

SECTION 23 OF THE BANKING REGULATION ACT, 1949 - RELAXATIONS IN BRANCH AUTHORISATION POLICY

CIRCULAR NO.DBOD.BAPD.BC. 60/22.01.001/2013-14, DATED 21-10-2013

Please refer to [circular DBOD.No.BAPD.BC.54/22.01.001/2013-14 dated September 19, 2013](#), on the above subject, advising that domestic scheduled commercial banks (other than RRBs) are permitted to open branches in Tier 1 to Tier 6 centres without having the need to take permission from Reserve Bank of India in each case, subject to reporting.

2. Detailed Guidelines in this regard including reporting requirements are enumerated in Annex 1, while some indicative examples illustrating the above stipulations are given in Annex 2.
3. All other instructions will remain unchanged.

ANNEX 1

GUIDELINES ON OPENING OF BRANCHES BY DOMESTIC SCHEDULED COMMERCIAL BANKS

1. The opening of new branches and shifting of existing branches of banks is governed by the provisions of Section 23 of the Banking Regulation Act, 1949. In terms of these provisions, banks cannot, without the prior approval of the Reserve Bank of India (RBI), open a new place of business in India or outside India or change, otherwise than within the same city, town or village, the location of the existing place of business. Section 23 (2) of the Banking Regulation Act lays down that before granting any permission under this section, the Reserve Bank may require to be satisfied, by an inspection under Section 35 or otherwise, as to the financial condition and history of the banking company, the general character of its management, the adequacy of its capital structure and earning prospects and that public interest will be served by the opening or, as the case may be, change of location of the existing place of business.
2. Domestic scheduled commercial banks (other than RRBs) are presently permitted to open branches without prior approval from Reserve Bank of India in each case, subject to reporting in terms of our circular DBOD No. BAPD.BC.54 /22.01.001/2013-14 dated September 19, 2013. The guidelines for authorisation (opening) of branches of domestic scheduled commercial banks in India are given in the following paragraphs.
3. For the purpose of branch authorisation policy, a "branch" would include all branches, i.e., full-fledged branches, specialised branches, satellite offices, mobile branches, Extension Counters, off-site ATMs (Automated Teller Machines), administrative offices, controlling offices, service branches (back office or processing centres), etc.
4. The branch authorisation policy covers the opening of branches in all Tiers (Tier 1 to 6) of the country. The Tier wise population group is as per Appendix 1. It may be seen therein that Tier 1 comprises metropolitan and urban centres, Tiers 2, 3, and 4 comprise semi-urban centres and Tiers 5 and 6 comprise rural centres.
5. For the purposes of ensuring more uniform spatial distribution, banks are encouraged to open branches in underbanked centres, more precisely, in underbanked districts of underbanked States. An underbanked centre (whether a district or State) would be one where the Average Population Per Branch Office (APPBO) is more than the national average. Thus, though there are bank branches in these centres, there are not as many branches as would be desirable. While no mandatory number of branches have been prescribed to be opened in such centres, banks are incentivised for opening branches in such centres as detailed in para 10 below. A list of underbanked districts of underbanked States is as per Appendix 2.
6. For increasing banking penetration and financial inclusion, there is a need to open branches in centres that are unbanked. Unbanked centres are those which do not have any brick and mortar structure of a

scheduled commercial bank for customer based banking transactions. Therefore, the current branch authorisation policy mandates that banks have to open at least 25 percent of all branches opened in a year in unbanked rural centres, as detailed in para 9 (a) below.

7. The general permission available for opening of branches by domestic scheduled commercial banks in Tier 1 to Tier 6 centres across the country will encompass specialised branches, extension counters, satellite offices, service branches, Central Processing Centres (CPCs) and all other offices/branches of the bank. Thus, banks are not required to approach RBI for authorisation for opening branches or any other places of business or administrative offices in any centre.

8. Banks may formulate an annual plan for the financial year, approved by the Board of the bank as part of their annual strategy for branch expansion. While formulating this plan, they may keep various factors in mind such as setting up of low cost branches, innovative use of technology, including internet banking and virtual banking to reduce physical footfalls, improving customer service, etc.

9. The opening of branches during a financial year will be subject to the conditions given below. Extension counters, satellite offices, mobile branches, CPCs, service branches and administrative offices can be freely opened in any centre and will not be reckoned for the purposes of paras (a) and (b) below.

(a) At least 25 per cent of the total number of branches opened during a financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive as stated in para 10 below), must be opened in unbanked rural (Tier 5 and Tier 6) centres, i.e, centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

(b) The total number of branches opened in Tier 1 centres during the financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive as stated in para 10 below) cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

10. As stated in para 5 above, since there is a continuing need for opening more branches in underbanked districts of underbanked States for ensuring more uniform spatial distribution, banks would be provided incentive for opening such branches. Accordingly, banks may open branches in Tier 1 centres, [over and above their eligibility as defined at para 9 (a) and (b) above], equal to the number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the branches opened in unbanked rural centres that are located in the underbanked districts of underbanked States.

11. Banks have to ensure that all branches opened during a financial year are in compliance with the norms as stipulated above. In case a bank is unable to open all the branches it is eligible for in Tier 1 centres, as per paras 9 and 10 above, it may carry-over (open) these branches during subsequent two years.

12. Banks, which for some reason are unable to meet their obligations of opening branches in Tier 2 to 6 centres in aggregate, or in unbanked rural centres (Tiers 5 to 6 centres) during the financial year, must necessarily rectify the shortfall in the next financial year.

13. Banks were advised vide circular DBOD. No. BAPD.BC. 97/22.01.001/2012-13 dated May 28, 2013, that they may consider front-loading (prioritising) the opening of branches in unbanked rural centres over a 3 year cycle co-terminus with their Financial Inclusion Plan (FIP 2013-16). Therefore, credit will continue to be given for the branches opened in unbanked rural centres in excess of the required 25 percent of the total branches opened during the year which will be carried forward for achieving the criteria in the subsequent year of the FIP.

14. The general permission referred to above would be subject to the parameters stated in para 9 and 10 above as well as regulatory/supervisory comfort in respect of the individual banks. RBI would have the option to withhold the general permission now being granted to banks which fail to meet the above mentioned criteria along with imposing penal measures on banks which fail to meet the obligations at

paras 9 and 12 above.

15. An annual report of branches actually opened during the year, for the year ending March 31, should be placed before the bank's Board and forwarded to the Department of Banking Operations and Development, Reserve Bank of India, Central Office, (DBOD, CO), Shahid Bhagat Singh Marg, Mumbai- 400001, latest by June 30 of that year in the format given in Appendix 3. Compliance regarding opening of branches in accordance with the above stipulations would also be examined during the Annual Financial Inspection of the bank and discussion of the Financial Inclusion Plans.

16. Presently, in terms of reporting requirements as laid down in para 23 of Master Circular DBOD No. BAPD.BC. 18/22.01.001/2013-14 dated July 01, 2013 on Branch Authorisation, banks should report details of opening of a new place of business including Mobile branch/Mobile ATMs, and call centres, and closure, merger, shifting or conversion of any existing place of business immediately and in any case not later than two weeks after opening/closure/merger/shifting/conversion to the Regional Office concerned of the Department of Banking Supervision (DBS), Reserve Bank of India, except in respect of branches in Maharashtra and Goa, which should be reported to DBOD, CO, Mumbai. This reporting requirement would continue.

17. The present quarterly reporting in Proformae I & II and Proformae III & IV (Annex 14 and 15 of the above mentioned Master Circular) for the purpose of branch banking statistics to Department of Statistics and Information Management, Banking Statistics Division, Reserve Bank of India, Central Office, C-8/9, Bandra-Kurla Complex, Mumbai-400 051 will also continue. Submission of this statement to the Regional Office concerned of DBS or DBOD, CO (in respect of centres in Maharashtra & Goa) is however, discontinued.

[Annex 2](#)

[Appendix 1](#)

[Appendix 2](#)

[Appendix 3](#)