

**RBI/2005-06/409**

**RPCD.CO.RRB.No.BL.BC.90/03.05.90-A/2005-06**

June 13, 2006

**The Chairmen  
All Regional Rural Banks/Sponsor Banks**

Dear Sir,

**Annual Policy Statement for the year 2006-07 –  
Liberalisation and simplification of the branch licensing policy for Regional  
Rural Banks (RRBs) and conduct of foreign exchange business by them as  
limited authorised dealers**

Please refer to paragraph 151 of the Annual Policy Statement for the year 2006-07, announced on April 18, 2006 (extract enclosed).

2. Presently, RRBs are required to submit their applications for opening, shifting or merger of branches to the Reserve Bank through the National Bank for Agriculture and Rural Development (NABARD) after following the prescribed procedure (Cf. our Master Circular RPCD,CO.RRB.No.BL.BC.19/03.05.90-A/2005-06 dated July 15, 2005).

3. With a view to liberalising and simplifying the procedure, it has been decided that the Empowered Committees (EC) for RRBs, constituted by the Reserve Bank at its Regional Offices, would deliberate and make recommendation on such applications. The Reserve Bank would take into account the EC's recommendation and dispose of such applications expeditiously. Accordingly, RRBs may henceforth submit such applications to the respective Regional Offices of NABARD, with advance copies thereof to the concerned Regional Office of the Reserve Bank.

4. No separate approval of the sponsor bank is required to be taken. Further, approval of the sub-group of DCC will also not be required for opening of branches. However, in case of shifting / merger of branches, approval of the sub-group of DCC will be required, as hitherto.

5. Similarly, requests from RRBs for conduct of foreign exchange business, as limited authorised dealers for current account transactions, would be considered by the Reserve Bank after clearance by the Empowered Committee. RRBs may, therefore, submit such proposals to our concerned Regional Office for necessary action.

6. Please acknowledge receipt to our respective Regional Office.

Yours faithfully,

**(C.S.Murthy)**  
**Chief General Manager-In-Charge**

**Extract of paragraph 151 of the Annual Policy Statement**

"At present, authorisations for opening branches by RRBs are issued by the Reserve Bank, based on requests received from them through the NABARD and duly recommended by sponsor banks. In order to liberalise and simplify the branch licensing policy, it is proposed:

- to permit RRBs to open/shift offices after obtaining clearance from the Empowered Committees (ECs). Similarly, requests for conduct of foreign exchange business as limited authorised dealers (for current account transactions) will be approved on clearance by the ECs."