



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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September 19, 2013

All Domestic Scheduled Commercial Banks  
(excluding RRBs)

Madam / Dear Sir

**Section 23 of the Banking Regulation Act, 1949 –  
Relaxations in Branch Authorisation Policy**

Please refer to Governor's Statement on taking office on September 04, 2013 (extract enclosed - Annex 1) regarding the proposal to completely free bank branching for well managed domestic scheduled commercial banks in every part of the country subject to fulfilling certain inclusion criteria in underserved areas in proportion to their expansion in urban areas.

2. To enhance the penetration of banking in rural and semi-urban areas, domestic scheduled commercial banks (excluding RRBs) were permitted vide [circulars DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009](#) and [DBOD.No.BL.BC.60/22.01.001/2011-12 dated November 29, 2011](#), respectively, to open branches in Tier 2 to Tier 6 centres and in the rural, semi-urban and urban centres in North-Eastern States and Sikkim without having the need to take permission from Reserve Bank of India in each case, subject to reporting.

3. With the objective of further liberalising and rationalising the branch authorisation policy, the general permission to domestic scheduled commercial banks (other than RRBs) referred to in para 2 above is now extended to branches in Tier 1 centres also, subject to the following:

a) At least 25 percent of the total number of branches opened during the financial year (excluding entitlement for branches in Tier 1 centres given by

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way of incentive as stated in para 4 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 4 below) cannot exceed the total number of branches opened in Tier 2 to 6 centres and all centres in the North Eastern States and Sikkim.

4. As 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 3 (a) and (b) above, that are equal to the number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches opened in unbanked rural centres that may be located in the underbanked districts of underbanked States in compliance with the requirement as indicated in para 3 (a) above.

5. 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 3 and 4 above, it may carry-over (open) these branches during subsequent two years.

6. 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.

7. This general permission would be subject to compliance with the parameters stated in para 3 and 6 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 3 and 6 above.

8. Detailed guidelines in this regard including reporting requirements and examples illustrating the above stipulations are being issued shortly. All other instructions will remain unchanged.

Yours faithfully,

(Prakash Chandra Sahoo)  
Chief General Manager

Encl: As above

## Annex 1

### **Extract of Statement by Dr Raghuram Rajan on taking office on September 04, 2013**

The Indian public would benefit from more competition between banks, and banks would benefit from more freedom in decision making. The RBI will shortly issue the necessary circular to completely free bank branching for domestic scheduled commercial banks in every part of the country. No longer will a well-run scheduled domestic commercial bank have to approach the RBI for permission to open a branch. We will, of course, require banks to fulfil certain inclusion criteria in underserved areas in proportion to their expansion in urban areas, and we will restrain improperly managed banks from expanding until they convince supervisors of their stability. But branching will be free for all scheduled domestic commercial banks except the poorly managed.