

Annexure-I

This Memorandum of Understanding dated between the Government of the State ofrepresented byhaving office at (hereinafter referred to as 'the State') and the Reserve Bank of India having its Central Office at Shahid Bhagat Singh Marg, Post Box No. 406, Mumbai – 400 001 (hereinafter referred to as 'Reserve Bank').

Whereas the State administers theCo-operative Societies Act, and the Reserve Bank is the regulator of co-operative banks under the Banking Regulation Act,1949(as applicable to co-operative banks), the State and the Reserve bank exercise regulatory powers over co-operative banks concurrently;

And whereas it is considered essential to have coordination between the State and the Reserve Bank for ensuring proper regulation of co-operative banks;

It has, therefore, been decided to enter into a Memorandum of Understanding between the State and the Reserve Bank as under:

1. On requisition of the Reserve Bank under Section of theCo-operative Societies Act, for supercession of the Board of a co-operative bank and appointment of Administrator therefor, the State shall comply with the requisition forthwith.
2. On requisition of the Reserve Bank for winding up of a co-operative bank and appointment of a Liquidator therefor under Section of theCo-operative Societies Act, the State shall comply with the requisition forthwith.
3. The Board of the a Co-operative bank shall not be superceded by the Registrar without the prior approval of the Reserve Bank
4. The election to the Board of a co-operative bank shall not be postponed nor the tenure of the Board extended without concurrence of the Reserve Bank.
5. The State shall introduce long form audit report for conducting statutory audit of all urban cooperative banks. For banks with a deposit base of over Rs. 25 crore the State shall provide for the statutory audit to be mandatorily conducted by qualified Chartered Accountants to be appointed in consultation with the Reserve Bank of India.
6. The State shall modify the audit rating models such that the same is brought in alignment with the gradation system adopted by the Reserve Bank of India.
7. The State shall work to raise the standards of corporate Governance by putting in place certain minimum fit and proper criteria for members to be eligible for seeking election for the post of director or for being appointed as CEO, based on guidelines provided by Reserve Bank.

8. The State shall provide for upgradation of HR and IT in co-operative banks in consultation with the Reserve Bank.
9. The State shall provide for conduct of special audit of a co-operative bank if requested by the Reserve Bank and for submitting of report to the Reserve Bank within the time stipulated by it.

The State government hereby notes that the Reserve Bank would be constituting a State level Task Force on Urban co-operative banks (T AFCUB) for identification of potentially viable UCBs and that in the event of any of the above terms being not observed, the Reserve Bank, at its discretion, would wind up the T AFCUB and it would be at liberty to initiate such corrective action in terms of the provisions of the B.R. Act, 1949 (AACS) as it considers appropriate with respect to the urban cooperative banks in the state, notwithstanding any recommendations that might have been made by the T AFCUB.

In witness whereof the parties hereto have signed this Memorandum of Understanding aton thisday of2005.

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For the State

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For the Reserve Bank of India.

Witnesses

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