भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
बैंकिंग परिचालन और विकास विभाग
Department of Banking Operations
& Development
La Gajjar Chambers
ला गज्जर चेम्बर्स
आश्रम रोड, पोस्ट बैग नं. 1
ASHRAM ROAD, POST BAG No. 1
अहमदाबाद-380 009.
AHMEDABAD-380009.

Bank Licence No.AH: 1

In exercise of the powers conferred on the Reserve Bank of India by Section 22(1) of the Banking Regulation Act, 1949

UTI Bank Limited

is hereby granted a licence to carry on banking business in India subject to the conditions mentioned in this office letter DBOD (AH)No.2300/03.02.24A/93-94 dated the 28th February 1994.

Ahmedabad
Dated the 28th February 1994

(K.K.SOMAN)
Joint Chief Officer

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UTI BANK LTD. PHONE NO. : 2082952

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PHONE NO. : 91 22 2183246

ANNEXURE

Terms and conditions of the licence to UTI Bank Ltd. to commence banking business under Section 22 of the Banking Regulation Act, 1949

1. UTI Bank Limited shall comply with the guidelines issued by Reserve Bank of India on 22nd January 1993 (copy attached) subject to the further conditions indicated below.

2. UTI Bank Ltd. shall abide by the conditions laid down in th Reserve Bank of India guidelines referred to in item 1, regardi minimum initial capital of Rs.100 crores and capital adequacy, public offer of 60 per cent of the paid-up capital, the minimum promoters' contribution of 40 per cent including from associates, the shares being listed in Stock Exchanges and the face value of the shares being expressed in accordance with the Stock Exchange/Securities and Exchange Board of India (SEBI) guidelines/regulations. However, the UTI has been permitted to subscribe initially the entire paid up equity of Rs.100 crores subject to the condition that UTI Bank Ltd. shall offer 60 per cent of the equity to the public immediately after one full yea of its operations.

3. All other requirements of SEBI for the public issue of capital shall be complied with

4. Both the UTI and UTI Bank Ltd. shall accept the system of consolidated supervision by the Reserve Bank of India.

5. The appointment of the Chairman of UTI Bank Ltd. and the

composition of the Board of Directors ~~ak~~ shall be in accordance with the provisions of the Banking Regulation Act, 1949.

6. There shall be an "arms-length" relationship organisationally and operationally between the UTI and UTI Bank Limited.

7. UTI Bank Limited shall not extend any credit facilities to the UTI.

8. In the area of priority sector lending , the target for which is 40 per cent at present, UTI Bank Limited may substitute the agricultural lending stipulation (which is at present 18 per cent) by contributing partly or wholly to the deposits of National Bank for Agriculture and Rural Development (NABARD) and/or Small Industries Development ~~x~~ Bank of India (SIDBI) at interest rates to be stipulated by the Reserve Bank of India. This facility shall, however, be available only up to 3 years after commencement of banking business by the bank.

9. During the first three years after commencement of banking business, UTI Bank Ltd. will have to establish 25 per cent of its branches in the rural/semi-urban areas.

10. UTI Bank Ltd. shall primarily confine its activities to core banking for the first three years.

11. UTI Bank Ltd. will have to abide the provisions of the Banking Regulation Act, 1949, Reserve Bank of India ~~x~~ Act, 1934 and all guidelines, directives, instructions or advices of the Reserve Bank of India, as may be in force from time to time.

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RESERVE BANK OF INDIA

Date: 22.1.1993

GUIDELINES ON ENTRY OF NEW PRIVATE SECTOR BANKS

For well over two decades, after the nationalisation of 14 larger banks in 1969, no banks have been allowed to be set up in the private sector. Progressively, over this period, the public sector banks have expanded their branch betwork considerabl and catered to the socio-economic needs of large masses of the population, especially the weaker section and those in the rural areas. The public sector banks now have 91 per cent of the total bank branches and handle 85 per cent of the total banking business in the country. While recognising the importance and the role of public sector banks, there is increasing recognition of the need to intoduce greater competition which can lead to higher productivity and efficiency of the banking system. A stage has now been reached when new private sector banks may be allowed to be set up.

It is necessary that while permitting the entry of new private sector banks the following considerations have to be kept in view:

(a) they sub-serve the underlying goals of financial sector reforms which are to provide competitive, efficient and low cost financial intermediation services for the society at large;

(b) they are financially viable;

(c) they should result in upgradation of technology in the banking sector;

(d) they avoid the shortcomings such as unfair preemption and concentration of credit, monopolisation of economic power, cross holdings with industrial groups, etc. which beset the private sector banks prior to nationalisation;

(e) freedom of entry in the banking sector may have to be managed carefully and judiciously.

Based on these considerations; the Reserve Bank has formulated the following guidelines for establishment of new banks in the

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ivate sector:-

(a) Such a bank shall be registered as a public limited company under the Companies Act, 1956.

(b) The RBI may, on merits, grant a licence under the Banking Regulation Act, 1949 for such a bank. The bank may also be included in the Second Schedule of the RBI Act,1934 at the appropriate time. The decision of the RBI in these matters shall be final.

(c) The bank will be governed by the provisions of the Banking Regulation Act,1949 in regard to its authorised, subscribed and paid-up capital. The minimum paid-up capital for such a bank shall be Rs.100 crores. The promoter contribution for such a bank shall be determined by the RBI and will also b subject to other applicable regulations.

d) The shares of the bank should be listed on stock exchanges.

e) To avoid concentration of the headuqarters of new banks in metropolitan ities and other overbanked areas, while granting a licence preference may e given to those the headquarters of which are proposed to be located in centre which does not have the headquarters of any other bank.

f) Voting rights of an individual shareholder shall be governed by the eiling of 1 per cent of the total voting rights as stipulated by Section 2(2) of the Banking Regulation Act. However, exemption from this ceiling be granted under Section 53 of the said Act, to public financial titutions.

g) The new bank shall not be allowed to have as a director any person ho is a director of any other banking company, or of companies which nong themselves are entitled to exercise voting rights in excess of venty per cent of the total voting rights of all the shareholders of the anking company, as laid down in the Banking Regulation Act,1949.

1) The bank will be governed by the provisions of the Reserve Bank of dia Act, 1934, the Banking Regulation Act, 1949 and other relevant atutes, in regard to its management set-up, liquidity requirements d the scope of its activities. The directives, instructions, guidelines d advices given by the RBI, shall be applicable of such a bank as in e case of other banks. It would be ensured that a new bank would ncentrate on core banking activities initially.

) Such a bank shall be subject to prudential norms in respect of nking operations accounting policies and other policies as are laid down RBI. The bank will have to achieve capital adequacy of 8 per cent of risk weighted assets from the very beginning. Similarly, norms for come recognition, asset classification, and provisioning will also be plicable to it from the beginning. So will be the single borrower and oup borrowers exposure limits that will be in force from time to time.

) The bank shall have to observe priority sector lending targets as plicable to other domestic banks. However, in recognition of the fact at new entrants may require some time to lend to all categories of the iority sector, some modification in the composition of the priority tor lending may be considered by the RBI for an initial period of ree years.

BANK OF INDIA C.B.&.O. A'BAD.

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