

Recommendations of High Power Committee- Opening of Extension Counters by Urban Co-operative Banks - Revised Policy

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April 26, 2001
Vaisakha 6,1923(S)

Chief Executive Officers of
all Primary (Urban) Co-operative Banks

Dear Sir,

Recommendations of High Power Committee- Opening of Extension Counters by Urban Co-operative Banks - Revised Policy

The existing policy for opening of extension counters by Urban Co-operative Banks (UCBs) has been reviewed by a High Power Committee (HPC) constituted by Reserve Bank of India in 1999. Based on the recommendations of the Committee in this regard, revised policy relating to opening of Extension Counters (ECs) by UCBs is set out below:

2. Revised policy approach

Licensed urban co-operative banks which are not classified as weak/sick, are eligible to open extension counters. **Only scheduled urban co-operative banks, which fulfill the norms laid down in paragraph 3 below can open ECs, without prior permission of RBI.** However such banks should approach our concerned Regional Office with an application as per enclosed format (Please see Annexure) for post facto approval, within one month from the date of opening of ECs. Under the revised policy, non-scheduled urban co-operative banks are not eligible to open ECs without the prior permission of Reserve Bank. Such of the non-scheduled UCBs which fulfill the norms stipulated at para 3 of the circular may approach the concerned Regional Office of the UBD RBI, under whose jurisdiction their Registered Office is located, with an application as per format in Annexure for seeking **prior permission** to open ECs. Such of the banks which open ECs, without seeking prior permission from RBI will have to close down the same and these would not be considered for regularisation/upgradation into full fledged branch/es.

3. Eligibility norms for opening extension counters.

An UCB which desires to open ECs should comply with the following norms,

(i) Extension Counters may be opened by UCBs (non-scheduled UCBs have to obtain prior approval) within the premises of educational institutions, big offices, factories and hospitals of which the concerned urban co-operative bank is the **principal banker**. Request from other banks to the institution may be considered, only if opening of an EC is not considered feasible by the principal banker and/or its base branch is beyond 10 Kms from the EC. **No extension counter should be opened in market place, residential colony, shopping centre etc.**

(ii) The number of direct beneficiaries/ accounts attached to the institution should be at least 500.

(iii) The base branch of the bank to which the proposed extension counter is linked should be within a distance of 10 kms. to facilitate incorporation of transactions of EC in the accounts of the base branch on a day-to-day basis.

(iv) Before opening an extension counter, the bank should take into account important factors such as need, viability and overall merits of opening of the EC.

(v) The level of net NPAs of the bank should be less than 10% of its net loans and advances outstanding as on 31 March of the latest financial year and the bank should have made full provisions as per RBI norms.

(vi) The bank should have achieved the target prescribed by Reserve Bank of India for priority sector lending.

(vii) The bank should have made net profits in each of the two preceding years.

(viii) The bank should have complied with SLR/CRR requirements on a continuous basis should not have violated RBI guidelines and should also have submitted statutory and other returns to RBI in time.

(ix) ECs should not be opened merely for collection of fees, payment of bills for electricity, water, telephones, etc. as it is primarily the responsibility of the concerned institution.

(x) The facilities at an extension counter should be restricted to -

(a) acceptance of deposits;

(b) issue and encashment of drafts and mail transfers;

(c) encashment of travellers' cheques and

(d) collection of bills.

4. These instructions supersede all our earlier instructions on the subject.

Yours faithfully

[M.M.S.Rekhrao]
Chief General Manager