प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

May 25, 2015

Need to make SLCCs More Active and Effective: RBI Governor

There is a need to make the State Level Coordination Committees (SLCCs) more active and effective even though the progress made by them was satisfactory in conduct of quarterly meetings. Gathering market intelligence through better coordination among various regulators and initiating quick follow up action was an important element in bringing to book, entities indulging in unauthorised and suspect businesses involving funds mobilisation from gullible public. Dr. Raghuram G. Rajan, Governor, Reserve Bank of India stated this in Mumbai today while inaugurating the Conference of the Chief Secretaries/Finance Secretaries and select Cooperation Secretaries of States. Shri U.K. Sinha, Chairman, Securities and Exchange Board of India (SEBI), Dr. Harsh Kumar Bhanwala, Chairman, NABARD also addressed the conference. Shri Harun R. Khan, Dr. Urjit R Patel and Shri S.S. Mundra, Deputy Governors, Comptroller General of Accounts (CGA), senior officials of the Ministries of Finance and Corporate Affairs, NITI Aayog, the Reserve Bank and SEBI attended the conference.

SLCCs have been recently reconstituted in each State to monitor unauthorised collection of deposits and they meet more frequently under the chairmanship of Chief Secretaries/Administrators of the concerned States/Union Territories (UTs) with participation of senior level officials of the States and the regulators.

In his inaugural remarks, the Governor stated that while India's macro economic parameters have improved, growth was still slow in picking up. Emphasising the importance of fiscal consolidation in terms of both, quantitative and qualitative dimensions, he added that the State Governments would have a critical role in improving the consolidated fiscal performance of the government sector as a whole. He highlighted the need for improvement in governance structure, capitalisation and resolution mechanism in the cooperative banking sector which plays a crucial role in credit flow to disadvantaged groups, especially in rural areas. He stated that without efficient governance, capital infusion would not benefit the sector, as it would function as a 'leaky-bucket'. He also emphasised the need for prompt corrective action and much stronger accountability in the co-operative banking sector. He suggested evolving of effective resolution mechanism, such as, the "good bank-bad bank" model in which good parts of the bank could be identified and segregated from the bad and the bad part could be dealt with appropriately.

Earlier, while welcoming the participants, Shri Harun R. Khan, Deputy Governor, Reserve Bank of India highlighted the role played by this forum over the years in respect of improvements in the arrangement for borrowings by the State Governments, methodology for determining the ways and means advance to the States by the Reserve Bank of India, ceiling on guarantees issued by the State Governments, introduction of fiscal responsibility legislation by the States, etc. He sensitised the States about the challenges faced in resource raising given the increasing size of borrowings by the

Central and State Governments, reduction in the SLR requirement and non-diversification of investor base. Despite these challenges, the weighted average spread of borrowings by the State Governments vis-à-vis the Central Government securities of corresponding maturity had come down to 38 bps last year as against 75 bps in the year before, he pointed out. He also referred to the implications of borrowings by the States following the recommendations of the 14th Finance Commission, in particular those relating to limiting of additional borrowing criterion to fiscal discipline for more capital expenditure and the carry forward of the unutilised borrowing limits to the following year. The Conference also discussed the roadmap of State Governments moving to the standard e-Receipt/Payment platform linked to the CBS (e-Kuber) of the Reserve Bank for safer and more efficient receipts and collections by all the State Governments over the next few months.

Addressing the conference, Shri U. K. Sinha, Chairman, SEBI, informed the gathering about some recent amendments in the SEBI Act providing more clarity with regard to SEBI's role in Collective Investment Schemes (CISs). Now if a company not registered with any financial regulator collected an amount exceeding Rs. 100 crore can automatically be classified as CIS under the amended SEBI Act, he pointed out and added that SEBI had also been given power of recovery.

After the inaugural session, the discussions were carried forward in a breakaway session chaired by Shri S.S Mundra, Deputy Governor. While addressing the group, Shri Mundra, highlighted the need to enact the Protection of Interest of Depositors' (PID) Act in the States to ensure a tough legal environment for the fraudulent entities. He also emphasised the need to set up Economic Offences Wing and Cyber Cells in all the States/UTs for speedier action against the economic offences. The State governments were requested to periodically make available data on financial institutions falling under their regulatory purview. The data was required for a study to macro map shadow banking sector in India. In order to initiate the process of Financial Stability Board (FSB) monitoring exercise, the Reserve Bank was mandated to initiate a study to macro map shadow banking sector in India.

In respect of the Urban Co-operative Banks (UCBs), issues relating to appointment of professional directors on the boards of UCBs, delay in appointment of liquidators by Registrar of Cooperative Societies (RCS) in respect of UCBs whose licences were cancelled by the Reserve Bank, delay in supersession of board/ appointment of Administrators when requisitioned by the Reserve Bank, connected lending, etc., were highlighted by the participants. The issue of disqualification of a member of superseded board, the recommendation of Malegam Committee relating to setting up of Board of Management (BoM) in addition to Board of Directors (BoD), representation of depositors on the boards and decline in the 'cooperativeness' of co-operative banks were also discussed. The Reserve Bank raised the issue of resolution of negative networth banks, appointment of statutory auditors and their rotation in the audit of UCBs and unauthorised functioning of unlicensed banks. The issue relating to re-capitalisation of short term co-operative structure and revival scheme for unlicensed District Central Cooperative Banks (DCCBs) were discussed. Some State Government officials raised the issue of introduction of crop insurance scheme for agricultural loans.

Chief Secretaries/Administrators and Finance Secretaries shared their experience and made valuable suggestions in improving the co-ordination mechanism for sharing and acting on information on unauthorised deposit taking activities under different garbs.

Alpana Killawala
Principal Chief General Manager

Press Release : 2014-2015/2491