

RBI/2004-05/418  
UBD(PCB). / BPD/Cir. 43 / 09.72.00 /2004-05

April 11, 2005.

The Chief Executive Officers of All  
Primary (Urban) Co-operative Banks

Dear Sir/Madam,

**Donations / Contributions for public /charitable purposes out of profits of  
UCBs**

Some of the State Co-operative Societies Acts and the Multi-State Co-operative Societies Act permit co-operative societies registered there under to set apart a certain portion of their net profits as charity fund and give donation out of such fund for development of co-operative movement, charitable or any other public purpose. It has come to the notice of the Reserve Bank that large donations are being made by urban co-operative banks for various purposes from out of the charity fund so created, which adversely affect the interest of depositors of the banks. The matter has been examined and it is considered necessary, in the public interest and in the interest of the depositors, that donation made by primary (urban) co-operative banks should be regulated.

2. In view of the above, it has been decided that the normal donations to be made during a year, may, in aggregate, be restricted to a ceiling of 1% of the published profits of the bank for the previous year. Such normal donations, together with those that may be made to National Funds and other funds recognized/sponsored by the Central / State Government, during a year, may not exceed 2% of the published profits of the bank for the previous year. The above restriction shall be applicable to all primary (urban) co-operative banks notwithstanding funds, if any, available in the charity fund or any similar reserve created under the provision of any other legislation.

3. These instructions are issued under Section 35A of the Banking Regulation Act, 1949 (AACS) and any contravention of instructions or non-compliance with

the same will attract penalties under the relevant provisions of the Act.

4. Please acknowledge receipt to the concerned Regional Office of the Reserve Bank of India.

Yours faithfully,

(N.S.Vishwanathan)  
Chief General Manger