

Issue of Smart Cards by banks

DBOD.No.FSC.BC. 88 /24.01.011A/2001-02

April 11 , 2002

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Issue of Smart Cards by banks

In terms of instructions contained in Circular DBOD. No.FSC.BC.123/24.01.019/ 99-2000 dated 12th November 1999 (Annexure I -item 3-Eligibility of Customers), banks were, inter alia, advised to issue smart/ debit cards to their customers having good financial standing and who have maintained the accounts satisfactorily for at least six months.

2. On a review it has been decided that banks can issue smart cards (both on-line and off-line) to select customers with good financial standing even if they have maintained accounts with the bank for less than six months subject to their ensuring the implementation of 'Know Your Customer' concept as stipulated in para 9.2 of the Report of the Study Group on Large Value Bank Frauds forwarded to banks vide circular No.DBS.FGV.BC.56/23.04.001/98-99 dated 21st June 1999. However, banks introducing off-line mode of operation of debit cards should adhere to the minimum period of satisfactory maintenance of accounts for six months.

3. Consequent amendment may please be carried out to item 3 of Annexure-I to paragraph 15.11 of Chapter15 of Manual of Instructions, Vol.I-Part II (updated up to June 30,2000) as per slip attached.

4. Please acknowledge receipt.

Yours faithfully,

(C.R.Muralidharan)
Chief General Manager

[Manual of Instructions-DBOD,DBS and IECD-
FSC.BC.88 of 2002]

Annexure I
(Paragraph 15.11)

3. Eligibility of customers

The banks can issue smart/on-line debit cards to select customers with good financial standing even if they have maintained the accounts with the banks for less than six months subject to their ensuring the implementation of 'Know Your Customer' concept as stipulated in para 9.2 of the Report of the Study Group on Large Value Bank Frauds forwarded vide circular No.DBS. FGV.BC.56/23.04.001/98-99 dated 21st June 1999. However, banks introducing off-line mode of operation of debit cards should adhere to the minimum period of satisfactory maintenance of accounts for six months. Banks can extend the smart card/ debit card facility to those having saving bank account/current account/fixed deposit accounts with built-in liquidity features maintained by individuals, corporate bodies and firms. Smart card/debit card facility should not be extended to cash credit/loan account holders. The banks can, however, issue on-line debit cards against personal loan accounts, where operations through cheques are permitted.