

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5213
ANSWERED ON:27.08.2010
TAKE OVER OF URBAN COOPERATIVE BANKS BY PSBS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has asked the public sector banks (PSBs) to consider taking over struggling urban cooperative banks after their efforts for survival failed;
- (b) if so, the details thereof;
- (c) whether the Government has received good response from the public sector banks as these urban cooperative banks are local level institutions and good source to achieve the targets of financial inclusion; and
- (d) if so, the details thereof alongwith the Government's reaction thereto?

Answer

The Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) to (d): Reserve Bank of India has issued guidelines on 24-02-2010 for transfer to Assets and Liabilities of Urban Cooperative Banks (UCBs) to commercial banks with Deposit Insurance and Credit Guarantee Corporation (DICGC) support in legacy cases, as an additional option for resolution of weak banks, where proposals for amalgamation within the UCB sector were not forthcoming. The Scheme should ensure 100% protection to depositors and DICGC support would be provided under Section 16(2) of the DICGC Act, 1961, The UCB concerned should have negative net worth as on 31.03.2007 or earlier and continues to have negative net worth as on the date of transfer. The transferee bank may be permitted to take over the branches and close down the loss incurring branches of the transferor bank with the prior approval of RBI.

With the approval of RBI and Government of India, the Indian Overseas Bank has already taken over the assets and liabilities of the ailing Suvama Cooperative Bank Ltd.