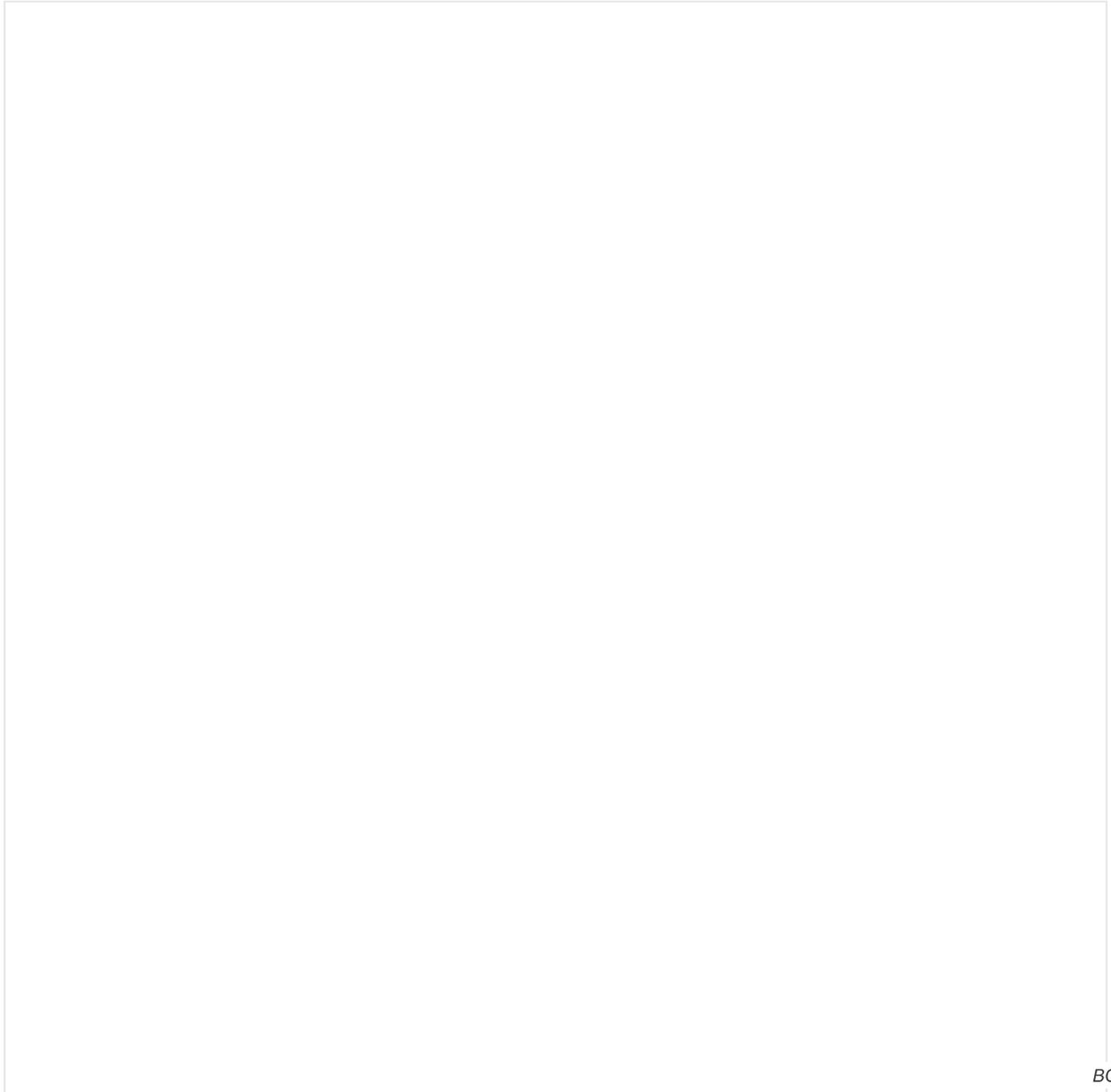


# RBI issues its first licence to an UCB to convert into Small Finance Bank

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BCCL

The “in-principle” approval granted will be valid for 18 months to enable the applicant to comply with the requirements under the scheme, the Reserve Bank said in a release

In a first, the Reserve Bank of India granted an “in-principle” approval to UP head-quartered multi-state urban co-operative bank (UCBs) -Shivalik Mercantile Co-operative Bank Limited- to transition into a Small Finance Bank.

Shivalik Mercantile Co-operative Bank, which has business operations in Uttar Pradesh, Uttarakhand and Madhya Pradesh has a total business size of Rs 1766 crore crore and a net worth of Rs 77 crore as of March, 2019, according to the annual report placed on the bank’s website.

The “in-principle” approval granted will be valid for 18 months to enable the applicant to comply with the requirements under the scheme, the Reserve Bank said in a release.

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In order to ensure better supervision and regulation of the banking sector, it was proposed in September 2018, to allow better performing UCBs to convert into Small Finance Banks subject some conditions. The SFB has to start operations with a minimum net worth of Rs 100 crore and minimum promoters’ contribution of 26% of the paid-up equity capital.

“Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”, Urban **Co-operative Banks** (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at ? 100 crore, which will have to be increased to ? 200 crore within five years from the date of commencement of business.

In the earlier guidelines of 2018, **RBI** had said that it will issue SFB licence after the execution of sale agreement to transfer the assets and liabilities of the UCB to the new company. The licence will be effective only after transfer of assets and liabilities of the UCB to the SFB and meeting the minimum net worth requirement.

The timing of the announcement is significant considering its supervision practices came in for criticism after a gross violation of lending norms by a better run UCB- PMC Bank as a result of which the bank is under an RBI appointed administrator with depositors also facing withdrawal restrictions.

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