All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir / Madam

Advances - Out of pocket expenses

Please refer to the instructions contained in para 3 of our circular DBOD.No. Dir.BC. 131/C.96-97
dated November 15, 1976 and Note (i) of Annex to RBI Directive DBOD. DIR.BC.No.51/
04.02.001/2011-12 dated November 15, 2011 on the captioned subject.

2. Hitherto, Indian Banks’ Association (IBA) had been prescribing out of pocket expenses for
member banks. IBA has since reviewed the matter in consultation with member banks and it has
been observed that out of pocket expenses are linked to actual costs incurred by banks towards
specific activities like courier / dispatch of documents, telecommunications and Swift operations
and that the rates vary depending on the agencies involved as well as the efficacy of services,
which differ from bank to bank.

3. It has, therefore, been decided that the practice of IBA prescribing out of pocket expenses on
behalf of member banks should be done away with and the decision to recover out of pocket
expenses should be left to the individual banks. Banks are advised that while recovering out of
pocket expenses, they should ensure that the charges are reasonable and on an actual cost basis.

Yours faithfully

(Sudha Damodar)
Chief General Manager