

STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*



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Theme 253

WHITE LABEL ATMs (WLAs)

A monthly publication from South Indian Bank

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Theme No. 253 :WHITE LABEL ATMs (WLAs):

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. This month, we discuss about deployment of White Label ATMs and the extant RBI guidelines on setting up and operating such ATMs.

What do you know about the present growth in providing ATMs as extended delivery channels in India?

Banks have played a major role in encouraging ATM adoption and modifying behavioural strategies in the domain of personal banking. The RBI circular in February 2012, estimated the number of ATMs approximately at 87,000 in the country. Even though there is considerable growth in banking space, the same has been confined principally to the urban and metro areas. The unbanked /under banked areas in Tier III to VI have not witnessed much ATM presence. A recent estimate shows that there is almost 30% year-on-year growth in the number of ATMs, but the ATM penetration on a per capita basis continues to be less compared to other countries. RBI is of the view that there is abundant scope for deployment of more ATMs in Tier III to VI areas. The investments in ATMs have been leveraged for delivery of a wide range of banking services to customers and expanded the scope of banking to anytime, anywhere banking through interoperable platforms provided by the authorised shared ATM Network Operators/Card Payment Network Operators.

What are the extant RBI guidelines on setting up ATMs?

As per the existing RBI rules/ regulations, only banks are permitted to set up ATMs (Automated Teller Machine) as extended delivery channels. According to a recent data available from National Payments Corporation of India , the number of ATMs in the country – of private, public, foreign and cooperative banks, part of National Financial Switch connecting all ATMs have crossed one lakh .A study by an ATM manufacturer, NCR Corporation India, shows that almost 70% of ATM deployment has been in urban areas. After a gap of six to eight months, the public sector banks have geared up to establish 60,000 more ATMs across the country over the next two years.

What are the revised guidelines on ATM deployment?

RBI has recently reviewed the extant policy on ATMs and it has been decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration into unbanked and under banked areas in the country. The non bank entities who intend to set up, own and operate ATMs will be known as WLAO (White Label ATM Operators) and such ATMs as WLAs (White Label ATMs).

What is the procedure for setting up an ATM by a non-bank entity?

RBI has now decided to permit non-bank entities incorporated in India under the Companies act 1956, to set up , own and operate ATMs in India, after obtaining authorisation. The non - bank entities who propose to set up WLAs have to initially submit an application to RBI for seeking authorisation under the Payment and Settlement Systems Act 2007. The window for seeking authorisation will be available for a period of four months from the date of issuance of these guidelines. Such non-bank entities should own a minimum net worth of Rs.100 crore at the time of making the application and on a continuing basis after issue of the requisite authorisation.

What are the other conditions for WLAs?

- The authorised non-bank entity, who is known as a WLA operator (WLAO) would have the freedom to choose the location of the WLA.
- The authorisation under the proposed guidelines would be initially valid for a period of one year.
- Extension of authorisation, if required, shall be sought three months prior to the completion of one year for the continued operation of the system.
- The authorisation issued to a WLAO cannot be assigned / transferred without prior approval of RBI.
- The WLAs are not allowed to switch over from one scheme to the other (schemes explained below) without permission
- The implementation period would commence 30 days after issuance of the authorisation.

What are the general criteria for non-bank entities authorised by RBI to set up and operate WLAs?

- a. The authorised non-bank entity has to adhere to the annual targets and the ratio of WLA between Tier I & II and Tier III –VI centres that may be stipulated by RBI.
- b. Initially, only the Cards issued by banks would be permitted to be used at the WLA.
- c. Acceptance of deposits at the WLA site into the account of the WLAO or to any other account shall not be permitted.
- d. The WLA operator will be treated as the “acquirer” for all transactions initiated at the WLA and thus earns the commission or fee accordingly.
- e. The WLA has been permitted to earn extra revenue through advertisement and by offering value added services.
- f. The advertisements placed on such WLAs would be subject to ASCI (Advertising Standards Council of India) codes and other regulations.

- g. The concession available in the form of five free transactions in a month for using other bank ATMs would not be applicable to WLAs operated by non-bank entities.
- h. The charges for each transaction should be displayed on the screen before the customer initiates the transaction in a WLA.
- i. The WLAO would not be entitled to any other fee from issuer bank other than the “acquirer” income.
- j. The WLAO shall also not be permitted to charge any fee from the customers for the use of the ATM resources.
- k. Regulatory guidelines relating to compensation for failed ATM transactions would apply to transactions at WLAs.
- l. General guidelines governing the operations of the bank operated ATMs would apply mutatis mutandis to WLAs.

What are the different schemes and the terms and conditions therein?

There are three different schemes and the targets allotted under each will form part of the authorisation given under section 7 of the Payment and Settlement System Act 2007.

Scheme A: Under the scheme a minimum number of 1000 WLAs have to be set up in the first year followed by twice the number in the second year and three times of the number of the second year in the third year. In addition, the ratio 3:1 would be applicable, which means for every three WLAs installed in Tier III to VI centres, one WLA is allowed to be set up in Tier I & II centres. Again there is a condition that out of the WLAs in Tier III to VI centres, a minimum of 10% should be in Tier V & VI centres.

Scheme B: The scheme prescribes a minimum of 5000 WLAs every year for three years. The applicable ratio is 2:1, which means for every two WLAs in Tier III to VI, one WLA is allowed in Tier I & II centres. Under this scheme also, the 10% stipulation for Tier V & VI centres will be applicable.

Scheme C: The scheme envisages installation of minimum 25,000 WLAs in the first year and at least another 25,000 in the next two years. The ratio applicable is 1:1 with the 10% minimum stipulation for V & VI centres.

What are the roles and responsibilities of the WLA Operator (WLAO)?

1. The non-bank entities shall commence setting up and operating WLAs only after they have been authorised to do so by RBI under the Payment and Settlement Systems Act 2007.
2. WLA operator should declare one “Sponsor Bank”, who will fulfil the responsibility of settlement of all the service transactions at the WLA. The Sponsor Bank should invariably be a member of one of the ATM networks authorised by RBI and be a member of the RTGS (Real Time Gross settlement).
3. Cash Management at the WLAs shall be entrusted to the Sponsor Bank, who may have necessary arrangements with other banks for serving cash requirements at various

places.

4. The WLA Operators/ their agents shall have no access at any point of time to the cash at the WLAs.
5. Settlement of all the WLA transactions shall be done only in the books of the Sponsor Bank through the ATM Network with whom the WLA operator has established connectivity.
6. Maintenance and servicing of the WLAs shall be the sole responsibility of the WLA operator.

What are the roles and responsibilities of the “Sponsor Bank”?

CASH MANAGEMENT:

- The responsibility of the Sponsor Bank in cash management at the WLAs should be ensured with a suitable agreement entered into between the WLAO and the Sponsor Bank.
- The Sponsor Bank has to confirm that the WLAs are adequately stocked with good quality notes.
- Cash Management by Sponsor Bank includes ownership and reconciliation of the cash loaded into the WLAs and appropriate accounting of any excess cash, on account of partial or no disbursal.
- The Sponsor Bank may enter into tie-ups with other banks for loading and reconciliation at locations where it has no presence.
- In areas, where the Sponsor Bank enters into tie-ups with a Bank, all the responsibilities of cash management will fall with such Bank.

CUSTOMER GRIEVANCE REDRESSAL:

1. The Sponsor Bank with necessary arrangement with WLA Operator has to give necessary support to the ATM issuing Bank to redress customer complaints expeditiously by making available relevant records and information.
2. The extant directions of RBI on the time-lines for resolution of complaints are applicable to WLAs also.
3. Any delay in resolution of such complaints, attributable to the sponsor bank / WLAO resulting in penalty to the customer by issuing bank, shall be compensated by the sponsor bank.
4. The sponsor bank has to make appropriate arrangements with the WLA operator for recovery of such amounts.

What are the roles and responsibilities of ATM Network Operators?

1. The Network operator has to offer direct connectivity to the WLA operator to facilitate transactions at the WLA and for settlement with requisite approval from RBI
2. The WLA operator will be brought under the ambit of the Network’s Operating Guidelines and the Dispute Resolution Mechanism put in place in accordance with RBI directives.



GENERAL CONDITIONS:

- ◆ **The Network Operator, the WLA Operator and the Sponsor bank shall enter into a tri-partite Service Level Agreement (SLA) to address issues relating to inter-bank settlements and settlement of failed transactions.**

- ◆ **All the relevant provisions of all guidelines/directives/instructions issued by various departments of RBI, DPSS (Dept. of Payment & Settlement Systems), DBOD (Dept. Of Banking Operations and Development) and CSD (Customer Service Department) with reference to the services, operations, security applicable to bank ATMs would also apply to the WLAs.**

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