

**Section 23 of Banking Regulation Act, 1949 –
Third party transfer of funds through ATMs**

DBOD.No.BL.BC 5/22.01.001/2003

July 23, 2003.
Shravana 01,1925(Saka)

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir

Section 23 of Banking Regulation Act, 1949 –
Third party transfer of funds through ATMs.

Please refer to Para 12.3 of our master circular No. DBOD. BL.BC. 5/22.01.001/ 2002 dated July 18, 2002 on the functions that may be provided at Automated Teller Machines (ATMs) wherein it has been specified that inter account transfers should be restricted to account of the same customer at the same centre or different centres.

2. Based on requests received from banks, it has been decided to allow banks to provide the facility of transfer of funds from one customer's account to another customer's account of the same bank within the country, through ATMs. The mandate and related documentation which forms the basis for effecting payments for such transactions carried out over the ATMs should be settled bilaterally between the bank and customers and the rights and obligations of each party should be clearly stated in the mandate and should be valid in the court of law. The bank should take appropriate steps for securing discharge of their liability while permitting third party payments through ATMs.

3. Besides, banks are also advised to put in place security requirements as advised to banks by RBI in the 'Compendium of Best Practices in a Computerised Environment' and Guidelines outlined in the Report of 'Working Group on Internet Banking'.

The banks should also comply with our guidance note vide circular DBS.CO.ITC.BC. 10/31.09.001 / 97-98 dated 4th February 1998 and guidelines of circular DBOD. COMP.BC.No.130/ 07.03.23/ 2000-01 dated 14th June 2001 and those in regard to "Know Your Customer" norms.

4. Accordingly, appropriate sentence of Para 12.3 of the master circular DBOD. BL.BC. 5/22.01.001/ 2002 dated July 18, 2002 regarding functions that may be provided at ATMs

stands amended as "inter account transfer- restricted to accounts of same customer or different customers of the bank at the same centre or different centres within the country."

Yours faithfully
(C.R.Muralidharan)
Chief General Manager

Endt.DBOD No. BL /22.01.001/2003 of date.

Copy forwarded to all Regional Offices for information and necessary action.

(R.C.Mittal)
General Manager