

Issue of Debit Cards by banks

DBOD.No.FSC.BC.32 /24.01.019/2001-02

September 29 ,2001

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

Issue of Debit Cards by banks

In terms of instructions contained in our Circular DBOD. No.FSC.BC.123/24.01.019/99-2000 dated 12th November 1999, banks were advised that they need not take prior approval of the RBI for the issue of debit cards and were only required to submit a copy of the Agenda note put up to the Board and the Resolution passed thereon giving details of the product. Banks were further advised, vide our Circular DBOD.No.FSC.BC.41/24.01.011/2000-01 dated 30th October 2000 that banks with minimum networth of Rs.100 crore should only issue debit cards.

2. A review of minimum networth criterion of Rs.100 crore for banks introducing on-line debit cards was undertaken by us recently and banks are advised that

- (i) In the case of on-line debit cards i.e., where Straight-Through-Processing (STP) is done, banks need not seek prior approval of the RBI for introduction thereof. Banks may launch the debit card product with the approval of their respective Boards, and should forward a copy of the Agenda note put up to their Board and the Resolution passed thereon, to us.
- (ii) In the case of debit cards where authorization and settlement are off-line or where either authorization or settlement is off-line, banks should obtain prior approval of the RBI for introduction of the same, after submitting to us details on mode of authorization and settlement, authentication method employed, technology used, tie-ups with other agencies/service providers, if any, together with Board note/Resolution.
- (iii) The stipulation of minimum networth of Rs.100 crore for introduction of on-line debit cards is removed. However, the minimum networth criterion of

Rs.100 crore should be adhered to by banks introducing off-line mode of operation of debit cards.

3. Consequently, amendment may please be carried out to paragraph 15.11(i) of Chapter 15 of Manual of Instructions, Vol.I-Part II as per slip attached.

4. Please acknowledge receipt.

Yours faithfully,

(K.Seetharamu)
Chief General Manager

Slip
[Manual of Instructions-DBOD,DBS and IECD-
FSC.BC. 32 of 2001]

Paragraph 15.11

(i) Banks can introduce Smart/On-line Debit Cards ie., where there is Straight-Through-Processing (STP), with the approval of their Boards, keeping in view the Guidelines contained in Annexure I. While banks need not obtain the prior approval of the Reserve Bank of India, the details of smart/on-line debit cards introduced may be advised to the Reserve Bank of India together with a copy each of the agenda note put up to their Boards and the resolution passed thereon. In the case of debit cards where authorization and settlement are off-line or where either authorization or settlement is off-line, banks should obtain prior approval of the Reserve Bank of India for introduction of the same, after submitting the details on mode of authorization and settlement, authentication method employed, technology used, tie-ups with other agencies/service providers (if any), together with Board note/Resolution. However, only banks with networth of Rs.100 crore and above should undertake issue of off-line debit cards. Banks cannot issue smart/debit cards in tie-up with other non-bank entities.