



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2019-20/128

DoR (PCB).BPD.Cir.No.8/12.05.002/2019-20

December 31, 2019

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

Madam / Dear Sir,

Constitution of Board of Management (BoM) in Primary (Urban) Co-operative Banks (UCBs)

Reserve Bank of India had released [draft guidelines](#) on constituting BoM in UCBs on June 25, 2018 inviting comments from banks and other stakeholders. Taking into consideration the responses received, it has been decided to issue the guidelines on BoM as per **Annex I**.

2. UCBs shall constitute a BoM by making suitable amendments in their bye-laws. The BoM shall comprise of persons with special knowledge and practical experience in banking to facilitate professional management and focused attention to the banking related activities of the UCBs through appropriate amendments to their bye-laws, in accordance with the enclosed guidelines following the due process. While constituting the BoM, the Board of Directors (BoD) of UCB shall carry out a process of due diligence to determine the suitability of the person for appointment as the member of the BoM, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria as set out in Appendix I. Similar process of due diligence shall be carried out for determining the suitability of a candidate for appointment as CEO. For this purpose, banks shall obtain declaration-cum-undertaking from the proposed member of BoM/CEO in the format enclosed to the guidelines in Appendix II. The process of due diligence shall also be undertaken at the time of renewal of appointment.

3. UCBs with deposit size of ₹100 crore and above shall constitute BoM which will also be a mandatory requirement for allowing such banks to expand their area of operation and open new branches. UCBs with a deposit size less than ₹100 crore and Salary Earners' Banks are exempted from constituting BoM. However, for having good governance practices, such banks may also constitute BoM, if they so desire.

विनियमन विभाग, केंद्रीय कार्यालय, सी -7, पहली/दूसरी मंज़िल, बांद्रा-कुर्ला संकुल, बांद्रा (पूर्व), मुंबई - 400 051

टेलीफोन/Tel No: 022-26571112 फ़ैक्स/ Fax No: 022-26571117

Department of Regulation, Central Office, C-7, 1st/2nd Floor, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

हिंदी आसान है, इसका प्रयोग बढ़ाइए—

चेतावनी : भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।
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4. Further, as per the guidelines, UCBs having deposit size of ₹100 crore and above shall obtain prior approval of Reserve Bank for appointment of CEO. In this connection, it is advised that Scheduled UCBs shall approach the Department of Regulation of Reserve Bank for approval at least three months prior to the end of tenure of the incumbent CEO. The banks shall submit the proposal for appointment of CEO along with the declaration-cum -undertaking of the CEO designate as per Appendix II of these guidelines along with the list of supporting documents as given in **Annex II**. Non-Scheduled UCBs shall approach the concerned Regional Office of the Department of Supervision for the requisite approval in the similar manner mentioned above. Reserve Bank reserves the right to seek additional information/documents, if deemed necessary.

5. A copy of the amended bye-laws providing for constitution of BoM shall be forwarded to the concerned Regional Office of the Department of Supervision for information and record along with details of the members of BoM immediately after constitution of BoM. UCBs shall also be required to submit an annual return furnishing details of the members of the BoM as per the format given in **Annex III** as on December 31 each year, within 15 days of the end of the period to the respective Regional Offices of the Reserve Bank of India.

Yours faithfully,

(Neeraj Nigam)
Chief General Manager

Encls: Annex I, II, III; Appendix I, II

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Annex I

Guidelines on Board of Management for Primary (Urban) Co-operative Banks

(Refer circular DoR (PCB).BPD.Cir No.8/12.05.002/2019-20 dated December 31, 2019)

1. Introduction

The Expert Committee on "[Licensing of New Urban Co-operative Banks](#)" constituted under the Chairmanship of Shri Y.H.Malegam (2011) had, *inter-alia*, opined that in order to address the issues arising out of dual control and to bring about an improvement in the functioning of the UCBs, it was desirable that the persons who manage the affairs of UCBs are professionally competent, devoid of vested interests and subject to supervision and control. Accordingly, it had proposed a new organization structure consisting of a Board of Management in addition to the Board of Directors. The issue was also deliberated by the High Powered Committee under the chairmanship of Shri R. Gandhi (2015) which reiterated that the concept of BoM as put forward by the Malegam Committee has to be one of the mandatory conditions for expansion of UCBs. The Reserve Bank placed the report of the [High Powered Committee \(HPC\) on its website on August 20, 2015](#) for seeking comments from general public and stakeholders. RBI also held discussions on the recommendations made by HPC with the members of the Standing Advisory Committee for UCBs and subsequently, also with select Registrars of Co-operative Societies / their representatives. After considering the feedback of the stakeholders, it has been decided to implement the suggestion of the Malegam Committee on putting in place a Board of Management (BoM) in addition to Board of Directors in UCBs. The guidelines in this regard are set out below:

2. Objective

Under the present legal framework, the Board of Directors of a UCB perform both the executive and supervisory roles and has the responsibility to oversee the functioning of UCB as a co-operative society as well as its functions as a bank. Since UCBs are accepting public deposits, it is imperative that a separate mechanism be put in place to protect the interests of depositors. Accordingly, it is proposed to implement a Board of Management consisting of members with special knowledge and practical experience in banking to facilitate professional management and focussed attention to banking related activities of UCBs.

3. Constitution of Board of Management (BoM)

3.1 There shall be a Board of Management (BoM) in every UCB with deposit size of ₹100 crore and above in addition to the Board of Directors. BoM shall be constituted by the Board of Directors (BoD) of such UCBs within a period of one year from the date of the circular. In



addition to the functions as furnished in Para 4 below, the BoD may delegate such powers as deemed necessary for the proper functioning of the bank.

3.2 Other UCBs including Salary Earners' Banks may also constitute BoM voluntarily. For the UCBs with deposit size of ₹100 crore and above, constitution of BoM shall be a mandatory condition for opening of new branches / expansion of area of operation.

4. Functions of Board of Management

The BoM shall exercise oversight over the banking related functions of the UCBs, assist the BoD on formulation of the policy and any other related matters specifically delegated to it by the Board for proper functioning of the bank. The functions of the BoM shall include the following:

- i. Rendering expert advice on all proposals being put up to the Board or any Committee of the Board for sanction of loans
- ii. Recommending action for recovery of NPAs, One Time Settlement or Compromise Settlement and assisting the Board in monitoring the same
- iii. Overseeing the management of funds and borrowings in the bank
- iv. Recommending proposals for investment of bank's funds as per the board approved policy
- v. Oversight on internal controls and systems and risk management in the bank
- vi. Exercising oversight on implementation of computerisation, technology adoption and other incidental issues in the bank
- vii. Overseeing internal audit and inspection functions including compliance
- viii. Oversight on complaint redressal system
- ix. Assisting the Board in formulation of policies related to banking functions, illustratively loan policy, investment policy, recovery policy, ALM and Risk management, etc. to ensure that policies are in tune with RBI guidelines
- x. Any other responsibility as may be delegated to it by the BoD.

NB: In the event where the BoD differs with the recommendations of BoM, it shall do so by recording, in writing, the reasons thereof.

5. Size of BoM

The BoM (excluding CEO) shall have a minimum of five members. The maximum number of members in BoM shall not exceed twelve. The CEO would be a non-voting member.



6. Qualifications of Members of BoM

- (i) All the members of BoM shall consist of persons having special knowledge or practical experience in respect of one or more of the following matters, namely:-
 - a. Accountancy
 - b. Agriculture and rural economy
 - c. Banking
 - d. Co-operation
 - e. Economics
 - f. Finance
 - g. Law
 - h. Small scale industry
 - i. Information Technology
 - j. Any other subject, which would, in opinion of the Reserve Bank, be useful to the UCB
- (ii) The members of BoM shall at all times satisfy the 'Fit and Proper' Criteria as furnished in Appendix I.
- (iii) Members of the BoM may be drawn from the members of the Board of Directors provided they meet the criteria specified. However, not more than 50 per cent of the BoM members shall be from BoD. Under all circumstances, BoM shall have at least two members from outside the BoD.
- (iv) A member of BoM can be appointed in more than one bank, subject to a maximum of three, provided that there is no overlapping in area of operation.
- (v) Any disqualification prescribed for member of a BoD under respective co-operative societies act will also apply to a member of a BoM.

7. Meetings of BoM

BoM may hold meetings at such periodicity as deemed necessary. The Chairman of the BoM may be elected by the members of BoM from amongst themselves or appointed by the BoD. Under no circumstances the Chairman of the BoD shall be appointed as Chairman of the BoM and every UCB shall maintain proper record of the minutes of the meeting and the same shall be put up to BoD. The quorum for the meeting shall be two-third of the total members of BOM.

8. Sitting fees

Members of BoM may be paid allowance / sitting fees for their services as may be provided for in the bye-laws of UCB or with the approval of BoD.



9. Tenure of BoM

The tenure of BoM shall be co-terminus with the tenure of BoD.

10. Functions of Board of Directors

The BoD is responsible for the general direction and control of a UCB. They will continue to look after all the administrative functions as spelt out in the respective Co-operative Societies Act. BoD will continue to be the apex policy setting body and constitute various committees of the Board including the Board of Management to assist the Board in carrying out its responsibilities. It will delegate powers to the various committees as considered appropriate. BoD may ensure that there are no conflicts in powers delegated to the Committees of the Board and BoM. The CEO of a UCB may be appointed by the Board and who shall be a person meeting the 'fit and proper' criteria as prescribed in [Appendix I](#). UCBs having deposits of Rs.100 and above crore shall obtain prior approval of RBI for appointment of CEO.

11. Functions of CEO

The CEO shall be under the general superintendence, direction and control of the BoD and exercise such powers and discharge such functions as may be delegated by the BoD. He/ she shall be an ex-officio member of the BoD and also the BoM.

12. RBI's powers over BoM and CEO

RBI shall have powers to remove any member of BoM and/ or the CEO if the person is found to be not meeting the criteria prescribed by RBI or acting in a manner detrimental to the interests of the bank or its depositors or both. The BoD shall seek concurrence from RBI before removing any member of the BoM / accepting the resignation tendered by any member of the BoM. RBI shall also have powers to supersede the BoM if the functioning of BoM is found unsatisfactory. After removal of the member of BoM or CEO or supersession of BoM, BoD shall appoint a new member or CEO or constitute a new BoM as the case may be within a period of three months. As an interim arrangement, BoD may carry out the functions of BoM.

13. Amendments to bye-laws

UCBs shall make suitable amendments to their bye-laws, with the approval of the General Body and Registrar of Co-operative Societies to provide for constitution of BoM, in addition to the BoD.



Annex II

List of Documents

(Refer circular DoR (PCB). BPD.Cir No.8/12.05.002/2019-20 dated December 31, 2019)

1. Covering Letter by UCB submitting the application for approval of appointment of CEO duly signed by the authorised signatory with bank's seal
2. Declaration and Undertaking by CEO prescribed in [Appendix II](#) of guidelines on BoM.
3. Board Resolution approved in AGM / Special AGM recommending the appointment of CEO subject to approval from RBI
4. Identity document (any one) – PAN Card / Election Card / Driving License / Passport
5. Educational Qualification - HSC Passing Certificate, Graduation and Post-Graduation Certificate, any other document evidencing the educational qualification/Professional qualification of the CEO designate
6. Experience Certificate/s from previous employer/s
7. Credit Information Report (Score + complete report) (not older than 6 months)
8. Bankers Report



Annex III

Details of the members of BoM /CEO

(Refer circular DoR (PCB).BPD.Cir No.8/12.05.002/2019-20 dated December 31, 2019)

Name of the Bank: _____

Classification of Bank*: Tier I/Tier II

For the year ended: December____, 20XX

Name	Date of appointment	Qualification	External/Internal Member

*Strike out whichever is not applicable



Appendix I

'Fit and Proper' criteria

(Refer circular DoR (PCB). BPD.Cir No.8/12.05.002/2019-20 dated December 31, 2019)

A. Chief Executive Officers or Managing Directors of UCB

- i) The person shall be a graduate with
 - (a) CAIIB / DBF / Diploma in Co-operative Business Management or equivalent qualification; or
 - (b) Chartered / Cost Accountant; or
 - (c) Post graduate in any discipline.
- ii) The person may preferably not be less than 35 years of age and not more than 70 years of age at the time of appointment.
- iii) The person shall have at least 8 years' work experience at the middle / senior level in the banking sector.

B. Members of Board of Management

- i) All members of BoM shall have special knowledge or practical experience in respect of one or more of the following matters:
 - a. Accountancy
 - b. Agriculture and Rural Economy
 - c. Banking
 - d. Co-operation
 - e. Economics
 - f. Finance
 - g. Law
 - h. Small Scale Industry
 - i. Information Technology
 - j. Any other subject, which would, in opinion of the Reserve Bank, be useful to the UCB
- ii) Any person who has had a business relationship with the bank, in question, during the immediate preceding three years will not be eligible. A person having deposits with the UCB will not be classified as having business relationship for the purpose.

C. The Board of Directors of the UCB shall obtain a declaration-cum-undertaking as in [Appendix II](#) from the CEO or member of BoM at the time of his / her appointment. The BoD shall undertake a process of due diligence in respect of such persons relying on the information given in the Declaration.



Appendix II

Name of Bank :

Declaration- cum-Undertaking by CEO / Member of Board of Management

(Refer DoR (PCB).BPD.Cir No.8/12.05.002/2019-20 dated December 31,2019 with enclosures as appropriate in Annex II list)

I.	Personal details	
a.	Full Name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Work Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address & Telephone/ Mobile Number	
h.	Permanent Account Number under the Income Tax Act	
i.	Any other information relevant to the appointment	
II	Relevant Relationships of candidate	
a.	List of Relatives, if any, who are connected with the Bank	
b.	List of entities if any in which he / she is considered as being interested	
c.	Name of Bank in which he / she is or has been a member of the board (giving details of period during which such office was held)	
d.	Fund and non-fund facilities, if any, presently availed of by him / her and / or by entities listed in II (b) above from the bank	
f.	Cases, if any, where the candidate or entities listed in II (b) above are in default or have been in default in the past in respect of credit facilities obtained from the bank or any other bank.	
III	Records of professional achievements	
a.	Relevant professional achievements	
IV.	Proceedings, if any, against the candidate	
a.	If the candidate is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry of at any profession / occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the candidate and / or against any of the entities listed in II (b) above for violation of economic laws and regulations	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the candidate	
d.	Has the candidate or any of the entities at II (b) above been subject to any investigation at the instance of any Government department or agency?	
e.	Has the candidate at any time been found guilty of violation of rules / regulations / legislative	



	requirements by customs / excise / income tax / foreign exchange / other revenue authorities, if so give particulars	
f.	<p>Whether the candidate or any of the entities listed at II (b) above have at any time come to the adverse notice of a regulator such as SEBI, IRDA, DCA, RCS, ICAI, etc.</p> <p>(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by regulators which have been later on reversed / set aside in toto, it would be necessary to make a mention of the same, in case the reversal / setting aside is on technical reasons like limitation or lack of jurisdiction, etc, and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned).</p>	
V.	Any other explanation / information in regard to items I to III and other information considered relevant for 'fit and proper' judgment.	
Undertaking		
<p>I confirm that the above information is complete and true to the best of my knowledge and belief. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.</p> <p>I also undertake to execute the deed of covenant required to be executed by all directors of the bank.</p> <p style="text-align: right;">Signature of Candidate</p> <p>Place : Date :</p>		
VI.	Remarks of BoD	
Name & Signature of the authorised official of the bank		
Place :		
Date :		