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Market Watch

After PMC shock, work starts on stronger rules for cooperatives

BY DEEPSHIKHA SIKARWAR, ET BUREAU | UPDATED: OCT 14, 2019, 12.22 PM IST

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NEW DELHI: The Prime Minister's Office is keeping close tabs on developments related to fraud-hit Punjab and Maharashtra Cooperative (PMC) Bank, two senior officials said.

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The Reserve Bank of India (RBI) and finance ministry have started working on an improved framework for the oversight of cooperatives, they said. The cap of Rs 25,000 on withdrawals from PMC is also under review and the central bank could enhance it soon, said one of the officials. "The interests of depositors, and revival are the foremost priorities," he said. "RBI and the finance ministry have started work on a tighter framework for oversight of such entities."

Finance minister [Nirmala Sitharaman](#) has discussed the issue with RBI governor Shaktikanta Das. "Spoken to RBI governor on the [PMC Bank](#) matter," Sitharaman tweeted on Saturday. "He assured me that clients and their concerns will be kept on top priority. I wish to reiterate that the finance ministry will ensure that customers' concerns are comprehensively addressed. We understand the justified worries of the customers."

Cooperative Watch

PMO keeping close tabs on PMC Bank

IMMEDIATE DECISION

Limit on deposits may be raised soon



LONG-TERM DECISIONS

RBI, finance ministry working on tighter framework

Govt is keen to strengthen oversight

Officials have begun discussions on changes to laws

NIRMALA SITHARAMAN

Finance minister

Spoken to RBI governor on the PMC Bank matter. I wish to reiterate that the finance ministry will ensure that customers' concerns are comprehensively addressed. We understand the justified worries of the customers.





Some PMC Bank depositors had met Sitharaman in Mumbai on Thursday to represent their case. Another official said a thorough assessment of the bank's assets and loan collateral is being carried out. All options to revive the bank, including a merger with another entity, are being looked at.

Regulations Need Urgent Overhaul: Govt

Grant Thornton is also carrying out a forensic audit for RBI and has begun to ascertain the veracity of the accounts. The government has decided that gaps in the oversight of cooperative banks and societies need to be plugged on an urgent basis, in view of the wider risks they pose to the financial sector.

RBI had ordered the multi-state urban cooperative bank to stop all business activities for six months and capped withdrawals at Rs 1,000 on September 23, a limit that was subsequently raised to Rs 10,000 and further enhanced to Rs 25,000 on October 3. The Rs 25,000 limit, RBI had said, would allow 70% of the bank's depositors to withdraw their entire balance.

This clampdown on [cash withdrawals](#) was said to have been largely aimed at stopping the management from siphoning the bank's cash holdings. Incidentally, two cooperative societies of current and former RBI employees continue to hold deposits of about Rs 200 crore

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with PMC Bank that are yet to be withdrawn. Most cooperative deposits in PMC Bank are restricted to a 5% limit to rule out any contagion effect.

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