

**Advisory on Using the Word 'Bank' by the Officials and Board of A Credit Cooperative Society**

This advisory is being given in the background of ***Press Release of Reserve Bank of India*** dated 29<sup>th</sup> November 2017. With this press release RBI has cautioned the cooperative societies against using the word 'Bank' with their name. ***RBI made it clear that doing so is a violation of Section 7 of the Banking Regulation Act 1949.***

The ***RBI further took cognizance*** and cited in this press release ***that some cooperative societies are accepting deposits from non-members/nominal members/associate members, which is equivalent to conducting banking business in violation of the provisions of the Banking Regulation Act 1949.***

In this regard the Central registrar had also issued an order dated 26<sup>th</sup> March 2014 and instructed to discontinue accepting deposit from nominal members.

We are here pressing this concern for the understanding of our affiliates that RBI is the ultimate authority when it comes to public deposit, therefor in this regard the orders/notification/circulars of RBI or the provisions of Banking Regulation Act 1949 and the provision of RBI ACT 1934 will override any other provision of an Act & Rule related to deposit taking.

We hereby provide following advisories to be applied in our affiliated cooperatives;

***Advisory No. 1:*** Use a sign board/notice board/stickers in your esteemed branch with a quote, 'Public Deposit is not Accepted Here'.

Issue an immediate circular via email and hard copy to be signed, for the entire official and board members of the cooperative to refrain from using the word 'Bank' for cooperative and its operations. To refer the society they can use word 'Cooperative' or 'Society'.

***Advisory No. 2:*** Put a proper notice on the wall in head office/branch office/head office cum branch, as applicable, saying that, "XYX Cooperative Credit Society is registered under ABC ACT, It is a member based organization and the activities of deposit and lending is done with the members of the society only'.

***Advisory No. 3:*** Print the rights and responsibilities of members and activities of the cooperative on the back of membership form, and get it signed at the time of filling of this form after explaining the same. Branch Manager itself should do this.

Training sessions can be organized for this part for those who are already a member of the society. They can be called at the office in small groups and after explaining them the document it can be signed by them.

These signed documents should be duly preserved at the respective offices of the cooperative.

## **Rights and Responsibilities of Member**

The XYZ Credit Cooperative Society Ltd. is registered und ABC Act 2002, it is a member based organization, activities of deposit and loan or any other activity defined in the object clause of the byelaws shall be conducted only with the members of the cooperative.

***a. Purpose of the cooperative:***

- i. For social and economical upliftment of the members while practicing the principals of cooperative.
- ii. For promoting self help, mutuality, cooperation and thrift among the members.
- iii. For motivating its members for keeping their deposit in the cooperative without any Interest/dividend/opportunity cost on it.
- iv. For providing credit facility to its members as defined in the byelaws.

***b. Who can become a member of the cooperative:***

Any person

- i. Who has reached to the age of 18 years
- ii. Who has not been declared of unsound mind in a competent court
- iii. Who has not been sentence by a competent court for any offence related to moral turpitude

***c. How to become a member:***

- i. By applying for membership in a prescribed format
- ii. By the approval of board on the membership application
- iii. By purchasing the minimum prescribed number of shares and paying the admission fee
- iv. By confirming his/her agreement with the rules and regulations of the society.

***d. Withdrawal of membership:***

- i. Any member of the society may withdraw from membership of the society only after \_\_\_\_\_3 years (subject to change as per the rules of the society)\_\_\_\_by giving at least a three month, notice duly approved by the board.
- ii. Not more than 10% share of the total paid up share capital shall be returned in any cooperative calendar year.

***e. Termination of membership:***

Membership of the society may be terminated by a resolution of the general body passed by 2/3<sup>rd</sup> majority of the members present and voting if:

- i. A member is involved in any activity conflicting or competitive with the interest or activities of the society.

- ii. A member is absent from AGM for three consecutive years.
- iii. A member has defaulted in payment of dues as per byelaws of the society.

***f. Rights of the members***

A member has right;

- i. To be given proper notice for the General Body meeting and to participate in the Annual General Body meeting of the Society.
- ii. To exercise vote on all the matters put before the general meeting of the society.
- iii. To enjoy the services of the society subject to the rules and regulations of the society.
- iv. To inspect members register, book of accounts or can obtain certified copies of documents on payment basis as prescribed by the society from time to time except the personal and financial information related to any individual member.
- v. To be treated fairly, respectfully and without any discrimination.

***g. Responsibilities of the members***

- i. Liability of the members shall be limited to the share capital subscribed by them.
- ii. Liability of every member would continue for a period of two years from the date of ceasing to be member of the society.
- iii. To attend and participate in the AGM.
- iv. To comply with the byelaws and rules and regulations of the society.
- v. To attend members education meeting.

**Signature of the applicant**