

MINUTES OF MEETING WITH REPRESENTATIVES OF INDIAN BANK'S ASSOCIATION (IBA), RESERVE BANK OF INDIA (RBI), BUSINESS CORRESPONDENT FEDERATION OF INDIA (BCFI), NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI) AND TATE CONSULTANCY SERVICES (TCS) CHAIRED BY ADDITIONAL SECRETARY (FI) ON 14.09.2016 TO UNDERSTAND THE CHALLENGES BEING FACED BY BUSINESS CORRESPONDENTS.

A meeting to understand the challenges being faced by Business Correspondents was held on 14.09.2016 from 2.30 PM onwards under the chairmanship of Shri Anil Kumar Khachi Additional Secretary (FI). The list of participants is enclosed.

Additional Secretary (FI) welcomed the participants. Highlights of the important points discussed and issues where action is mentioned below:

1. The main purpose of introducing BC concept was to provide banking facilities in the remotest possible area across the country particularly at those places also where brick and mortar branches are limited, through Business Correspondents. The issue of interest free security deposits by banks from Corporate Business Correspondents/Business Correspondents needs to be examined by IBA in the light of RBI guidelines and take appropriate action and submit report to DFS. **(Action: IBA)**
2. On the issue of transit cash insurance of BC Agents, IBA is requested to follow the RBI guidelines. **(Action: IBA, RBI)**
3. With regard to the restrictions imposed by Banks on sale of other financial products, it was decided that the products which are non- competitive and in compliance with regulatory guidelines may be allowed by the Banks for enhancing the viability of BCs. **(Action: IBA)**
4. Delay in release of commission on pension and insurance activities beyond three months to be looked into. **(Action: RBI, PFRDA, IRDA)**
5. BCs to act like financial retailer, which can sell products controlled by different regulators. RBI was requested to examine the matter in consultation with other regulators. **(Action: RBI, IRDA, PFRDA)**
6. RBI was advised to examine the issue of white label BCs/Micro ATMs on the line of White Label ATMs.
7. SSAs of banks are not contiguous. The specific instances may be brought to the notice of concerned SLBC for necessary action. **(Action: Federation of BCs/SLBCs)**
8. On training and certification of BCs, it was informed by RBI that content has already been approved and banks/IIBF and other agencies are undertaking the task of financial literacy and certification. **(Action: RBI)**
9. On the issue of BC Registry, it was informed by RBI that is already working on it. **(Action: RBI)**
10. IBA was advised to examine the issue of levy of interchange charges on Micro ATMs vis a vis the charges applicable on ATM transactions. **(Action: IBA)**

With reference to the above Minutes circulated, please refer to our email dated 27-09-16 (attached) in which we had pointed that the undermentioned items should be incorporated to comprehensively represent the discussions in the meeting held on 14-09-16. Therefore, the Action Taken Report is additionally required on the same also.

A. ON THE POINTS IN THE MINUTES:

1. **POINT NO 1:** Banks have always insisted on 100% prefunding on transactions be it cash-in to a bank account or money transfer to another bank account, which account for over 80% of transactions in a BC network. The deposit is interest free. Banks do not extend even one day's credit to CBCs, so much so that over weekend when banks are not working but BCs are, transactions are not possible as neither banks offer credit nor they are able to accept cash into CBC's settlement account for carrying transactions, unless BC has cash to support three days transactions. This is despite extant guidelines issued by the RBI in 2014 that only 15% cash (30% in case of Bank Guarantee). This facility must be provided to CBCs by the banks by RBI.

2. **POINT NO 6:** “White Label BC” is not “While Label ATM”. It should be “White Label BC” as recommended under Section 3.5 of RBI’s Committee on Comprehensive Financial Services for Small Business and Low Income Households where it is recommended that “The White Label BC should be fully inter-operable and will have the ability to work with multiple banks at the back-end”. Accordingly, the existing Corporate BCs (CBCs) be designated as White Label BCs (WLBCs) and allowed connectivity to the NPCI’s IMPS and NEFT/RTGS switches to become inter-operable. NPCI to take necessary action.
3. **POINT NO 7:** As CBCs/BCs do not have any say in location allocation done in SLBCs, BCFI should be made a member of the SLBCs.
4. **POINT NOS 8, 9:** BCFI informed that it is already rolling out a standardized training, testing, certification and BC Registry for BC agents whose data would be available to DFS, regulators and other adjacent institutions. It was highlighted, that BCs under PMJDY are not only providing banking related services but also other financial services viz. insurance, pensions etc. and are accordingly being impacted by other regulatory jurisdictions. Therefore, the BC Registry and BC Certification must be done either by RBI just as IRDAI does for insurance agents or by BCFI, but not by any other association which neither has any representation of nor any say in its management of BCs. BCFI fully supports and would cooperate with RBI in establishing the BC Registry and BC Certification.

B. ADDITIONAL POINTS DISCUSSED:

1. **IMPROVING FINANCIAL VIABILITY OF BCs:**
 - a) MINIMUM REMUNERATION: The minimum remuneration as under Pradhan Mantri Jan-Dhan Yojan - PMJDY Notification dated 22-08-14 - refer page (v) serial No 9 states: “Minimum remuneration of the Bank Mitr (Business Correspondent) to be Rs 5000/- (Fixed + Variable)”. BCFI pointed that this must be uniformly given by all banks to encourage BC viability and decrease their dormancy.
 - b) TIMELY PAYMENTS: all payments (on any account) must be made on monthly basis to CBCs/BCs without banks having to make payment when they get paid.
 - c) RETENTION OF TRANSACTION FEE: banks typically retain for themselves 50% of the transaction fee received (including from government) and the balance commission (as per extant guidelines) is paid by the banks to CBCs for distributed between the CBCs and the BCs in the ratio of 20:80. CBCs find this insufficient to cover their risks and operational costs specially. Therefore, in the interest of to encouraging BC viability and decreasing their dormancy, banks should not retain more than 10% for themselves.
 - d) SERVICE TAX: The commission, paid by the Banks to the CBCs/BCs is inclusive of Service Tax, thus reducing their effective commission. All remuneration payments by banks should be exclusive of Service Tax to encourage BC viability.
2. **MAKING EKYC AVAILABLE TO ALL CORPORATE BCs:** eKYC as technology to be made available for all CBCs and banks at BC level and not exclusive to just one bank at one BC location. Account opening could continue to be exclusive to one bank at one BC point. This was accepted by RBI as valid ask and they had promised to look into it.
3. **TRANSACTION FAILURE RATES:** There is as much as 54% failure rate involved in transactions made through Rupay cards. This discourages the card holder as well as the BC in undertaking transactions. The settlement process in event of disputes is missing. Further, the failure rate of AEPS transactions is as high as 35%. The problem is more

related to the switch. In the interest of improving quality of service and reduce the transaction failures, transaction authorization using OTP should be also allowed – just as in the case of online transactions using credit/debit card/net banking. NPCI to give an effective solution for these.

4. **DISTRIBUTION OF RUPAY CARDS & NON SEEDING OF AADHAAR:** A significant number of Rupay cards are lying undistributed in the bank branches. System must be put in place for time-bound delivery of the cards to the beneficiary and a tracking system to track the TAT as only when the cards are in the hands of the beneficiaries the transactions will occur. Further, Aadhaar number has not been coded in these cards, and must be done in a time bound manner.