



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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**Draft – Reserve Bank of India (Rural Co-operative Banks - Branch  
Authorisation) Amendment Directions, 2026**

**Draft**

DOR.LIC.REC.No./07-01-000/2026-27

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Please refer to the [Reserve Bank of India \(Rural Co-operative Banks – Branch Authorisation\) Directions, 2025 dated December 04, 2025](#) (hereinafter referred to as 'the Directions').

2. On a review, it has been decided to permit Rural Co-operative Banks to engage Business Correspondents (BCs). In exercise of the powers conferred by Section 35A and Section 23 read with Section 56 of the Banking Regulation Act, 1949 and all other laws enabling the Reserve Bank of India (RBI) in this regard, RBI being satisfied that it is necessary and expedient in public interest to do so, hereby issues the Amendment Directions hereinafter specified.

3. The Reserve Bank of India (Rural Co-operative Banks – Branch Authorisation) Amendment Directions, 2026, modify the aforesaid Directions as under:

**(1) In paragraph 4, following definitions shall be inserted after sub-paragraph 3:**

(4) **“Branch”** will have the same meaning as assigned in Section 5(cc) of the Banking Regulation Act, 1949.

(5) **‘Business Correspondent’ (BC)** means as an entity (juridical person) or individual (other than its own employee) who has been engaged by a bank to provide banking and other financial services, on behalf of the bank in accordance with the guidelines contained in Chapter IIA of this Direction.

(6) **‘Business Correspondent - Banking Touchpoint’ (BC-BT)** is a service delivery point working exclusively for one bank, operated by a BC / BC sub-agent, offering limited services stipulated in Chapter IIA of this direction, and having flexible hours of operations. It should clearly indicate to customers the name of the bank and authorisation from it, contact details of the controlling authorities and complaint escalation mechanism. The bank



should define the area of operation for these touchpoints, ensure proper supervision of these touchpoints and timely redressal of customer grievances.”.

- (7) **‘BC sub-agent’** is an individual, engaged by a BC, who provides banking and other financial services, on behalf of the bank, at the point of customer interface, in accordance with the guidelines contained in Chapter IIA of this Direction.

Note: An individual engaged as a BC or BC sub-agent shall not sub-contract the function.

- (2) **After paragraph 5 of Chapter I**, the following new section, its sub-sections, and paragraphs shall be inserted as under:

### **“Chapter IA - Role of Board of Directors**

#### **A. Board Approved Policies**

5A. A bank shall put in place separate Board-approved policies for the following:

- (1) Opening of branches keeping in view the financial health of the bank, viability study of the new branches and customer service. The policy shall be updated periodically to keep it aligned with revised RBI guidelines.
- (2) Engagement of Business Correspondents (BCs) with the objectives of adequate oversight of the BCs as well as provision of services to customers, putting in place an effective complaints redressal system.
- (3) Offering Doorstep Banking services including selection of agents and payment of fee / commission, charges, if any, to be levied on the customer, etc.

#### **B. Key responsibilities**

5B. **Use of Business Correspondents:** The Board shall review the operations of BCs at least once every six months with a view to ensuring that requirement of prefunding of BCs and BC sub-agents should progressively taper down with the passage of time as specified in paragraph 42P(6). The Board of a bank shall review the position of payment of remuneration of BCs and shall also lay down a system of monitoring by the top management of the bank.”



(3) **After paragraph 42 of Chapter II**, the following new section, its sub-sections, and paragraphs shall be inserted as under:

### **“Chapter IIA – Use of Business Correspondents by RCBs**

#### **A. Eligibility**

42A. With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, rural co-operative banks (RCBs) are permitted to use the services of Business Correspondents (BCs) in providing financial and banking services as per the directions contained in this chapter.

#### **B. Operating Structure of Business Correspondents**

42B. A bank opting to engage BCs shall deploy them as **Business Correspondent - Banking Touchpoint (BC-BT)**. BCs cannot function from branches of the bank.

#### **C.1 Guidelines for engaging Business Correspondents (BCs)**

42C. A bank, which satisfies the eligibility criteria for business authorization (ECBA) as laid down in para 7 of Chapter-II of the Directions is eligible to engage the services of Business Correspondents (BCs), subject to compliance with the guidelines contained in this Chapter. A bank fulfilling the aforesaid conditions may approach the concerned Regional Office of RBI through PRAVAAH portal for permission to engage BCs.

42D. Due diligence shall be carried out on the individuals / entities to be engaged as BCs prior to their engagement. The due diligence exercise may, inter alia, cover aspects such as (i) reputation / market standing, (ii) financial soundness, (iii) management and corporate governance, (iv) cash handling ability and (v) ability to implement technology solutions in rendering financial services. Banks shall also follow Customer Due Diligence procedures stipulated in [Reserve Bank of India \(Rural Co-operative Banks - Know Your Customer\) Directions, 2025](#) (as updated from time to time), issued by the Reserve Bank, before onboarding BCs/ BC sub-agents. Further, banks shall also carry out periodic updation of KYC of BC and BC sub-agents.



## **C.2 Eligible individuals / entities**

42E. Banks may engage any individual or entity as their BC, subject to their policy, due diligence, and no conflict of business interest between the bank and the BC. Entities (juridical persons) engaged as BCs, may appoint individuals as their sub-agents. While an entity may enter into BC arrangements with more than one bank, subject to necessary operational and data safeguards to be prescribed by banks, each BC-BT shall render services on behalf of only one bank under the arrangement.

Note: The following entities shall not be engaged as BCs:

- (1) Banks, except Payments Bank;
- (2) Deposit taking Non-Banking Finance Companies; and
- (3) Primary Agricultural Credit Society, unless they are on CBS and have transferred assets and liabilities to respective DCCBs.

42F. The terms and conditions governing the contract between the bank and a BC shall be carefully defined in written agreements and subjected to a thorough legal vetting. While drawing up agreements, the bank shall strictly adhere to instructions contained in the [Reserve Bank of India \(Rural Co-operative Banks – Managing Risks in Outsourcing\), Directions 2025](#). The bank shall be fully responsible for compliance with the relevant regulations and liable for actions of the BCs and BC sub agents.

42G. Directors of the RCB and their relatives as also its serving officers/ employees and their relatives are not eligible to act as BCs/ BC sub-agents.

## **C.3 Procedure for engaging BCs**

42H. The terms and conditions governing the contract between the RCB, and a BC shall be carefully defined in written agreements and subjected to a thorough legal vetting. While drawing up agreements, the bank shall strictly adhere to instructions contained in the [Reserve Bank of India \(Rural Co-operative Banks – Managing Risks in Outsourcing\) Directions, 2025](#). The bank shall be fully responsible for compliance with the relevant regulations and liable for actions of the BCs and BC sub agents.



#### **C.4 Scope of activities**

42I. A BC-BT shall only provide limited inter-operable services of small-value cash transactions and remittances, up to a threshold as per bank's policy.

#### **C.5 KYC Norms**

42J. KYC and AML procedures, as laid down in the [Reserve Bank of India \(Rural Co-operative Banks – Know Your Customer\) Directions, 2025](#) shall be followed in all cases. The bank may, if necessary, use the services of the BC for preliminary work relating to account opening formalities. However, ensuring compliance with KYC and AML norms for such opening of accounts shall be the responsibility of the bank. BCs may also be used for updation / periodic updation of KYC.

#### **C.6 Customer confidentiality**

42K. A bank shall ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.

#### **C.7 Information Technology Standards**

42L. A bank shall ensure that equipment and technology used by the BC are of high standards.

#### **C.8 Location and Monitoring**

42M. With a view to ensuring adequate supervision over the operations and activities of the BCs by the bank, every BC will be attached to and be under the oversight of a specific branch to be designated as the base branch. The distance between the place of business of a BC and the base branch should not exceed 30 kms in rural, semi-urban and urban areas and 5 kms in metropolitan centres. While engaging BCs, the bank shall ensure that the area covered by them is strictly within their eligible area of operation. The bank may resort to monitoring the BC-BT through technological tools/ remote oversight.

#### **C.9 Payment of commission / fee**

42N. A RCB may pay reasonable commission / fee to the BCs, as follows:



(1) BCs / BC sub-agents operating Banking Touchpoints (BC-BTs) shall be eligible to receive only variable remuneration. A standing committee under the aegis of IBA having representation from banks and business correspondents shall prescribe the minimum remuneration, and periodically review the remuneration structure based on suitable benchmarks, the share between BCs and BC sub-agents, and the need for recalibrations, etc.

(2) The variable remuneration shall also have an element of customer satisfaction and not merely be based on the volume of transactions.

(3) Punitive measures against BCs / BC sub-agents such as monetary penalty, revocation of terminal ID etc, for deficiencies in services; shall be based on a fair, transparent, and non-exploitative policy.

(4) A bank (but not its BCs / BC sub-agents) is permitted to collect reasonable charges from the customers in a transparent manner.

#### **C.10 Transactions put through BC**

42O. As engagement of intermediaries such as Business Correspondents involves significant reputational, legal and operational risks, due consideration shall be given by banks to those risks. The bank shall adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost-effective manner. The transactions shall normally be put through information and communication technology-based devices that are seamlessly integrated to the Core Banking Solution (CBS) of the bank. The transactions shall be accounted for on a real time basis and the customers shall receive immediate notification and verification of their transactions through visuals (screen based) or other means (debit or credit slip).

42P. In formulating the schemes on BCs, the bank shall be guided by the [Reserve Bank of India \(Rural Co-operative Banks - Managing Risks in Outsourcing\), Directions 2025](#). The arrangements with BCs shall specify:

- (1) Suitable limits on cash holding by intermediaries as also limits on individual customer payments and receipts;
- (2) Issuing a receipt on behalf of the bank as acknowledgment for cash collected from the customer;



- (3) All BCs shall undertake transactions in online mode only.
- (4) The responsibility of the bank to the customer for acts of omission and commission of the BC in all agreements / contracts with the customer;
- (5) Considering the cash transacted by BCs is bank's cash, banks shall put in place arrangements for cash management, including insurance of cash-in-transit;
- (6) Banks may also include in their policy a provision for placing suitable transaction limits along with a mechanism for progressive reduction in pre-funding requirements as an incentive mechanism based on business relationship, quality of customer service, and service to under-banked areas. Banks may ensure that the benefit of progressive reduction in pre-funding requirements for BCs is passed on to BC sub-agents; and
- (7) BCs/BC sub-agents transactions shall be put through designated current accounts to avoid co-mingling of corporate/personal and bank funds and to enable appropriate monitoring from the KYC/AML perspective. Banks may decide their preferred mechanism for settlement of transactions either in a decentralized manner through individual BC sub-agent's accounts, or in a centralized manner through a BC's account.

### **C.11 Review of BC Operations - Internal Control, Monitoring, Operational Safeguards, and Risk Management**

#### **42Q. Internal Control and Monitoring**

- (1) The existing AePS Touchpoint Operator (ATO) guidelines which prescribe 90 days inactivity norm will be applicable to BC-BT.
- (2) A bank shall carry out a detailed review of the performance of various BCs engaged by it at least once in a year and it shall monitor the activities of BCs through its Controlling Offices.
- (3) The bank's policy shall lay down provisions for closure of 'inactive' BC-BTs.

#### **42R. Operational Safeguards**

- (1) In cases where BC/ BC sub-agents have become 'inactive', bank shall carry out KYC of BC and BC sub-agent before enabling them to transact further.



- (2) Banks shall update the IBA BC registry portal on onboarding, training/certification, inactivation, reactivation, or removal of BCs and sub-agents on near real time basis. Initial date of starting operations as BC/BC sub-agent as well as dates of inactivation, reactivation, removal etc. shall be provided in BC registry Portal.

#### 42S. Risk Management

- (1) Banks shall monitor the activities of BCs and BC sub-agents through their transaction monitoring systems on an ongoing basis and set operational parameters, based on their business risk profile. Aspects such as location and nature of transaction, volume, and velocity of transactions, etc. shall form part of bank's fraud risk management framework.
- (2) The operational parameters regarding BCs/BC sub-agents shall be reviewed on a periodic basis, from the point of view of customer service, and emerging fraud patterns.
- (3) Since BCs and BC-sub agents provide banking/financial services to customers, with technology, playing a key role in authentication, customer protection and fraud prevention, banks shall put in place adequate system level controls and safeguards.
- (4) Ultimately banks are responsible for the acts of their BCs and BC-sub agents and the extant guidelines on [Reserve Bank of India \(Rural Co-operative Banks - Managing Risks in Outsourcing\), Directions 2025](#), provide the key elements of the terms and conditions, including, that the contract between the bank and service providers shall include a clause to recognise the right of the Reserve Bank to cause an inspection to be made of a service provider by one or more of its officers or any other person. Further, such arrangements shall be carefully defined in legally vetted written agreements, and the agreement shall address the risks and have suitable risk mitigation strategies. The agreement shall allow the bank to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of legal relationship between the parties, i.e., whether agent-principal or otherwise.



Note: IBA may put in place a model agreement for BC operations, clearly defining terms of agreement and obligations between a bank and entity/individual engaged as BC.

### **C.12 Consumer Protection Measures**

42T. A bank shall take all measures to protect the interests of the customers. Some such safeguards are outlined below:

- (1) Adequate care may be taken towards introducing the BC / sub-agent of the BCs to the members of public to avoid misrepresentation / impersonation.
- (2) The products and processes shall be approved by the bank and the BC shall not introduce any product / process without the approval of the bank.
- (3) Each BC-BT shall post a sign in local language indicating their status as service provider for the respective bank. The signage shall also disclose (i) name of the BC/BC-sub agent, (ii) telephone number and email id of the base branch/controlling office of the bank and (iii) contact details of RBI Ombudsman. The applicable fees for the available services shall also be displayed prominently.
- (4) Financial services offered by the BCs / BC sub-agents on behalf of the bank shall not be tied to the sale of any of the BC's/ BC sub-agent's own products/services.
- (5) The bank shall have necessary Business Continuity Plan (BCP) in place to ensure uninterrupted service in case the arrangement with the BCs / sub-agents is terminated.
- (6) In case an entity is engaged as BC by more than one bank, it shall be ensured that the customer database and account details are kept separate and there is no co-mingling of data.

### **C.13 Redressal of Grievances**

42U. Grievance Redressal Machinery shall be constituted within the bank for redressing complaints for services rendered by the BCs and be given wide publicity through electronic and print media. The name and contact number of designated Grievance Redressal Officer of the bank shall also be made known



and widely publicised. The designated officer shall ensure that grievances of customers are redressed promptly. The grievance redressal procedure of the bank and the time frame fixed for responding to the complaints shall be placed on the bank's website. If the complaint was rejected wholly or partly by the bank, and the complainant is not satisfied with the reply; or the complainant had not received any reply within 30 days after the bank received the complaint, the complainant will have the option to approach RBI Ombudsman for redressal of grievance/s.

#### **C.14. Training and Certification**

42V. BCs/BC sub-agents need to be equipped with functional / operational skills, behavioural skills, and conceptual / technical knowledge. Accordingly, in order to strengthen the training and certification of BCs:

- (1) Banks shall have in place a policy on conducting suitably calibrated training sessions for the BCs/ BC sub-agents in virtual/physical mode at least on an annual basis. Trainings shall be conducted in the local language, with the frequency further calibrated based on risk assessment, performance monitoring, and operational needs, as outlined in the bank's policy.
- (2) BC/BC sub-agents operating BC-BT shall possess Basic BC Certification of IIBF or shall complete requisite virtual/physical basic training module offered by IBA designated training institutions, or conducted by the bank engaging their services, within nine months of start of operations. Pre-certification training may be provided by empanelled agencies (as updated by IBA from time to time) and banks, subject to compliance with syllabus / training requirements set out by IBA (as amended by IBA from time to time).
- (3) Individuals functioning as BCs/ BC sub-agents and not completing training for BC-BT within nine months of commencing operations shall not be eligible for engagement by another bank, i.e., the nine months period shall commence from the initial date of starting operations as BCs/ BC sub-agents (as captured in the IBA BC registry portal).



(4) Banks may claim reimbursement of the cost of training and certification of individuals working as BC/ BC sub-agents from the Depositor Education and Awareness Fund (DEA Fund), under a scheme to be notified separately.”

4. The above amendments shall come into force from July 1, 2026.

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Chief General Manager