THE SCHEME OF AMALGAMATION OF THE DISTRICT CO-OPERATIVE BANKS TO THE KERALA STATE CO-OPERATIVE BANKS, 2019

SCHEME

1. Short title and commencement.- (1) This scheme may be called the Scheme of Amalgamation of the District Co-operative Banks to the Kerala State Co-operative Bank, 2019.

   (2) It shall come into force on the date on which the Government approves scheme.

   (3) It shall apply to the District Co-operative Banks and the Kerala State Co-operative Bank.

2. Definitions.- (1) In this Scheme, unless the context otherwise requires,-


   (b) “Annexure” means the annexure appended to this Scheme;

   (c) “Board of Management” means the Board of Management constituted under sub-section (10) of section 74H of the Act.

   (d) “Interim Board of Directors” means the Interim Board of Directors constituted under sub-section (6) of section 74H of the Act.

   (e) “Regulator” means RBI/NABARD.

(2) Words and expressions used but not defined in this scheme and defined in the Kerala Co-operative Societies Act, 1969 (21 of 1969) shall have the meanings respectively assigned to them under that Act.

3. Objective of the Scheme.- (i) This scheme is intended to effect the amalgamation by transfer of assets and liabilities of District Co-operative Banks (hereinafter each of such District Co-operative Bank will be referred to in singular as the “Transferor Bank” and in plural the “Transferor Banks”), to Kerala State Co-operative Bank (hereinafter referred to as the “Transferee Bank”) and the same shall be applicable and binding on,-

   (a) each Transferor Bank which passes a resolution by a simple majority of the members present and voting at the Special General Body Meeting of the members of such Transferor Bank (on the basis of the existing provisions of the Kerala Co-operative Societies Act, 1969 (21 of 1969)) and thereby adopting, accepting and approving this Scheme prepared by the Transferee Bank to facilitate the de-layering of Short Term Credit structure from the present three tier structure to a two tier structure and the transfer of the entire assets and liabilities of such Transferor Bank, as on date of amalgamation, in whole pertain to such Transferor Bank to the Transferee Bank; and/or
(b) such Transferor Banks, wherein by law, this Scheme is made applicable and to effect the transfer of the entire assets and liabilities of such Transferor Bank, as on the date of amalgamation, in whole pertain to such Transferor Bank to the Transferee Bank.

(ii) Subject to the provisions contained in 3(i) above, the amalgamation shall be effected by transferring the entire assets and liabilities of Transferor Banks to the Transferee Bank through the process specified in Section 74H of the Act.

(iii) The particulars of assets and liabilities pertaining to each of the Transferor Banks as per the audited financial statements and audit report for the Financial Year ending as on March 31, 2018 are annexed herewith in Annexure I to Annexure XIV to this Scheme.

(iv) The audited financial statements and annual report for the Financial Year ending as on March 31, 2018 pertaining to respective Transferor Bank shall be presented before the members of such Transferor Bank for the purpose of adopting the resolution in the Special General Body Meeting as specified under 3 (i) above.

(v) Upon receipt of the final approval for the proposed amalgamation from RBI and subsequent decision by the Registrar of Co-operative Societies (“RCS”) on fixing and appointing a particular date as the date of amalgamation, the particulars of assets and liabilities pertaining to each of the Transferor Bank shall be drawn again and post conduct of audit, such assets and liabilities then existing shall be transferred to the Transferee Bank.

(vi) Upon the date of completion of the amalgamation process, there shall be a single entity named the Kerala State Co-operative Bank Ltd. No.1 and subject to the provisions contained in 3 (i) above, the Transferor Banks shall cease to exist.

4. Transfer of shares.- (i) Upon the date of completion of the amalgamation process, the A class members of the Transferor Bank i.e., the Primary Agricultural Credit Societies and the Urban Co-operative Banks shall automatically become A class members of the Transferee Bank and the nominal and associate members of the Transferor Banks shall automatically become the nominal and associate members of the Transferee Bank.

(ii) Upon the date of completion of the amalgamation process, the share capital held by A class members, nominal and associate members in Transferor Bank shall be transferred to the Transferee Bank. The transfer of shares shall be effected on the face value of such shares.
(iii) The share capital held by members of the Transferor Banks shall be transferred to the Transferee Bank as share capital. After the completion of amalgamation, the members of the Transferor Bank shall be allotted shares in the Transferee Bank proportionately on the basis of the amount held by way of share capital by the members in the Transferor Bank and the value of such shares shall be as prescribed in the Byelaw of the Transferee Bank. The Transferee Bank shall assign a new membership number to each of such eligible members without any fresh/new application from such members and issue new share certificates. The share certificates already issued by the Transferor Banks to its members shall become invalid from the date of completion of amalgamation.

(iv) After the completion of amalgamation, if fractional values for share exist, the members of the Transferee Banks shall be given opportunity to subscribe to such additional amount to make them eligible for issuance of full share. Alternatively, the members may at their option withdraw such amount equivalent to the fractional value of share. This can be done within a period of three months from the date of amalgamation. In case if members do not exercise either of the above mentioned two options, such fractional amount shall be transferred to a separate suspense account and such amount shall be maintained by the Transferee Bank as a non- dividend/interest bearing corpus fund and shall further be transferred to the Common Good Fund immediately after the completion of next financial audit. The members shall not have any right to claim such amount once it is transferred to the Common Good Fund.

(v) New share certificates will be issued to the eligible members by the Transferee Bank within a period of six months from the date of amalgamation.

(vi) Consequent to the issuance of new share certificate by the Transferee Bank to the members in the manner as mentioned above, the shares held by Transferor Bank in the Transferee Bank shall stand cancelled without any further act, deed or instrument and the share certificate representing such shares shall be invalid post completion of the amalgamation.

(vii) The transferee bank shall endeavor to ensure a minimum of 10% dividend/incentive/honourarium/remuneration/allowance on share capital to its share holders for an initial period of 3 years from the date of completion of amalgamation. The Transferee Bank, at its discretion, may seek Government’s assistance, if required, in this regard from time to time.

5. Transfer of Assets and Liabilities.- (i) The undertaking of the Transferor Bank which
is transferred to, and will vest in, Transferee Bank upon the date of completion of the amalgamation process shall be deemed to include all of its businesses, assets, rights, powers, authorities, licenses, permits, approvals, permissions, benefits, incentives, shares, loans, subsidies, concessions, grants, special status and other privileges and all properties namely, movable and immovable, real and personal, corporeal and incorporeal, goodwill, copyright, all rights under the intellectual property etc., in possession or reservation, present or contingent of whatever nature and where so ever situated, including land, commercial or residential premises, fixtures, furniture, equipments, vehicles, cash balances, deposits, disclosed and undisclosed reserves, reserve fund, special reserve fund, benevolent reserve fund, any other fund, stocks, investments, shares, dividends, bonds, debentures, securities, management of any industrial concern, loans, advances and guarantees given to industrial concerns, other tenancies, leases, and book-debts and all other rights and interest arising out of such property as were immediately before the effective date, in the ownership, possession or powers of the Transferor Bank, all books of account, registers, records and documents relating thereto and shall also be deemed to include all borrowings, liabilities and obligations of whatever kind then subsisting of the Transferor Bank, whether secured or unsecured, along with any charge, encumbrance, lien or security thereon or in respect thereof.

(ii) All contracts, deeds, bonds, guarantees, agreements, assurances, powers-of-attorney and other instruments of whatsoever nature and agreements for working arrangements subsisting in favour of and/or in the name of and/or on behalf of the Transferor Bank immediately before the date of completion of amalgamation process shall be as of full force and effect transferred to and vest against or in favour of the Transferee Bank.

(iii) Any proceedings, suits, decrees, recovery certificates, appeals and all other legal proceedings pending or existing immediately before the date of amalgamation before any Court or Tribunal or any other authority, by or against the Transferor Bank may, as from the date of amalgamation be continued and enforced by or against Transferee Bank.

(iv) The rate of interest on deposits, loans and borrowings from the Transferor Bank shall be continued as it is and shall be revised as per the terms and conditions as contained in the deposits or loan agreements executed by such depositors or borrowers.

(v) The non-banking assets, if any, acquired by the Transferor Banks and/or in possession of and/or under the ownership of the Transferor Banks and/or vested in Transferor Banks in fulfillment of any awards or decrees or otherwise shall be
vested with the Transferee Bank and which will be maintained and or disposed off by the Transferee Bank - as per the directions/guidelines issued by RBI/RCS/Government from time to time.

(vi) Transferee Bank shall implement appropriate and up to date technology infrastructure and the existing data/records maintained by the Transferor Bank shall be transferred to the Transferee Bank without affecting the services and facilities currently being offered by the Transferor Bank to its customers. Transferee Bank shall endeavor to support the members for technology up gradation and facilitate provisions for IT enabled services.

(vii) The Transferee Bank shall complete the migration audit of the Transferor Bank before the amalgamation and ensure that the system integrity is established and certified before the Transferor Bank can migrate into the Transferee Bank’s platform.

(viii) The Transferor Bank shall ensure that it shall not keep their funds as deposits in the Treasury Saving Bank (TSB).

6. Governance Structure And Management.- (i) The headquarters of the new bank shall be at Thiruvananthapuram and it shall have appropriate number of Regional Offices, Zonal Offices as decided by the Transferee Bank and the RCS/Government with the approval of Regulator from time to time. Besides overseeing the functioning of the branches within the region, the Regional Offices shall have a dedicated team to handhold the members under their jurisdiction by assuming the role of a mentor.

(ii) The existing branches of the Transferor Bank shall be converted into branches of the Transferee Bank and will come under the purview of Section 23 of the Banking Regulation Act, 1949. Thus the Transferee Bank will be required to apply for Branch license from RBI. The Transferor Bank is required to surrender their licenses to RBI upon the completion of amalgamation process and a decision to this effect is taken by the Transferee Bank in consultation with and/or on the basis of the guidance/direction from the Government and/or Regulator.

(iii) The existing Board of Directors of the Transferor Bank and the Transferee Bank shall cease to exist on the date of amalgamation.

(iv) The Government shall nominate and constitute an Interim Board of
Directors for the Transferee Bank consisting of such number of Directors, the Government may deem fit for a period not exceeding one year from the date of amalgamation or till a newly elected Board of Directors takes charge, whichever is earlier.

(v) The Interim Board of Directors shall exercise all the powers that the Board of Directors of the Transferee Bank as per the Kerala Co-operative Societies Act, 1969 (as amended from time to time) and the Bye-laws issued thereunder and shall take such necessary steps to complete the amalgamation procedures and conduct election to the Board of Directors.

(vi) The Board of Directors of the Transferee Bank shall consist of elected representatives from A class members as per the provisions of the Kerala Co-operative Societies Act, 1969, (21 of 1969), the Rules issued there under and Bye-laws.

(vii) The Government shall nominate professionals, subject experts and officials to the Board in accordance with the Kerala Co-operative societies Act, 1969 (as amended from time to time) and/or as per the provisions contained in the bye-laws of the Transferee Bank.

(viii) In addition to the Board of Directors, the Transferee Bank shall constitute a Board of Management as per the Kerala Co-operative Societies Act, 1969, (21 of 1969), the Rules issued there under and Bye-laws and as per the guidelines of RBI.

(ix) The Chief Executive Officer (CEO) of the Transferee Bank shall be appointed as per the “fit and proper criteria” prescribed by RBI.

(x) The revised organogram of the Transferee Bank shall be prepared and implemented by the Government, after amalgamation and cadre integration of employees.

7. Human Resources.- (i) The permanent and regular employees and employees under probation of the District Co-operative Bank shall be retained and will be permitted to continue in employment as employees of Kerala State Co-operative Bank from the date of amalgamation. The permanent and regular employees and employees under probation of the Transferor Bank, who opt not to continue in employment in the Transferee Bank shall have the right to exercise their option within 15 days from the date of completion of amalgamation to not to continue in the service/employment of the Transferee Bank. Employees who opt not to
continue in the service/employment of the Transferee Bank shall not have any right for compensation on account of the loss of employment.

(ii) The employees who have retired before the date of amalgamation from the service of the Transferor Bank or opted not to join in the service of the Transferee Bank on and from the date of amalgamation, are entitled to benefits, rights or privileges, if any, from Transferor Bank, shall receive such benefits, rights or privileges from the Transferee Bank.

(iii) The Provident Fund/ Gratuity Fund/ Pension Fund or any other funds of the Transferor Bank and any other bodies created, established or constituted as the case may be for the employees shall continue with the Transferee Bank.

(iv) The Government will make a scheme for cadre integration, seniority, promotion, transfer, service conditions and such other matters related to the employees of the Transferor Bank and the Transferee Bank in the service of the Transferee Bank.

8. Miscellaneous.- (i) The Amalgamation process specified in this scheme such as transfer of assets and liabilities including Human Resources Integration shall be completed within one year from the Date of Amalgamation. The data migration from the existing Data Centre/Disaster Recovery Centre of the Transferor Banks to Transferee Bank including the completion of Migration Audit shall be completed within one year from the Date of Amalgamation as testing and certification by agencies such as NPCI, UIDI, IFTAS, etc., which are involved in it.

(ii) The Registrar of Cooperative Societies shall have the power to settle disputes if any arising out of or relating to this Scheme in consultation and concurrence with the Government.

(iii) Other aspects, if any, which is not specifically provided for in this Scheme shall be referred to Registrar of Co-operative Societies/Government for appropriate actions/decisions and the decision of Registrar of Co-operative Societies/Government shall be final and binding on all the Transferor Banks and the Transferee Bank.