

*Press Releases***March 2008****Government of Punjab signs MoU with Reserve Bank of India****March 7, 2008**

The Government of Punjab and the Reserve Bank of India have, on March 7, 2008 signed a Memorandum of Understanding with regard to Urban Cooperative Banks in the State of Punjab. Consequent upon this, a State level Task Force on Urban Co-operative Banks (TAFUCB) has been constituted for Punjab. Dr J Sadakkdulla, Regional Director for Punjab, Haryana, Himachal Pradesh and Union Territory of Chandigarh, Reserve Bank of India, is the Chairman of the TAFUCB and Shri Viswajeet Khanna, Registrar of Cooperative Societies, Government of Punjab, is its Co-Chairman. The other members of the TAFUCB include a representative, each from State and National Federation of Urban Cooperative Banks, a nominee of State Government of Punjab and a representative of Urban Banks Department, Reserve Bank of India, Central Office, Mumbai. The first meeting of the TAFUCB will be held shortly.

Earlier, similar MoUs have been signed with the Governments of the States of Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan, Uttaranchal, Chattisgarh, Goa, Maharashtra, Haryana, National Capital Territory of Delhi, West Bengal, Assam and Tripura. As part

of its developmental role, the Reserve Bank would also be assessing the training, computerisation needs of the Urban Co-operative Bank/s in the State of Punjab with the objective of upgrading their human resources skills and technological infrastructure so that they improve their operational efficiency and quality of management information systems.

It may be recalled that in the Mid-Term Review of Annual Policy announced in October 2004, the Reserve Bank had announced that a Vision Document for Urban Co-operative Banks would be prepared. Accordingly, the Reserve Bank placed in public domain a draft Vision Document in March 2005. As the Urban Co-operative Banks are subject to dual control by the Reserve Bank and the State Governments, the Vision Document envisaged the signing of MoU between State Governments and the Reserve Bank of India to put in place an arrangement through which there is a convergence on the approach and remedial actions required to be taken for facilitating the development of the sector. The Vision Document also proposed the constitution of a State level Task Force for Urban Co-operative Banks with representatives of State Government, State/National Federation of Urban Cooperative Banks and the Reserve Bank of India as its members, for the purpose of identifying the potentially viable

urban co-op. banks and drawing up a time-bound action plan for their revival by setting specific monitorable milestones.

Ways and Means Advances to the Government of India for the Financial Year 2008-2009

March 28, 2008

It has been decided in consultation with the Government of India that the following arrangements will be in force for the financial year 2008-09.

The limit for Ways and Means Advances (WMA) will be Rs.20,000 crore for the first half of the year (April to September) and Rs.6,000 crore for the second half of the year (October to March). When 75 percent of the limit of WMA is utilised by the Government, the Reserve Bank may trigger fresh floatation of market loans.

The Reserve Bank would retain the flexibility to revise the limits at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be as under:

- a) Ways and Means Advances : Repo Rate
- b) Overdraft: Two percent above the Repo Rate

The minimum balance required to be maintained by the Government of India with the Reserve Bank of India will not be less than Rs.100 crore on

Fridays, on the date of closure of Government of India's financial year and on June 30, *i.e.*, closure of the annual accounts of the Reserve Bank of India and not less than Rs.10 crore on other days.

As per the provisions of the Agreement dated March 26, 1997 between the Government of India and the Reserve Bank of India, overdrafts beyond ten consecutive working days will not be allowed.