

Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks



**Department of Regulation
Reserve Bank of India**

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1. Introduction

1.1 Section 12(1) of the Banking Regulation (Amendment) Act, 2020 (hereinafter referred to as the “**Amendment**”) permits co-operative banks to raise capital by way of public issue or private placement of equity shares or preference shares or special shares on face value or at premium, and unsecured debentures or bonds or other like securities, with the prior approval of the Reserve Bank. Further, these securities can be offered only to the members of such co-operative bank or any other person residing within its area of operation subject to such conditions and ceiling, limit or restriction on its issue or subscription or transfer, as may be specified by the Reserve Bank in this behalf.

1.2 The first set of guidelines, on issue and regulation of share capital and securities for Primary (Urban) Co-operative Banks (UCBs), to ensure congruity with the Amendment, were issued in 2022. However, these guidelines did not cover the newly enabled capital related provisions such as issuance of member shares at premium etc., which are new to co-operative banking sector. The Report of the Expert Committee on Primary (Urban) Co-operative Banks (hereinafter referred to as the “**Expert Committee**”), chaired by Shri N.S. Vishwanathan, former Deputy Governor, RBI, had provided broad guiding principles through its recommendations (details provided in [Annex 1](#)) on the said provisions.

1.3 In this backdrop and to further operationalize the broad-based recommendations of the Expert Committee on the newly enabled capital related provisions, a Working Group was constituted in RBI. The Working Group was tasked with *inter alia* recommending capital raising avenues for UCBs in view of the newly enabled provisions of the Amendment.

1.4 Reserve Bank now proposes to issue relevant guidelines based on the recommendations of the Working Group. This Discussion Paper lays down the broad contours of the recommendations and solicits public comments on them.

2. Issuance of member shares at premium

2.1 A person who is admitted as a member of a co-operative bank is required to subscribe to the share capital of the bank (i.e., member shares). Member shares, which are guided by the provisions of respective Co-operative Societies Acts and bye-laws of the bank, confer membership rights and voting rights (one person, one vote)

on the shareholder. Under the extant RBI guidelines, member shares are reckoned under Tier 1 capital.

2.2 UCBs can raise share capital by admitting new members, issuing additional member shares to the existing members and issuing member shares to borrowers as a part of share-linking to borrowing norms¹. Raising capital by issuing member shares may sometimes not be the preferred option for UCBs as it is a costly avenue in view of the high dividend payout by the UCBs, coupled with the requirement of having to issue member shares only at face value (i.e., without any premium) despite substantial book value of member shares.

2.3. The Amendment provides enabling provisions for issuance of equity shares or preference shares or special shares at a premium. In this regard, the Expert Committee had recommended that till the time necessary legislative amendments are carried out for enabling listing of securities issued by UCBs on stock exchanges, UCBs may be allowed to have a system on their websites facilitating buyers and sellers of member shares to indicate their interests to buy / sell securities at book value, subject to the bank ensuring that the prospective buyer is eligible to be admitted as a member.

2.4. Issuance of member shares at a premium will bring down the cost of raising capital for co-operative banks. Further, the Expert Committee's recommendation to allow buy / sell of member shares at book value on banks' websites will allow investors to reap the benefits of appreciation in the book value of member shares.

2.5. However, there are certain challenges in issuing member shares at premium. As per the co-operative principles and extant Acts/ laws, member shares must be issued and refunded at face value only. The Amendment explicitly allows co-operative banks to issue shares (equity, preference or special) at a premium. However, the Amendment is silent on similar enablement for their redemption. This may imply that member shares issued by a co-operative bank may have to be redeemed at par if the respective state cooperative societies act and/or the concomitant byelaws of the

¹ Borrowings from UCBs are linked to shareholdings of the borrowing members as below:

- 5 per cent of the borrowings, if the borrowings are on unsecured basis.
- 2.5 per cent of the borrowings, in case of secured borrowings.

In case of secured borrowings by Micro and Small Enterprises (MSE), 2.5 per cent of the borrowings, of which 1 per cent is to be collected initially and the balance of 1.5 per cent is to be collected in the course of next 2 years.

society mandate so, even if they can be issued at a premium in accordance with the provisions of the amended BR Act. A combination of issuing member shares at a premium but redeeming them only at par may not be readily accepted by stakeholders due to the following reasons:

- (a) It may not be beneficial to borrowers, who subscribe to the share capital of a UCB as a part of share-linking to borrowing norms (i.e., not as an investment), as they will have to subscribe to the shares at a premium but will get only the face value at the time of redemption.
- (b) Since the redemption of shares can only be at par, investors who have subscribed to the share capital at a premium must ideally have the option to readily transfer / sell their shares at a market determined price. Notwithstanding the enabling provision for RBI in the Amendment which implies that RBI can prescribe conditions for transfer of shares, it is observed that most of the State Co-operative Societies Acts prescribe that transfer can be allowed only after the member has held share for at least one year. Further, different State Co-operative Societies Acts have different provisions pertaining to transfer of shares.

2.6. In view of above, **issuance of member shares at a premium may not be a feasible option for the present.** Additionally, it must also be considered that most of the UCBs prescribe certain conditions which must be adhered to for continuing as member of a UCB, such as those on maintaining deposits, availing loans, attending general meetings, etc. If a member does not fulfil these conditions, he / she is liable for expulsion from the membership, which implies that the member will have to surrender his/her member shares. Thus, member shares are not likely to be preferred as a pure investment instrument at present since investors may not be willing to invest in an instrument with such myriad conditionalities. In this scenario, there may not be many takers for investing in members shares which have been issued at a premium.

Question:

1. Do you agree with the view that while legally permissible, member shares issued at a premium would not get sufficient subscribers as they have to be redeemed at face value? If not, what are the reasons thereof? How can the issuance of member shares at a premium be made attractive?

3. Issuance of “Special Shares” under Section 12(1) of the Amendment

3.1 Section 12(1) of the Amendment allows co-operative banks to issue “special shares” at premium to any member of such co-operative bank or any other person residing within its area of operation. It was examined as to whether introduction of “special shares” as another class of shares for UCBs may overcome the peculiarities associated with member shares. A review of the relevant literature in the matter revealed that co-operative banks in jurisdictions like France, China, and Finland, have issued different classes of shares, details of which are provided below:

- (a) **France:** The capital of Financial Cooperatives essentially includes membership shares (called capital shares) and financial reserves, with the distribution of these being limited by legislation. Some of the Regional Banks within the Credit Agricole Group have raised funds from capital markets by issuing non-voting shares (known as *certificats cooperatifs d’investissement*).
- (b) **China:** The main sources of capital for rural credit cooperatives / rural credit unions / rural cooperative banks include member shares, capital shares and retained earnings. Member shares are the basic shares which must be paid-in by members to obtain membership. Capital shares are shares held by members in addition to their member shares. Voting rights for member shares is one vote for one member, and the voting rights for capital shares are determined by the amount of capital share. Capital shares cannot be redeemed, while the member share may be redeemed at original value if certain conditions are satisfied and with the approval of the rural credit cooperatives / rural credit unions / rural cooperative banks’ board.
- (c) **Finland:** The erstwhile OKO Bank Group of Finland issued two categories of shares, Series A shares intended for the public and listed on the Helsinki Exchanges, while Series K shares could only be owned by Finnish cooperative banks and their central institution, OKO Bank Group Central Cooperative. This model thus, through its issuance of two categories of shares, presented a hybrid model that blended the benefits of a listed entity and those of a cooperative. While the Series A shares enabled raising capital on stock exchange, the Series K share ensured cooperative control over the institution.

3.2 Considering that a system of dual class of shares for co-operative systems is well established internationally, and given that Banking Regulation (Amendment) Act, 2020

provides the relevant enabling provision, it is proposed that UCBs may be allowed to issue “special shares” termed as “Special Share Certificates (SSCs)”.

3.3 It is further proposed that the SSCs will be a type of regulatory capital instrument issued under Section 12(1) of the Amendment, with the following terms and conditions:

Eligibility

To begin with, only Tier 4² UCBs shall be allowed to issue SSCs to members or any other person residing within their area of operation.

Voting Rights and Membership

SSCs shall be without voting rights. SSCs will not confer any type of membership rights on the investors.

Amount

The amount of SSCs to be raised shall be decided by the Board of Directors. UCBs shall be required to submit the Offer Document³ to the RBI containing all the details / disclosures pertaining to SSCs one month before the issuance date.

Seniority of Claim

The claims of the investors in SSCs shall rank *pari passu* with investors in member shares and subordinated to the claims of all other creditors and the depositors.

Issuance

SSCs shall be issued at Book Value.

Limits

The outstanding amount of SSCs (excluding premium) along with outstanding amount of PNCPS and PDIs shall not exceed 35 per cent of total Tier 1 capital at any point of time.

² RBI has adopted a four-tiered regulatory framework for UCBs with differentiated regulatory prescriptions aimed at strengthening their financial soundness. Under Tier 1 - All unit UCBs and salary earners' UCBs (irrespective of deposit size), and all other UCBs having deposits up to ₹100 crore; Under Tier 2 - UCBs with deposits more than ₹100 crore and up to ₹1000 crore; Under Tier 3 - UCBs with deposits more than ₹1000 crore and up to ₹10,000 crore; and under Tier 4 - UCBs with deposits more than ₹10,000 crore.

³ Format of the Offer Document and guidance on the details / disclosures required to be made in it shall be provided by RBI.

Face Value

SSCs shall have the same face value as member shares.

Classification in the Balance Sheet

UCBs shall reckon SSCs as Tier 1 capital and the amount received against the face value of SSCs shall be separately classified as “Special Share Capital” under “Schedule I - Capital” of the Balance Sheet. Premium (i.e., the difference between the Face Value and the Book Value) received on SSCs may be transferred to “Special Shares Premium Account”. This account may be shown under “Reserve Fund and other reserves”.

Dividend

The rate of dividend payable to the investors in SSCs will be the same as that for member shares. The payment of dividend shall be non-cumulative and as per the guidelines prescribed by RBI for member shares.

Valuation of SSCs

The Book Value per SSC may be arrived at by dividing the ‘adjusted Net Worth⁴’ of the bank as assessed by RBI by the total number of member shares plus the total number of SSCs. UCBs shall publish quarterly audited⁵ Book Value of SSCs on their website.

Redemption

Redemption of SSCs shall be permissible after a minimum period of three years from the date of issuance, subject to following conditions:

- (a) The bank’s CRAR is above the regulatory minimum as prescribed for the eligible bank⁶.
- (b) The impact of redemption does not result in bank’s CRAR⁷ falling below the regulatory minimum as prescribed for the eligible bank.

⁴ Net Worth shall be computed as per Annex 1 of RBI’s [Master Circular - DOR.CAP.REC.03/09.18.201/2025-26 on “Prudential Norms on Capital Adequacy - Primary \(Urban\) Co-operative Banks \(UCBs\)” dated April 01, 2025](#).

The ‘adjusted Net Worth’ shall exclude preference share capital.

⁵ This shall mean limited review that UCBs issuing SSCs shall have to undergo.

⁶ The minimum CRAR prescribed for Tier 4 UCBs is 12 per cent.

⁷ Both as per the latest audited financial statements and the last CRAR as assessed by RBI during statutory inspection.

- (c) The redemption value of SSCs may be the lower of (i) latest Book Value at the time of redemption, and (ii) Book Value at which SSCs were issued.

Investment in SSCs

UCBs shall not invest in SSCs issued by other UCBs nor shall they grant advances against the security of SSCs issued by them or other UCBs.

Transfer of SSCs

Investors shall be allowed to transfer SSCs to a member of the bank or any other person residing within the area of operation (this aspect has been separately discussed in the subsequent section).

Share-linking to borrowing norms

SSCs held by members / subscribers shall be treated at par with member shares for the purpose of compliance with the extant share linking to borrowing norms.

Questions:

- 2. Do you agree with the proposal to permit UCBs to issue “special shares”? If not, what are the reasons thereof?**
- 3. Do you envisage any concern vis-à-vis the provisions of the State Co-operative Societies Acts if issuance of special shares is enabled?**
- 4. Do you agree with the view that SSCs will be an additional avenue for UCBs to raise capital? If not, what are the reasons thereof?**
- 5. Should UCBs be allowed to pay higher dividend on SSCs than member shares to make them more attractive? Are there any impediments to paying higher dividend on SSCs considering that SSCs shall rank *pari passu* with member shares? Please provide detailed inputs.**
- 6. The redemption value of SSCs is proposed to be the lower of (a) latest Book Value at the time of redemption and (b) Book Value at which SSCs were issued. This is to ensure that there is no outflow of a UCB’s capital at the time of redemption in case there has been a substantial increase in the book value of SSCs since issuance. Is this likely to reduce the attractiveness of SSCs for investors? Do you think that redemption of SSCs should be allowed at the current book value? Please provide detailed inputs.**
- 7. Whether the proposed terms and conditions to issue SSCs are adequate/comprehensive? Are there any terms and conditions which need to be modified / additionally prescribed?**
- 8. Do you think that SSCs will gain traction among investors? Please provide detailed reasons.**
- 9. Are there any terms and conditions (specifically seniority of claims and valuation) which are in conflict with the provisions of the State Co-operative Societies Acts?**
- 10. Do you agree with the valuation methodology prescribed for arriving at the Book Value of SSCs? If not, is there any alternate methodology which can be prescribed?**

3.4 The details pertaining to the terms and conditions of SSCs are outlined in [Annex 2](#). A comparison of member shares and SSCs is provided in Table 1 below.

3.5 It is envisaged that SSCs will provide an additional avenue for raising capital, especially for those UCBs which may seek an alternative to raising capital by issuing member shares. Besides, UCBs which are exempted from share-linking to borrowing norms, may also like to explore the option of SSCs.

Table 1: Comparison of Member Shares and SSCs

SI No.	Member shares	SSCs
1	Co-operative banks admit members and issue member shares to them. These shares can only be issued and redeemed at face value. Member shares are counted as a class of equity.	SSC will be a type of regulatory capital instrument permitted by RBI. It will be issued at book value and redeemed at a value lower of (a) latest Book Value at the time of redemption and (b) Book Value at which SSCs were issued. SSCs are proposed to be counted as a class of equity.
2	Member shares are guided by the provisions of respective Co-operative Societies Acts and bye-laws.	SSCs will be regulatory capital instruments (like preference shares and subordinated debt instruments) which shall be guided by RBI instructions/guidelines. UCBs intending to issue SSCs will be required to examine the need for enabling provisions in their byelaws, etc. to facilitate such issuances.
3	Confers membership rights and voting rights (one person, one vote).	Investors in SSCs will not be entitled to voting and membership rights.
4	Transfer of member shares is allowed as per the provisions of respective State Co-operative Societies Acts and bye-laws.	Transfer of SSCs will be allowed to a member of the bank or any other person residing within the area of operation.
5	Face Value of member shares is as prescribed in the bye-laws.	SSCs shall have the same face value as member shares.
6	Dividend payment is subject to conditions specified by respective State Co-operative Societies Acts, bye-laws, and RBI.	The rate of dividend payable to the investors will be the same as that for member shares. The payment of dividend shall be non-cumulative and as per the guidelines prescribed by RBI for member shares.
7	Members can demand refund of share capital subject to conditions specified by respective State Co-operative Societies Acts, bye-laws, and RBI.	Redemption of SSCs will be permitted only after a minimum period of three years, subject to CRAR conditions specified by RBI.

4. Secondary market for securities of UCBs

4.1 A secondary market plays a crucial role in the overall functioning of financial markets. It provides liquidity to investors by allowing them to buy / sell financial instruments after the initial issuance in the primary market. A vibrant secondary market leads to efficient price discovery of securities ensuring that the securities are fair-valued based on the available information which ultimately helps investors to take an informed decision.

4.2 Currently, no secondary market exists for the securities issued by co-operative banks due to which there is limited scope of price discovery of securities issued by co-operative banks and also no avenue to buy/sell instruments during their tenure. Therefore, pure investors in co-operative banks are limited to those who want to hold the securities till maturity and/ or hold them for returns in the form of dividend / interest payments.

4.3 Creation of a secondary market for securities of co-operative banks would give investors an opportunity to buy/exit during the tenure of the securities and would also lead to efficient price discovery of the securities. Tradability of a security would be particularly helpful in case of regulatory capital instruments as it could generate good investor interest. Further, investors would be able to benefit from the price appreciation of securities of well performing UCBs on a longer time basis. Consequently, it is expected that more investors would be willing to invest in these securities (including regulatory capital instruments) which would result in greater liquidity in the market for these securities.

Question:

11. Do you agree with the view that creation of a secondary market will be beneficial for the co-operative banking sector? If not, what are the reasons thereof? Are there any other suggestions for the development of a secondary market for their securities?

4.4 Provisions for transfer of securities of UCBs

4.4.1 The transfer of member shares is guided by the provisions of respective State Co-operative Societies Acts and bye-laws, which have different provisions pertaining to transfer of member shares. While the Karnataka Co-operative Societies Act, 1959 and the Andhra Pradesh Co-operative Societies Act, 1964 restrict the transfer of

member shares only between the members of a society, the Gujarat Co-operative Societies Act, 1961 and the Maharashtra Co-operative Societies Act, 1960 allow transfer between members and to a person whose application for membership has been accepted by the society. These State Co-operative Societies Acts also prescribe that transfer can be allowed only after the member has held member share for one year. The Multi State Co-operative Societies Act, 2002, however, states that bye-laws may provide for the matters related to the transfer of membership [refer to [Annex 3](#) for more details].

4.4.2 It is observed that generally, bye-laws of UCBs allow transfer of member shares as per the provisions of the respective State Co-operative Societies Acts. The transfer is also subject to the approval of the Board of the bank. It is further observed that in practice, member shares may not be so freely transferrable amongst members, even if permitted in law/ bye-laws.

4.4.3 As regards other⁸ regulatory capital instruments, investors can purchase these instruments only at the time of issuance. Further, once investors purchase these regulatory capital instruments, they are locked into the investment until the respective instrument reaches maturity or until the call option is exercised (the minimum call option period / maturity period is 10 years). Thus, there is no option for investors to buy or sell regulatory capital instruments during the tenure of the instruments.

4.5 Aspects pertaining to trading of securities issued by UCBs

4.5.1 Listing of securities issued by UCBs on stock exchanges

4.5.1.1 At present, financial instruments issued by UCBs (and co-operative banks in general) cannot be listed on a stock exchange⁹. The Expert Committee has recommended that a suitable amendment could be made in the Banking Regulation Act, enabling RBI, being the regulator and supervisor of the sector, to notify certain securities (shares or debenture or bonds) issued by any co-operative bank or class of co-operative banks as “securities” for the purpose of Securities Contract Regulation

⁸ Preference Shares (viz., Perpetual Non-Cumulative Preference Shares, Perpetual Cumulative Preference Shares, Redeemable Non-Cumulative Preference Shares, Redeemable Cumulative Preference Shares); and debt instruments (viz., Perpetual Debt Instruments and Long-Term Subordinated Bonds).

⁹ For a financial instrument to be eligible to be listed on the Stock exchange, it should have been issued by a body corporate as defined under the Companies Act, 1956. Notably, co-operative societies are specifically excluded from the definition of “body corporate” under the Companies Act, 2013 and therefore, are not governed by the provisions of SEBI Act, 1992 and Securities Contract Regulation Act, 1956.

Act, 1956 ("SCRA") and SEBI Act, 1992. This would ensure that not all securities issued by a co-operative bank are required to comply with SEBI regulations and thus, limit the compliance with SCRA and SEBI Act provisions to the securities notified by RBI.

4.5.1.2 In this regard, it may be noted that sub-clause (iia) of clause (h) of section 2 of the SCRA grants powers only to the Central Government at present to notify a Financial Instrument, not being issued by a body corporate, as a "Security" for the purpose of the SCRA. Therefore, any amendments for enabling listing of specific securities issued by UCBs may be required to be carried out in consultation with the Government and SEBI.

4.5.1.3 Another challenge with listing of securities is that UCBs may find it difficult to comply with the rigorous norms and procedures stipulated by SEBI / SCRA for listing on stock exchanges. To address this, an "exchange-lite" model, similar to Innovators Growth Platform (IGP) and the Social Stock Exchange (SSE) on the BSE and NSE, may be explored specifically for UCBs in consultation with and the concurrence of SEBI.

4.5.1.4 Even after enabling listing, the existing restriction on UCBs to raise capital only from person residing within the area of operation may act as a deterrent. This limitation may not come in the way of multi-state UCBs having entire country as their area of operation. However, smaller UCBs are unlikely to get themselves listed since the limited pool of investors may not justify the costs and efforts associated with listing. To address this issue, necessary amendments may be considered, in consultation with Government, to allow all UCBs to issue securities (**other than member shares**) to persons residing even outside the area of operation. The issuance of member shares would continue to be within the area of operation as hitherto.

4.5.1.5 The pros and cons of enabling listing of specific securities issued by UCBs on stock exchanges are as under:

Pros:

- (a) Once the listing is enabled, UCBs will fall within the regulatory purview of SEBI thereby ensuring robust investor protection and disclosure norms.

- (b) Stock exchanges will offer technologically advanced trading platform which will ensure better liquidity and price discovery (as compared to trading on banks' websites recommended by the Expert Committee, as discussed below).
- (c) A centralised trading platform will give access to securities of all UCBs, unlike trading on website, which can facilitate wider investor participation.
- (d) Stock exchanges bring uniformity in disclosure, trading rules, and settlement processes thereby avoiding inconsistency and operational complexity that would arise with each UCB managing its own trading system.

Cons:

- (a) Enabling listing would require amendments to the BR Act, SCRA, and SEBI Act which may involve detailed consultations and legislative processes. Therefore, listing may take significant time to materialise.
- (b) Listing entails significant compliance requirements including disclosures, audits, reporting, etc., which may be burdensome for smaller UCBs unless an "exchange-lite" model is adopted.

4.5.2 Trading of securities issued by UCBs on their websites

4.5.2.1 The Expert Committee has recommended that, pending legislative amendments required for listing of member shares issued by UCBs, they may be allowed to have a system on their websites facilitating buyers and sellers of member shares to indicate their interests to buy / sell securities at book value, subject to the bank ensuring all prescribed eligibilities are met. Further, it must also be considered that till listing of securities issued by UCBs on stock exchanges is enabled, an immediately implementable alternative could be to allow trading on banks' websites, which will enable the UCBs to timely reap the benefits enabled by the Amendment. Therefore, in line with the recommendation of the Expert Committee, and based on the overall financial position and their stage of technical resources and infrastructure, it is proposed that Tier 4 UCBs may be permitted to allow trading of member shares and other regulatory capital instruments (including SSCs) on their websites within the following broad framework:

(a) Member shares

Since the transfer of member shares is already allowed under the State Co-operative Societies Acts, Tier 4 UCBs can allow trading of member shares on their websites in

line with the provisions prescribed for transfer of member shares in their respective State Co-operative Societies Acts and bye-laws. This would help in taking the next steps for listing on stock exchanges as and when listing of securities issued by UCBs is enabled.

(b) Special Share Certificates

Tier 4 UCBs shall allow trading of SSCs on their websites to a member of the bank or any other person residing within the area of operation. The Expert Committee has recommended that transactions between members may happen at the price negotiated by the buyers / sellers. However, most of the investors are expected to be individuals / retail investors, who may not have the capacity for nuanced assessments of trade prices based on the book value of SSCs. Thus, it is desirable to have some reliability in the trading price (i.e., trading within a band) of the SSCs, at least when such systems are fledgling. It is therefore proposed that the trading price should be within a price band of ± 25 per cent of the book value of SSCs. Further, to ensure that investors have all the information to take a well-informed decision, banks should disclose on their websites the data pertaining to SSCs as prescribed in [Annex 4](#).

(c) Other Regulatory Capital Instruments

Tier 4 UCBs may allow trading of other regulatory capital instruments on their websites to a member of the bank or any other person residing within the area of operation. This will provide an avenue for investors to purchase / sell instruments during the tenure of the instrument. Consequently, it is expected that the attractiveness of regulatory capital instruments issued by UCBs will increase as this may address the concerns emanating from the extant minimum maturity period of ten years for these instruments. The trade may happen at any price negotiated by the buyers / sellers. Further, like SSCs, UCBs should disclose the data pertaining to regulatory capital instruments as prescribed in [Annex 4](#).

4.5.2.2 The pros and cons of enabling trading on banks' website are as under:

Pros:

- (a) While listing offers long-term advantages, website-based trading provides a more immediate and operationally feasible alternative in the interim without the need for carrying out legislative amendments.

- (b) Website-based trading can act as a stepping stone – helping UCBs to get accustomed to market-like mechanisms before moving to stock exchanges in the future. Further, if trading on banks' websites gains traction, then it can help the banks to assess whether moving to a stock exchange would actually be beneficial.

Cons:

- (a) As website-based trading will not fall under the purview of SEBI, disclosure norms, investor protection measures, requirements of trading systems, etc. will have to be defined. Further, without SEBI as the regulator, it would be necessary to define as to who would be the regulator and the supervisor of the trading systems.
- (b) Each UCB operating its own trading platform creates a fragmented market thereby limiting access to a wider investor base. Consequently, limited participation on isolated platforms may affect the price discovery and liquidity of securities.
- (c) UCBs would face significant operational burden for maintaining a trading platform on their websites.

Questions:

12. What are your views on allowing issuance of securities (other than member shares) to persons residing outside area of operation? Will UCBs be benefitted from the larger investor base?

13. What are your views on having a differentiated platform for listing of securities of UCBs?

14. Do you see any impediments to the UCBs getting listed once the listing is enabled? If not, what are the reasons thereof?

15. Do you agree with the view that enabling trading on banks' website should be the first step to creating a secondary market for UCBs? Or whether directly listing on stock exchanges should be pursued ab initio?

16. Do you support the idea of allowing trading of securities on UCBs' websites? If not, the reasons thereof? What could be other possible ways of providing UCBs a platform for trading of securities?

17. Do you agree with the view that only Tier 4 UCBs possess the technological wherewithal to host a trading system on their websites, which may require dealing with related aspects such as issuance of securities in demat form, online settlement of trades, updating data on real-time basis, etc.? What are the likely technological challenges that may arise in hosting a trading system on website? How can these be addressed?

18. Whether the benefits derived from allowing trading of securities would outweigh the costs associated with enabling a trading system on website? Whether Tier 4 UCBs would be interested in enabling trading on website?

19. Do you agree with the proposal to allow trading of member shares and all regulatory capital instruments on banks' websites? Or should the trading be limited to only SSCs? Besides allowing trading of regulatory capital instruments on banks' websites, should transfer of these instruments be also allowed through endorsement and delivery to provide an offline avenue for transfer?

20. Do you agree with the proposal that there should be a price band for trading of SSCs, at least in initial phase?

4.5.2.3 Eligibility criteria / minimum requirements for the trading system on banks' websites

To ensure that permitted UCBs are well positioned to facilitate trading of securities on their websites in a transparent manner while leveraging robust technology and

following best practices, the following set of requirements are proposed to be prescribed¹⁰:

- (a) The UCB shall obtain and maintain robust technology infrastructure with a high degree of reliability, availability, scalability and security in respect of its systems, data and network, appropriate to support the trading platform on its website and manage the associated risks.
- (b) The UCB shall ensure capability to disseminate trade information on a real-time basis or near real-time basis.
- (c) The UCB shall ensure compliance with the Know Your Customer (KYC) requirements, including investors residing within the area of operation of the UCB, while onboarding trading members / investors on the trading platform.
- (d) The UCB shall ensure compliance with the requirements of all the applicable Acts and Laws while issuing securities and subsequent trading.
- (e) The UCB shall have well documented rules and regulations regarding, but not limited to, risk management and control, on-boarding of trading members / investors, roles and responsibilities of members and operator, liability framework for the platform and users in case of breach of rules and regulations, restrictions or other requirements that may apply for using the platform, processing and execution of orders, handling of exigencies and dispute resolution.
- (f) To ensure trading integrity, the UCB shall:
 - i. Ensure access control and prevent unauthorised and / or unfair access to the platform;
 - ii. Ensure that all trades on the platform, without exception, are dealt within a fair, non-discretionary and orderly manner, and as per established procedure;
 - iii. Prevent transactions that are not in compliance with the conditions of authorisation or with the prevailing legal or regulatory requirements; and
 - iv. Put in place appropriate controls to reduce the likelihood of erroneous transactions such as unintended or uncontrolled trading activity.
- (g) The UCB shall carry out IT / IS audit of the trading platform on its website, at least once in a year, by auditors with Certified Information System Auditor

¹⁰ These guidelines are broadly based on the eligibility criteria stipulated in the Reserve Bank of India - [The Electronic Trading Platforms \(Reserve Bank\) Directions, 2018](#).

(CISA) certificates or auditors empanelled by Indian Computer Emergency Response Team (CERT-In) or such other professional bodies.

(h) Preservation, access and use of data:

- i. All data relating to activities on the trading platform shall be maintained in easily retrievable media for at least 10 years.
- ii. The UCB shall maintain confidentiality and security of all data relating to activities on the trading platform. Access to such data should be strictly under the control of the UCB.

Questions:

21. Do you agree with the eligibility criteria / minimum requirements prescribed for the trading system on banks' websites? Are there any criteria/requirements which need to be modified / additionally prescribed?

22. Who should be the regulator / supervisor of the trading system on banks' websites? Can such trading systems be self-regulated by UCBs or their SROs/Umbrella Organization?

5. Recommendations of the Expert Committee pertaining to Perpetual Non-cumulative Preference Shares (PNCPS)

5.1 The Expert Committee had observed that current tepid interest to invest in PNCPS can, to some extent, be overcome if such investors are allowed to borrow from the UCB. Further, UCBs and their federations had sought a relaxation in the regulations with regard to lending to nominal members. Taking this into consideration as also to create an enabling environment for potential investors in PNCPS, the Expert Committee had recommended that UCBs may be permitted to grant advances to subscribers of PNCPS subject to the amount of loan being a limited multiple of the PNCPS subscribed to by the investor. The number of such borrowers and other nominal members having credit facility shall not exceed 20 percent of the total borrowing members of the UCB.

5.2 The extant share-linking to borrowing norms prescribe that for an unsecured borrowing, an amount equivalent to five per cent of the total borrowings shall be invested in the share capital of the bank. This roughly translates into a multiplying factor of 20 for the permitted borrowings vis-à-vis the subscribed share capital. Accordingly, it is proposed that UCBs may be permitted to grant advances to subscribers of PNCPS up to 20 times the amount of PNCPS subscribed. Further, prescribing only a multiplying factor may result in such investors, who may have subscribed to significant amount of PNCPS, becoming eligible for significantly higher quantum of loans. Thus, it is proposed that the maximum amount that PNCPS subscribers can borrow be fixed at ₹5 lakhs.

5.3 In conclusion, it is proposed that UCBs may be permitted to grant advances to subscribers of PNCPS up to 20 times the amount of PNCPS subscribed, subject to a monetary ceiling of ₹5 lakh per investor. The number of such borrowers and other nominal members should not, at any point of time, exceed 20 per cent of the regular members.

Question:

23. Do you agree with the above proposal to permit UCBs to grant advances to subscribers of PNCPS? What are your views on prescribing a monetary ceiling of ₹ 5 lakh per investor? Will the above proposal(s) make PNCPS attractive enough among investors?

Annex 1

Recommendations of the Expert Committee on the Capital Augmentation Framework for UCBs

Share Capital

Issue of member shares to the public and at premium has been allowed after the recent amendments to the BR Act, which should, in the future, be supported by amendments to the BR Act to facilitate listing of member shares, thereby enabling transparent discovery of price and bringing in requisite transparency. However, till such amendments are in place, RBI may consider allowing larger banks in Tier 3 and 4, having the necessary technology and wherewithal, to issue member shares at premium to person residing in their areas of operation.

Accordingly, the recommendations of the Committee are as under:

- (a) Amendments to the BR Act for enabling RBI to notify through a Gazette Notification the classes of instruments as "securities" for the purpose of SCRA and SEBI Acts, to enable their listing and trading on stock exchanges.
- (b) Till such amendment comes into force, banks may be allowed to have a system on their websites facilitating buyers and sellers of member shares to indicate their interests to buy / sell securities at book value, subject to the bank ensuring that the prospective buyer is eligible to be admitted as a member.
- (c) RBI may provide the broad mechanism for guidance of the banks to determine the valuation (book value) based on their last audited financial statement.
- (d) The statutory auditor of the bank may be required to certify the book value of the member shares as per RBI's directions.
- (e) Eligible banks may be required to publish their financial statements more frequently (say, quarterly / half-yearly) for transparency. The banks may also be required to carry out valuation of their member shares with certification by the auditors at quarterly / half yearly intervals. The valuation of the member shares should be disclosed by banks on their websites.
- (f) The banks should disclose the price / volume and other important data with respect to all buy / sell transactions on their website for the guidance of other prospective investors.

- (g) Banks should not be allowed to issue fresh member shares at less than the book value certified by the Statutory Auditors. However, the transactions between members may happen at the price negotiated by the buyers / sellers.
- (h) Redemption of the member shares with the bank may only be as per the provisions of the concerned Co-operative Societies' laws. Where legislations permit redemption at higher than face value, redemption value may not be more than the price paid at the time of the primary issuance of the share and in any case not higher than the book value at the time of redemption.
- (i) UCBs should be required to disclose other important information like divergences identified by the RBI, penalties imposed by the regulators, etc. on their websites for the benefit of the investors.

Annex 2

Details of the terms and conditions of SSCs

1. Eligibility

The Expert Committee on UCBs has recommended allowing larger banks in Tier 3 and 4 (i.e., banks with deposits more than ₹1000 crore) having the necessary technology and wherewithal to issue member shares at premium to person residing in their areas of operation. Following this cue, based on the overall financial and technological position, the provision for issuance of SSCs may be limited to Tier 4 UCBs i.e., UCBs with deposits more than ₹10,000 crore. The provision may be later extended to UCBs of other Tiers based on experience and market acceptance of SSCs.

2. Limits on issuance

Since issuance of special shares at premium is new to the co-operative sector, there might be uncontrolled issuance of SSCs if there are no limits prescribed for its issuance. This may have certain unintended financial implications. Therefore, as a matter of prudence, the amount of SSCs along with outstanding amount of PNCPs, PDIs and SSCs should not exceed 35 per cent of total Tier 1 capital at any point of time. Further, to ensure that the Offer Document contains all the details / disclosures pertaining to SSCs, UCBs will be required to submit the Offer Document to RBI one month before the issuance date. Format of the Offer Document and guidance on the details / disclosures required to be made in it shall be provided by RBI.

3. Face value & Dividend

Issuing SSCs with face value different than member shares may have implications on the dividend paid on them. For instance, if a dividend of 10 per cent is declared on SSCs (face value of ₹20) and member shares (face value of ₹10), the amount of dividend paid on SSCs and member shares would be ₹2 and ₹1 respectively. Therefore, it is proposed that the face value of SSCs should be equal to the face value of member shares and the rate of dividend paid on SSCs must be equal to that of member shares. Further, the payment of dividend must adhere to the criteria for declaration of dividend prescribed by RBI for member shares and be made non-cumulative in nature.

4. Presentation in the Balance Sheet

In State Co-operative Societies Acts, the word “share capital” is used to represent the amount received against issuance of member shares. Therefore, to avoid confusion, it would be appropriate if there is a distinction between “share capital” and the amount received against issuance of SSCs, and accordingly, the word “Special Share Capital” be used to represent amount received against the face value of SSCs. UCBs shall reckon SSCs as Tier 1 capital and show them separately as “Special Share Capital” under “Schedule I - Capital” of the Balance sheet. Similarly, the premium (i.e., the difference between the Face Value and the Book Value) received on SSCs may be transferred to “Special Shares Premium Account”. This account may be shown under “Reserve Fund and other reserves”.

5. Seniority of claim

SSCs should have a clear fitment as far as consideration as regulatory capital is concerned since this aspect shall be within the domain of RBI. They could be placed under Tier 1 capital, at par with member shares. In the corporate sector, as per the Companies Act, 2013, shares having Differential Voting Rights (DVR) and shares having normal voting rights are both classified as equity share capital. There is no differentiation between DVR shareholders and normal shareholders at the time of liquidation. Taking this into consideration, it is proposed that claims of SSC holders should be made *pari passu* with member shares at the time of liquidation.

Liquidation aspects are governed by the State Co-operative Societies Acts / bye-laws of the bank. While the Multi-State Co-operative Societies Act, 2002 and Maharashtra Co-operative Societies Act, 1960 do not prohibit distribution of surplus assets to members during liquidation of the co-operative society, the Gujarat Co-operative Societies Act, 1961 explicitly states that surplus assets cannot be divided amongst the members (refer to [Annex 3](#) for more details). To ensure that the feature of SSCs being *pari passu* with member shares is enforceable from a legal standpoint, necessary modifications, if required, may have to be carried out in the respective State Co-operative Societies Acts / bye-laws of the bank.

6. Definition of Book Value per SSC and Shareholders' equity

(a) Book Value per SSC

SSCs being *pari passu* with member shares would entail that the Book Value of SSCs be equal to the Book Value of member shares. Accordingly, the book value per SSC /

member share (BVPS) can be defined as: (Shareholders' equity) / (Total number of member shares plus total number of SSCs). The following salient features of adopting this definition of BVPS may be noted:

- i. Member shares will be issued at face value whereas SSCs will be issued at Book Value. The face value of member shares is likely to be significantly lesser than the Book Value of SSCs.
- ii. Therefore, issuance of member shares may lead to subsequent decrease in Book Value of SSCs with each issuance of member shares based on the denominator effect.

(b) Shareholders' equity:

Since the Shareholders' equity, which is the numerator in the definition of BVPS, is basically the Net Worth (NW), the definition of NW prescribed¹¹ by RBI for UCBs can be considered for calculating the NW. However, the definition of NW must also address the specific context and the specific purpose for which the metric is to be used, which is to determine the book value per SSC / member share in the absence of a transparent secondary market mechanism for price discovery. Since the intent is to assess the book value per member shares / SSCs, the preference share capital should be excluded.

In view of the above, it is proposed that UCBs should compute BVPS (the book value will be the same for member shares and SSCs) based on the definition of NW prescribed by RBI for UCBs, which has been further adjusted to exclude the preference share capital. Accordingly, the definition of BVPS is as under:

Adjusted Net Worth¹²

Total number of member shares plus total number of
SSCs

7. Disclosure of Book Value on the website

UCBs shall publish quarterly audited Book Value of SSCs on their website. This shall mean limited review that UCBs issuing SSCs shall have to undergo. It was also examined as to whether more frequent valuations i.e., monthly valuations may be

¹¹ Annex 1 of RBI's [Master Circular - DOR.CAP.REC.03/09.18.201/2025-26 on "Prudential Norms on Capital Adequacy - Primary \(Urban\) Co-operative Banks \(UCBs\)" dated April 01, 2025.](#)

¹² As assessed by RBI.

preferable. However, it was observed that monthly valuation will not make much of difference to the book value as the change will be proportional to just one month's profit / loss.

8. Redemption of SSCs

In the context of co-operative banks, members have the option to demand redemption of their member shares (subject to bank's bye-laws), which means that member shares are deemed to have an implicit put option. However, allowing redemption of SSCs at the discretion of SSC holders may lead to volatility particularly if a large number of SSC holders seek redemption. Since this is a new instrument, it will be useful to not have such a condition to begin with and prescribe a minimum lock-in period for redemption. Accordingly, it is proposed that a minimum lock-in period of three years may be prescribed for redemption of SSCs as it will ensure that the capital is available with the bank for a reasonable period. Banks, however, may be given the flexibility to prescribe a higher lock-in period as they deem fit. The other conditions for redemption are prescribed as under:

(a) Redemption Value

The following are the options regarding the Book Value at which the redemption of SSCs may be permitted:

- i. Book Value of SSCs prevailing at the time of redemption
- ii. Book Value of SSCs at the time of issuance

Option (i) above i.e., permitting redemption at Book Value different from the Book Value at the time of issuance will increase the attractiveness of the instrument from an investor perspective and is the desirable option. However, redemption at book value prevailing at the time of redemption could mean that there may also be a net outflow of capital from the bank, increasing the volatility and posing a systemic risk. This option may also inhibit the development of a secondary market as in case of appreciation in the Book Value, investors may prefer immediately redeeming the SSCs instead of finding an investor in the secondary market.

As regards option (ii) above, it is observed that even though it may hamper the attractiveness of SSCs from an investor perspective, on balance this option may be opted to reduce volatility in capital levels and in the hope of a secondary market in these instruments picking up. As the banks / investors get to understand the nuances

of these better, redemption of SSCs at the current Book Value may be considered. Hence, it is proposed that to begin with, the redemption value of SSCs may be the lower of (i) latest Book Value at the time of redemption and (ii) Book Value at which SSCs were issued.

(b) CRAR

As per the extant guidelines, UCBs are permitted to refund the share capital subject to the condition that the refund should not result in the CRAR of the bank falling below the minimum regulatory CRAR. Since Tier 4 UCBs are required to maintain a minimum CRAR of 12 per cent¹³, it is proposed that the condition for redemption of SSCs by Tier 4 UCBs may be as under:

- i. the CRAR is above 12 per cent
- ii. the impact of redemption does not result in bank's CRAR falling below 12 per cent.

9. Share-linking to borrowing norms

Currently, PNCPS are allowed to be reckoned as member shares for the purpose of compliance with the extant share linking to borrowing norms. On similar lines, SSCs may also be allowed to be reckoned for share-linking to borrowing norms. This provision will provide an alternative to UCBs to issue SSCs to the borrower instead of member shares for complying with share linking norms.

¹³ In terms of the Revised Regulatory Framework for Urban Co-operative Banks (UCBs), Tier 4 UCBs, which do not currently meet the revised CRAR of 12 per cent, will be required to achieve the same by March 31, 2026.

Comparison of relevant provisions of various State Co-operative Societies Acts

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
The Multi State Co-operative Societies Act, 2002	<p>Section 35- Redemption of shares</p> <p>(1) The shares of the authorities referred to in clauses (c) and (d) of sub-section (1) of section 25, held in multi-State co-operative societies,–</p> <p>(a) shall not be redeemed without the prior approval of such authorities; and</p> <p>(b) may be redeemed in such manner as may be agreed upon between the multi-State co-operative society and such authorities.</p> <p>(2) The shares held in a multi-State co-operative society by any of the authorities referred to in clauses (e) to (g) of sub-section (1) of section 25, shall be redeemed in accordance with the bye-laws of such multi-State co-operative society and in case, where the bye-laws do not contain any provision, in such manner as may be agreed upon between the multi-State co-operative society and such authorities.</p>	<p>Section 10- Byelaws of multi-state cooperative societies</p> <p>In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for all or any of the following matters, namely:</p> <p>.....</p> <p>(h) the transfer of membership;</p> <p>Section 34 - Restriction on transfer of shares or interest</p> <p>The transfer of share or interest of a member in the capital of a multistate cooperative society shall be subject to such conditions as to maximum holding as specified in section 33*.</p> <p><i>*Section 33- Restriction on holding of shares:</i></p> <p><i>No member, other than the authorities referred to in clauses</i></p>	<p>Section 91 - Disposal of Surplus Assets</p> <p>The surplus assets, as shown in the report of a liquidator of a multi-state cooperative society which is wound up–</p> <p>(a) may, if the bye-laws of the multi-state cooperative society specify the purpose for which surplus shall be utilised, be utilised by the Central Registrar for the said purpose, and</p> <p>(b) if the bye-laws aforesaid do not specify the purpose, be divided by the Central Registrar with the previous sanction of the Central Government, amongst the members of such multi state cooperative society in such manner as may be prescribed.</p>

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
	(3) The redemption of shares referred to in sub-sections (1) and (2), shall be on the face value of shares.”.	<i>(c) to (g) of sub-section (1) of section 25 of a multi-state cooperative society or a cooperative society, shall hold more than such portion of the total share capital of the society (in no case exceeding one-fifth thereof) as may be prescribed in the rules or bye-laws of such multi-state cooperative society.</i>	
The Maharashtra Cooperative Societies Rules, 1961 (“the Rules”) The Maharashtra Co-operative Societies Act, 1960 (“the Act”)	Section 23 of the Rules- Valuation of shares: (1) Where a member of society ceases to be a member thereof, the sum representing the value of his share or interest in the share capital of the society to be paid to him or his nominee, heir or legal representative, as the case may be, shall be ascertained in the following manner, namely, — (i) In the case of a society with unlimited liability, it shall be the actual amount received by the Society in respect of such share or interest; (ii) In the case of a society with limited liability, it shall be the amount arrived at by a valuation based on the financial position of the society as shown in the last audited balance sheet preceding the cessation of membership: Provided that the amount so ascertained shall not exceed the actual amount	Section 29 of the Act - Restrictions on transfer or charge on share or interest: (1) Subject to the provisions of the last preceding section as to the maximum holding of shares and to any rules made in this behalf, a transfer of, or charge on, the share or interest of a member in the share capital of a society shall be subject to such conditions as may be prescribed. (2) A member shall not transfer any share held by him or his interest in the capital or property of any society, or any part thereof, unless- (a) he has held such share or interest for not less than one year;	Section 110 of the Act - Disposal of Surplus Asset: The surplus assets, as shown in the Final Report of the Liquidator of a society which has been wound up, may either be divided by the Registrar, with the previous sanction of the State Government, amongst its members in such manner as may be prescribed or be devoted to any object or objects provided in the bye-laws of the society, if they specify that such a surplus shall be utilised for the particular purpose or may be utilised for both the purposes. Where the surplus is not so divided amongst the members and the society has no such bye-laws, the surplus shall vest in the Registrar, who shall hold it in trust and shall transfer it to reserve fund of a new

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
	<p>received by the society in respect of such share or interest.</p> <p>(2) Where a person is allotted a share by a society, the payment required to be made therefor shall not exceed the face value of the share notwithstanding anything contained in the bye-laws of the society.</p> <p>(3) When a share is transferred by a member to another member duly admitted as a member of a society, the transferee shall not be required to pay anything in excess of the value of the share determined in accordance with sub-rule (1).</p>	<p>(b) The transfer is made to a member of the society or to a person whose application for membership has been accepted by the society, or to a person whose appeal under section 23 of the Act has been allowed by the Registrar or to a person who is deemed to be a member under sub-section (1A) of Section 23.</p>	<p>society registered with a similar object, and serving more or less an area which the society, to which the surplus belonged was serving.</p> <p>Provided that, where no such society exists or is registered within three years of the cancellation of the society whose surplus is vested in the Registrar, the Registrar may distribute the surplus, in the manner he thinks best, amongst any or all of the following:-</p> <p>(a) an object of public utility and of local interest may be recommended by the members in general meeting held under the preceding section;</p> <p>(b) a Federal Society with similar objects to which the cancelled society was eligible for affiliation or, where no Federal Society exists, the State federal society which may be notified in this behalf by the State Government; and</p> <p>(c) Any charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890.</p> <p>Section 90 of the Rules - Disposal of surplus assets:</p>

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
			Where the Registrar has to divide the surplus assets amongst members of the society which has been wound up, he shall divide them in proportion to the share capital held by each of such members or in any other suitable manner sanctioned by the State Government in special cases.
The Gujarat Co-operative Societies Act, 1961	-	<p>Section 30 (2)</p> <p>A member shall not transfer any share held by him, or his interest in the capital or property of any society, or any part thereof, unless,-</p> <p>(a) he has held such share or interested for not less than one year;</p> <p>(b) the transfer or charge is made to the society, or to a membership [that] has been accepted by the society; and</p> <p>(c) the committee has approved such transfer.</p>	<p>Section 115 - Disposal of Surplus Assets</p> <p>Any surplus assets, as shown in the final report of the liquidator of a society which has been wound up, shall not be divided, amongst its members but shall be devoted to any object or objects provided in the bye-laws of the society, if they specify that such a surplus shall be utilized for the particular purpose. Where the society has no such byelaw, the surplus shall vest in the Registrar, who shall hold it in trust and shall transfer it to the reserve fund of a new society registered with a similar object, and serving more or less an area which the society to which the surplus belonged was serving:</p> <p>Provided that, where no such society exists or is registered within three years of the cancellation of the registration of</p>

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
			<p>the society whose surplus is vested in the Registrar, the Registrar may distribute the surplus in the manner he thinks best, among any or all of the following:</p> <p>(a) an object of public utility and of local interest as may be recommended by the members in general meeting held under section 114 or where the society has ceased to function and its records is not available or none of its members is forthcoming, as the Registrar thinks proper;</p> <p>(b) a federal society with similar objects to which the cancelled society was eligible for affiliation or, where no federal society exists, the Gujarat State Federal Society; and</p> <p>(c) any charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890.</p>
The Karnataka Co-operative Societies Act, 1959	<p>Section 23A- Refund of value of share</p> <p>(1) If an individual member of a co-operative society, the principal object of which is to advance agricultural loans is not indebted to such society, then, the value of all except one of the shares held by him shall, on his application, be refunded to him.</p>	<p>Section 23 - Restrictions on transfers of shares or interest</p> <p>No transfer by a member of his share or interest in a co-operative society shall be valid unless,—</p>	-

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
	(2) If the amount of debt due by such member to the co-operative society is equal to or less than the value of all except one share held by him in such society, then, on the application of such member, the value of such number of shares as are required to discharge the amount of debt may be adjusted in full discharge of such debt and the value of the remaining share, except one, shall be refunded to him thereupon the share certificates relating thereto shall be cancelled.	(a) the member has held such share or interest for not less than one year; (b) the transfer is made to a member of the society; and (c) the transfer is approved by the board of the society.	
The Andhra Pradesh Co-operative Societies Act, 1964	-	<p>Section 27- Restrictions on transfer of shares or interest:</p> <p>(1) No transfer by a member of his share or interest in a society shall be valid unless:</p> <p>(a) the member has held such share or interest for not less than one co-operative year; and</p> <p>(b) the transfer is made to a member of the society.</p> <p>(2) Notwithstanding anything in Sub - section (1), no member of a financing bank or federal society shall transfer his share or interest in such bank or society to an individual member, his heir or legal representative.</p>	<p>Section 69B - Disposal of surplus assets:</p> <p>Surplus assets as shown in the final report of the liquidator of a society which has been wound up shall be utilised for such purposes as may be specified in the bye-laws. Where the society has no such bye-laws, the surplus assets shall vest in the Registrar who shall hold it in trust and shall transfer it to the reserve funds of a new society registered with a similar object and serving more or less an area which the society to which the surplus belonged was serving;</p> <p>Provided that where no such society is registered within a period of three years of the cancellation of the registration of the society whose surplus is vested in the</p>

Act	Redemption / Issuance of Member shares	Transfer of Member shares	Disposal of Surplus Assets
			Registrar, the Registrar may distribute the surplus to the Federal society with similar objects or to the Andhra Pradesh State Co-operative Union, or for any charitable purpose as defined under the Charitable Endowments Act, 1890. (Central Act IV of 1890).

Disclosure requirements on the trading platform

1. Terms and Conditions of the security¹⁴:					
2. Important Financial Parameters of the bank:					
Sl.No.	Financial Parameters ¹⁵	Q1	Q2	Q3	Q4
1.	Net Worth				
2.	Book Value of Member shares / SSCs				
3.	CRAR				
4.	Tier 1 Ratio				
5.	Tier 2 Ratio				
6.	GNPA Ratio				
7.	NNPA Ratio				
8.	Net Interest Margin				
9.	Return on Assets				
10.	Return on Equity				
3. Trade and Price Information pertaining to the security:					
Particulars		Date of Issuance	Face Value	Total amount issued	Book Value at the time of issuance ¹⁶
Issuance Details					
Particulars ¹⁷		Daily	Weekly	Monthly	Quarterly
Traded Quantity					
Last Traded Price			NA	NA	NA
Highest Traded Price					
Lowest Traded Price					
Average Traded Price					
4. Order Book:					
Quantity		Bid Price	Quantity		Ask Price
5. Any penalty imposed by RBI, divergences as prescribed in Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021- Disclosure of Divergence in Asset Classification and Provisioning for the last five years, details of dividend / interest paid on all securities during last five years:					

¹⁴ SSCs, PNCPS, PCPS, RNCPS, RCPS, LTSB, PDI.

¹⁵ The disclosure on the website will show the parameters for the latest quarter as well as previous three quarters. The previous information will be stored in form of archives and will be accessible on the website even after being removed from the disclosure.

¹⁶ Applicable only to SSCs.

¹⁷ To be updated on a real-time basis.