

RBI/2008-2009 /141  
DBOD.No.BL.BC. 35 /22.01.009/2008-2009

August 27, 2008  
Bhadra 5, 1930 (S)

**All Scheduled Commercial banks (including RRBs) and  
Local Area Banks**

Dear Sir,

**Financial Inclusion by Extension of Banking Services –  
Use of Business Correspondents (BCs) – Section 25 companies**

Please refer to our circulars DBOD.No.BL.BC.58/22.01.001/2005-2006 dated January 25, 2006, DBOD. No. BL. BC. 72/ 22.01.009 / 2005-2006 dated March 22, 2006 and DBOD.No.BL.BC.74/22.01.009/2007-2008 dated April 24, 2008, on the above subject.

2. On a review of the matter, it has since been decided that banks can engage companies registered under Section 25 of the Companies Act, 1956, as Business Correspondents (BCs) provided that the Section 25 companies are stand-alone entities **or** Section 25 companies in which NBFCs, banks, telecom companies and other corporate entities or their holding companies do not have equity holdings in excess of 10 %.

3. Further, while engaging Section 25 companies as BCs, banks will have to strictly adhere to the distance criterion of 15 kms. / 5 kms, as applicable, between the place of business of the BC and the branch. In this connection, a reference is invited to paragraph 4 of our circular DBOD.No.BL.BC.74/22.01.009/2007-08 dated April 24, 2008.

Yours faithfully,

**(P. Vijaya Bhaskar)**  
Chief General Manager