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June 20, 2012

The Chairman and Managing Director / Chief Executive Officers
All Scheduled Commercial Banks including RRBs /
Urban Co-operative Banks / State Co-operative Banks /
District Central Co-operative Banks
Authorised ATM Network Operators / Card Payment Network Operators
Prospective White Label ATM Operators.

Dear Sir,

White Label ATMs (WLAs) in India - Guidelines

In terms of existing rules/regulations, only banks are permitted by Reserve Bank of India (RBI) to set up Automated Teller Machines (ATMs) as extended delivery channels. Banks have played a major role in encouraging ATM adoption by customers and modifying behavioral strategies in the domain of personal banking. The investments in ATMs have been leveraged for delivery of a wide variety of banking services to customers across the banking industry and expanded the scope of banking to anytime, anywhere banking through interoperable platforms provided by the authorised shared ATM Network Operators / Card Payment Network Operators.

2. Although there has been nearly 23-25 % year-on-year growth in the number of ATMs (90,000+ presently), their deployment has been predominantly in Tier I & II centres. There is a need to expand the reach of ATMs in Tier III to VI centres (classification of centres as prescribed under the Census of India 2011). In spite of the banks' pioneering efforts in this direction, much needs to be done.

3. Keeping this in view, RBI has reviewed the extant policy on ATMs. While reviewing the policy, the Reserve Bank has taken into account the feedback received from banks, authorised ATM network operators, non-bank entities and members of public on the draft guidelines issued and placed on the Banks website, on February 14, 2012.

4. Accordingly, it has been decided to permit non-bank entities incorporated in India under the Companies Act 1956, to set up, own and operate ATMs in India. Non-bank

entities that intend setting up, owning and operating ATMs, would be christened "White Label ATM Operators" (WLAO) and such ATMs would be called "White Label ATMs" (WLAs). They will provide the banking services to the customers of banks in India, based on the cards (debit/credit/prepaid) issued by banks. The WLAO's role would be confined to acquisition of transactions of all banks' customers and hence they would need to establish technical connectivity with the existing authorised shared ATM Network Operators / Card Payment Network Operators.

5. Non-bank entities would be permitted to set up WLAs in India, after obtaining authorisation from RBI under the Payment and Settlement Systems (PSS) Act 2007. The general guidelines for any non-bank entity to seek authorisation under the PSS Act for operating a payment system are available at <http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/86707.pdf>. Non-bank entities intending to set up WLAs under these guidelines may approach RBI for seeking specific authorisation, within four months from the date of issuance of these guidelines, beyond which the authorisation seeking window will be closed. Such non-bank entities should have a minimum net worth of Rs 100 crore as per the latest financial year's audited balance sheet, which is to be maintained at all times.

6. The specific criteria and guidelines subject to which prospective WLA operators will be authorised to operate WLAs are listed in Annex - A. The roles and responsibilities of the stakeholders (WLAO, sponsor banks, network operators) and general conditions are indicated at Annex - B. The additional information to be sought from the WLAO while submitting the application for authorisation is given at Annex -C.

Yours faithfully,

(Vijay Chugh)
Chief General Manager

Annex A

Specific Criteria and guidelines for a non-bank entity seeking authorization under the PSS Act 2007, to set up, own and operate White Label ATMs (WLAs)

(Ref DPSS.CO.PD. No. 2298 / 02.10.002 / 2011-2012 June 20, 2012)

1. The eligibility criteria for WLA Operators (WLAO) would be as under:
 - The Memorandum of Association (MOA) of the applicant entity must cover the proposed activity of operating WLAs.
 - In case of any Foreign Direct Investment (FDI) in the applicant entity, necessary approval from the competent authority as required under the policy notified by Department of Industrial Policy and Promotion (DIPP) under the consolidated policy on FDI and regulations framed under the Foreign Exchange Management Act (FEMA) must be submitted while seeking authorization.
 - Non-bank entities must have net worth of at least Rs 100 crore as per the last audited balance sheet.
 - The net worth of at least Rs 100 crore has to be maintained at all times.
2. The authorised non-bank entity (henceforth referred to as WLA Operator or WLAO) would have the freedom to choose the location of the WLA.
3. The authorisation for setting up a WLA operation under the proposed guidelines would be initially valid for a period of one year. The scheme and number of WLAs sought to be installed would need to be indicated at the time of application. The details of the schemes are as under:

a. Scheme A

- Year -1 minimum of 1000 WLAs
- Year -2 minimum of twice the number of WLAs installed in Year 1 and
- Year -3 minimum of three times the number of WLAs installed in Year 2

The ratio of 3:1 would be applicable, i.e. for every 3 WLAs installed in Tier III to VI centres, 1 WLA can be installed in Tier I to II centres. Out of the 3 WLAs installed in Tier III to VI centres, a minimum of 10 % should be installed in Tier V & VI centres.

b. Scheme B

A minimum of 5000 WLAs every year for three years.

The ratio of 2:1 would be applicable, i.e. for every 2 WLAs installed in Tier III to VI centres, 1 WLA can be installed in Tier I to II centres. Out of the WLAs

installed in Tier III to VI centres, a minimum of 10 % should be installed in Tier V & VI centres.

c. Scheme C

A minimum of 25,000 WLAs in the first year and at least another 25,000 in the next two years.

The ratio of 1:1 would be applied under this scheme. Out of the WLAs installed in Tier III to VI centres, a minimum of 10 % should be installed in Tier V & VI centres

3.1 The authorisation issued to a WLAO cannot be assigned/transferred without prior approval of the Reserve Bank of India.

3.2 No switchover of schemes is permissible. The date for determining the time line for implementation would commence 30 days after issuance of the authorisation.

3.3 WLAOs would need to seek extension of their authorisation, if required, three months prior to the completion of one year for continued operation of the system.

4. The above targets will form part of the terms and conditions of the authorisation given under Section 7 of The Payment and Settlement Systems Act, 2007 and are expected to be complied with. Necessary certificates indicating adherence to annual targets and ratios would be submitted by WLAO to the RBI within a month of completion of one year.

5. Only cards issued by banks in India (domestic cards) would be permitted to be used at the WLAs in the initial stage.

6. Acceptance of deposits at the WLAs, by the WLAO would not be permitted.

7. The WLAO would be permitted to display advertisements and offer value added services as per the regulations in force from time to time. The advertisements placed on such ATMs would be subject to the Advertising Standards Council of India (ASCI) codes and other regulations. WLAOs would be permitted to display advertisement of financial products conforming to the regulatory framework as laid down by RBI, SEBI, IRDA and PFRDA. While running advertisements on the WLA screen would be permitted, such advertisements should disappear once the customer commences a transaction in order to ensure that the customer is not distracted in any way during the process.

8. The extant guidelines on five free transactions in a month as applicable to bank customers for using other bank ATMs would be inclusive of the transactions effected at the WLAs.

9. The WLA Operator would not be entitled to any fee from the card issuer-bank other than the "Interchange" fee payable to "acquirer" bank under the bank owned ATM scenario.

10. While the WLA operator is entitled to receive a fee from the banks for the use of ATM resources by the banks customers, WLAs are not permitted to charge bank customer directly for the use of WLAs.

11. Regulatory guidelines relating to compensation for failed transactions at bank ATMs would, mutatis mutandis, apply to the transactions effected at such WLAs. General guidelines governing the operations of the bank operated ATMs would also apply, mutatis mutandis, to WLAs.

Roles and Responsibilities of various stakeholders in the WLA model

(Ref DPSS.CO.PD. No. 2298 / 02.10.002 / 2011-2012 June 20, 2012)

A. WLA Operator (WLAO)

1. Non-bank entities shall commence setting up and operating WLAs only after it has been authorised to do so by the RBI under the Payment and Settlement Systems Act, 2007.
2. Taking over of ATMs operated by banks would not be permitted. Entities may ensure to draw a strategic plan for installation of such WLAs based on the criteria set during authorization. WLAO may also indicate the value added services it proposes to offer at the WLA while seeking authorisation.
3. WLAO is permitted to have more than one Sponsor Bank. All the transactions of WLAs serviced by this Sponsor Bank would be settled through it. The Sponsor Bank should be a member of the ATM Network Operators/ Card Payment Network Operators authorised by the RBI and also be a member of the RTGS. WLAO may ensure that there are no operational constraints particularly with reference to security and customer service while considering multiple sponsor bank relationship.
4. Cash Management at the WLAs will be the responsibility of the Sponsor Bank, who may if required, make necessary arrangements with other banks for servicing cash requirements at various places. While the cash would be owned by the WLAO, the responsibility of ensuring the quality and genuineness of cash loaded at such WLAs would be that of the Sponsor bank. At no point of time, the WLAO or his agents shall have access to the cash at the WLAs.
5. WLAO may establish connectivity with any of the authorised ATM Network Operators/ Card Payment Network Operators and ensure that the settlement of all the transactions at the WLAs shall be done only in the books of the Sponsor Bank through the ATM Network Operators/ Card Payment Network Operators with whom the WLAO has established connectivity.

6. Maintenance and servicing of the WLAs shall be the sole responsibility of the WLAO.

B. Sponsor Bank

I. Cash Management

1. A suitable Service Level Agreements (SLA) may be drawn up between the WLAO and the Sponsor Bank for adequate supply of genuine and good quality notes.
2. The Sponsor Banks may also enter into tie-ups with other banks for providing adequate cash at various WLAs at locations where it has no presence.

II. Funds Settlement

Inter-bank funds settlement in respect of WLA transactions involving the Issuing and Sponsor Banks will, mutatis mutandis, follow the settlement procedures put in place by the authorised ATM Network Operators/ Card Payment Network Operators.

III. Customer Grievance Redressal

1. While the primary responsibility to redress grievances of customers relating to failed transactions at such WLAs will vest with the Issuing Bank, the Sponsor Bank will provide necessary support in this regard, ensuring that the WLAO makes available relevant records and information to the Issuing Bank. For this purpose, the Sponsor Bank should have necessary arrangement with the WLAO.
2. The extant directives of the RBI on the time-lines for resolution of complaints of failed ATM transactions at bank operated ATMs would also apply to transactions at the WLAs. For delay in resolution of such complaints attributable to the Sponsor Bank or the WLAO resulting in payment of penalty to the customer by the Issuing Bank in terms of the directives of RBI, the Issuing Bank shall be compensated by the Sponsor

Bank. The Sponsor Bank may have appropriate agreements with the WLA Operator for recovery of such amounts.

C. Authorised ATM Network Operators/Card Payment Network Operators

1. ATM Network Operators/ Card Payment Network Operators may offer direct connectivity to any authorised WLA Operator, if necessary, to facilitate transactions at the WLA and the settlement thereof through the Sponsor Bank.
2. ATM Network Operators/ Card Payment Network Operators should bring the WLAO under the ambit of the Network's Procedural Guidelines as though they are members and the Dispute Resolution Mechanism put in place in accordance with the extant directives of the Reserve Bank of India.

D. General

1. The ATM Network Operators/ Card Payment Network Operators, the WLAO and the Sponsor Bank shall enter into a Tri-partite Service Level Agreements (SLAs) to address issues relating to inter-bank settlement of the transactions at the WLAs, and settlement of customer complaints relating to failed ATM transactions. The SLAs should clearly spell out the role of each party.
2. The relevant provisions of all guidelines/directives/instructions issued by various departments of the Reserve Bank of India viz. Department of Payment & Settlement Systems (DPSS), Department of Banking Operations and Development (DBOD), Customer Services Department (CSD), Department of Currency Management (DCM) and Department of Banking Supervision (DBS) with reference to the services, operations, cash handling, security, etc. at the bank ATMs would also apply to the WLAs.

ANNEX-C**Additional Information to be declared by the WLAO**
(Ref DPSS.CO.PD. No. 2298 / 02.10.002 / 2011-2012 June 20, 2012)

Sl No.	Information Required	Yes / No
1.	Does the Memorandum of Association (MOA) of the applicant entity cover the proposed activity of operating WLAs?	
2.	Has the entity taken necessary approval in the case of any Foreign Direct Investment (FDI) in the company, as required under the policy notified by Department of Industrial Policy and Promotion (DIPP) under the consolidated policy on FDI and regulations framed under the Foreign Exchange Management Act (FEMA)	
3.	Does the entity have a net worth of at least Rs 100 crore as per the latest financial year's audited balance sheet.	
4.	Indicate one of the schemes to be operated (A/B/C) and the number of WLAs to be installed in the first, second and third year.	
5.	Does the entity have past experience in the field internationally? If yes details thereof.	
6.	Has the entity been involved in any activity directly or indirectly with banks with respect to bank owned ATMs. If yes details thereof.	
7.	Details of Value Added Services, if any, proposed to be offered.	

Related Press Release	
Jun 20, 2012	RBI releases guidelines on White Label Automated Teller Machines (WLAs)