On Website/By Email

F.No. L-11012/01/2023- Reg.(e)
Government of India
Ministry of Cooperation
(Office of Central Registrar of Cooperative Societies)
*****

9th Floor, Tower-E, World Trade Centre,
Nauroji Nagar, New Delhi- 110029
Dated: 22nd January, 2024

ORDER

Subject: Liquidity, Exposure & Prudential norms for thrift and credit multi-State cooperative societies (MSCS) (excluding multi-State cooperative banks)

1. Introduction

In accordance with section 7 of the Multi-State Cooperative Societies (MSCS) (Amendment) Act, 2023 read with rule 11A of the MSCS (Amendment) Rules, 2023, the following prudential norms for different categories of multi-State cooperative societies are hereby notified.

2. Categorization of MSCS:

MSCS shall be categorized based on their deposits into following categories:

Category	Size
Micro	MSCS with deposits up to ₹ 10 crores
Small	MSCS with deposits above ₹ 10 crores and up to ₹ 100 crores
Medium	MSCS with deposits above ₹ 100 crores and up to ₹ 500 crores
Large	MSCS with deposits above ₹ 500 crores

*All employees' thrift & credit cooperative societies will be considered to be 'Micro' MSCS for the purposes of the liquidity, exposure and prudential norms, irrespective of their size.

3. Capital

The Capital will be categorized into Tier-I & Tier-II capital. The indicative composition of capital of each tier shall be as stipulated by RBI for Urban Cooperative Banks (UCBs).

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4. Capital Adequacy Ratio

Every MSCS to maintain Capital to Risk Weighted Assets Ratio (CRAR) at minimum as per the size classification on ongoing basis based on the balance sheet of the previous accounting year-end. The CRAR will be calculated as under:

$$\text{CRAR} = \frac{\text{Capital (Tier I and Tier II)}}{\text{Total Risk Weighted assets (RWAs)}}$$

The minimum CRAR for Micro and Small MSCSs would be 9% and for Medium and Large MSCSs, it would be as 12%. Existing MSCS not meeting this requirement are given 5 years to comply. Each MSCS is required to furnish trajectory within 3 months to achieve the stipulated CRAR within 5 years.

5. Refund of share capital

The share capital can only be refunded subject to the condition that the CRAR of the MSCS, as per the latest audited balance sheet, is above the category-wise minimum stipulated CRAR and the refund should not result in CRAR falling below the said minimum as per the trajectory subject to section 35 of the MSCS (Amendment) Act, 2023.

6. Liquidity Management

All the MSCS will maintain the following liquidity buffers:

a) Cash with itself and balances in current/ savings accounts with Scheduled banks/ Nationalized Banks, and/or Cooperative Banks including Urban Cooperative Banks (UCBs) or State co-operative bank or District Central Cooperative bank or State Co-operative bank or Land Development Banks of a minimum sum equivalent to 2 percent of its deposits as of the last Friday of the month for the succeeding one month.

b) Investments as below for a sum equivalent to minimum of 15% (8% in respect of Employees Thrift & Credit Societies) for two years and thereafter minimum of 18% (12% in respect of Employees Thrift & Credit Societies) of the total deposits as on the last Friday of the month.

   1. Term deposits with Scheduled/ Nationalized banks
   2. Term deposits with Cooperative Banks including Urban Cooperative Banks (UCBs), District Central Cooperative bank, State Co-operative bank and Land Development Banks.
   3. Additionally, in case of MSCSs in 'Large' category, any of the securities issued by the Central Government, State Government, Government Corporations,

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Government Companies, Authorities, Public Sector Undertakings or any other securities ensured by Government guarantees

7. Exposure Management

7.1 Aggregate exposure limit

The total amount of deposits [from its voting members] and loans received at all times shall not exceed ten times of the sum of subscribed share capital and accumulated reserves minus accumulated losses.

7.2 Individual Borrower Exposure

The aggregate exposure on any individual borrower on loans and advances and investments, if any, should not exceed 15% of Tier I plus Tier-II capital of the MSCS

7.3 Group of borrowers for MSCS

The aggregate exposure on group of borrowers should not exceed 25% of Tier I and Tier II capital of the MSCS.

7.4 Unsecured Loans

Unsecured loans and advances in the books shall be capped at 15% of total loans and advances except in cases where loans are extended:

i. To Self-Help Groups (SHGs)/ Joint Liability Groups (JLG)
ii. To employees' member in case of Employee Credit Societies
iii. In case of cooperatives engaged in microfinance activities for which the guidelines of RBI for microfinance may be adhered to define the activities of such cooperatives, prominently the lending related activities.

7.5 Exposure to Housing, Commercial real Estate

- No MSCS shall provide finance for commercial real estate.
- Only MSCSs in 'medium and large' category are permitted to provide finance for residential/ housing loan to individual borrowers (not builders/ contractors). The exposure to individual Housing is capped at 10% of the total loans and advances. Loans would not be extended for purchase/ acquisition of land. Individual Housing Loan limit to be as follows:

Category of MSCS	Ceiling for Individual Housing Loan limit for MSCS (Rs. In lakhs)
Micro	Nil
Small	Nil
Medium	100
Large	120

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8. Branch Expansion:

(i) MSCS meeting the following criteria can open branches within their area of operation on automatic route by submitting before 31st March, an Annual Business Plan (ABP), for the next financial year, subject to a maximum of 10% of the branches (at the end of previous accounting year) with a maximum of 10 branches and minimum of 2 branches which can be opened during a year subject to the following:

a) Compliance of CRAR norms.

b) Gross NPA should be less than 7% and net NPA should be less than 3% as per the audited results.

c) Should have positive net profit as per the audited result in each of the last three accounting years.

d) Consistently maintain liquidity buffer as per the stipulation in the guidelines without any default.

e) MSCS should have strong internal control system in place and adhere to appropriate KYC processes and established customer grievance redressal mechanism among others.

(ii) MSCS not meeting the criteria as above, shall submit their Annual Business Plan (ABP) as mentioned in (i) above and open branches as per ABP only after receiving approval from the CRCS.

8.1 Reports and Disclosures

MSCS to submit business parameters and prudential ratios like CRAR, Deposits and borrowings to Subscribed Capital & accumulated Reserves ratio, Liquidity Buffer ratios, Gross and Net NPA ratios & other prudential norms to the Central Registrar on quarterly basis through CRCS portal.

9. Implementation Schedule

CRAR

Existing MSCS not meeting the minimum CRAR requirements be given 5 years to meet the requirement.

All MSCS should comply with the exposure norms for individual borrower and group borrowers, within two quarters from the date of issue of this order, for new loans and rebalance the portfolio in case of breaches in the norm upon next renewal for facilities if they are recurring in nature and in case of term loans, they may be allowed to run the term.

Note: These norms will also be applicable to multi-State multi-purpose societies having credit activity as per their approved bye-laws and separate accounts would need to be kept for credit function.

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3. This issues with the approval of Competent Authority.

Yours faithfully

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(Nisha Sagar)
Asstt.Commissioner (Coop.)

To

All multi-State thrift & Credit Societies (including multi-Purpose societies having credit activity as per their approved bye-laws).

Copy to:

1. The Chairman, National Federation of Urban Co-operative Banks & Credit Societies Ltd., New Delhi.
2. The Chairman, National Bank for Agriculture & Rural Development (NABARD), 2nd Floor D Wing, C-24 G Block, Bandra Kurla Complex Road, Bandra East Mumbai 400051.
3. The Chief General Manager, Reserve Bank of India, Department of Cooperative Bank Supervision, C-8, Ground Floor, Bandra Kurla Complex, Bandra (E), Mumbai- 400051
4. The Chief General Manager, Reserve Bank of India, Department of Bank Regulation, Central Office, C-7, 1st and 2nd floor, Bandra-Kurla Complex, Bandra (East) Mumbai – 400 051

For information:

1. PSO to Secretary (Cooperation).
2. PS to Special Secretary (Cooperation)/CRCS.
3. CRCS website/ Guard file.

Format for Liquidity, Exposure & Prudential norms for thrift and credit Multi- State Cooperative Societies (MSCS)

1. **Counter Signatory Officer**

Name	
Designation	
E-mail	
Officer Telephone No.	
Mobile No.	

2. **Categorization of MSCS:**

Category	**Size**	**Deposits MSCS**
Micro	MSCS with deposits up to ₹ 10 crores	
Small	MSCS with deposits above ₹ 10 crores and up to ₹ 100 crores	
Medium	MSCS with deposits above ₹ 100 crores up to ₹ 500 crores	
Large	MSCS with deposits above ₹ 500 crores	

3. **Capital**
   1. **Capital Fund and Risk Assets Ratio**

(₹ in lakh)

I	**Capital Funds**		
A	**Tier I Capital elements**		
	(a) Paid-up Capital		
	Less: Intangible assets and losses		
	Net Paid-up Capital		
	(b) Reserves & Surplus		
	1. Statutory reserves		
	2. Capital reserves		
	3. Revaluation Reserves		
	4. Other reserves		
	5. Surplus in Profit & Loss Account*		
	Total Reserves & Surplus		
	Total Capital Funds (a + b)		
B	**Tier II capital elements**		
(i)	Undisclosed reserves		
(ii)	Revaluation reserves		
(iii)	General provisions and loss reserves		
(iv)	Investment Fluctuation Reserves / Funds		
	Total		

	Total of I (A +B)		
II	**Risk Assets**		

(a)	Adjusted value of funded risk assets i.e. onBalance Sheet items		
(b)	Adjusted value of non-funded and off-Balance		
	Sheet items		
(c)	Total risk-weighted assets (a+b)		
	Percentage of capital funds to risk-weighted assets I / II x 100		

- **Enclosed Annexure 1.Please Submit Signed Copy of CRAR calculation sheet**

4. **Capital Adequacy Ratio**

   a. Capital to Risk Weighted Assets Ratio (CRAR)
      a. Tier. I Capital...
      b. Tier. II Capital...
      c. Total Risk Weightage Assets.......................................
      d. CRAR (a+b/c) =...

   b. **Financial Profile**

   Balance in Current/Savings Account

   a. Deposits of Current Account....................................
   b. Deposits of Saving Account......................................
   c. Term Deposits (FD+RD)..
   d. Total Deposits ....
   e. Total Reserves ....
   f. Total Investment ....
   g. Borrowings...
   h. Total Loan Outstanding ....
   i. Subscribed Share Capital...

a. **Refund of Share Capital**

As per section 35 of the MSCS Act,2023.

6. **Liquidity Management**

a. **CRR**

S.no.	Particular	Amount
1.	Cash In Hand	
2.	Cash at Bank Current/ Saving Account with Scheduled Banks/Nationalized Banks/Cooperative Banks	
3.	Total deposits (last Friday of the Month)	

4.	Percentage of CRR (last Friday of the Month)	
5.	Less than 2 percent or above 2 percent	

b. **Statistory Liquidity Ratio SLR =**

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Last 2year investments as below for a sum equivalent to minimum of 15% (8% in respect of employees Thrift & Credit Societies)

S.No.	Particular	Last Year Amount	Current Year Amount
1.	Total deposits (last Friday of the Month)		
2.	Term deposits with Scheduled Banks /Nationalized Banks		
3.	Term Deposits with Cooperative Banks		
4.	Investment in Govt. Securities & PSUs (in case of large category)		
5.	Any other Investment		

Percentage of SLR...

(7) Exposure Management

1. Net Reserves (Accumulated Reserves-Accumulated Losses) ....
2. Total Subscribe Share Capital...
3. Loan Received...
4. Total Deposits...

7.1. Aggregate Exposure Limit = 3+4 shall not exceed Maximum 10% of the 1+2

7.2. Individual Borrower Exposure ....

(Maximum 15% of Tier 1+ Tier 2 capital)

7.3. Aggregate exposure on group of borrowers...

(Maximum 25% of the Tier 1+Tier 2 capital)

7.4. Loans and

Advances..
....

a) Secured loans and Advances...

b) Unsecured Loans advanced
....

c) House Loan...
.... (Maximum of 15 % of total loans and advances except in case of loan to SHG/JLG, Employees of Employee Credit Society, cooperative engaged in micro-finance activities for which adhere to RBI Guidelines)

7.5. Exposure to Housing Commercial Real Estate

a) No MSCS shall provide finance for commercial real Estate

b) Only MSCSs in 'medium and large category' are permitted to provide finance for residential/housing loan to individual housing is capped at 10% of the total loans and advances.

c) Individual Housing Loan Limit...

8.Non-Performing Assets (NPA)

1. Total Deposits..
2. Total Loans and Advances...
3. Profit and Loss..
4. Total NPA ....
5. Gross NPA %...
6. Provisions...
7. Net NPA%...

Annexure

(Proforma for Returns)

Statement of Capital Funds, Risk Assets / Exposures and Risk Asset Ratio

2. Part A - Capital Fund and Risk AssetsRatio

(₹ in lakh)

I	**Capital Funds**		
A	**Tier I Capital elements**		
	(a) Paid-up Capital		
	Less : Intangible assets and losses		
	Net Paid-up Capital		
	(b) Reserves & Surplus		
	1. Statutory reserves		
	2. Capital reserves (see note below)		
	3. Revaluation Reserves (refer to		

	para 4.1 (x) of this Master Circular)		
	4. Other reserves (to be specified)		
	5. Surplus in Profit & Loss Account*		
	Total Reserves & Surplus		
	Total Capital Funds (a + b)		

Notes: Capital reserves representing surplus on sales of assets and held in a separate account will be included

General/floating provisions and specific provisions made for loan losses and other asset losses or diminution in the value of any assets will not be reckoned as Tier I capital funds.

* In case of surplus in P & L Account [not allocated and yet to be approved by AGM] the following assumption may be made:

a. The current year's surplus may be notionally arrived at to the extent recommended by the BOD to be allocated among various reserves/funds and retained in business.
b. Where the BOD have not decided the distribution of the surplus, it may be notionally arrived at on the basis of last 3 years average.

B	**Tier II capital elements**		
(i)	Undisclosed reserves		
(ii)	Revaluation reserves (refer to para 4.1 (x) of this Master Circular)		
(iii)	General provisions and loss reserves #		
(iv)	Investment Fluctuation Reserves / Funds		
(v)	Hybrid debt capital instruments		
(vi)	Subordinated debts		
	Total		
	Total of I (A + B)		

Includes General Provision on standard assets (subject to restrictions)

II	**Risk Assets**		
(a)	Adjusted value of funded risk assets i.e.on Balance Sheet items (to tally with Part`B')		
(b)	Adjusted value of non-funded and off-Balance Sheet items (to tally with Part`C')		
(c)	Total risk-weighted assets (a+b)		
III	**Percentage of capital funds to risk-weighted assets I / II x 100**		