs) &
Local Area Banks**

Dear Sir,

**Financial Inclusion by Extension of Banking Services – Use of Business Facilitators(BFs) and
Business Correspondents (BCs)**

Please refer to our circulars DBOD. No.BL.BC.58/22.01.001/2005-2006 dated January 25, 2006 and DBOD.No.BL.BC.72/22.01.009/2005-2006 dated March 22, 2006 on the above subject.

2. Based on queries received from certain banks, we had clarified that there is no objection to banks engaging individuals as **Business Facilitators (BFs)** depending on the comfort level of banks, subject to their taking adequate precautions and conducting proper due diligence before engaging individuals as BFs.

3. In the light of the announcement made in paragraph 92 of the Budget Speech 2008-2009 by the Hon'ble Finance Minister, Govt. of India, it has been decided to permit banks to engage retired bank employees, ex-servicemen and retired government employees as **Business Correspondents (BCs)** with immediate effect, in addition to the entities already permitted, subject to appropriate due diligence. While appointing such individuals as BCs, banks may ensure that these individuals are permanent residents of the area in which they propose to operate as BCs and also institute additional safeguards as may be considered appropriate to minimise agency risk.

4. Further, with a view to ensuring adequate supervision over the operations and activities of the BCs by banks, it has been decided that every BC will be attached to and be under the oversight of a specific bank branch to be designated as the base branch. The distance between the place of business of a BC and the base branch, ordinarily, should not exceed 15 Kms in rural, semi-urban and urban areas. In metropolitan centres, the distance could be upto 5 kms. However, in case a need is felt to relax the distance criterion, the matter can be referred to the District Consultative Committee (DCC) of the district concerned for approval. Where such relaxations cover adjoining districts, the matter may be cleared by the State Level Bankers' Committee (SLBC), which shall also be the concerned forum for metropolitan areas. Such requests may be considered by the DCC/SLBC on merits in respect of under-banked areas or where the population is scattered over large area and where the need to provide banking services is imperative but having a branch may not be viable, keeping in view the ability of the base branch of the bank making the request to exercise sufficient oversight on the BC.

5. Where currently BCs are operating beyond the distance limits specified above, DCC/SLBC may be kept informed and steps may be taken to conform to the stipulated limits within six months time, unless specific approval is accorded by the DCC/SLBC on the grounds indicated in paragraph 4 above.

6. Needless to add, in the context of scaling up of BF/BC model which is a huge challenge given the size of the country, banks should bring to the notice of RBI any important issues to facilitate taking prompt corrective steps. The implementation of the BF/BC model should be monitored closely by controlling authorities of banks, who should specifically look into the functioning of BFs/BCs during the course of their periodical visits to the branches. Further, banks should also put in place an institutionalized system for periodically reviewing the implementation of the BF/BC model at the Board level.

Yours faithfully

(P.Vijaya Bhaskar)
Chief General Manager