

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3573
ANSWERED ON:15.12.2006
RESTRICTION ON REGISTRATION OF UCB
Yadav Shri Baleshwar

Will the Minister of FINANCE be pleased to state:

- (a) whether there is any restriction on registration of Urban Cooperative Bank (UCB);
- (b) if so, the reasons therefore;
- (c) Whether the Government proposes to lift the restriction; and
- (d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d) : Reserve Bank of India's Annual Policy Statement, for the year 2004-05, refers to the issuance of fresh licence to UCB Sector. It stipulates that in order to make this Sector strong, healthy and stable, fresh licences will be issued only after a comprehensive policy on UCBs, including an appropriate legal and regulatory framework for the sector, is put in place.

In accordance with the announcement, any fresh proposal for organization of new UCBs or for conversion of cooperative credit societies into UCBs is to be considered only after the situation is reviewed and a fresh announcement is made by Reserve Bank of India in this regard. As a first step, in view of the regulatory co-ordination brought about through signing of MoU's with State Governments and based on the positive experience of the Task Force for Urban Cooperative Banks (TAFUBs), it was stated in the Mid-term Review, to allow financially sound UCBs registered in States that have signed MoU with the Reserve Bank of India and those registered under the Multi-State Co-operative Societies Act, 2002 to convert existing extension counters into full fledged branches subject to certain conditions. Guidelines in this regard have been issued to UCBs on November 13, 2006.

For new branches/licences, RBI has informed that only upon completion of review of each state in regard to the progress of restructuring of UCBs, it would permit new branches/licences.