



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA



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April 7, 2022

All Scheduled Commercial Banks

(excluding Regional Rural Banks, Local Area Banks & Payments Banks)

Dear Sir / Madam,

**Establishment of Digital Banking Units (DBUs)**

In recent times, digital banking has emerged as the preferred banking service delivery channel in the country along with 'brick and mortar' banking outlets. Reserve Bank has been taking progressive measures to improve availability of digital infrastructure for banking services. In furtherance of this objective and as a part of efforts to accelerate and widen the reach of digital banking services, the concept of "Digital Banking Units" (DBUs) is being introduced by the Reserve Bank.

2. In pursuance of announcements made in the Union Budget 2022-23, guidelines have been prepared for setting up of Digital Banking Units (DBUs) by commercial banks on the basis of recommendations of a Working Group formed by RBI which included representatives of banks and Indian Banks' Association (IBA).

3. The guidelines for establishment of DBUs are detailed in the [ANNEX](#).

Yours faithfully

(Prakash Baliarsingh)  
Chief General Manager

Encl: As above

**Guidelines for Establishment of Digital Banking Units**

**1. Scope of Application:** These guidelines are applicable to all Domestic Scheduled Commercial Banks (excluding Regional Rural Banks, Payments Banks and Local Area Banks).

**2. Date of Application:** These guidelines will come into effect from the date of issue of the Circular.

**3. Definitions**

**3.1 Digital Banking:** Digital Banking refers to present and future electronic banking services provided by a licensed bank for the execution of financial, banking and other transactions and/or orders/instruments through electronic devices / equipment over web sites (*i.e* online banking), mobile phones (*i.e* mobile banking) or other digital channels as determined by the bank, which involve significant level of process automation and cross-institutional service capabilities running under enhanced technical architecture and differentiated business model / strategy.

**3.2 Digital Banking Segment:** A Digital Banking Segment, for the purpose of disclosure under Accounting Standard 17 (AS-17), is a sub-segment of the existing 'Retail Banking' Segment which will now be sub-divided in to (i) Digital Banking and (ii) Other Retail Banking. The business involving digital banking products acquired by DBUs or existing digital banking products would qualify to be clubbed under this segment.

**3.3 Digital Banking Products:** Digital banking products and services would generally mean those financial products/services whose designs and fulfilments have nearly end-to-end digital life cycle with the initial customer acquisition / product delivery necessarily taking place digitally through self-service or assisted self-service.

**3.4 Digital Banking Unit (DBU):** A specialised fixed point business unit / hub housing certain minimum digital infrastructure for delivering digital banking products & services as well as servicing existing financial products & services digitally, in both self-service and assisted mode, to enable customers to have cost effective/ convenient access and enhanced digital experience to/ of such products and services in an efficient, paperless,

secured and connected environment with most services being available in self-service mode at any time, all year round.

#### **4. Opening of DBUs – General Permission**

**4.1** Scheduled Commercial Banks (other than RRBs, PBs and LABs) with past digital banking experience are permitted to open DBUs in Tier 1 to Tier 6 centres, unless otherwise specifically restricted, without having the need to take permission from Reserve Bank of India in each case.

**4.2** The DBUs of the banks will be treated as Banking Outlets (BOs) as defined in para 3.1.1 of Annex to [RBI circular DBR.No.BAPD.BC.69/22.01.001/2016-17 dated May 18, 2017](#) on “Rationalisation of Branch Authorisation Policy- Revision of Guidelines”. For the purpose of compliance with regulatory requirements on opening of BOs during a financial year, the DBUs will be treated as opened in a centre from where the significant parts of its new business are proposed to be sourced, regardless of its physical location.

#### **5. Infrastructure and Resources**

**5.1** Each DBU shall be housed distinctly, with the separate entry and exit provisions. They will be separate from an existing Banking Outlet with formats and designs most appropriate for digital banking users.

**5.2** For front-end or distribution layer of digital banking, each bank would choose suitable smart equipment, such as Interactive Teller Machines, Interactive Bankers, Service Terminals, Teller and Cash Recyclers, Interactive Digital Walls, Document uploading, self -service card issuance devices, Video KYC Apparatus, secured and connected environment for use of own device for digital banking, Video Call / Conferencing facilities, to set up an DBU. These facilities can be insourced or outsourced while complying with relevant regulatory guidelines.

**5.3** The back-end including the Core Banking System and other back office related information systems for the digital banking products and services can be shared with that of the incumbent systems with logical separation. Alternatively, banks can adopt more core-independent digital-native technologies offering better scalability, flexibility in creating new / reusable digital environments through continuous development / software

deployment and interconnectivity specifically for this business segment, based on their digital strategy.

**5.4** If the digital banking segment of a bank uses an API layer (integration layer) to connect with external third-party application providers, the same should be tested in an isolated/ test environment before being integrated to bank's core systems backed by comprehensive risk evaluation and adequate documentation.

**5.5** Banks are free to adopt an in-sourced or out-sourced model for operations of the digital banking segment including DBUs. The outsourced model should specifically comply with the relevant regulatory guidelines on outsourcing.

**5.6** As the purpose of DBUs is to optimally blend digital infrastructure with 'human touch', remote or in situ assisted mode arrangements in right proportion should be planned and put in place by the banks.

**5.7** The establishment of DBUs should be part of the digital banking strategy of the bank. The operational governance and administrative structure of the DBUs will be aligned with that of the Digital Banking Segment of the bank. However, in order to accelerate digital banking initiatives, each DBU will be headed by a sufficiently senior and experienced executive of the bank, preferably Scale III or above for PSBs or equivalent grades for other banks who can be designated as the Chief Operating Officer (COO) of the DBU.

## **6. Cyber Security**

In addition to ensuring physical security of the infrastructure of the DBU, adequate safeguards for cyber security of the DBUs will have to be ensured by the banks.

## **7. Products and Services**

**7.1** Each DBU must offer certain minimum digital banking products and services. Such products should be on both liabilities and assets side of the balance sheet of the digital banking segment. Digitally value-added services to conventional products would also qualify as such. The DBUs are expected to migrate to more structured and custom made products, from standard offerings by use of its hybrid and high quality interactive capabilities.

**7.2** An illustrative list of minimum bouquet of products / services and self-service fulfilment services that can be offered in the DBU is given in the [APPENDIX](#). However, the banks have the freedom to offer any other digital product or service in addition to the minimum bouquet to cater to the specific needs of the service area. Any product or service that can be provided digitally through internet banking or mobile banking can be provided in the DBU. Any product or service which a bank is not permitted to offer as per the provisions of Banking Regulation Act 1949, as amended from time to time, shall not be offered by the DBU.

**8. Digital Banking Customer Education:** In addition to onboarding of customers in a fully digital environment, various tools and methods shall be used by DBUs to offer hands-on customer education on safe digital banking products and practices for inducting customers to self-service digital banking services. This effort has to be clearly translated to incremental digital penetration of the financial services a DBU is catering to and will have to be monitored. The district where the DBU is located will be the catchment area for the purpose.

**9. Digital Business Facilitator / Business Correspondent:** The banks will have the options to engage digital business facilitator / business correspondents in conformance with relevant regulations (Ref. [Master Circular DBOD.No.BAPD.BC.7/22.01.001/2014-15 dated July 01, 2014](#)) to expand the virtual footprint of DBUs.

**10. Customer Grievances:** There should be adequate digital mechanism to offer real time assistance and redress customer grievances arising from business and services offered by the DBUs directly or through Business Facilitators / Correspondents.

## **11. Reporting Requirements**

**11.1** Banks shall report the Digital Banking Segment as a sub-segment within the existing “Retail Banking Segment” in the format as specified under paragraph 4 of Annexure II (Part B) of the Reserve Bank of India (Financial Statements – Presentation and Disclosures) Directions, 2021. It is clarified that the digital banking products / services applicable to segments other than ‘Retail Banking’ need not be reported at this stage.

**11.2** Performance update with respect to DBU shall be furnished in a pre-defined reporting format (being separately issued) to Department of Supervision, Reserve Bank of India on monthly basis and in a consolidated form in Annual Report of the bank.

**11.3** Banks shall furnish information relating to opening, closure, merger or shifting of DBUs online through Central Information System for Banking Infrastructure (CISBI) portal to Department of Statistics and Information Management (DSIM), RBI as advised vide [RBI circular DBR.No.BAPD.BC.50/22.01.001/2018-19 dated June 28, 2019](#) on 'Revision in Proforma and Reporting of Bank/ Banking Outlet (BO) details under CISBI.

## **12. Role of Board of Directors**

**12.1** Expansion of digital financial services and financial inclusion being overarching objectives of DBUs and in view of the operational flexibility given to banks in this domain, the board should ensure provisions of regular on-site and off-site monitoring system covering all aspects of the guidelines.

**12.2** The Board or a Committee of the Board shall review the progress and key performance indicators of digital banking services including that of DBU separately at suitable periodicity. The review should cover both business and risk aspects of the segment.

### **Minimum Products and Services to be offered by DBUs (Ref. Paragraph 7.2 of Annex)**

**1. Liability Products and services:** (i) Account Opening: Saving Bank account under various schemes, Current account, Fixed deposit and Recurring deposit account; (ii) Digital Kit for customers: Mobile Banking, Internet Banking, Debit Card, Credit card and mass transit system cards; (iii) Digital Kit for Merchants: UPI QR code, BHIM Aadhaar, POS, etc.

**2. Asset Products and services:** (i) Making applications for and onboarding of customer for identified retail, MSME or schematic loans. This may also include end to end digital processing of such loans, starting from online application to disbursal; (ii) Identified Government sponsored schemes which are covered under the National Portal.

**3. Digital Services:** (i) Cash withdrawal and Cash Deposit only through ATM and Cash Deposit Machines respectively- no physical cash acceptance/disbursal across counters; (ii) Passbook printing / Statement Generation; (iii) Internet Banking Kiosk which may also include facilities to provide all/majority of services available on internet banking including indent and issuance/processing of Cheque Book request, receipt and online processing of various standing instructions of clients;(iv) transfer of funds (NEFT/IMPS support); (v) updation of KYC / other personal details, etc.; (iv) Lodging of grievance digitally and acknowledgement thereof and also tracking of resolution status; (v) Account Opening Kiosk; (vi) Kiosk with e-KYC/ Video KYC; (vii) Digital onboarding of customers for schemes such as Atal Pension Yojana (APY); Insurance onboarding for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY).