

The Chairman and Managing Director / Chief Executive Officers
All Scheduled Commercial Banks including RRBs /
Urban Co-operative Banks / State Co-operative Banks /
District Central Co-operative Banks
Authorised ATM Networks &
Prospective White Label ATM operators.

Dear Sir;

Deployment of White Label ATMs (WLAs)

As per the existing rules/regulations only banks are being permitted to set up Automated Teller Machines (ATMs) in India. Banks have played a major role in encouraging ATM adoption and modifying behavioral strategies in the domain of personal banking. The banking space has seen considerable growth through the ATMs, (approximately 87000 ATMs at present) but the same has been restricted principally to the urban/metro areas. Tier III to VI unbanked/under banked areas have not witnessed much ATM presence.

2. Although there has been about 30% year-on-year growth in the number of ATMs deployed in the country since 2008, ATM penetration on a per capita basis continues to be less compared to other countries. There is, therefore, an abundant scope and a felt need to deploy more ATMs, particularly in Tier III to VI areas of the country.

3. In the above context, RBI has reviewed the extant policy on ATMs and it has been decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration of ATMs in the country. Such ATMs will be in the nature of White Label ATMs (WLA) and would provide ATM services to customers of all banks.

4. Non-bank entities proposing to set up WLAs have to make an application to RBI for seeking authorization under the Payment and Settlement Systems Act 2007. Such entities should have a minimum net worth of Rs. 100 crore at the time of making the application and on a continuing basis after issue of the requisite authorization. Other guidelines for applying to RBI for

authorization under the PSS Act are available at <http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/86707.pdf>. The criteria and the terms subject to which such entities will be authorized to operate WLAs are listed in Annex A. The roles and responsibilities of the stakeholders are indicated at Annex-'B'.

Yours faithfully

(Vijay Chugh)
Chief General Manager

Annex A

General Criteria for non-bank entities authorized by RBI to set up and operate WLAs

- (a) The authorized non-bank entity (henceforth referred to as WLA Operator) would have the freedom to choose the location of the WLA. However, it will adhere to annual targets and the ratio of WLA between Tier I & II and Tier III-VI centres that may be stipulated by the Reserve Bank of India.
- (b) Only the Cards issued by banks would be permitted to be used at the WLAs to start with.
- (c) Acceptance of deposits at the WLA site into the account of the WLA operator or in any other account indicated by it shall not be permitted.
- (d) The WLA Operator will be the "acquirer" for all transactions at the WLA and earn his fee accordingly.
- (e) The WLA Operator would be permitted to earn extra revenue through advertisement and by offering value added services. The advertisements placed on such ATMs would be subject to Advertising Standards Council of India (ASCI) codes and other regulations.
- (f) Being non-bank owned ATMs, the guidelines on five free transactions in a month for using other bank ATMs would not be applicable for transactions effected on the WLAs. The charges for the transactions should be displayed on the screen before the customer initiates the transaction.
- (g) The WLA Operator would not be entitled to any other fee from issuer bank other than the "Interchange" fee payable to "acquirer" bank under the present bank owned ATM scenario. The WLA Operator shall also not be permitted to charge any fee from the customers for the use of the ATM resources.
- (h) Regulatory guidelines relating to compensation for failed ATM transactions would apply to transactions at WLAs.
- (i) General guidelines governing the operations of the bank operated ATMs would apply mutatis mutandis to WLAs.

Roles and Responsibilities of various stakeholders in the WLA model

A. WLA Operator

1. Entities shall commence setting up and operating WLAs only after it has been authorized to do so by the RBI under the Payment and Settlement Systems Act, 2007.
2. WLA Operator shall declare one “Sponsor Bank” , who will serve as the Settlement Bank for the settlement of all the service transactions at the WLAs. The Sponsor Bank should be a member of one of the ATM networks authorized by the RBI and also be a member of the RTGS.
3. Cash Management of the WLAs shall be entrusted to the Sponsor Bank, who may have necessary arrangements in this regard with other banks for servicing cash requirements at various places. At no point of time, the WLA Operator or his agents shall have access to the cash at the WLAs.
4. Settlement of all the transactions at the ATMs shall be done only in the books of the Sponsor Bank through the ATM Network with whom the WLA Operator has established connectivity.
5. Maintenance and servicing of the WLAs shall be the sole responsibility of the WLA Operator.

B. Sponsor Bank

(I) Cash Management

1. Sponsor Bank would be responsible for cash management at the WLAs and should ensure that the WLAs are adequately stocked with cash and only good quality notes are dispensed to the users of the WLAs. As regards availability of funds for cash loading, a suitable arrangement would be entered into between the WLA and the Sponsor Bank
2. The ownership of the cash to be loaded into such WLAs Cash Management will also include reconciliation of cash at the WLAs and appropriate accounting of excess cash, if any, on account of partial or no disbursal.

3. For the purpose of cash management, the Sponsor Bank may enter into tie-ups with other banks for loading and reconciliation of cash at various WLAs at locations where it has no presence. In such case, the cash managing bank will have the same responsibilities as indicated at (a) above.

(II) Customer Grievance Redressal

1. While the primary responsibility to redress grievance of customers relating to failed ATM transactions will vest with the Issuing Bank, the Sponsor Bank will provide necessary support in this regard, including making available relevant records and information, to the Issuing Bank. For this purpose, the Sponsor Bank should have necessary arrangement with the WLA Operator.
2. The extant directives of the RBI on the time-lines for resolution of complaints of failed ATM transactions would also apply to transactions at the WLAs. For delay in resolution of such complaints attributable to the Sponsor Bank or the WLA Operator resulting in payment of penalty to the customer by the Issuing Bank in terms of the directives of RBI, the Issuing Bank shall be compensated by the Sponsor Bank. The Sponsor Bank may have appropriate agreements with the WLA Operator for recovery of such amounts.

C. ATM Network Operators

1. Network Operators will offer direct connectivity to the WLA Operator to facilitate transactions at the WLA and the settlement thereof after seeking requisite approvals from the RBI.
2. They bring the WLA Operator under the ambit of the Network's Operating Guidelines and the Dispute Resolution Mechanism put in place in accordance with the extant directives of the Reserve Bank of India.

D. General

1. The ATM Network Operator, the WLA Operator and the Sponsor Bank shall enter into a Tri-partite Service Level Agreements (SLA) to address issues relating to inter-bank settlement of the transactions at the WLAs and settlement of

customer complaints relating to failed ATM transactions. The SLAs should clearly spell out the role of each party.

2. The relevant provisions of all guidelines/directives/instructions issued by various departments of the Reserve Bank of India viz. Department of Payment & Settlement Systems (DPSS), Department of Banking Operations and Development (DBOD) and Customer Services Department (CSD) with reference to the services, operations, security, etc. at the bank ATMs would also apply to the WLAs.
