

Master Circular on Branch Licensing

1. LEGAL REQUIREMENTS

The opening of branches by banks is governed by the provisions of Section 23 of the Banking Regulation Act, 1949 (the Act). In terms of these provisions, banks without the prior approval of the RBI, cannot open a new place of business in India or abroad or change otherwise than within the same city, town or village, the location of the existing place of business. Thus it is mandatory for banks to seek prior approval/licence from RBI before opening of branches/offices – Commercial banks from Department of Banking Operations and Development, Urban Co-operative Banks from Urban Banks Department, Regional Rural Banks and Local Area Banks from Rural Planning and Credit Department.

1.1 General policy on Branch Licensing relating to Indian Scheduled Commercial Banks.

The Board of Directors of banks are required to decide on the policy and strategy for setting up new branches taking into account the yearly business plan, potential for business at the new centres for opening of branches, profitability of the proposed branches, the efficacy of the internal control system, redeployment of staff where surplus manpower has been identified and for extending prompt and cost-effective customer service to the clientele.

Banks should obtain prior approval of their Board/Committee of Directors before opening, shifting or closing of offices/branches etc. The proposal for opening/shifting of branches is to be submitted along with the prescribed application in Form VI (Rule 12) of Banking Companies Rules, 1949 to Reserve Bank of India for approval/licence. (Annexure I)

Requests received from banks for opening of branches are considered by Reserve Bank of India on merits of each case and taking into consideration overall financial position of the bank, quality of its management, efficacy of the internal control system, profitability and other relevant factors.

After the receipt of authorisations from Reserve Bank of India, the banks should finalise premises and infrastructure etc. and approach the concerned Regional Office of Reserve Bank of India for the actual licence for opening of the branch. Further, if the branch proposes to undertake government business it would require prior approval of concerned Government authority as also of RBI, Central Office, Department of Government & Bank Accounts. The branch should be opened only after obtaining a licence from Reserve Bank of India. There should not be inordinate delay by banks in utilisation of authorisations / licences for opening of branches.

2. OPENING OF BRANCHES.

2.1 General branches.

2.1.1 At Rural centres.

It is left to the judgement of the individual banks to assess the need for opening additional branches at rural centres (population less than ten thousand) within their Service Area. The banks' proposals for opening branches at rural centres are to be approved by concerned District Consultative Committee (DCC) and submitted to the Central Office of Department of Banking Operations and Development (DBOD) for prior approval through the concerned State Government (Directorate of Institutional Finance). However, new private sector banks may forward their proposals directly to Reserve Bank of India since these banks are required to open a minimum of 25% of their total branches in Rural/Semi Urban areas as a condition of the licence issued to them under Section 22 of the B.R.Act, 1949. The rural branches of these banks have to accept the allocation under the Annual Credit Plan, if allocated to them by the respective District Consultative Committee.

2.1.2 At Hilly and Tribal Areas.

Having regard to the peculiar topography in hilly/tribal areas and sparsely populated regions there could still exist need for additional bank branches in such areas. Also, in States like Bihar and North Eastern States viz Assam,

Manipur, Tripura etc, the Average Population Per Bank Office is comparatively higher and hence such areas and States should be given preference in opening new bank branches.

2.1.3 At Semi-urban/Urban and Metropolitan Centres.

The banks can identify Semi-Urban centres (population more than ten thousand but less than one lakh), Urban centres (population more than one lakh but less than ten lakh) and Metropolitan centres (population more than ten lakh) for opening of branches depending upon the business potential and profitability of the proposed branches. They should forward the proposals together with relative Board Resolutions to Central Office of DBOD for prior approval. Requests from the banks for opening branches at these centres will be considered on merits of each case.

Note: Population criteria mentioned above will be as per latest census report figures of the centre (revenue unit and not locality).

2.2 Specialised branches.

Banks can open the following categories of Specialised branches without prior approval but only after obtaining a licence from the concerned Regional Office of RBI prior to the opening of these branches.

- (a) Industrial Finance branches
- (b) Overseas branches
- (c) SIB/SSI branches
- (d) Treasury branches, and
- (e) NRI branches

The banks should ensure that the specialised branches opened do not adversely affect the viability of other branches of the bank in the area. (cf. para 3(vii) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992).

For opening of all other categories of specialised branches, such as personal branches, merchant banking branches, asset recovery branches etc., banks are required to seek the prior approval of Central Office of

Department of Banking Operations and Development. (cf. para. II of circular DBOD No.BL.BC.41 /22.01.001/92 dated 9.10.1992)

Further, banks have been permitted to categorise their general banking branches having 60% or more of their advances to SSI sector as specialised SSI branches. Banks may identify general branches having 60% or more of their total advances to SSI Sector and submit a list of branches to Central Office of DBOD for classifying them into Specialised SSI branches. However, banks should ensure that after their classification as Specialised SSI branches, non-SSI Clientele of SSI branches are not put to inconvenience / deprived of banking facilities. (cf. Circular DBOD. No. BL.BC.74/22.01.001/2002 dated 11 March 2002)

Banks are required to obtain necessary amendment to the licences from the concerned Regional Office immediately on classification of these branches as Specialised SSI branches.

2.3 Housing Finance branches

The banks should designate one of their specific branches in each district for the purpose of housing finance. The housing finance branch so designated could also undertake other normal banking functions. Banks are however required to obtain prior amendment to the licence from the concerned Regional Office of Reserve Bank of India. (para 3(VII) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992).

2.4 Industrial/Project Area Branches

Project sites, industrial areas/estates promoted by the State Governments and new markets are expected to require additional bank branches. In considering these requirements, the existing banking arrangements of such projects/industrial areas are to be taken into account. While applying for opening of branches at such centres banks are required to provide the following information :

- (a) Project description together with the estimated outlay thereon;

- (b) Stage of implementation of the project;
 - (c) Deficiencies in the existing banking arrangements and whether arrangements could be worked out for the purpose with a nearby bank branch functioning at/near such project centre;
 - (d) Whether the project place falls in an existing service area; if so, the bank whose branch is servicing such area;
 - (e) The involvement of the banks, if any, in financing such projects;
 - (f) Existing branches, if any, and the viability of the proposed branch.
- (cf para 3(iii) of circular DBOD.No.BL.BC.16/C.168(64D)-90 dated 12-9-1990)

2.5. Opening of Satellite Offices.

Where the banks do not find it viable to open branches in rural areas, they may open satellite offices after obtaining approval of concerned District Consultative Committee and Directorate of Institutional Finance of the concerned State Government. The application for opening of the satellite office along with relative Board approval should be forwarded to the Central Office of Department of Banking Operations and Development for prior approval.

The following guidelines may be followed by the banks for establishing Satellite Offices:

- a) The Satellite Offices should be established at fixed premises in the surrounding villages and should be controlled and operated from a base branch located at a Central Village/Block Head Quarters.

- b) Each Satellite Office should function on a few specified days(at least twice) in a week at- specified hours.
- c) All types of banking transactions may be conducted at these offices.
- d) The customers of the Satellite Offices may be permitted to transact business at the base branch on non-operating days of such offices.
- e) While separate ledgers/registers/scrolls may be maintained for each Satellite Office, all the transactions carried out at these offices should be incorporated in the books of account of the base branch.
- f) The staff attached to the base branch, preferably consisting of a member of supervisory staff, a cashier-cum-clerk and an armed guard, may be deputed to the Satellite Offices.
- g) Adequate arrangements for insurance of furniture, cash-in-transit, etc. may be made.

(cf. circular DBOD.No.BL.BC.72/C-168(64-D)-87 dated 14.12.1987)

2.6. Service branches

The banks can open, without the prior authorisation of Reserve Bank of India, Service branches/Regional Collection Centres for facilitating clearing and allied work at large centres. However, banks are required to obtain a licence from the concerned Regional Office of RBI prior to the functioning of these branches. Similarly, banks can shift or close these offices at their discretion without prior approval of RBI. In case of shifting, banks are required to obtain necessary amendment to the licence from the Regional Office of RBI under whose jurisdiction the proposed location for shifting falls prior to the shifting of the office. In case of closure of such offices, the licence has to be surrendered to the concerned Regional Office of RBI for cancellation immediately after the closure of the office under advice to Department of Statistical Analysis and Computer Services (DESACS) of RBI. (cf. para 3(VI) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992)

2.7 Regional/Administrative/ Zonal/Controlling Offices.

Banks may at their discretion open Regional/ Administrative/ Zonal/ Controlling offices which are not permitted to transact any banking business. However banks are required to obtain a licence from the concerned Regional Office of Reserve Bank of India prior to functioning/opening of these offices. Banks can also shift or close these offices at their discretion without prior approval of RBI. In case of shifting, banks are required to obtain necessary amendment to the licence from the Regional Office of RBI under whose jurisdiction the proposed location for shifting falls prior to the shifting of the concerned offices. In case of closure of such offices, the licence has to be surrendered to the concerned Regional Office of RBI for cancellation immediately after the closure of the office under advice to DESACS of RBI. (cf. para 3(V) of circular DBOD No.BL.BC.132/ 22.01.001/ 92 dated 20.05.1992)

3. SHIFTING OF GENERAL AND SPECIALISED BRANCHES.

3.1 At Rural Centres.

3.1.1 Within the Block and Service Area.

The shifting of branches in rural centres may be effected by banks themselves without obtaining the prior approval of RBI subject to their complying with the following conditions:

- Both the existing and proposed centres should be within the same Block and Service Area of the branch.

- It should be ensured that the relocated branch would be able to cater adequately to the banking needs of the villages allocated under Service Area Approach.

(cf. para 3(I) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992)

However, banks need to obtain amendment in the licence from the concerned Regional Office of RBI before effecting the shifting.

3.1.2 Outside the Block/Service Area

Shifting of rural branches outside the Block/Service Area is allowed without insisting on the approval of District Consultative Committee (DCC) and State Government at centres which are served by more than one commercial bank branch (excluding Regional Rural Bank branch) subject to the following conditions:

- a) Branches being shifted are in existence for five years or more and are incurring losses consecutively for the last three years.
- b) Branches located at centres suffering from certain natural risks beyond the control of the bank, such as, those which are prone to floods, landslides or likely to be submerged due to construction of dams or affected by natural calamities etc.
- c) Branches functioning in places where law and order problem or terrorists' activities posing threats to bank personnel and property.
- d) Branches where the premises occupied by the bank are in a dilapidated condition or burnt/destroyed and no suitable premises are available at the Centre/Block/Service Area.

The permission for shifting of loss-making rural branches as at above will be given by the concerned Regional Office of RBI. Accordingly, banks are advised to submit their proposals in this regard, duly approved by their Board of Directors, to the concerned Regional Office of RBI under whose jurisdiction the centre falls, for prior approval. In

case of branches falling under the jurisdiction of Mumbai Regional Office the proposals should be forwarded to Central Office of DBOD. (cf. circular DBOD No.BL.BC.74 /22.01.001/98 dated 29.07.1998 and circular DBOD No.BL.BC.23 /22.01.001/2000-01 dated 12.09.2000)

3.1.3 Sole Branch functioning at a Rural Centre.

A branch which is the only bank branch functioning at a rural centre should not be shifted / closed/ merged outside the service area as this would render

the relative area unbanked. However, under exceptional / unforeseen circumstances banks may approach Central Office of DBOD, RBI for prior permission after taking the approval of DCC / DIF in the matter.(cf. para 2 of circular DBOD No.BL.BC.23 /22.01.001/2000-01 dated 12.09.2000)

3.2 At Semi-urban Centres.

In case the semi-urban branches of banks have been allocated service area, the same norms for shifting of branches in rural centres would also be applicable for semi-urban centres. (cf. para 3(I) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992)

Where no service area has been allotted, banks may shift their branches at semi-urban centres within the same locality/municipal ward without the prior approval of Reserve Bank of India. However, they have to obtain an amendment to the licence from the concerned Regional Office of Reserve Bank of India prior to the shifting. Regarding shifting of branches outside the locality/municipal ward, banks have to obtain prior approval of the concerned Regional Office of DBOD. Banks should, however, ensure that the locality/ward is not rendered unbanked due to the shifting.

3.3 At Urban/Metropolitan Centres.

The banks may shift their branches in urban/metropolitan centres within the same locality/municipal ward without the prior approval of Reserve Bank of India. However, they have to obtain an amendment to the licence prior to the shifting. Regarding shifting of branches outside the locality/municipal ward, banks have to obtain prior approval of the concerned Regional Office of DBOD. Banks should ensure that the locality/ward is not rendered unbanked due to the shifting. (cf. para 3(II) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992)

4. CLOSURE OF BRANCHES.

4.1 Rural Centres

Closure of rural branches would require the prior permission of the Reserve Bank of India. Further, while closure of the loss making branches at rural

centres having a single commercial bank branch is not permitted, at centres served by two commercial bank branches (excluding that of RRBs) the decision for closure of one of the branches may be taken by the concerned banks by mutual consultation without involving State Government and DCC. Matters, such as, transfer of all assets and liabilities of the branch proposed to be closed to another branch of the same or different bank, reallocation of villages under the Service Area Approach, redeployment of staff, etc. should be sorted out by the banks themselves. Due notice has to be given to the constituents of the branches which are proposed to be closed. Accordingly, banks are advised to submit their proposals for closure of rural branch (other than single bank branch) duly approved by their Board of Directors, to the concerned Regional Office of RBI under whose jurisdiction the centre falls, for prior approval. In case of branches falling under the jurisdiction of Mumbai Regional Office the proposals may be forwarded to Central Office of DBOD. In exceptional cases of closure of loss-making single rural branch, the proposal should be submitted to Central Office, Department of Banking Operations and Development, after getting the prior approval of District Consultative Committee and Directorate of Institutional Finance of the concerned State Government. (cf. para 2 of circular DBOD. No.BL.BC.74/22.01.001-98 dated 29.7.1998 and circular DBOD. No.BL.BC.23/22.01.001-2000-01 dated 12.09.2000)

4.2 Semi-urban Centres.

Wherever the semi urban branches have been allocated service area, the same norms as for closure of branches in rural centres will also be applicable for semi urban centres.

Where no service area has been allotted, banks may close their branches at semi-urban centres (excluding SSI/SIB and Agricultural Development Branch) without the prior approval of Reserve Bank of India. However, they have to surrender the licence to the concerned Regional office of RBI immediately after closure. Banks should ensure that the locality/ward is not rendered unbanked due to the closure.

4.3 Urban and Metropolitan Centres.

Banks can close down their unremunerative branches in urban and metropolitan centres(excluding SSI/SIB and Agricultural Development Branch) without prior approval of Reserve Bank of India. Immediately after the closure of the branch the banks are required to surrender the relative licence to the concerned Regional Office of RBI for cancellation under advice to DESACS, Mumbai. Banks should ensure that the locality/ward is not rendered unbanked due to the closure. (cf. para 2 of circular DBOD No.BL.BC.81/C 168(64D)-91 dated 16.02.1991).

5. SPLITTING OR PART SHIFTING OF BRANCHES WITHIN THE SAME CENTRE.

The banks can, without the prior approval of RBI, effect splitting of branches or part shifting of some of the departments of the parent branch to nearby locations due to space constraints, for better customer service, etc. but they cannot conduct identical business from both the premises. They are, however, required to obtain necessary amendment to the licence from the concerned Regional Office of RBI prior to the splitting/ part shifting of these branches. (cf. para 3(III) of circular DBOD No.BL.BC.132/ 22.01.001/92 dated 20.05.1992)

6. SPINNING-OFF OF BUSINESS.

The banks may resort to spin-off of business such as, government business, small-scale industry business, etc. from an existing branch, and open a new specialised branch (out of the five types mentioned at paragraph 2.2) at their discretion without the prior approval of RBI. However banks are required to obtain a licence from the concerned Regional Office of Reserve Bank of India prior to opening of these branches. Spinning off of business to open any type of specialised branch other than the five categories mentioned above, would require prior approval of Central office of DBOD. (cf. para 3(IV) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992)

7. SWAPPING OF BANK BRANCHES.

Banks can swap their stray/unremunerative branches or those in remote areas with other banks. Decision to swap branches may be taken by the concerned banks by mutual consultation. Matters, such as, transfer of all assets and liabilities etc. of the branches proposed to be swapped should be sorted out by the banks themselves. In case any agreement is reached in this regard, the bank may forward the licences to the concerned Regional Office of RBI for amendment, prior to the swap. Due notice has to be given to the constituents of the branches, which are proposed to be swapped. (cf. para 3(IX) of circular DBOD No.BL.BC.132/22.01.001/92 dated 20.05.1992 .)

8. CONVERSION OF BRANCHES.

8.1 Conversion of General/Specialised branches

Conversion of branches from General to Specialised and vice versa would require the prior approval of Central Office of DBOD of Reserve Bank of India.

8.2. Conversion of Full-fledged Rural branches into Satellite Offices.

The banks may themselves decide the need for conversion of their existing loss making branches at rural centres into Satellite Offices keeping in view the cost-benefit aspect, the likely inconvenience that may be caused to the existing clientele, the effect of the conversion on the performance in the preparation of District Credit Plan and priority sector lending. The final decision with regard to conversion of rural branches should, however, be taken in consultation with District Administration/State Government.

The same guidelines as given at para 2.5 may be followed by the banks for establishing Satellite Offices.

Banks are required to obtain necessary amendment to the licences from the concerned Regional Office of RBI prior to conversion of rural branches into Satellite Offices . (cf. para 1of circular DBOD.No.BL.BC.72/C-168(64-D)-87

dated 14.12.1987 and para V of circular DBOD No.BL.BC.41/22.01.001/92 dated 9.10.1992)

Conversion of branches into satellite offices at centres other than rural is not permissible.

9. MOBILE OFFICES.

Where the banks do not find it economical to open full-fledged branches or Satellite Offices at rural centres, they may open Mobile Offices. They are, however required to obtain necessary licence from the concerned Regional Office of RBI prior to opening of such offices. The scheme of Mobile Offices envisages the extension of banking facilities through a well protected van with arrangements for two or three officials of the bank sitting in it with books, safe containing cash, etc. The mobile unit would visit the places proposed to be served by it on certain specified days/hours. The mobile office would be attached to a branch of the bank. The mobile offices should not visit rural places which are served by co-operative banks and places served by regular offices of commercial banks.

(cf. circulars DBOD No.BL99/C.168-68 dated 19-1-1968 and DBOD.No.BL.BC.72/C-168(64-D)-87 dated 14.12.1987)

10. OPENING OF EXTENSION COUNTERS.

10.1 The banks can open Extension Counters at the premises of the institutions of which they are the principal bankers after obtaining licence from the concerned Regional Office of Reserve Bank of India for the purpose. Extension Counters can be opened within the premises of big offices/factories, hospitals, military units, educational institutions, etc. where there is a large complement of staff/workers, students, who because of their identical working hours and non-availability of banking facilities at a reasonable distance find it difficult to carry out their banking transactions. The Extension Counters should carry out limited type of banking business, such as,

? deposit / withdrawal transactions,

- ? issuing and encashment of drafts and mail transfers,
- ? issue and encashment of travellers cheques,
- ? sale of gift cheques,
- ? collection of bills,
- ? advances against fixed deposits of their customers (within the sanctioning power of the concerned officials at the Extension Counter),
- ? facility of safe deposit locker (provided adequate security arrangements are made).

Further, if the extension counter proposes to undertake government business it would require prior approval of concerned Government authority as also of RBI, Central Office, Department of Government & Bank Accounts.

Extension Counters are not allowed to be opened at residential colonies, shopping complexes, market places and places of worship, etc.

10.2 Banks should furnish particulars of the proposed Extension Counters in parts I and II of the format given in the Annexure II, to the concerned Regional Offices of Department of Banking operations and Development, while applying for licence prior to opening of EC. (para III of circular DBOD No.BL.BC.41/22.01.001/92 dated 9.10.1992)

11. UPGRADATION OF EXTENSION COUNTERS INTO FULL-FLEDGED BRANCHES.

11.1 The banks should obtain prior approval of Reserve Bank of India for upgrading Extension Counters into full-fledged branches. The proposals are considered by the Regional Offices of DBOD if the following conditions are fulfilled:

- ? the Extension Counter has been functioning for a minimum period of five years,
- ? the number of deposit accounts exceeded 2,000 during the last one year,

- ? the average deposits (i.e. on a monthly basis) for the last three years are more than Rs.3 crore for Metropolitan centres and Rs.2 crore for other centres.

11.2 The proposals wherein any of the above conditions are not fulfilled entirely, but otherwise the concerned extension counters are grown to the extent of converting into a branch, such cases are considered on merits of each case.

12. AUTOMATED TELLER MACHINES (ATMS).

12.1 The banks need not obtain permission of the Reserve Bank of India for installation of ATMs at branches and Extension Counters (ECs) for which they hold licences issued by the Reserve Bank. The banks should, however, report to the Central Office of DBOD, the concerned Regional Offices of DBOD and DESACS as and when the ATM is installed at a branch or an Extension Counter. (cf. circular DBOD No.BP.BC.152/21.03.051-94 dated 29.12.1994)

12.2 In addition to the installation of ATMs at branches and Extension Counters, banks may install off-site ATMs at other places identified by them without prior

approval of RBI, but they should obtain a licence from the concerned Regional Office of DBOD before operationalising the ATM so as to be in conformity with Section 23 of the Banking Regulation Act, 1949.

Banks can also shift or close these offices at their off-site ATMs at their discretion without prior approval of RBI. In case of shifting, banks are required to obtain necessary amendment to the licence from the Regional Office of RBI under whose jurisdiction the proposed location for shifting falls prior to the shifting of the concerned off-site ATM. In case of closure of off-site ATMs, the licence has to be surrendered to the concerned Regional Office of RBI for cancellation immediately after the closure of the off-site ATM under advice to central office of DBOD.

12.3 The following functions may be provided at non-branch / “stand-alone” ATMs:

Deposits/ Withdrawal

Personal Identification Number (PIN) changes

Requisition for cheque books

Statement of accounts

Balance enquiry and

Inter account transfer - restricted to accounts of the same customer at same centre or different centres.

Telephone communications between the “stand-alone” ATMs with branch ATMs and Shared Payment Network System (SPNS) can be provided.

Mail Facility for sending written communication to the bank (similar to cheque deposit facility)

Utility payment like Electricity bill, Telephone bill etc.

Product Information

No person other than security guard should be posted at such “non-branch” / “stand-alone” ATM centres. (cf. circular DBOD No.BP.BC. 60/ 21.03.051/ 96 dated 16 May 1996)

Banks are not permitted to display products and services of other manufacturers /dealers /vendors on their ATM screens for a fee which amounts to advertising and is

not a permitted activity in which a bank can engage under Section 6(1) of the Banking Regulation Act, 1949. However, banks can utilise the ATM screens for displaying their own products. (cf. Circular DBOD.No.BL.BC.62/22.01.001/2002 dated 28 January 2002.)

13. VALIDITY OF AUTHORISATIONS AND LICENCES.

13.1 Presently authorisations are issued to banks for opening of branches based on the requests received from them, on the merits of each case. With a view to ensuring expeditious utilisation of authorisations and actual establishment of the branch, it has been decided to limit the validity of authorisation to a period of two years.

Banks are required to obtain necessary licence prior to the opening of an office/branch from the concerned Regional Office of RBI under whose

jurisdiction the centre falls. It is observed that some banks obtain a licence and do not open the branch for a considerable period of time and approach the Regional Offices for revalidation of licences time and again. Banks should therefore, approach the Regional Office for licence only after the infrastructure is ready for opening of the office/ branch.

13.2 Further, banks often approach for approval for change in name of a branch due to change in name of the locality or street/road where the branch is located. Since there is no change in location of the branch, banks need not seek approval or approach for amendment to licence in the matter but intimate the change to the concerned Regional Office of RBI and DESACS, Mumbai. Changes may also take place due to change in name of taluk/district or reorganisation of districts or formation of new states. Under such circumstances too, banks need not forward the relevant licences to the Regional Office for amendment and may adopt the changed name on the basis of Government Notification, under advice to the concerned Regional Office of RBI and DESACS, Mumbai. (cf. para 1 of circular DBOD.No.BL.BC.86/C-168-84 dated 21.08.1984 and DBOD.No.BL.BC.24/BL.66-91 dated 6.09.1991)

13.3 In case any alteration in any name was to be made for avoiding confusion between branches of various banks bearing the same name in the same locality or on account of other justifiable circumstances, such requests should be addressed to the concerned Regional Office of the Reserve Bank and, while forwarding such requests, the relative licences, together with the covering letters, should also be sent.(cf circular DBOD.No.BL.BC.147/C.168-78 dated 20-10-1978)

14. OPENING OF OFFICES IN THE NATIONAL CAPITAL TERRITORY (NCT) OF DELHI.

Under the provisions of Master Plan of Delhi-2001, banks are permitted to open offices in Commercial Use Zones and in the commercial centres in Residential/Industrial Use Zones. Further, under Mixed Use Regulation of Master Plan, banks could function on the ground floor of residential premises to the extent of 25 per cent of ground floor coverage or 50sq.mt.

area, whichever is less. The banks, while applying for licences for opening of offices in the NCT of Delhi, are required to give a declaration that the proposed locality/premises of the branch is in conformity with the norms/provisions of MPD-2001. Where the banks are not able to give such declaration, the licences will be issued only on submission of NOC from DDA. (cf. circular DBOD No.BL.BC.64/22.01.003/97 dated 5.06.1997)

15. OPENING BRANCHES IN HARYANA.

While applying for licences for opening branches/offices in Haryana, the banks have to ensure that they are located in conforming areas approved for commercial use by Haryana Urban Development Authority. A no objection certificate from Haryana Urban Development Authority should be furnished in this regard.

16. CLASSIFICATION / RE-CLASSIFICATION OF CENTRES.

Banks are advised to ascertain the population group classification of the centres of which they are not sure, from Department of Statistical Analysis & Computer Services (DESACS), RBI, Banking Statistics Division, C-8/9, Bandra-Kurla Complex, Mumbai-400051, before approaching DBOD for opening of new branches. Any query with regard to reclassification of centres also may be referred to DESACS by the Head Office of the bank along with relevant documents such as Gazette Notifications, etc. in support of the change.

17. SUBMISSION OF RETURNS ON BRANCH BANKING.

(i) Immediately on opening of a place of business, all commercial banks are required to inform the *date of opening* and the *postal address* of the office/branch to the Central Office and the concerned Regional Office of DBOD.

(ii) Further, banks should submit returns in Proformae given in Annexure III relating to the new offices/branches opened and change in status due to merger/closure, etc. of existing offices/branches effected during the quarter to DESACS, (Banking Statistics Division) and the concerned Regional Office of DBOD within 15 days of the end of the quarter to which they relate. (cf. para.6 of circular DBOD.BC.No.127/ 12.05.005/99-2000 dated 30.11.1999). 'Nil' statement must be submitted in case there is nothing to report.

(iii) In terms of Rule 13 of the Banking Regulations (Companies) Rules, 1949 banks are required to submit a list relating to its offices in India in Form VII within a period of one month from the close of every quarter to the office of RBI situated in the state in which their Registered/Head Office is located.

18. FOREIGN BANKS.

18.1 Foreign banks entry into India.

Foreign banks are allowed to operate in India through branches only. A foreign bank desirous of opening its maiden branch in India may apply to RBI giving relevant information about the bank, its major shareholders, financial position, etc. Request from banks will be examined, keeping in view i) the financial soundness of the bank ii) international and home country ranking iii) rating iv) international presence v) economic and political relations between the two countries (in particular the home country of the bank should not discriminate against Indian banks). The bank should be under consolidated supervision of the home country regulator.

A new foreign bank is required to bring in assigned minimum capital of US \$ 25 million, of which US\$ 10 mio shall be brought in at the time of opening each of the first two branches and the balance of US\$ 5 mio. at the time of opening the third or more branches. Permission to open the second and subsequent branch will be granted taking into account, inter-alia, the policy prevailing at the relevant time and the performance of the first branch.

The assigned capital has to be maintained unimpaired, on an ongoing basis and in case of any loss, which results in erosion/impairment thereof, the difference should be brought in immediately as capital funds from the Head Office. Further, the Indian entity is required to maintain the required percentage of Capital to Risk-weighted Assets of its Indian operations.

Existing foreign banks desirous of opening branches may approach the International Banking Section in the DBOD with their specific requests.

18.2 CREDIT CARD CENTRES.

(DBOD No. IBS.BC.130/23.31.006/99-2000 dated 24 December 1999.)

Foreign Banks may freely set up centres to support the following activities relating to credit cards.

- i) Attending to the request for and issue of credit cards
- ii) Processing of credit cards
- iii) Acceptance of credit card payment by cheques
- iv) Marketing credit cards to prospective customers
- v) Utilisation of services of agent at centres (where the bank has no presence) to carry out credit card related activities.
- vi) Maintenance of cash balances for meeting expenses of the centre and not for payment to credit card holders.

However, before the centres commence operations, a licence under Section 23 of the B.R. Act, 1949 should be obtained from the concerned Regional Office of the RBI.