



Bangalore Chamber of Industry and Commerce

No.1A, Bharat Apartments, 44/1, Fairfield Layout, Race Course Road, Bangalore - 560 001
Tel: 22286080 – 82; Fax: 22251475; e-mail: bcic@bcic.org.in ; website: www.bcic.org.in

Finance & Capital Markets

Circular No.154

01.12.2010

All Members

Dear Sirs,

We enclose herewith the following Circular issued by the Reserve Bank of India, Mumbai for your reference and record.

1. RBI/2010-11/279, UBD.CO.LS.Cir.No.25/07.01.000/2010-11, dated November 16, 2010 - Second Quarter Review of the Monetary Policy for 2010-11 Extension of Area of Operation-Liberalisation

Thanking you,

Yours faithfully

T.S. Sampath Kumar
Secretary General

RBI/2010-11/279, UBD.CO.LS.Cir.No.25/07.01.000/2010-11, dated November 16, 2010

Second Quarter Review of the Monetary Policy for 2010-11 Extension of Area of Operation- Liberalisation

Please refer to paragraph 88 of the Second Quarter Review of the Monetary Policy for 2010-11 ([extract appended](#)). As announced therein, it has been decided that in view of overall improvement in the position of the sector, the existing restrictions on grant of Multi-State status to Urban Cooperative Banks (UCBs) and extension of area of operations beyond the State of registration may be withdrawn. Accordingly, it has been decided as under:

1. Well managed and financially sound UCBs that have a minimum assessed net worth of Rs. 50 crore, will henceforth, be allowed to extend their area of

operation beyond the State of registration as also to any other State/s of their choice subject to:

- a. CRAR not being less than 10%,
 - 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 systems 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 (AACBS), RBI Act, 1934 and the instructions / directions issued by RBI from time to time.
2. Tier II UCBs registered or deemed to be registered under the Multi-State Cooperative Societies Act, 2002 satisfying the criteria at a) to f) above, will be permitted to extend their area of operation to the entire State of original registration.
3. In modification of our instructions dated May 06, 2009, well managed and financially sound Uni-state Tier II UCBs satisfying the norms at a) to f) above, will be permitted to extend their area of operations to the entire State of registration.
4. UCBs which have acquired weak banks in other State(s) will be allowed to extend their area of operation to the entire State of registration of the target bank provided they have minimum net worth of Rs 50 crore. However, banks acquiring Multi-State status by acquiring a weak bank in another State and whose net worth is below Rs.50 crore will be permitted to extend their area of operations in the State(s) in which they are acquiring banks, only to the extent of the area of operations of the target bank as hitherto.
5. Eligible UCBs may approach the Regional Office concerned of RBI for approval.

Sd/-
(A Udgata)
Chief General Manager-in-Charge

Second Quarter Review of the Monetary Policy for 2010-11 (para 88)
Extension of Area of Operation of UCBs

88. In order to further facilitate the growth of well managed and financially sound UCBs, it is proposed:

- to withdraw the existing restrictions on granting Multi-State status and extension of area of operation beyond the State of registration for such UCBs having a minimum net worth of `50 crore;

- to allow such UCBs which have acquired weak banks in other State(s) to extend the area of operation to the entire State of registration of the target bank provided they have minimum net worth of `50 crore; and
- to allow Tier II UCBs registered or deemed to be registered under the Multi-State Co-operative Societies Act, 2002 to extend area of operation to the entire State of original registration.

* * * * *