



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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November 16, 2010

All Primary (Urban) Cooperative Banks

Dear Sir / Madam,

Second Quarter Review of the Monetary Policy for 2010-11 –Opening of branches and extension counters by Urban Cooperative Banks-Liberalised Norms

Please refer to paragraph 90 of the Second Quarter Review of the Monetary Policy for 2010-11(extract appended). As announced therein, it has been decided to liberalise the present norms for opening of branches and Extension Counters (ECs) by Urban Cooperative Banks (UCBs).

2. Accordingly, well managed and financially sound UCBs will be eligible to open branches/ECs in their approved area of operation beyond the current annual ceiling of 10 per cent and upgrade ECs which are in operation for more than three years, provided they have the required headroom capital (prescribed in [Annex I](#)) in terms of assessed net worth (ANW) per branch, including existing branches (methodology given in [Annex II](#)) and subject to:

a) Maintenance of a minimum CRAR of 10% on a continuous basis with minimum owned funds commensurate with the prevalent entry point capital norms for the centre where branch is proposed / where it is registered.

b) Net NPAs being less than 5 %.

c) No default in the maintenance of CRR / SLR during the preceding financial year.

d) Continuous Net profit for the last three years

e) Sound internal control system with at least two professional directors on the Board.

f) Regulatory comfort based on inter alia, record of compliance with the provisions of Banking Regulation Act, 1949 (AACS), RBI Act, 1934 and the instructions / directions issued by RBI from time to time.

3. Such UCBs complying with the norms at a) to f) above will be eligible, as hitherto, to open off-site ATMs in their approved area of operation without including such proposals in their Annual Business Plans (ABP).

4. UCBs satisfying the above mentioned norms may prepare ABP for opening of branches/ ECs/ up gradation of ECs into full-fledged branches, in their existing area of operation, for the next 12 months, with the approval of their Board of Directors, and submit the ABP in duplicate to the Regional Office concerned. The Annexes accompanying the ABP should be as per the formats prescribed vide our circular dated June 16, 2008.

5. All other instructions contained in our Master Circular dated July 1, 2010 on Area of Operations and Branch Authorisation Policy continue to be in force.

Yours faithfully,

(A Udgata)

Chief General Manager- in- Charge

Second Quarter Review of the Monetary Policy for 2010-11(Para 90)

Liberalisation of Branch Licensing Policy for UCBs

90. In order to further liberalise the branch licensing policy for urban co-operative banks (UCBs), it is proposed:

- *to allow well managed and financially sound UCBs to open branches and extension counters within their existing / approved area of operation, beyond the current ceiling of 10 per cent as long as they have sufficient headroom capital for each branch.*

ANNEX-I

Category of Centre (Population)	Assessed Net Worth required - Per Branch including Existing Branches
A (10 lakh and above)	Rs. 200 lakh per branch
B (5 lakh & above but less than 10 lakh)	Rs. 100 lakh per branch
C (1 lakh & above but less than 5 lakh)	Rs. 75 lakh per branch
D (Less than 1 lakh)	Rs. 50 lakh per branch

ANNEX- II

A. Steps for arriving at Headroom in terms of ANW per branch for allotment of branches
(Rs. In lakh)

<u>Name of the bank</u>		
ANW* as on March 31 st		
Less ANW utilized for existing branches (including those allotted but not yet opened)	No. of Centres	ANW utilized
‘A’ Centre Rs.200 lakh per branch		
‘B’ Centre Rs.100 lakh per branch		
‘C’ Centre Rs. 75 lakh per branch		
‘D’ Centre Rs. 50 lakh per branch		
<u>Available Headroom for allotment of branches during 2011-12</u>		

* assessed as per latest RBI inspection

<u>B. Expected CRAR after considering the probable business on branches allotted / to be allotted (say during 2010-11 and 2011-12)</u>		
Name of the Bank	(Rs. In lakh)	
CRAR as on March 31st		
Capital Funds as on say, March 31, 2010		
Add 2.5% of probable first year advances for branches to be opened in 2010-11		
Add 2.5% of probable first year advances for branches to be opened in 2011-12		
Total expected capital funds after one year		
Risk Weighted Assets as on March 31st		
Add 100% of probable advances for branches allotted for 2010-11		
Add 100% of probable advances for branches to be opened during 2011-12		
Total expected RWA after one year.		
Likely CRAR after one year		