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RESERVE BANK OF INDIA

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## RBI rationalises Number of Free Transactions on ATMs

The policy framework of the Reserve Bank has aimed at fostering the growth of non-cash payments. The number of Automated Teller Machines (ATMs), which stood at a little over 27,000 as at end-March 2007, has increased to over 1.6 lakh across the country by end-March 2014. The Point-of-Sale (POS) infrastructure has increased from 3.2 lakh to 10.65 lakh terminals between end-March 2007 and end-March 2014. It is, however, observed that the development of other payment mechanisms and related infrastructure is more visible in metropolitan areas in the country.

Given the growth in cash access points and taking into account the associated costs of infrastructure to banks and the economy more generally, the Reserve Bank of India has decided to revise the existing directions relating to the use of automated teller machines (ATMs) and charges on their use.

It has issued a [circular](#) today to banks with revised instructions, the objective of which is to move away from micro management of business decision of banks while protecting the interests of the weaker sections of the society.

Accordingly, the number of mandated free transactions for savings bank account holders at other bank ATMs has been reduced from five to three per month. This will apply for transactions done at ATMs located in six metro centres, namely, Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad which are well-served in terms of payment infrastructure.

This reduction will, however, not apply to customers having no-frills/small/Basic Savings Bank Deposit Account (BSBDA) type of accounts as well as for transactions done by savings bank account holders at ATMs situated outside these six metro centres. Banks are also free to offer free transactions above this mandated limit.

Further, taking into account the scope for cross-subsidisation and with a view to ensuring more transparency in the pricing of these transactions, banks have been advised to provide their savings bank account holders with at least five free transactions per month at their own ATMs. Beyond this, banks may decide to levy transaction charges (not exceeding ₹ 20/- plus applicable taxes per transaction) which are decided in a transparent manner.

Given that different banks may adopt different pro-customer policies with respect to ATM usage, and with a view to minimising customer grievances, banks have also been advised to put in place a mechanism to make customers aware of the location-status of the ATM (metro/non-metro) and also the fact that the transaction may attract charges. Banks have been asked to put in place mechanisms to advise/alert customers regarding the number of free transactions availed during the month by him/her.

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