

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)**

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 and based on references received from banks, it has been decided that in case duly appointed BCs of banks desire to appoint sub-agents at the grass-root level to render the services of a BC, banks have to ensure that (i) the sub-agents of BCs fulfill all relevant criteria stipulated for BCs in terms of our extant guidelines referred to in paragraph 1 above (ii) the BC appointed by them carries out proper due diligence in respect of the sub-agent to take care of the reputational and other risks involved (iii) the distance criterion of 15 kms. / 5 kms, as applicable, from the base branch should invariably be fulfilled in the case of all sub-agents.

3. Further, where individuals under the permitted categories have been appointed as BCs, they cannot in turn appoint sub-agents.

Yours faithfully,

(P. Vijaya Bhaskar)
Chief General Manager