

July 7, 2004

To

All Non-Banking Financial Companies (NBFCs)  
including Residuary Non-Banking Companies (RNBCs)

Dear Sir,

**Issue of credit card**

NBFCs are not allowed to undertake credit card business without prior approval of Reserve Bank of India. However, we have been receiving requests from NBFCs for permission to issue debit cards, stored value cards, smart cards, value added cards, etc. In this connection, we advise that the issue of such cards have a characteristic akin to demand deposits as they are payable at the convenience of the card holders and acceptance of deposits payable on demand which is a banking function. The issue of such cards is, therefore, violative of the extant NBFC Directions. RBI has advised banks that they should not issue smart / debit cards in tie-up with any other non-bank entities (cf. DBOD.NO.FSC BC.106 / 24.01.019 / 2003-04 dated June 30, 2004).

2. In regard to credit card business, it is clarified that any company including a non-deposit taking company intending to engage in this activity requires a Certificate of Registration, apart from specific permission to enter into this business, the pre-requisite for which is a minimum net owned fund of Rs.100 crore and subject to such terms and conditions as the Bank may specify in this behalf from time to time.

Yours faithfully,

Sd/-

( O. P. Aggarwal )  
Chief General Manager-in-Charge