

Opening of Extension Counters by Primary (Urban) Co-operative Banks

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22 July 2003

All Primary (Urban) Co-operative Banks
Dear Sirs,

Opening of Extension Counters by Primary (Urban) Co-operative Banks

Please refer to our circular BL.PCB.46/07.01.00/2000-01 dated April 26, 2001 and subsequent circulars issued on the above subject. The norms for opening of extension counters (ECs) by primary (urban) cooperative banks (UCBs) have been reviewed, in the light of representations received in this regard. Accordingly, the following instructions are being issued, in supersession of earlier instructions issued by us.

2. Places where ECs can be opened

2.1 ECs may be opened within the premises of only educational institutions, big offices, factories and hospitals of which the concerned UCB is the principal banker; requests from other bankers to the institution may be considered, only if opening of an EC is not considered feasible by the principal banker or its nearest branch is beyond 10 kms from the concerned institution.

2.2 ECs may also be opened in residential colonies subject to the condition that there should be no branch or extension counter of any bank already existing in the colony. There should also be no restrictions imposed by the local development or any other authorities for setting up a commercial establishment in the proposed locality/colony.

3. Revised Norms for opening of ECs

3.1 With a view to bringing uniformity in the criteria to be satisfied by UCBs desirous of opening ECs, the norms for opening extension counters have been rationalised and consolidated. The revised norms are as under:

3.2 Licensed UCBs, which are not classified as Grade III or IV, and satisfy the following norms, will be eligible to open ECs:

- a) Capital to Risk Assets Ratio (CRAR) should not be less than that prescribed by Reserve Bank of India;
- b) owned funds of the bank should not be less than the minimum required for opening of a new branch at the centre where the proposed EC is to be opened;
- c) net NPAs should be less than 10% of net loans and advances, with full provisioning, as on 31 March of the latest financial year;
- d) net profit (with no accumulated losses) in each of the 2 preceding years;
- e) achievement of prescribed priority sector target;

- f) track record of compliance with B.R. Act, 1949 (AACS) and RBI instructions, compliance with CRR/SLR requirements on a continuous basis, and timely submission of returns.

3.3 Conditions to be satisfied while opening ECs:

- (i) 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 the EC in the accounts of the base branch on a day-to-day basis.
- (ii) Only one EC is permitted within the premises of any institution/office/hospital/residential colony.
- (iii) Before opening an extension counter, the bank should take into account important factors such as the need, viability and overall merits of opening of the EC.
- (iv) ECs should not be opened merely for collection of fees, payment of bills for electricity, water, telephones, etc., as these are primarily the responsibility of the concerned institution.

4. Facilities that could be provided at the EC:

4.1 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.

4.2 UCBs having net profits for last three years, and net NPAs below 7% may also offer safe deposit locker facility, subject to provision of adequate security arrangements.

5. Application procedure:

5.1 Non-scheduled UCBs are required to obtain prior permission of RBI before opening an EC. Such UCBs fulfilling the above eligibility norms shall apply, as per format in Annexure, to the Regional Office of RBI, UBD under whose jurisdiction their Registered Office is located.

5.2 Scheduled UCBs, which satisfy all the eligibility criteria, can open ECs without prior permission of RBI. They must apply, within one month from the date of opening the EC, to the concerned Regional Office of RBI, UBD, in the annexed proforma, for post facto approval.

5.3 However, all UCBs, including scheduled UCBs, are required to obtain prior approval from RBI for opening an EC in a residential colony.

6. Compliance

ECs opened in contravention of the above instructions will not be regularised and will have to be closed down. The concerned UCB will also be liable for penalty under the relative provisions of the Banking Regulation Act 1949 (AACS).

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

Yours faithfully,

(S. Karuppasamy)
Chief General Manager-in-Charge