

RBI, Nabard flag inclusion of cooperative banks

AM JIGEESH

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New Delhi, January 11: The RBI and the National Bank for Agriculture And Rural Development (NABARD) have raised certain objections to including 'eligible cooperative banks' under the purview of the Financial Resolution and Deposit Insurance (FRDI) Bill.

As per Clause 120 of the FRDI Bill, 'eligible cooperative banks' are deemed 'insured service providers' for two years, extendable by one year. The Bill also provides for the liability of the proposed Resolution Corporation (RC) to insured depositors of eligible cooperative banks.

The RBI said that according to the Bill, an eligible co-operative bank is defined as a co-operative bank other than a multi-state co-operative bank, and if the RC wants the power to supersede the board of a bank or to wind one up, the State cooperative law will have to be amended.

The RBI is learnt to have told the panel to seek clarification from the Centre on including the eligible cooperatives under the FRDI's ambit. The RBI also suggested that the eligible cooperative banks may not be contributing to the resolution fund so the corporation insurance fund could be used under the resolution scheme as is now being done under the Deposit and Credit Insurance and Credit Guarantee Corporation Act of 1961.

Nabard said that incorporation, registration, election to the board/committees, audit and winding up of cooperative societies are governed by the State Cooperative Acts. Nabard told the panel that the definition of the eligible cooperatives must be in tune with the provisions of the State cooperative Acts.

Nabard has recommended that where such clauses are not there, State governments can be asked to amend their cooperative Acts as an alternative. The Centre said in its response that if States amend their laws to give the RC powers to monitor and resolve cooperative banks, it would open the door for the Central Government to notify them under the Second Schedule. It said that the FRDI Bill provisions have been taken from the DICGC Act.

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