



Fincare Small Finance Bank

Policy on Business Correspondents

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1. Applicability

- 1.1. SBUs:** Rural Banking, Small Business Banking, Liability Banking, Channel Operations, Central Operations, HR, Finance & Accounts, Risk & Control (Compliance is part of this), IT, Strategic Initiatives, LAP.
- 1.2. Product Lines:** MFI, Retail LAP, LAP, MSME CASA, FD, Loan again gold, Institutional Finance
- 1.3. Function:** Branches, MFI ROs, ATMs, Business Correspondents, Internet Banking/ Mobile Banking
- 1.4. Staff:** All Staff, Field, Corporate
- 1.5. Geography:**
- West, South, East, North
 - TN, KA, MH, GJ, MP, RJ, PY, AP and other remaining states

2. Context

- 2.1. Compliance Context:** This policy has been drafted on the basis of compliance obligations as detailed in Appendix II.
- 2.2. Governance Context:**
- 2.2.1. Board:** Applicable
- 2.2.2. Sub Committee of Board:** Risk Management Committee of Board
- 2.2.3. Management Committee:** Outsourcing Committee
- 2.3. Best Practice Context:** Not Applicable

3. Policy Content

All personnel carrying out their duties with regard to the Business Correspondents (BC) function should ensure that they comply with the requirements of this policy. In addition to this, all such personnel should also ensure that they refer this policy (including subsequent amendments there to) so that they are able to maintain compliance to its requirements.

For Frequently Asked Questions (FAQs) regarding the policies please refer to Appendix VII.

With reference to the RBI guidelines detailed in Appendix II the following policies will be followed by Fincare Small Finance Bank.

3.1. Objective

The objective of the policy is to provide guidance around following aspects:

- To ensure guidelines are followed for engaging Business Correspondents (BCs)
- To understand the procedure of identifying and engaging BCs
- To ensure proper agreement is in place with BCs for payment structure.
- To ensure proper control in place for transactions put through BCs
- To ensure measures in place to protect customer's interest.
- Appropriate monitoring system in place to assess performance of Business Correspondents.
- Ensuring effective grievance redressal structure and process is in place.

3.2. Key Stakeholder and roles:

3.2.1. Board of Directors

- To approve the policy on Business Correspondents.
- To review policy on an annual basis.

3.2.2. Branch Manager (To be confirmed with Ashish M and Prakash)

Appointment will be done by an agreement which must be signed off by either one of the following

COO- RUB / COO- RAB / COO-REB / COO- Branch Ops / CSO / CFO or CEO

Accordingly, the scope of activities of a BC may include:

- i. Identification of potential borrowers;
- ii. Collection and preliminary processing of loan applications including verification of primary information/data;
- iii. Creating awareness about savings and other products and education and advice on managing money and debt counselling;
- iv. Processing and submission of applications to Bank;
- v. Promoting, nurturing and monitoring of Self-Help Groups/ Joint Liability Groups/Credit Groups/others;
- vi. Post-sanction monitoring;
- vii. Follow-up for recovery,
- viii. Disbursal of small value credit,
- ix. Recovery of principal / collection of interest
- x. Sale of micro insurance/ mutual fund products/ pension products/ other third-party products and ensuring compliance to regulatory obligations and bank's policy guidelines
- xi. Receipt and delivery of small value remittances/ other payment instruments.
- xii. All deposit activities CA, SA, FD, RD etc.
- xiii. All Payments activities

- xiv. All remittance activities including and not limited to RTGS, NEFT, IMPS, AEPS and ECS

3.2.3. Internal Control & Monitoring Committee (To be Prepared Basis discussion)

- To carry out a detailed review of the performance of various BCs engaged, at least once in a year;
- Monitor the activities of BCs through their Controlling Offices and also through various fora under Lead Bank Scheme i.e. SLBC, DCC, DLRC;
- Visit BCs and interface with customers at periodic intervals

3.2.4. Legal Department

- To document the standard template for agreement with BCs while ensuring compliance with the policy.
- To approve deviations, if any, from the standard agreement on a case to case basis, while complying with RBI guidelines.

3.2.5. Information Technology Department

- To ensure all information security and confidentiality risks are addressed while designing the systems and processes for BC activities.
- To ensure relevant RBI guidelines as mentioned in the policy are complied with.

3.3. Policy Content

3.3.1. Business Correspondent Model

- RBI permits interoperability at the retail outlets or sub-agents of BCs (i.e. at the point of customer interface), provided the technology available with the Bank, which has appointed the BC, supports interoperability, subject to the following conditions:
 - i. The transactions and authentications at such retail outlets or sub-agents of BCs are carried out on-line;
 - ii. The transactions are carried out on Core Banking Solution (CBS) platform; and
 - iii. The Bank follows the standard operating procedures to be advised by the Indian Banks' Association (IBA).
- The Bank ensures the above before permitting interoperability for BC's with different Banks.

3.3.2. Guidelines for engaging Business Correspondents (BCs)

As per RBI guidelines vide Circular No. RBI/2010-11/217 DBOD.No.BL.BC.43/22.01.009/2010-11 dated 28th Sept 2010, a policy for engaging Business Correspondents (BCs) with the approval of their Board of Directors is to be in place. Hence this policy on Business Correspondents is to be approved by the Bank's board and reviewed at least annually thereafter.

- The Bank will also refer the policy on outsourcing of financial services and the same is applicable for engaging Business Correspondents as well.

- The Bank needs to carryout necessary due diligence on the individuals / entities to be engaged as BCs prior to their engagement.
- The due diligence exercise may, inter alia, cover aspects such as:
 - i. reputation/market standing,
 - ii. financial soundness,
 - iii. Management and corporate governance,
 - iv. cash handling ability and
 - v. Ability to implement technology solutions in rendering financial services.
- The Bank designs a standard template for carrying out such due diligence as a part of its process manual while addressing the above-mentioned guidelines.

3.3.3. Eligible Individual/Entities to become BCs

The following individuals/entities are eligible for appointment as BCs for the Bank:

- Individuals like retired Bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of Kirana /medical / Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorized functionaries of well-run Self Help Groups (SHGs) which are linked to Bank, any other individual including those operating Common Service Centres (CSCs);
- NGOs/ MFIs set up under Societies/ Trust Acts and Section 25 Companies (Section 8 companies as per Companies Act, 2013);
- Cooperative Societies registered under Mutually Aided Cooperative Societies Acts/ Cooperative Societies Acts of States/Multi State Cooperative Societies Act;
- Post Offices; and
- Companies registered under the Indian Companies Act, 2013 with large and widespread retail outlets
- Non - deposit taking NBFCs (NBFCs-ND), subject to the following conditions:
 - i. It will be ensured that there is no comingling of Bank funds and those of the NBFC-ND appointed as BC.
 - ii. There will be a specific contractual arrangement between the Bank and the NBFC-ND to ensure that all possible conflicts of interest are adequately taken care of.
 - iii. Bank shall ensure that the NBFC-ND does not adopt any restrictive practice such as offering savings or remittance functions only to its own customers and forced bundling of services offered by the NBFC-ND and the Bank does not take place.

3.3.4. Procedure for engaging BCs

- Identification of BC as per eligible list and conducting due diligence.
- Appointment of BC through legal agreement. The terms and conditions governing the contract between the Bank and the BC shall be carefully defined in written agreements and subjected to a thorough legal vetting.
- While drawing up agreements, Bank will strictly adhere to instructions contained in the guidelines on managing risks and code of conduct in outsourcing of financial services by Bank,

issued by Reserve Bank of India. (Policy of the Bank on outsourcing of financial services shall be referred in this regard.)

- The Bank is fully responsible for the actions of the BCs and their retail outlets/sub agents.
- The Bank documents a detailed process manual for engaging BC's while ensuring compliance with above guidelines. Further the legal department of the Bank will prepare a standard format of agreement to be entered with BC.

3.3.5. Scope of activities to be undertaken by BCs:

- The activities to be undertaken by the BCs will be within the normal course of banking business.
 - Bank will have to refer the guidelines on BC's along with the guidelines on licensing of Small Finance Banks to decide which activities can be assigned to Business correspondents.
 - Accordingly, the scope of activities of a BC may include:
 - i. identification of potential borrowers;
 - ii. collection and preliminary processing of loan applications including verification of primary information/data;
 - iii. creating awareness about savings and other products and education and advice on managing money and debt counselling;
 - iv. processing and submission of applications to Bank;
 - v. promoting, nurturing and monitoring of Self-Help Groups/ Joint Liability Groups/Credit Groups/others;
 - vi. post-sanction monitoring;
 - vii. follow-up for recovery,
 - viii. disbursement of small value credit,
 - ix. recovery of principal / collection of interest
 - x. collection of small value deposits
 - xi. sale of micro insurance/ mutual fund products/ pension products/ other third-party products ensuring compliance to regulatory obligations and bank's policy guidelines
- Receipt and delivery of small value remittances/ other payment instruments.

3.3.6. KYC Norms:

- KYC and AML procedures, as laid down in the KYC policy of the Bank will be followed in all cases.
- The Bank will use the services of the BC for preliminary work relating to account opening formalities.
- However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of Bank.
- The Bank will design the account opening process accordingly by ensuring compliance with above guidelines.

3.3.7. Customer Confidentiality:

The Bank shall ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of BC. The record management process and the terms in legal agreement with BC shall be defined by the Bank accordingly.

3.3.8. Information Technology Standards

The Bank shall ensure that equipment and technology used by the BC are of high standards. The Bank will define the standards for the same as a part of its agreement with BC and ensure compliance with the same on a regular basis.

3.3.9. Distance Criterion

- RBI has relaxed the distance criteria between the base branches and the outlets of BC / sub agent and advised that the respective boards of the Bank shall define the same in the policy.
- Accordingly, the Bank has decided that the maximum distance between the retail outlet / sub agent of BC and the base branch of the Bank shall be decided by the management and subsequently approved by the committee. However, in exceptional cases, the Board has the power to approve deviations from the same after ensuring proper monitoring of the BC activities.

3.3.10. Payment of Commission/Fee to BCs

- Commission structure or incentive mechanism will be devised in a manner that mere increase in the number of clients served or the transaction volume does not drive the commission.
- The remuneration may combine fixed and variable parts dependent. Preferably variable component will be offered, inter-alia, on some indication or measure of customer satisfaction. Part of the variable remuneration can be deferred or clawed back in case of deficiency of service.
- The Bank will pay reasonable commission/fee to the BC, the rate and quantum of which may be reviewed periodically. The rates of commission / fee shall be approved by the Bank's board.
- The agreement with the BC will prohibit them from charging any fee to the customers directly for services rendered by them on behalf of the Bank. The legal department of the Bank will ensure the same while drafting the standard format of agreement with BC.
- The Bank (and not BCs) will collect reasonable service charges from the customers in a transparent manner. These charges shall be decided by the Bank's board.

3.3.11. Transactions put through BCs

- As engagement of intermediaries such as Business Correspondents involves significant reputational, legal and operational risks, due consideration will be given by the Bank to those risks.
- The Bank will adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost-effective manner.

- The transactions will normally be put through ICT devices (handheld device/mobile phone) that are seamlessly integrated to the Core Banking Solution (CBS) of the Bank.
- The transactions will be accounted for on a real time basis and the customers will receive immediate verification of their transactions through visuals (screen based) or other means (debit or credit slip).

The IT department of the Bank shall ensure the above-mentioned guidelines while designing the systems in conjunction with the Risk Management department to ensure that the above mentioned risks are addressed in a suitable manner.

- Further, the Bank will ensure that the arrangement with the BC shall address the following:
 - i. Suitable limits on cash holding by intermediaries as also limits on individual customer payments and receipts shall be decided by the Board which will be reviewed on a periodical basis.
 - ii. Cash collected from the customer will be acknowledged by issuing a receipt on behalf of the Bank;
 - iii. All off-line transactions are accounted for and reflected in the books of the Bank by the end of the day; and
 - iv. All agreements/ contracts with the customer shall clearly specify that the Bank is responsible to the customer for acts of omission and commission of the BC.
- The Bank will ensure compliance with above guidelines while designing the process manual and standard format of agreement with BC

3.3.12. Consumer protection Measures

The Bank will take all measures to protect the interests of the customers. The same are mentioned below:

- i. The retail outlet/sub-agent of the BC will be personally introduced to the members of public by the Bank officials in the presence of village elders and government functionaries in a public meeting so that there is no misrepresentation/ impersonation.
- ii. The products and processes will be approved by the Bank and the BC will not introduce any product/process without the approval of the Bank concerned.
- iii. Each retail outlet/sub-agent is required to post a sign in local language (vernacular) indicating their status as service providers for the Bank as also disclose the name of the BC, the telephone number of the base branch/controlling office of the Bank and the Banking Ombudsman and the fees for all services available at the outlet.
- iv. Financial services offered by the retail outlets/sub-agents of the BC will not be tied to the sale of any product of such company.
- v. The charges for offering various services will be indicated in a brochure and made available at the retail outlets/with the sub-agents.
- vi. The Bank will develop suitable training modules in the local language(s) in order to provide proper attitudinal orientation and skills to the BCs/sub-agents.
- vii. As a measure of social audit, the Bank will conduct periodic meetings where members of public are invited along with the BCs operating in the area as also the linked branch managers to express their difficulties and to obtain feedback.

- viii. The Bank will have necessary Business Continuity Plan (BCP) in place to ensure uninterrupted service in case the agency arrangement with the BCs/sub-agents is terminated.
- ix. In case a company is engaged as BC by more than one Bank, it will be ensured that the customer database and account details are kept separate and there is no co-mingling of data.
- x. While designing the process manual for BC activities, the Bank will ensure compliance with above mentioned policy guidelines.

3.3.13. Internal Control & Monitoring

- The Bank will carry out a detailed review of the performance of various BCs engaged by them at least once in a year.
- The Bank shall also monitor the activities of BCs through the Controlling Offices and also through various fora under Lead Bank Scheme i.e. (SLBC, DLCC, BLBC).
- The internal control mechanism in the Bank will include visit to BCs and interface with customers at periodical intervals.
- The Bank will define its process manual for BC activities based on the above-mentioned guidelines.

3.3.14. Redressal of Grievances

- Grievance Redressal Machinery will be constituted within the Bank for redressing complaints about services rendered by the BCs and give wide publicity about it through electronic and print media.
- The name and contact number of designated Grievance Redressal Officer of the Bank will also be made known and widely publicized.
- The designated officer will ensure that genuine grievances of customers are redressed promptly.
- The grievance redressal procedure of the Bank and the time frame fixed for responding to the complaints will be placed on the Bank's website.
- If a complainant does not get satisfactory response from the Bank within 60 days from the date of his lodging the complaint, he will have the option to approach the Office of the Banking Ombudsman concerned for redressal of his grievance/s.
- The grievance redressal policy of the Bank will contain the above-mentioned details which shall be referred for this purpose.

3.3.15. Customer Education

- Financial literacy and customer education will form an important part of the business strategy and the commitment by Bank adopting the BC model
- Bank will educate the clientele in their respective vernacular languages regarding the benefits of banking habit.
- Information regarding BCs engaged by Bank will be placed on the respective Banks' websites.

- The Annual Report of the Bank will also include the progress in respect of extending banking services through the BC model and the initiatives taken by Bank in this regard.

4. Document Review and Approval

4.1. Policy Owner: Agency banking

4.2. SME: Prakash Sundaram

4.3. Effective date: September, 2019

4.4. Revision history: August, 2019

Version	Author	Date	Revision
1.	KPMG		
2.	Gaurav Acharya	16-12-2017	
3.	Ramcharan Kucharakanti	26-08-2019	

This document has been reviewed by

	Reviewer	Date reviewed
1	Prakash Sundaram, CSO	
2		
3		
4		
5		

This document has been approved by

	Name	Signature	Date reviewed
1	Board		
2			
3			
4			
5			

5. Document Control

Compliance Department will be the custodian of this policy.

The contents of this Policy are confidential and are intended for internal use by Fincare Small Finance Bank only.

This Policy should always be kept in a safe place and must not be copied or revealed to third parties (i.e. persons not employed by Fincare Small Finance Bank) without the express written permission from Compliance Department.

Distribution of this Policy, in whole or in part, should come through an official request to the Head of Compliance Department.

6. Revisions to the Policy

Revision of this manual is the principal way of formalizing changes and adjustments in the Business Correspondents process at Fincare Small Finance Bank. Such revisions provide flexibility to the Business Correspondents process at Fincare Small Finance Bank and ensure that the Policy remains relevant at all times.

This policy should be reviewed every year unless some changes occur in the Business Correspondents process which requires immediate changes to be made in the Policy. Any changes in the RBI regulations in relation with the policy will be applicable for the Bank and will be followed Mutatis Mutandis and will not require specific Board approval.

The Compliance Department will review change requests and either recommend / reject any proposed revisions. The Compliance Department Head / Committee / Board will review the recommendation and either accepts / rejects the proposed revision. If accepted, the Compliance Department will ensure that appropriate revisions are incorporated, and a new version is circulated to relevant users.

7. Persons & Departments involved

The policy outlined here is mandatory and must be adhered to by all departments involved in the Business Correspondents process at Fincare Small Finance Bank. No deviations from the policy will be permitted unless:

- a. The policy is in concurrence with the Reserve Bank of India regulations. Statutory or other regulatory requirements.
- b. The contents of the Policy are strictly proprietary and confidential and should not be disclosed to any person outside Fincare Small Finance Bank

8. Glossary

BC- Business Correspondents

9. Appendix

9.1. Appendix I

9.1. SBUs: Rural Banking, Small Business Banking, Liability Banking, Channel Operations, Central Operations, HR, Finance & Accounts, Risk & Control (Compliance is part of this), IT, Strategic Initiatives, LAP.

9.2. Product Lines: MFI, Retail LAP, LAP, MSME CASA, FD, Loan again gold, Institutional Finance

9.3. Function: Branches, MFI ROs, ATMs, Business Correspondents, Internet Banking/ Mobile Banking

9.4. Staff: All Staff, Field, Corporate

9.5. Geography:

- West, South, East, North
- TN, KA, MH, GJ, MP, RJ, PY, AP and other remaining states

9.2. Appendix II

S No	Regulator	Obligation Set Name	Regulation Date	Regulation Code	Paragraph reference	Obligation Summary
1	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	1	<p>Introductory: The banks may formulate a policy for engaging Business Correspondents (BCs) with the approval of their Board of Directors. Due diligence may be carried out on the individuals/entities to be engaged as BCs prior to their engagement. The due diligence exercise may, inter alia, cover aspects such as (i) reputation/market standing, (ii) financial soundness, (iii) management and corporate governance, (iv) cash handling ability and (v) ability to implement technology solutions in rendering financial services.</p>
2	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	3	<p>BC Model: While a BC can be a BC for more than one bank, at the point of customer interface, a retail outlet or a sub-agent of a BC shall represent and provide banking services of only one bank. The terms and conditions governing the contract between the bank and the BC should be carefully defined in written agreements and subjected to a thorough legal vetting. While drawing up agreements, banks should strictly adhere to instructions contained in the guidelines on managing risks and code of conduct in outsourcing of financial services by banks, issued by Reserve Bank of India on November 3, 2006. The banks will be fully responsible for the actions of the BCs and their retail outlets / sub agents.</p>

3	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	4	<p>Scope of Activities: The scope of activities may include: (i) identification of borrowers; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education and advice on managing money and debt counselling; (iv) processing and submission of applications to banks; (v) promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups/Credit Groups/others; (vi) post-sanction monitoring; (vii) follow-up for recovery, (viii) disbursement of small value credit, (ix) recovery of principal / collection of interest (x) collection of small value deposits (xi) sale of micro insurance/ mutual fund products/ pension products/ other third party products and (xii) receipt and delivery of small value remittances/ other payment instruments.</p> <p>The activities to be undertaken by the BCs would be within the normal course of the bank's banking business but conducted through the BCs at places other than the bank premises/ATMs.</p>
4	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	5	<p>KYC Norms: KYC and AML procedures, as laid down in the Master Circular DBOD.AML.BC. No.2/ 14.01.001/ 2010-11 dated July 1, 2010 and subsequent circulars on the subject should be followed in all cases. The banks may, if necessary, use the services of the BC for preliminary work relating to account opening formalities. However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of banks.</p>
5	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	6	<p>Customer Confidentiality: The banks should ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.</p>

6	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	7	Information Technology Standards: The banks should ensure that equipment and technology used by the BC are of high standards.
7	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	8	Distance Criteria: With a view to ensuring adequate supervision over the operations and activities of the retail outlet/sub-agent of BCs by banks, every retail outlet/sub-agent of BC is required to be attached to and be under the oversight of a specific bank branch designated as the base branch. The distance between the place of business of a retail outlet/sub-agent of BC and the base branch should ordinarily not exceed 30 kms in rural, semi-urban and urban areas and 5 kms in metropolitan centers. In case there is a need to relax the distance criterion, the District Consultative Committee (DCC)/State level Bankers Committee (SLBC) could consider and approve relaxation on merits in respect of under-banked areas etc.
8	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	9	Payment of Commission/ Fee: The banks may pay reasonable commission/ fee to the BC, the rate and quantum of which may be reviewed periodically. The agreement with the BC should specifically prohibit them from charging any fee to the customers directly for services rendered by them on behalf of the bank. Commission structure or incentive mechanism should be devised in a manner that mere increase in the number of clients served or the transaction volume does not drive the commission. The remuneration should combine fixed and variable parts dependent, inter-alia, on some indication or measure of customer satisfaction. Some part of the variable remuneration could be deferred or clawed back in case of deficiency of service. The banks (and not BCs) are permitted to collect reasonable service charges from the customers in a transparent manner.

9	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	10	<p>Transaction put through BC: As engagement of intermediaries such as Business Facilitators/ Correspondents involves significant reputational, legal and operational risks, due consideration should be given by banks to those risks. The banks should adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost-effective manner. The transactions should normally be put through ICT devices (handheld device/mobile phone) that are seamlessly integrated to the Core Banking Solution (CBS) of the bank. The transactions should be accounted for on a real time basis and the customers should receive immediate verification of their transactions through visuals (screen based) or other means (debit or credit slip). In formulating their schemes, banks may, inter alia, be guided by the recommendations made at Chapter III of the Khan Group Report as also the outsourcing guidelines released by Reserve Bank of India on November 3, 2006 (available on RBI website: www.rbi.org.in). The arrangements with the BC shall specify:</p> <ul style="list-style-type: none"> i) suitable limits on cash holding by intermediaries as also limits on individual customer payments and receipts; ii) cash collected from the customer should be acknowledged by issuing a receipt on behalf of the bank; iii) that all off-line transactions are accounted for and reflected in the books of the bank by the end of the day; and iv) all agreements/ contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the BC.
10	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	28-Sept-10	RBI/2010-11/217 DBOD.No. BL.BC.43/2 2.01.009/2 010-11	11	<p>Internal Control & Monitoring: The banks should carry out a detailed review of the performance of various BCs engaged by them at least once in a year and they should monitor the activities of BCs through their Controlling Offices and also through various fora under Lead Bank Scheme i.e. (SLBC, DLCC, BLBC). The internal control mechanism in the bank should include visit to BCs and interface with customers at periodical intervals.</p>

11	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	24-Jun-14	RBI/2013-14/653 DBOD.No. BAPD.BC. 122/22.01. 009/2013-14	2 (i)	<p>Eligible individuals/ entities: As per extant instructions, Non-banking Finance Companies (NBFCs) are not allowed to be appointed as Business Correspondents (BCs) by banks. It has been decided that banks will be permitted to engage non-deposit taking NBFCs (NBFCs-ND) as BCs, subject to the following conditions:</p> <p>a) It should be ensured that there is no comingling of bank funds and those of the NBFC-ND appointed as BC.</p> <p>b) There should be a specific contractual arrangement between the bank and the NBFC-ND to ensure that all possible conflicts of interest are adequately taken care of.</p> <p>c) Banks should ensure that the NBFC-ND does not adopt any restrictive practice such as offering savings or remittance functions only to its own customers and forced bundling of services offered by the NBFC-ND and the bank does not take place</p>
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12	RBI	Financial Inclusion by Extension of Banking Services- Use of Business Correspondents	24-Jun-14	RBI/2013-14/653 DBOD.No. BAPD.BC. 122/22.01.009/2013-14	2 (ii)	<p>Distance Criteria: In terms of our circular DBOD No BL BC 43/22.01.009/2010-11 dated September 28, 2010, with a view to ensuring adequate supervision over the operations and activities of the retail outlet/sub-agent of BCs by banks, every retail outlet/sub-agent of BC is required to be attached to and be under the oversight of a specific bank branch designated as the base branch and the distance between the place of business of a retail outlet/sub-agent of BC and the base branch should ordinarily not exceed 30 kms in rural, semi-urban and urban areas and 5 kms in metropolitan centers. In case there is a need to relax the distance criterion, the District Consultative Committee (DCC)/ State level Bankers Committee (SLBC) could consider and approve relaxation on merits in respect of under-banked areas etc. With a view to providing operational flexibility to banks and in view of the technological developments in the banking sector, it has been decided to remove the stipulation regarding distance criteria. The banks should, however, while formulating the Board approved policy for engaging BCs, keep in mind the objectives of adequate oversight of the BCs as well as provision of services to customers while deciding how to modify extant distance criteria.</p>
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13	RBI	Guidelines on Licensing of Small Finance Bank	27-Nov-14	NA	6.2	<p>Regulation of Business Correspondents:</p> <p>(i) The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as "BCs". These companies can have their own branches managed by their employees operating as "access points" or may engage other entities/persons to manage the "access points" which could be managed by the latter's staff.</p> <p>(ii) In the above cases, from the regulatory perspective, the bank will be responsible for the business carried out at the 'access points' and the conduct of all the parties in the chain regardless of the organizational structure including any other intermediaries inserted in the chain to manage the BC network.</p> <p>(iii) Inter-operability of the BCs will be allowed except for opening of deposit accounts</p> <p>(iv) Offline BCs will not be allowed; that is, BCs who would be doing online transactions/using PoS terminals for transactions only will be allowed.</p> <p>(v) The SFBs will be exempted from the requirement of having a base branch for a certain number of BCs/access points managed by BCs as currently stipulated in the RBI guidelines to scheduled commercial banks.</p>
14	NA	Bank's Internal Policy on outsourcing of Financial Services	NA	NA	NA	NA
15	NA	Bank's Internal Policy on KYC/AML/ CFT	NA	NA	NA	NA
16	NA	Bank's Internal Policy on Grievance Redressal Mechanism	NA	NA	NA	NA

9.3 Appendix III

Board meeting No.	Board meeting date	Relevant minutes of the meeting

9.4 Appendix IV

Sub Committee of Board meeting No.	Sub Committee of Board meeting date	Relevant minutes of the meeting

9.5 Appendix V

Management Committee meeting No.	Management Committee meeting date	Relevant minutes of the meeting

9.6 Appendix VI

Relevant Best Practice contexts that are applicable are as follows: NA

9.7 Appendix VII

Frequently Asked Questions:

What are the functions of BC?

BCs are permitted to perform a variety of activities as allowed by RBI guidelines subject to licensing guidelines of Small Finance Banks. Please refer para 3.3.5 of the policy for details in this regard.

Who are eligible to act as BCs? Are Non-Banking Finance Companies (NBFCs) allowed to act as BCs

RBI defines the eligibility criteria in terms of who can be appointed as BC's. The details of the same are mentioned in para 3.3.3 of the policy.

What are the distance criteria for BCs?

RBI does not stipulate any distance criteria for distance between BC outlet and base branch. The Bank defines the same as per the approval of the Board which is mentioned in para 3.3.9 of this policy.

How does a BC function?

The BC uses Information and Communication Technology (ICT) based devices such as handheld machines, smartcard-based devices, mobile phones, etc. to carry out the banking transactions.

Can BC's open the accounts with the involvement of Bank officials?

The bank will use the services of the BC for preliminary work relating to account opening formalities. However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of bank. Please refer para 3.3.6 of the policy for details on the same.



Prakash