

RBI/2007-2008/79

UBD.CO.LS.Clr.No. 01/07.01.000/2007-08

July 4, 2007

The Chief Executive Officer of All
Primary (Urban) Co-operative Banks

Dear Sir/Madam,

**Annual Policy Statement for the Year 2007-08
-Relaxation in Branch Licensing Policy for Urban Cooperative Banks**

Please refer to para 208 of the Annual Policy Statement 2007-08 (copy enclosed).

2. As announced therein, it has been decided to allow Urban Cooperative Banks (UCBs) to open new branches/Extension Counters (ECs). The eligibility criteria for new branch/EC licences are as under:

- a) The bank should be registered under the Cooperative Societies Act of the States that have signed MoU with Reserve Bank of India or under the Multi State Co-operative Societies Act, 2002.
- b) The bank should be licensed and have an elected Board of Directors with at least two professionals in it.
- c) Subject to overall supervisory comfort, the bank should comply with the following mutually exclusive, performance/financial parameters:
 - i) CRAR should not be less than 9%
 - ii) Net NPAs should be below 10%
 - iii) There should not have been default in maintenance of CRR/SLR in the preceding financial year
 - iv) It should have made Net Profit in the financial year just ended
 - v) The Net worth should not be less than Rs.10 crore
 - vi) The average net worth per branch including the additional centres for which licences are sought, should not be less than Rs.2.00 crore per branch in A and B centres and Rs.1.00 crore in C and D centres (refer Annex I). For this purpose, extension counters would also be treated as branches.

3. Banks satisfying the above mentioned conditions would be eligible for additional branches/ECs not exceeding 10% of their existing branch network, over a period of two years.

4. Currently, scheduled UCBs not classified in Grade II, III, IV are allowed to open ECs without prior approval of RBI and upgrade them into branches after completion of three years. In view of the policy now put in place, **all** banks are required to obtain prior authorisation for opening extension counters.

5. Eligible UCBs may apply for licences for branches/extension counters to the Regional Office concerned in the proforma given in Annex II, along with a copy of the relative board note and resolution.

Yours faithfully

(N. S. Vishwanathan)
Chief General Manager-in-Charge

Annual Policy Statement for the year 2007-08

a) Licensing of branches of UCBs

208. It was indicated in the Annual Policy Statement of May 2004 that fresh issuance of licences to UCBs would be considered only after a comprehensive policy on UCBs, including an appropriate legal and regulatory framework for the sector, is put in place and a policy for improving the financial health of the UCB sector is formulated. As a sequel thereto, grant of licences for opening of new branches was also put on hold. Keeping in view the positive developments in the UCB sector, it is proposed:

- to consider granting of branch licences to well managed and financially sound UCBs in States that have signed MoUs, subject to fulfillment of certain parameters.

ANNEX I

Category of Centre	Population
A	Over 10 lakh
B	5 lakh and above but less than 10 lakh
C	1 lakh and above but less than 5 lakh
D	Less than 1 lakh

Format of the application for additional branch/extension counter licence

1. Name of the bank
2. Address of the Registered Office/Head Office
3. Area of Operation
4. Whether bank has an elected Board of Directors?
5. If so, whether there are two professional directors?
6. No. of existing branches (List of branches to be annexed) and the population of the centre as per latest census
7. No. of existing extension counters (List to be annexed) and the population of the centre as per latest census
8. Net profit for the financial year ended
9. CRAR as on the date of latest Inspection
10. Net NPA as on the date of latest inspection
11. Net worth
12. Whether there were / are any default in CRR/SLR (If yes, give details and the reasons for the same)
13. Proposed centres for opening branch/extension counter and the population of the centre (as per latest census)
14. Business prospects in the proposed place of business within 12 months:
 - a) Deposits
 - b) Advances