

November 11, 2005

To
All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Financial Inclusion

Please refer to Paragraph 96 of the Mid-term Review of Annual Policy Statement for the year 2005-06.

2. The Annual Policy Statement of April 2005, while recognising the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, urged banks to review their existing practices to align them with the objective of financial inclusion. In many banks, the requirement of minimum balance and charges levied, although accompanied by a number of free facilities, deter a sizeable section of population from opening / maintaining bank accounts.

3. In this context, with a view to achieving the objective of greater financial inclusion, all banks are advised to make available a **basic banking 'no-frills' account** either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted, but made known to the customer in advance in a transparent manner. **All banks are advised to give wide publicity to the facility of such a 'no-frills' account including on their web sites indicating the facilities and charges in a transparent manner.**

4. The number of such deposit accounts opened by the bank may be reported to us on a quarterly basis.

5. Immediate action may be initiated and compliance reported to us within one month.

6. Please acknowledge receipt.

Yours faithfully
(Prashant Saran)
Chief General Manager