



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2004-05/169
DBOD.BL.BC. 39 /22.01.001/ 2004-05

September 10, 2004
Bhadra 19, 1926(S)

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Section 23 of the Banking Regulation Act, 1949 - Opening of central processing centres/ back offices etc.

Please refer to paragraph 2.6 of the Master Circular No. DBOD.BL.BC. 46/ 22.01.001/ 2003 dated 18th November 2003, in terms of which banks can open Service Branches / Regional Collection Centres for facilitating clearing and allied works.

2. We have been receiving requests from banks for setting up branches such as Central Processing Centres, Core Banking Centres, etc. to perform back-office functions such as data / document processing, issuance of cheque books etc. A common feature in all such arrangements is that there is no interface with the customers.

3. Taking into account the changes brought in as a result of the introduction of technology and the need to cut down operational costs while enhancing customer service, it has been decided to allow banks to open branches which will attend exclusively to data processing, verification and processing of documents, issuance of cheque books, demand drafts etc. on requests received from other branches and other functions incidental to banking business having no interface with customers.

4. It has also been decided to issue licence for such branches under the 'Service Branch' category. Accordingly, a 'Service Branch' can attend to clearing and allied banking activity which may include processing centres, back office functions and those incidental to banking business etc., but no interface with the customers will be permitted.

5. Banks can therefore apply and obtain licence as set out in paragraph 2.6 of the Master Circular for opening a service branch to either take care of data processing/ core banking solution and/ or document processing, issuance of demand drafts, cheque books, fixed deposit receipts etc. in respect of requests received from other

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branches. It is clarified that **'Service Branch'** shall not include a call centre or a phone banking facility or any other facility that involves customer interface.

6. It is also clarified that conversion of a service branch into any other category of banking branch will **not** be permitted.

Yours faithfully,

(Prashant Saran)
Chief General Manager