



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
[www.rbi.org.in](http://www.rbi.org.in)

RBI/2016-17/7  
DCBR.BPD.Cir No. 21/09.18.201/2016-17

Ashadha 16, 1938  
July 7, 2016

All Primary (Urban) Co-operative Banks (UCBs),  
State / District Central Co-operative Banks (StCBs / DCCBs)

Dear Sir / Madam

**Long Term (Subordinated) Deposits (LTDs) – Review of guidelines**

Please refer to our [circulars UBD.PCB.Cir.No.4/09.18.201/08-09 dated July 15, 2008](#) and [RPCD.RCB.BC.73/07.51.012/2013-14 dated January 7, 2014](#) prescribing guidelines for issue of Long Term (Subordinated) Deposits by UCBs and StCBs/DCCBs respectively.

2. On a review, it has been decided to provide certain relaxations in raising and redemption of LTDs by co-operative banks and prescribe certain disclosure requirements.

**2.1 Raising of LTDs:**

Co-operative banks which are fulfilling the following criteria as per their latest audited financial statements may raise LTDs without prior approval of the Reserve Bank of India subject to the condition that the outstanding amount of LTD, which is eligible to be reckoned as Tier II capital, shall be limited to 50 percent of Tier I capital:

- CRAR not less than 10%.
- Gross NPA less than 7% and net NPA not more than 3%.
- Net profit for at least three out of the preceding four years subject to the bank not having incurred net loss in the immediate preceding year.
- No default in maintenance of CRR/SLR during the preceding year.
- The bank has at least two professional directors on its Board.
- Core Banking Solution (CBS) fully implemented.

सहकारी बैंक विनियमन विभाग, केंद्रीय कार्यालय, सी-7 बांद्रा कुर्ला कॉम्प्लेक्स, पहली और दूसरी मंज़िल, बांद्रा (पूर्व), मुंबई- 400051  
भारत. फोन: 022 -26578100/8300/8500/8700; ई-मेल: [cgmdbcrc@rbi.org.in](mailto:cgmdbcrc@rbi.org.in)

Department of Co-operative Bank Regulation, Central Office, C-7 Bandra-Kurla Complex, 1<sup>st</sup> & 2<sup>nd</sup> Floor, Bandra (East),  
Mumbai - 400051, India. Phone: 022 -26578100/8300/8500/8700; Email: [cgmdbcrc@rbi.org.in](mailto:cgmdbcrc@rbi.org.in)

बैंक हिन्दी में पत्राचार का स्वागत करता है।

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं माँगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।  
Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

- vii. The bank has a track record of regulatory compliance and no monetary penalty has been imposed on the bank for violation of RBI directives / guidelines during the two financial years preceding the year in which the LTDs are being issued.

Banks which do not meet the above-mentioned criteria may approach the respective Regional Office of Department of Cooperative Bank Supervision for prior permission to raise LTDs.

## **2.2 Redemption / repayment of LTDs**

Co-operative banks may redeem LTDs on maturity without prior permission of the Reserve Bank subject to the condition that banks maintain CRAR above the minimum regulatory requirement prescribed by the Reserve Bank after redemption of LTDs.

## **2.3 Cross-holding of LTDs**

Co-operative banks should not invest in LTDs issued by other co-operative banks. However, state co-operative banks may invest in LTDs issued by DCCBs affiliated to them subject to the condition that the amount so invested should be deducted from Tier II capital of the StCB.

## **3. Additional Disclosures in LTD application/prospectus/offer documents**

Co-operative banks issuing LTD are advised to adhere to the following conditions:

- 3.1 The requirement for specific sign-off as quoted below, from the investors for having understood the features and risks of the instrument may be incorporated in the common application form of the proposed LTD issue.

*"By making this application, I / We acknowledge that I / We have understood the terms and conditions of the Issue of LTD being issued by [Name of the bank] as disclosed in the Prospectus and Offer Document".*

- 3.2 It should be disclosed to the investors that

- (a) LTD is not a deposit and hence, nomination facility under section 45ZA of the Banking Regulation Act, 1949 (AACS) is not available. However, nomination facility available under the respective co-operative societies act for capital instruments will be applicable.

- (b) LTD is a part of Tier II capital and is not a normal deposit and would not mature for redemption before five years. Further, redemption would be permitted only if the bank's CRAR is above the minimum regulatory requirement prescribed by the Reserve Bank.

3.3 All the publicity material, application form and other communication with the investor should clearly state in bold letters (with font size 14) how a LTD is different from fixed deposit particularly that it is not covered by deposit insurance.

3.4 The procedure for repayment to legal heirs in the event of death of the subscriber of LTD should be specified.

4. All other terms and conditions governing issue of LTDs mentioned in our [circulars UBD.PCB.Cir.No.4/09.18.201/08-09 dated July 15, 2008](#) and [RPCD.RCB.BC.73/07.51.012/2013-14 dated January 7, 2014](#) remain unchanged.

Yours faithfully,

(Suma Varma)  
Principal Chief General Manager