

RBI/2008-2009/285
RPCD.CO.RRB.BC. No.61 /03.05.90-A /2008-09

November 17, 2008

All Regional Rural Banks

Dear Sir,

Mid-Term Review of annual policy for the year 2008-09
Branch Licensing – Regional Rural Banks-
Further Liberalisation-Conditions for opening of new branches

Please refer to our Master Circular on Branch Licensing - Regional Rural Banks (RRBs) RPCD.CO.RRB.No.BL.BC.07 /03.05.90-A/2008-09 (RBI/2008-09/36) July 1, 2008.

Pursuant to the announcement made in paragraph 162 of the Mid -Term Review of Annual Policy for the year 2008-09 dated October 24, 2008 (copy of the extract enclosed) on the captioned subject, it has been decided to allow RRBs greater flexibility in opening new branches as long as they are making profits and their financials are improving.

Accordingly, the conditions for opening of new branches for RRBs mentioned in paragraph 1.2 of our Master Circular RPCD.CO.RRB.No.BL.BC.07/03.05.90-A/2008-09 (RBI/2008-09/36) dated July 1, 2008 have been modified.

RRB should fulfill the following conditions to become eligible for opening of new branch/es.

- i) It should not have defaulted in maintenance of SLR and CRR during the last two years.
- ii) The RRB should be making operational profits, its net worth should show improvement and its net NPA ratio should not exceed 8 per cent.

Yours faithfully,

(G.Srinivasan)
Chief General Manager-in-Charge