

May 26, 2004

The Chief Executive Officers
Primary (Urban) Co-operative Banks

(As per list attached)

Dear Sir,

Off-site Surveillance System for Primary (Urban) Co-operative Banks

A supervisory reporting system was introduced for the scheduled Primary (Urban) Co-operatives banks with effect from March 31, 2001, as a first step towards setting up of a system for Off-site Surveillance (OSS) of all urban co-operative banks (UCBs). As the reporting system has stabilized in respect of the scheduled UCBs it has been decided to extend the same to all Non-scheduled UCBs having deposit size of Rs.100 crores and above.

2. The OSS reporting system comprises a set of 8 returns, of which, the periodicity of one return, viz. Bank Profile Statement (Return No. 8) is annual and the rest 7 are required to be submitted at quarterly intervals. A complete set of these returns along with a Guidance Note containing explanation of the items to be filled up in the returns are enclosed in Annexure A & B respectively. While the Bank Profile statement should be prepared as on March 31st every year, the other 7 (quarterly) returns are required to be prepared with reference to the financial position as on March 31st, June 30th, September 30th and December 31st of every year. All returns are required to be submitted to Reserve Bank within one month from the end of the quarter/year. However, if the returns relating to the quarter/year ended March 31st are based on un-audited financial position, a revised return should be submitted as on that date, within 3 weeks of completion of statutory audit.

3. The OSS Returns would come into effect from quarter ended June 30, 2004. In order to facilitate smooth transition / operationalisation of the new set of returns, the period of one month for submission of the returns would be implemented gradually from the quarter ended December 2004 onwards, as under:

Returns for reporting period ended	Time Given for submission	To be submitted before
June 2004	3 months	September 30, 2004
September 2004	2 months	November 30, 2004

December 2004	1 month	January 31, 2005
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4. Prudential concerns monitored through these returns include aspects relating to solvency, liquidity, capital adequacy, asset quality/portfolio risk profile, connected or related lending and concentration of exposures of the supervised institutions. While the main objective of the reporting system is to obtain information on areas of prudential interest and monitor regulatory compliance, the OSS returns are also designed to address the management information needs and strengthen MIS within the reporting institutions. A collateral objective of the reporting system is to sensitize managements of banks to concerns of the supervisory authority and thereby also help in self-regulation.

5. The Off-site Surveillance Returns are required to be approved by the Board of Directors / Chief Executive Officer of the bank and sent to the Officer-in-Charge of Urban Banks Department (UBD) of the Regional Office of RBI, which has supervisory jurisdiction over the bank and to which the bank submits other regulatory returns. The OSS returns may be submitted in hard copy along with a floppy containing the returns. It may be noted that RBI attaches utmost importance to this reporting system and expects banks to submit the OSS returns to UBD correctly compiled and within the prescribed time. To this end, banks may designate and authorise one or two senior official/s who would be responsible for the correct compilation and timely submission of these returns and who would be fully responsible for the information furnished therein. Such designated Authorised Reporting Official/s (ARO/s) would have to liase with the officials in the Off-site Surveillance (OSS) Division of UBD. The names and designations of the ARO/s may be indicated to the concerned Regional Office of UBD while forwarding the OSS returns.

6. While the information provided in the supervisory returns would be subject to post-facto verification during on-site inspection by RBI and by external auditors, it would form the basis, in the interregnum, for supervisory attention and dialogue with bank managements. The importance of accuracy and timeliness of reporting therefore needs no emphasis. In this connection, attention is invited to section 46 (1) of the B.R.Act 1949, dealing with penalties for furnishing wrong information to RBI.

7. Please acknowledge receipt of this letter to Regional Office of UBD where the OSS returns would be submitted as indicated in para 5 above.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager

Encl.: As above.

Endtt.UBD.No.OSS.09/18.00.00/2003-2004 of date.

Copy forwarded for information and necessary action to the Regional Heads of all Urban Banks
Department, Reserve Bank of India.

(Ashok Narain)
Assistant General Manager