

IMPORTANT GUIDELINES ON BRANCH LICENSING – RRBs *

1. GUIDELINES

- It is mandatory for Regional Rural Banks to seek prior approval/licence from RBI before opening of new branches/offices with exception for branches in Tier 3 to Tier 6 centers (dealt separately)
- RRBs, upon obtaining prior approval of their Boards, are required to submit their proposal for opening/merger or conversion of branches/offices, etc. to the Regional Office of NABARD with an advance copy to RBI. The Empowered Committee (EC) for RRBs at Regional Offices of RBI, upon scrutiny/deliberation, make recommendation and RBI would dispose of such applications expeditiously.
- Neither separate approval of sponsor bank nor sub-group of District Consultative Committee (DCC) is required for opening of branches.

Eligibility (Opening of new branches)

- a) No default in maintenance of SLR and CRR during the last two years.
- b) Making operational profits, its net worth should show improvement and its net NPA ratio should not exceed 8 per cent.

Relaxation in branch licensing policy

RRBs complying with the following criteria are permitted to open branches in Tier 3 to Tier 6 centers (with population up to 49,999 as per Census 2001) without RBI permission in each case subject to reporting.

- a) CRAR of at least 9%.
- b) Net NPA less than 5%.
- c) No default in CRAR/SLR in last year.
- d) Net Profit in the last financial year.

After Sept. 2011, the relaxation is available only to RRBs which are fully CBS compliant.

1.1 Opening of branches/Regional Offices

- RRBs can identify Rural Centers (population up to ten thousand), Semi-urban centers (ten thousand to one lakh), and urban centers (one lakh to ten lakh), and metropolitan centers (above ten lakh) depending upon the business potentiality and profitability, etc. Proposals for opening of branches would be considered by

RBI based on the quality of its management, efficacy of the internal control system, profitability and other relevant factors.

- RBI permits RRBs for setting up of its Service Branches / Central Processing Centres (CPCs) / Back Offices exclusively to attend to back office functions without any interface with customers.
- RRBs (both amalgamated and stand alone) are required to obtain Licences from RBI for setting up of Regional Office for every 50 branches (Below 50 branches under HO control). The ROs are not permitted to transact any banking business. They can either shift/merge/close these offices without any approval but are required to get the address changed/surrender the licence as the case may be.
- Prior to issuance of Licence, authorization is issued for opening of branches based on the request received through NABARD. The authorization is valid for 2 years. RRBs have to obtain licence within the period upon putting the adequate infrastructure for the branch. Alteration of name of any branch, RBI permission is to be obtained.
- If any branch proposes to undertake government business, it would require prior approval from the concerned Government authority and RBI.

1.2 Shifting of Branches

- RRBs can shift the branches in rural centres within the same block without obtaining the prior approval of RBI provided the relocated branch would be able to cater adequately to the banking needs of the villages served by the existing branch.
- RRBs, without the prior approval of RBI, can shift their branches at semi-urban centres within the same locality/municipal ward provided the locality/ward is not rendered unbanked due to the shifting of the branch.
- Though RRBs can shift their branches in urban/metropolitan centres within the same locality/municipal ward without RBI prior approval, they need to obtain the approval for shifting to outside the locality/municipal ward.

Conversion of branches into satellite/mobile offices

- RRBs may take decision in converting the existing loss making branches into satellite/mobile offices taking into account various aspects including cost benefits, likely inconvenience to the existing clientele, performance, etc. For conversion of existing satellite/mobile offices into full fledged branches only can be effected upon obtaining the concurrence of the Empowered Committee on RRBs and licence from RBI on this count.

- For setting up of Satellite offices, RRBs are required to comply with certain guidelines including linking with base branch located at central village/block headquarters, working hours, type of banking operations, staff compliment, security/insurance arrangement, etc.
- Conversion of branches into satellites in centres other than rural areas is not permissible.
- The mobile office/s are not supposed to visit the rural places which are served by co-operative banks and places served by regular offices of commercial banks.

Opening of Extension Counters

- RRBs can open Extension Counters within the premises of big offices/factories, hospitals, military units, educational institutions, shopping complexes, etc. with the approval of their Boards and upon obtaining the required licence from RBI.
- The Extension Counters can carry out limited type of banking business such as acceptance of deposits/withdrawal transactions, remittance facilities, encashment of traveler's cheques, sale of gift cheques, collection of bills, advances against Fixed Deposit Receipts of their customers, etc. In case of undertaking government business, prior approval from the concerned department as well as from RBI is required.
- For upgrading Extension Counters into full fledged branches, RBI permission is to be obtained which would be considered by RBI if certain conditions are fulfilled viz. functioning for a minimum period of 5 years, number of deposit accounts exceeded 2000 during last one year, average deposits (on monthly basis) for last 3 years would be not less than Rs. 2 crore, etc.

Automated Teller Machines (ATM)

- Prior approval of RBI need not be obtained from installation of ATMs in branches, Extension Counters and in the area of operation. Upon installation of the ATMs, the matter is to be reported to RBI for authorization.

Merger of loss making branches

- Where two loss making branches of any RRB are in close proximity to each other (i.e. within a distance of about 5 kms.), RRB may consider merging the two branches with a view to rationalizing the spatial spread and reducing establishment/operating costs.

Other guidelines

- RRBs are required to inform RBI as soon as the new branch/office is established. They are required to submit a list relating to its offices in India every quarter. Any change in status should also be required to report to RBI periodically.

(*SOURCE: RBI MASTER CIRCULAR)

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