

PRESS RELEASE



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ATMs of Banks: Fair Pricing and Enhanced Access

The Approach Paper on "ATMs of Banks: Fair Pricing and Enhanced Access" was placed on the website on 24th December 2007 for public comments. The comments received from the public as also banks were mostly in favour of the approach suggested in the paper.

A paper examining the public comments and proposed guidelines in the form of circular to be issued to banks has been placed today on the RBI website. Comments can be e-mailed or faxed to 022-22659566 or letter addressed to Chief General Manager, Reserve Bank of India, Department of Payment and Settlement Systems, Central Office, 14th floor, Central Office Building, SBS Marg, Mumbai 400001 latest by 25th February 2008.

Ajit Prasad
Manager

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ATMs of Banks: Fair Pricing and Enhanced Access

Recently the Reserve Bank of India had examined the issue of the usage and pricing of ATMs of banks and placed an Approach Paper on the RBI website on 24th December 2007 with 31st January 2008 as the time frame for receipt of public comments. The Approach suggested the service charges to be levied by banks for offering ATM service may be as under:

Service	Proposed charges
For use of own ATMs for any purpose	Free
For use of other bank ATMs for balance enquiries	Free
For use of other bank ATMs for cash withdrawals	<ul style="list-style-type: none">• No bank shall increase the charges prevailing as on December 23, 2007• Banks which are charging more than Rs.20 per transaction shall reduce the charges to Rs.20 per transaction by March 31, 2008• Free - with effect from April 1, 2009.

2. A number of comments were received from members of public, banks and Indian Bank's Association (IBA). The gist of the comments received are as under:

Comments from Public: Comments received from the public were overwhelmingly in favour of making the service free and ensuring enhanced access. A few have suggested making the service free immediately instead of April 2009. On the other hand, some respondents apprehend that such a move of making service charges free may decelerate the deployment of ATMs by the acquiring banks.

Comments from banks: All the major banks who own a substantially large number of ATMs have welcomed the regulatory move for enhanced access to ATM facility by bank customers. However, some of them have suggested that instead of making the service totally free, number of free withdrawals in a quarter / month can either be prescribed or left to individual banks. Two banks suggested that certain nominal charges should be prescribed.

IBA in its comments have indicated that banks are in favour of greater financial inclusion and fairness and transparency in levy of charges. However, banks fear that availability of free ATM services at convenient locations could lead to an increase in the number of transactions and a reduction in the amount withdrawn per transaction. IBA has suggested that the number of free transactions at ATMs of other banks be restricted to two per month. Also in metro centres, the minimum cash withdrawal may be stipulated at Rs.500 for account other than no-frill accounts. Also cap to be fixed for balance enquiry as such transactions also attract interchange.

The other suggestions made by banks / IBA are as under:

- (i) third party advertisement on the ATMs may be permitted as a revenue stream for the banks
- (ii) white label ATMs be permitted
- (iii) Cash withdrawal at the point of sale may be permitted so that the load on the ATMs be reduced.

3. Thus it is observed that the approach has been found to be generally acceptable. The suggestions on third party advertisement, white label ATMs and cash withdrawal at the point of sale had been examined at depth earlier and it had been decided not to implement the same. Circumstances have not changed significantly warranting a review. As regards a cap on the number of free cash withdrawals in a month, the same is neither desirable nor practical. A draft guidelines in the form of circular to be issued to banks has been prepared accordingly and placed at the **Annex**.

4. Members of public and the stakeholders like banks and IBA are requested to offer their comments on the draft guidelines / circular latest by 25th February 2008.

DRAFT CIRCULAR TO BE ISSUED TO BANKS

RBI.No. / / 2007-2008

February, 2008

The Chairman / CEOs
(All Scheduled commercial banks including RRBs)

Dear Sir

Customer charges for use of ATMs for cash withdrawal and balance enquiry

Automated Teller Machines (ATMs) have gained prominence as a delivery channel for banking transactions in India. Banks have been deploying ATMs to increase their reach. While ATMs facilitate a variety of banking transactions for customers, their main utility has been for cash withdrawal and balance enquiry. As at the end of October 2007, the number of ATMs deployed in India was 31,078. Commensurate with the branch network, larger banks have deployed more ATMs. Most banks prefer to deploy ATMs at locations where they have a large customer base or expect considerable use. To increase the usage of ATMs as a delivery channel, banks have also entered into bilateral or multilateral arrangements with other banks to have inter-bank ATM networks.

2. It is evident that the charges levied on the customers vary from bank to bank and also vary according to the ATM network that is used for the transaction. Consequently, a customer is not aware, before hand, of the charges that will be levied for a particular ATM transaction, while using an ATM of another bank. This generally discourages the customer from using the ATMs of other banks. It is, therefore, essential to ensure greater transparency.

3. International experience indicates that in countries such as UK, Germany and France, bank customers have access to all ATMs in the country, free of charge except when cash is withdrawn from white label ATMs or from ATMs managed by non-bank entities. There is also a move, internationally, to regulate the fee structure by the regulator from the public policy angle. The ideal situation is that a customer should be able to access any ATM installed in the country free of charge through an equitable cooperative initiative by banks.

4. In view of this, RBI had placed on its website an Approach paper and sought public comments. The comments received have been analysed. Based on the feed back a framework of service charges would be implemented by all banks as under:

Sr.No.	Service	Charges
(i)	For use of own ATMs for any purpose	Free (with immediate effect)
(2)	For use of other bank ATMs for balance enquiries	Free (with immediate effect)
(3)	For use of other bank ATMs for cash withdrawals	<ul style="list-style-type: none"> • No bank shall increase the charges prevailing as on December 23, 2007 (i.e. the date of release of Approach Paper on RBI website) • Banks which are charging more than Rs.20 per transaction shall reduce the charges to a maximum of Rs.20 per transaction by March 31, 2008 • Free - with effect from April 1, 2009.

5. For the services at (1) and (2) above, the customer will not be levied any charge under any other head and the service will be totally free.

6. For the service number (3) the charge of Rs.20/- indicated will be all inclusive and no other charges will be levied to the customers under any other head irrespective of the amount of withdrawal.

7. Please acknowledge the receipt of the circular. A copy of the circular issued to your branches on this subject may please be submitted to us in due course.

Yours faithfully