

**Recommendations of High Power Committee -
Area of operation of primary (urban) co-operative
Banks - Revised Policy Approach**

BL(PCB)48/07.01.00/2000-01

April 26, 2001
Vaisakha 6, 1923(S)

Chief Executive Officers of all Primary
(Urban) Co-operative Banks

Dear Sir,

**Recommendations of High Power Committee -
Area of operation of primary (urban) co-operative
Banks - Revised Policy Approach**

The policy regarding area of operation of Urban Co-operative Banks(UCBs) has been reviewed by a High Power Committee on UCBs constituted by RBI in 1999. The Committee had submitted its recommendations based on which the revised policy approach to area of operation of the urban banks is set out in the following paragraphs:

2. Extension of area of operation to the adjoining districts

Licensed urban co-operative banks, which are not classified as weak/sick, only are eligible for extension of area of operation beyond their present limits.

At present, banks are required to obtain prior permission of Reserve Bank of India, for extending their area of operation beyond the district of their registration. With a view to giving more operational freedom to UCBs in this regard, it has been decided to allow new as well as existing urban co-operative banks to extend their area of operation to the whole of the district of registration and to its adjoining districts within their state of registration **without prior permission of Reserve Bank of India**. Accordingly, henceforth, banks need not approach Reserve Bank for seeking "no objection" in this regard and they may directly approach Registrar of Co-operative Societies of the concerned State for extension of area of operation to the entire district of registration and its adjoining districts within the state of registration.

3. Extension of area of operation beyond the adjoining districts

An urban co-operative bank desirous of extending its area of operation beyond adjoining districts to its district of registration but within the state may do so with **prior permission of Reserve Bank** subject to complying with following norms:

- (i) its owned funds (share capital + free reserves) should not be less than the Entry Point Capital prescribed for the highest category centre in that district/s for

organising a new multi-branch bank as indicated in our circular UBD.No.1/08.00.01/2000-01, dated 30 August 2000. As the existing banks may take sometime to achieve the revised Entry Point Norms(EPNs) their requests for extension of area of operation would be considered based on EPNs prescribed vide our circular UBD.No.RCS.NBL.4/08.00. 00/97-98 dated 21 March, 1998 till 31 March 2003. Thereafter, only such banks' requests will be considered which have achieved the EPNs prescribed in our circular dated August 30, 2000.

- (ii) it should have achieved prescribed targets for priority sector lending.
- (iii) its net NPAs should be less than 10% of its net loans and advances and it should have made full provisions as prescribed by RBI.
- (iv) it should have posted net profits during the preceding 2 years.
- (v) it should have complied with the RBI regulatory framework, such as compliance with CRR/SLR requirements, timely submission of prescribed returns/statements and satisfactory compliance with RBI inspection findings etc.

4. **Extension of area of operation beyond the state of registration**

An urban cooperative bank **with the prior approval of Reserve Bank may extend** its area of operation beyond its state of registration provided its owned funds are not less than Rs.50 crore and it complies with norms stipulated at para 3 above,.

5. Requests regarding extension of area of operation may be made to the concerned Regional Office under whose jurisdiction the banks are functioning.

This circular supersedes all our earlier instructions on the subject.

Yours faithfully,

(M.M.S.Rekhrao)
Chief General Manager