

**RBI /2005-06 /164**

**RPCD.CO.RF.BC.No. 2 / 07.06.00/2005-06**

September 17, 2005  
Bhadra 26, Saka 1927

Chairmen of All State Co-operative Banks

Dear Sir,

**Approval for Co-branded Domestic Credit Card Business**

The issue of permitting Scheduled State Co-operative Banks (SCBs) to take up co-branded domestic credit card business has been examined. It has been decided to allow licensed and/or scheduled SCBs to undertake, without risk participation, co-branded domestic credit card business with tie-up arrangement with one of the scheduled commercial banks, already having arrangement for issue of credit cards, subject to their fulfilling the following terms and conditions:

- (i) The bank should be having a minimum positive networth [real or exchangeable value of paid-up capital and reserves as defined in Section 11 of the Banking Regulation Act, 1949(AACS)] of Rs. 50 crore as per the latest NABARD Inspection Report;
- (ii) The bank should have earned net profit for the last three years and should not have accumulated losses;
- (iii) The Gross NPA of the bank should not be more than 10 per cent;
- (iv) The bank should not have violated prudential norms including individual and group exposure norms fixed by RBI / NABARD;
- (v) The bank should have complied with the instructions issued by RBI / NABARD on loans and advances to directors, their relatives / firms etc;
  
- (vi) The bank should submit an undertaking to the effect that banking business will not in any way get contaminated / affected on account of its tie-up arrangement with the credit card issuing bank for co-branded credit card business;
- (vii) The bank should obtain prior permission from the Reserve Bank of

India, Rural Planning and Credit Department (RPCD), Central Office (CO) before commencing the co-branded credit card business. The application should be recommended by the concerned Regional Office of NABARD and routed through the concerned Regional Office of RBI.

2. The permission granted to an SCB to commence the co-branded credit card business will be normally valid for a period of two years, subject to review before expiry of the said period. The SCB has to apply for renewal of the approval from the RBI (RPCD, CO) in the same way in which initial permission was obtained, three months before its expiry.
3. The SCBs, fulfilling the above norms and desirous of undertaking co-branded domestic credit card business, may forward their applications along with certified copy of the Board Resolution in support thereof and details of their financial position as at the end of the previous quarter to the respective Regional Office of RPCD. No SCB should undertake co-branded domestic credit card business without obtaining prior permission of the Reserve Bank of India.
4. The contents of this circular may be placed before the Board of your bank.
5. Please acknowledge receipt of this circular to our Regional Office concerned.

Yours faithfully

(K.Bhattacharya)  
General Manager