

**Draft Reserve Bank of India (Urban Co-operative Banks - Governance)
Directions**

DRAFT FOR COMMENTS

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In exercise of the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short title and commencement

1. These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks-Governance) Directions, 2025.
2. These Directions shall come into force with immediate effect.

B. Applicability

3. The provisions of these Directions shall be applicable to Urban Co-operative Banks, hereinafter collectively referred to as 'UCBs' and individually as a 'UCB'.

In this context, urban co-operative banks shall mean Primary Co-operative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949.

C. Definitions

4. In these directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:
 - (1) 'Director' means a director appointed on the Board of a UCB.
 - (2) 'Salary Earners' Co-operative Bank' shall mean a primary co-operative bank whose membership is confined to persons who are or were employed in an institution or a group of institutions and recognised as such by the Reserve Bank.
5. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934 or the Banking Regulation Act, 1949, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in common or commercial parlance, as the case may be.

Chapter II - Constitution of Board and Appointment of Directors

6. The directors on the Board of a UCB should be knowledgeable and persons of high integrity. To ensure professionalism in the Board, a UCB shall, at all times, have at least two professional directors, i.e., persons with suitable banking experience (at middle/senior management level) or with relevant professional qualification in the fields of law, accountancy or finance. The UCB should have a suitable provision in its byelaws to ensure the same.

Provided that, the requirement of having at least two professional directors shall not be mandatory in the case of a UCB which is a Salary Earners' Bank, in view of the nature of its membership.

7. A UCB shall comply with the eligibility, qualification and disqualification criteria for directors as prescribed in the BR Act and the co-operative laws governing it. Further, the following persons shall not be eligible to become directors of a UCB:
 - (i) a person who is not eligible for admission as a member of the UCB (except co-opted and nominated directors);
 - (ii) a person engaged in money lending, financing and investment activities, either in individual capacity or as proprietor/partner/employee/director of any concern; and

Provided that, a UCB may also be guided by clause b(ii) of the model Bye-law no.9 and / or the provisions contained in the Cooperative Societies Act (concerned) pertaining to persons convicted of any criminal offenses including moral turpitude.

8. A UCB shall not create any honorary positions or titles at Board level or confer titles that are non-statutory in nature.

Chapter III - Role of the Board and Individual Directors

9. The primary responsibility of the BoD of a UCB is to formulate policies keeping in view the applicable statutory provisions and directions/guidelines issued by the RBI. Additionally, the Board shall -
 - (i) exercise overall supervision and control over the functioning of the UCB, leaving the day-to-day administration to the Managing Director (MD) / Chief Executive Officer (CEO);
 - (ii) constitute various committees of the Board including the Board of Management (BoM) to assist the Board in carrying out its responsibilities; and
 - (iii) delegate powers to the various committees as considered appropriate, subject to the regulatory provisions.
10. A UCB shall ensure to place all circulars and other material relating to policies issued by the RBI before its Board for information and appropriate action. Further, the management shall furnish full facts and complete papers to the directors well in advance of Board meetings as also all additional information/clarification that the directors may seek before taking a decision.
11. In addition to their specified duties, responsibilities, rights or obligations outlined or laid down in the relevant statutes, as applicable, the directors of a UCB shall be guided *inter alia* by the following guidelines:
 - (i) The directors should attend Board meetings regularly and effectively. They should study the Board papers thoroughly and seek the assistance of the MD/CEO for eliciting any information at the Board meetings. They should, however, not directly call for papers/files/notes recorded by various departments for scrutiny, etc. in respect of agenda items to be discussed in the meetings.
 - (ii) The directors are expected to ensure confidentiality of the UCB's agenda papers/notes. They should not reveal any information relating to any constituent of the UCB to anyone as they are under the oath of secrecy and fidelity.

- (iii) The directors should involve themselves thoroughly in the matter of formulation of general policy and ensure that performance of the UCB is monitored adequately at the Board level. They should not issue/give any instructions/direction to any individual officer/employee of the UCB in any manner, and should also discourage the individual officer/employee or unions from approaching them in any manner.
- (iv) The directors should be familiar with the broad objectives of the UCB and the policies laid down by RBI. They should analyse the trends of economy, assist in the discharge of management's responsibility to public and formulation of measures to improve customer service.
- (v) The Board should function in a cohesive manner and provide proper leadership to manage the affairs of the UCB on smooth and efficient lines. The directors must work as a team and in the spirit of co-operation.
- .
- (vi) The directors should oversee all critical aspects of the UCB's functioning—ranging from compliance with regulatory policies and maintenance of statutory ratios to efficient fund management, priority sector lending, asset quality, recovery performance, internal controls, and operational transparency—to ensure sound governance, financial health, and service to its members.
- (vii) The directors should not involve themselves in any matter relating to personnel administration such as appointment, transfer, posting or promotion, or redressal of individual grievances of any employee. They should not do anything which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.
- (viii) The directors should not approach or exert influence for sanction of any kind of facility by the UCB. They should also not sponsor any loan proposal, buildings or sites for UCB's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc. At the same time, they should not be prejudiced against individual proposals.
- (ix) The directors should not participate in the Board discussion if a proposal in which they are directly or indirectly interested comes up for discussion.

They should disclose their interest well in advance to the MD/CEO and the Board.

- (x) The directors should not display the logos or distinctive design of the UCB on their visiting card or letter head, although they may indicate their directorship of the UCB on the same.

Chapter IV - Calendar of Reviews

12. As specified in paragraph 11(vi), directors shall bestow their attention on the periodical review of important aspects of UCB's working. An illustrative list of the reviews which directors shall give attention to as also the periodicity at which these shall be placed before the Board is indicated below:

I. Monthly

1. (a) Funds Management
(b) Position regarding compliance with Cash Reserve/Statutory Liquidity Ratio
2. Trial Balance - Income/Expenditure Statements
3. Comparative position of deposits/advances
4. Credit proposals sanctioned under delegated authority including Temporary Overdrafts
5. Report on serious irregularities/frauds/misappropriation which have come to light during the month, if any
6. Comparative position of overdues

II. Quarterly

- | | April
Target/ Achievement (UCB as a whole) | July
(1-3)
(4-6) | October
(7-9) | January
(10-12) |
|--|---|------------------------|------------------|--------------------|
| 1. Review of Deposit Mobilisation/ | | | | |
| 2. Branch-wise performance of deposits and advances - Targets/ Achievements | | --do-- | | |
| 3. Review of at least 25 per cent of large borrowal accounts (₹5 lakhs and above in case of non-scheduled UCBs and ₹10 lakhs and above in case of scheduled UCBs - All such accounts to be reviewed within a year) | | --do-- | | |
| 4. Review of recovery performance as also action against defaulters | | --do-- | | |
| 5. Inter-branch Reconciliation/ House-keeping position of branches | | --do-- | | |
| 6. Action taken on major frauds/ serious irregularities | | --do-- | | |

7. Review of action taken on internal inspection reports and compliance		--do--		
8. Advances to directors/their relatives - observance of RBI guidelines	May (1-3)	August (4-6)	November (7-9)	February (10-12)
9. Advances to single party/ connected group - observance of RBI guidelines		--do--		
10. Review of Annual Business Plan	April (1-3)	July (4-6)	October (7-9)	January (10-12)

III. Half-yearly

1. Review of capital expenditure vis-à-vis capital budget		January (7-12)	July (1-6)
2. Review of distribution of deposits/ advances and credit deposit ratio		February (7-12)	August (1-6)
3. Review of action taken on concurrent audit report		--do--	--do--
4. Review of action taken on the findings of RBI Inspection Report/ Statutory Audit Report		April (10-3)	October (4-9)
5. Review of priority sector/weaker section lendings		--do--	--do--
6. Review of performance in mobilisation of deposits under NRE/FCNR scheme		--do--	--do--
7. Review of Credit Card/ Merchant Banking Business		--do--	--do--
8. Review of action taken on Audit/ Vigilance Committee of the Directors		--do--	--do--
9. Review of Customer Service		May (10-3)	November (4-9)
10. Review of security arrangements		--do--	--do--
11. Half-yearly working results/ Review of performance of branches - income and expenditure		August (10-3)	February (4-9)

IV. Annual

1. Review of bad debts proposed to be written-off	April
2. Report on frauds and action taken	April
3. Review of foreign exchange business	April
4. Review of donations made during the year	April
5. UCB's Balance Sheet, Profit & Loss A/c., Working results	May
6. Review of loss making branches	May
7. Analysis of wide variations in expenditure heads	May
8. Comprehensive note on income recognition, asset classification and	May

provisioning towards non-performing assets	
9. Review of human resources development and training of staff	June
10. Review of mechanisation and computerization	June
11. Review of branch expansion/pending licences	July
12. Review of Statutory Audit Report	September
13. Review of Annual Business Plan	February

(Note: Numbers 1 to 12 indicate the calendar months from January to December)

Chapter V - Committees of the Board

A. Audit Committee of the Board

- 13. A UCB shall set up an Audit Committee at the Board level for overseeing and providing directions to the internal audit/inspection machinery and other executives.
- 14. The Audit Committee of the Board (ACB) of a UCB shall consist of a chairman and three/four directors, one or more of such directors being chartered accountant or having experience in management, finance or accountancy and audit systems.
- 15. The ACB of a UCB shall review the implementation of directions/ guidelines issued by RBI and submit a note thereon to the Board at quarterly intervals. Further, the ACB shall be responsible for the following major areas:
 - (i) provide direction to and oversee the operations of the entire audit function in the UCB. The entire audit function will imply the organization, operationalisation and quality control of internal audit and inspection within the UCB, follow up on the statutory audit of the UCB and inspection report of RBI;
 - (ii) review the internal inspection/audit function in the UCB – the system, its quality and effectiveness in terms of follow up. It shall review the follow up action on the internal inspection reports with special focus on:
 - (a) "unsatisfactory" branches and branches classified as extra large by the UCB;
 - (b) inter-branch adjustment accounts;

- (c) unreconciled long outstanding entries in inter-branch accounts and inter-bank accounts;
 - (d) arrears in balancing of books;
 - (e) frauds; and
 - (f) all other major areas of housekeeping;
- (iii) compliance with the statutory audit /concurrent audit /RBI inspection reports;
 - (iv) examine any omission on the part of internal inspecting officials to detect serious irregularities; and
 - (v) periodic review of the accounting policies/systems in the UCB with a view to ensure greater transparency in the bank's accounts and adequacy of accounting controls.

B. Risk Management Committee

16. Since the primary responsibility of risk management lies with the Board, a UCB with an asset size of ₹5000 crore or above (as on March 31 of the previous year) shall set up a Risk Management Committee of the Board (RMCB) to focus the required level of attention on various aspects of risk management.
17. The Board shall decide the membership, scope of work and frequency of meeting of the RMCB.

C. Board of Management

18. A UCB shall constitute a Board of Management (BoM), by making suitable amendments to its bye-laws with the approval of the General Body and Registrar of Co-operative Societies, to facilitate professional management and focused attention to its banking-related activities.

Provided that, the above requirement shall be

- (i) optional for a UCB having a deposit size of less than ₹100 crore or for a Salary Earners' Bank. Such a UCB may constitute BoM voluntarily, if so desired, for having good governance practices.

- (ii) a prerequisite for allowing a UCB with deposit size of ₹100 crore and above to expand its area of operation or open new branches.
19. A UCB shall forward a copy of the amended bye-laws providing for constitution of BoM 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.
20. A UCB shall also submit an annual return furnishing details of the members of the BoM as per the format given in [Annex I](#) as on December 31 each year, within 15 days of the end of the period to the respective Regional Office of Department of Supervision of RBI.
21. The BoM of a UCB shall comprise a minimum of five and a maximum of twelve persons. While constituting the BoM, the BoD of the UCB shall carry out due diligence to determine the suitability of a person for appointment as a member of the BoM, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria indicated below:
- (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 RBI, be useful to the UCB

- (ii) Any person who has had a business relationship with the UCB during the immediate preceding three years shall not be eligible.

Explanation: A person having deposits with a UCB shall not be classified as having business relationship with the UCB for the above purpose.

22. For carrying out the aforementioned due-diligence, the Board of a UCB shall obtain information in the form of a declaration-cum-undertaking (format prescribed in [Annex II](#)) from the proposed member of the BoM at the time of their appointment or renewal of appointment.
23. Besides ensuring that members of BoM satisfy the 'Fit and Proper' Criteria as prescribed in paragraph 21 of these Directions at all times, a UCB shall also ensure the following while constituting the BoM:
 - (i) While members of the BoM may be drawn from the members of the BoD (if they meet the specified criteria), not more than 50 per cent of the BoM members shall be from BoD.
 - (ii) A member of BoM may be appointed in more than one UCB, subject to a maximum of three, provided that the UCBs concerned have no overlapping area of operation.
 - (iii) Any disqualification prescribed for a member of a BoD of a UCB under the respective co-operative societies act shall also apply to a member of a BoM.
 - (iv) The Chairman of the BoM may be elected by the members of BoM from amongst themselves or appointed by the BoD. However, under no circumstances shall the Chairman of the BoD be appointed as Chairman of the BoM.
 - (v) The CEO shall be a non-voting member of the BoM and shall not be reckoned for the minimum or maximum requirement of five or twelve members specified in paragraph 21 of these Directions.
24. The tenure of BoM shall be co-terminus with the tenure of BoD.
25. RBI shall have the following powers with respect to the BoM of a UCB:

- (i) RBI may remove any member 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 UCB or its depositors or both;
- (ii) concurrence from RBI shall be sought by the BoD of a UCB before removing any member of the BoM or accepting the resignation tendered by any member of the BoM; and
- (iii) RBI may supersede the BoM if the functioning of BoM is found unsatisfactory.

Provided that, in case of removal of a member or supersession of the BoM, the BoD shall appoint a new member or constitute a fresh BoM, as applicable, within three months, during which the BoD may assume the functions of the BoM on an interim basis.

26. The BoM of a UCB shall exercise oversight over the banking related functions of the UCB, assist its Board on formulation of policies and any other related matters specifically delegated to it by the Board for proper functioning of the UCB. The functions of the BoM shall include, *inter alia*, 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 UCB;
 - (iv) Recommending proposals for investment of UCB's funds as per the Board-approved policy;
 - (v) Oversight on internal controls and systems and risk management in the UCB;
 - (vi) Exercising oversight on implementation of computerisation, technology adoption and other incidental issues in the UCB;
 - (vii) Overseeing internal audit and inspection functions including compliance;
 - (viii) Oversight on complaint redressal system; and

- (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

Provided that,

- (a) in addition to functions listed above, the BoD of a UCB may delegate such powers and responsibilities as deemed necessary for the proper functioning of the UCB while ensuring that there are no conflicts in powers delegated to the Committees of the Board and BoM; and
 - (b) in an event where the Board of a UCB differs with the recommendations of the BoM, it shall do so by recording, in writing, the reasons thereof.
27. The BoM of a UCB may hold meetings at such periodicity as deemed necessary. The quorum for the meeting shall be two-third of the total members of BOM. The UCB shall maintain proper record of the minutes of the meeting and the same shall be put up to BoD.
28. Members of the BoM of a UCB may be paid allowance / sitting fees for their services as may be provided for in the bye-laws of the UCB or with the approval of the Board.

Chapter VI - Appointment of Key Officers

A. Appointment of CEO / MD

29. The appointment, reappointment and termination of appointment of a CEO / MD shall, in terms of Section 35B (1) read with Section 56 of the Banking Regulation Act, 1949, require the prior approval of RBI.
30. Applications in this regard shall be submitted to RBI through the *Pravaah* portal (<https://pravaah.rbi.org.in>).

B. Appointment of Chief Risk Officer

31. A UCB having an asset size of ₹5000 crore or above, shall appoint a Chief Risk Officer (CRO).

Provided that, a UCB which fulfills the criteria of having an asset size of ₹5,000 crore or above at the end of any subsequent financial year shall appoint or designate a CRO within a period of six months from the end of that financial year.

32. The CRO shall be a senior official in the hierarchy of a UCB and shall have adequate professional qualification / experience in the area of risk management.
33. The Board of a UCB shall clearly define the CRO's role and responsibilities and ensure that they function independently. The Board shall put in place adequate policies to safeguard such independence. For this purpose, it shall ensure that:
 - (i) the CRO shall have direct reporting lines to MD/CEO or Board or RMCB;
 - (ii) in case the CRO reports to the MD/CEO, the Board or the RMC shall meet the CRO, without the presence of the MD/CEO, at least on a quarterly basis;
 - (iii) the CRO shall not have any reporting relationship with the business verticals and shall not be given any business targets;
 - (iv) there shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility such as CEO, COO, CFO, Chief of the Internal Audit, etc.
34. The CRO of a UCB shall be appointed for a fixed tenure with the approval of the Board and may be transferred / removed from the post before completion of the

tenure only with the approval of the Board. Such premature transfer / removal shall be reported to the concerned Regional Office of Department of Supervision, RBI.

35. The CRO shall support the Board in establishing an integrated risk management system, capable of identifying, measuring and monitoring all types of risks on an ongoing basis. This will include developing the organisational risk appetite and a framework that will translate the Board's strategy into clearly laid down monitorable risk limits at the aggregate and at granular levels. The CRO shall also be involved in actual monitoring and mitigation of risks.
36. In a UCB that follows committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal. If the CRO is not a part of the credit sanction process, their role will be limited to that of an adviser.
37. In a UCB that does not follow committee approach for sanction of high value credits, the CRO can only be an adviser in the sanction process and shall not have any sanctioning power.
38. All credit products shall be vetted by the CRO from the angle of inherent and control risks.

Chapter VII – Repeal and other provisions

A. Repeal and saving

39. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to governance as applicable to Urban Co-operative Banks stand repealed, as communicated vide notification dated October XX, 2025. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
40. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

B. Application of other laws not barred

41. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

42. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

Annex I**Details of the members of BoM / CEO**

Name of the Bank: _____

Classification of Bank*: Tier 1/Tier 2/Tier 3/Tier 4

For the year ended: December____, 20XX

Name	Date of appointment	Qualification	External/Internal Member

*Strike out whichever is not applicable

Annex II**Name of Bank:****Declaration- cum-Undertaking by Member of Board of Management**

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. 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. (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).	
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>		
Signature of Candidate		
Place :		
Date :		
VI.	Remarks of BoD	
Name & Signature of the authorised official of the bank		
Place :		
Date :		