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DoR.HGG.GOV.No.1/18.10.010/2025-26

April 1, 2025

The Managing Director/Chief Executive Officer
All Primary (Urban) Co-operative Banks

Dear Sir/Madam,

Master Circular on Board of Directors - UCBS

Please refer to our [Master Circular DoR.HGG.GOV.No.1/18.10.010/2024-25 dated April 1, 2024](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed Master Circular consolidates and updates all the instructions / guidelines on the subject issued till date.

Yours faithfully

(Manoranjan Padhy)
Chief General Manager



Master Circular - Board of Directors - UCBs

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Master Circular - Board of Directors – UCBs

1. Constitution of Board of Directors

1.1 Primary (urban) co-operative banks (UCBs or banks) have been functioning under the regulation and supervision of Reserve Bank of India (Reserve Bank or RBI) in terms of the powers vested in it *inter alia* under the Banking Regulation Act, 1949 (BR Act) and the Reserve Bank of India Act, 1934 (RBI Act).

1.2 The directors on the boards of UCBs must be knowledgeable and persons of high integrity. To ensure professionalism in the Board, banks should, 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. Banks should also have a suitable provision in their byelaws to ensure this. However, these instructions would not be insisted upon in case of Salary Earners' Banks in view of the nature of their membership.

1.3 UCBs (other than those having deposit size less than Rs.100 crore and salary earners' banks) are also required to constitute a Board of Management (BoM) to facilitate professional management and focused attention to their banking-related activities, by making suitable amendments to their bye-laws, in accordance with the guidelines contained in [RBI circular DoR\(PCB\).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](#).

1.4 Since the directors are elected from amongst the members (except co-opted and nominated directors), the persons who are not eligible for admission even as members cannot become directors of UCBs. In particular, persons engaged in money lending, financing and investment activities, either in individual capacity or as proprietor/partner/employee/director of any concern as also those convicted of any criminal offences including moral turpitude are ineligible in terms of clause b (ii) of the model by-law no.9 and/or the provisions contained in the co-operative societies law concerned. Besides, certain eligibility/qualification/disqualification criteria for becoming director in a UCB are also prescribed in the BR Act and the co-operative laws concerned.



1.5 The recommendations made by the “Committee on Urban Co-operative Banks”, headed by Shri Madhava Das, regarding the Board of Directors of UCBs and recommended by the Reserve Bank for adoption by the banks are given in [Annex 1](#).

1.6 It was observed during the course of supervisory reviews that some of the UCBs have adopted the practice of creating honorary designations (remunerated or otherwise) / conferring titles at Board level, such as Chairman Emeritus, Group Chairman, etc., which are not recognised in applicable statutes or regulations. While such positions/titles may be indicative of certain privileges/rights for the incumbent to access all board materials and participate in board/committee meetings, enforcing liability or obligations on such person may be difficult. Such positions may be seen as creating conflicts of interest as well as creation of a parallel or shadow authority impeding effective and independent functioning of the legally constituted board in the best interest of all its stakeholders. As such, UCBs are directed not to create any honorary positions/titles at Board level or confer such titles that are non-statutory in nature¹.

2. Role of directors

2.1 The Board of Directors (BOD or Board) is primarily concerned with formulation of policies keeping in view the applicable statutory provisions and the guidelines issued by the RBI. The Board should also exercise overall supervision and control over the functioning of the bank, leaving the day-to-day administration to the Managing Director (MD) / Chief Executive Officer (CEO).

2.2 It should be ensured that all circulars and other material relating to policies issued by the RBI are placed before the Board for information and appropriate action.

2.3 Directors of UCBs are advised to be guided *inter alia* by the following guidelines²:

- i. The directors should attend Board meetings regularly and effectively. They should study the Board papers thoroughly and use the good offices 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

¹ UCBs were also directed to eliminate any such existing position/titles by April 20, 2023.

² These guidelines are not meant to replace or supersede the specified duties, responsibilities, rights or obligations of the Board of Directors outlined / laid down in the relevant statutes.



departments for scrutiny, etc. in respect of agenda items to be discussed in the meetings.

- ii. Management, on its part, is expected to furnish full facts and complete papers to the directors well in advance as also all additional information/clarification that the directors may seek before taking a decision. The directors are expected to ensure confidentiality of the Bank's agenda papers/notes. They should not reveal any information relating to any constituent of the bank 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 bank is monitored adequately at the Board level. They should not issue/give any instructions/direction to any individual officer/employee of the bank 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 bank and the policies laid down by the Reserve Bank. 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 and be generally of constructive assistance to the bank management.
- v. The Board should function in a cohesive manner and provide proper leadership to manage the affairs of the bank on smooth and efficient lines. The directors must work as a team and in the spirit of co-operation and should give as much of their wisdom, guidance and knowledge as possible to the management.
- vi. The Directors should bestow attention on the following aspects of the bank's working:
 - a) Compliance with the regulatory policies of the RBI
 - b) Observance of Cash Reserve and Statutory Liquidity Ratios
 - c) Efficient management of funds and improving profitability



- d) Priority sector/weaker section lending targets
 - e) Ensure that bank's funds are utilized in a proper and judicious manner for the benefit of general members
 - f) Prompt recoveries and reduction of overdues
 - g) Compliance with guidelines on income recognition, asset classification and provisioning towards non-performing assets
 - h) Customer service
 - i) Review of action taken on RBI inspection report/statutory audit report
 - j) Development of a robust management information system
 - k) Reviews on items as prescribed by RBI
 - l) Vigilance, frauds and misappropriation of funds
 - m) Strengthening of internal control system and housekeeping, viz., proper maintenance of books of accounts and periodical reconciliation
 - n) Computerization of operations
- 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 bank. They should also not sponsor any loan proposal, buildings or sites for bank'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 may indicate their directorship of the bank on their visiting card or letter head, but the logos or distinctive design of the bank should not be displayed on the visiting card / letter head.



3. Committees of the Board

3.1 Audit Committee of the Board

3.1.1 In order to ensure and enhance the effectiveness of internal audit/inspection as a management tool, an apex Audit Committee should be set up at the Board level for overseeing and providing directions to the internal audit/inspection machinery and other executives of the bank. The committee may 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.

3.1.2 Audit Committee of the Board (ACB) should review the implementation of the guidelines issued by the RBI and submit a note thereon to the Board at quarterly intervals. The major duties/responsibilities of the ACB are given below:

- i. The ACB should provide direction to and oversee the operations of the entire audit function in the bank. The entire audit function will imply the organization, operationalisation and quality control of internal audit and inspection within the bank, follow up on the statutory audit of the bank and inspection report of the Reserve Bank.
- ii. It should review the internal inspection/audit function in the bank – the system, its quality and effectiveness in terms of follow up. It should review the follow up action on the internal inspection reports. It should also specially focus on the follow up on:
 - a) inter-branch adjustment accounts
 - b) unreconciled long outstanding entries in inter-branch accounts and inter-bank accounts
 - c) arrears in balancing of books
 - d) frauds
 - e) all other major areas of housekeeping
- iii. Compliance with the statutory audit /concurrent audit /RBI inspection reports
- iv. Omission on the part of internal inspecting officials to detect serious irregularities.



- v. Periodical review of the accounting policies/systems in the bank with a view to ensuring greater transparency in the bank's accounts and adequacy of accounting controls.

3.2 Risk Management Committee of the Board

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

4. Calendar of reviews – Matters to be placed before the Board of Directors

It has been emphasized in paragraph 2.3 above that directors should bestow their attention on the periodical reviews on important aspects of bank's working. An illustrative list of the reviews which should receive the attention of the directors as also the periodicity at which these may be placed before the Board of Directors is indicated in [Annex 2](#).

5. Donations to trusts and institutions where directors or their relatives hold position or are interested

5.1 With effect from August 30, 2013, UCBs are prohibited from giving donations to trusts and institutions, where directors, and/or their relatives hold a position or are interested, even within the permissible ceiling of 1% of the published profit of the bank for the previous year.

5.2 For the purpose of this paragraph, a person shall be deemed to be a relative of another, if and only if,:-

- a) they are members of a Hindu Undivided Family; or
- b) they are husband and wife; or
- c) the one is related to the other in the manner indicated below:
 1. Father
 2. Mother (including step-mother)
 3. Son (including step-son)
 4. Son's wife



5. Daughter (including step-daughter)
6. Daughter's husband.
7. Brother (including step-brother)
8. Brother's wife
9. Sister (including step-sister)
10. Sister's husband

5.3 For the purpose of this paragraph, the term “interest” shall mean “trust in which directors/relatives of directors hold positions as trustees or are beneficiaries or involved in any capacity in the working of the trust, which is likely to influence the independence of the directors.

6. Payment of fees and allowances to directors

All expenses on the conduct of Board meetings may be shown against item 3 of P&L Account i.e., “Directors and Local Committee Members – Fees and Allowance”. Such expenses would include amounts actually paid to the directors and Local Committee members as also amounts spent on their behalf for attending such meetings.



Annex 1

Recommendations made by Madhava Das Committee on Urban Co-op. Banks with regard to Board of Directors

[Vide para 1.5]

1. Board to provide Representation to Branch Members

Representation on the Board of directors to members of branches is necessary with a view to involving them in the management of the affairs of urban banks. The branches may be grouped according to the following categories for the purpose of election of directors on the Board.

- i. Branches within the limits of the head office, including only the branches within about 25 Kms. from the head office town.
- ii. Branches falling outside the above limits but within the district.
- iii. Branches outside the district including those outside the state.

The representation may be based on membership and not on deposits or loan business of branches. Certain number of seats on the Board may be provided exclusively for the head office town and every branch in a group may get representation by rotation.

2. Eligibility for Director's Post

- i. The extent of shareholding should not be the determining factor in regard to eligibility to hold office as director in an urban bank. A director should be elected by virtue of the confidence he commands among the members. The existing stipulation that a minimum share qualification for membership of the Board should not be insisted upon is, therefore, salutary.
- ii. Those contesting for directorship in urban banks should have been members for a minimum period of two years. Similarly, members contesting for election to the Board should have had a minimum deposit of any type of Rs.500 in the urban bank concerned for a minimum period of two years continuously.



3. Member's Eligibility for Voting

To prevent instances of en-masse enrolment at the instance of certain vested interests just before the general body meeting, primarily with a view to capturing seats on the BODs and thereby destabilizing or dislodging the Boards of efficiently managed urban banks, the members of a primary (urban) cooperative bank should be allowed to participate in the election of its Board of Management³ only after completion of a minimum period of 12 months from the date of acquiring membership.

4. Women Representative on the Board

Where the scope for the organization of an urban bank exclusively for women is limited in any area, the existing urban banks may give representation to women members on the Board of Management and, wherever necessary, set up a separate section to cater to the needs of women members. At least one seat for women shareholders may be reserved on the BODs.

5. Developmental Programmes for Board Members

The members on the BODs need regular programmes to develop themselves into a competent policy and decision-making body. These programmes may include exposing the Board members to short-term orientation courses, workshops, seminars and visits to other banks. A suitable manual prepared by banks themselves or Federations or Associations of urban banks may be one of the methods of familiarizing the directors with their duties under the by-laws. The National Co-operative Union, in collaboration with the National Federation of Urban Co-operative Banks and Credit Societies, and the State Federations or Associations of urban banks, should apply itself to this very important task of educating and training the Boards of Management of urban banks and draw-up co-coordinated programmes for the purpose.

³ It may be noted that the term "Board of Management" used in these recommendations means Board of Directors, and not the Board of Management as referred to in the [RBI circular DOR\(PCB\).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](#).



6. Chief Executive to be on the Board

The Chief executive of an urban bank should preferably be a member of the BODs i.e., he should be a Managing Director.

7. State Government Nominee on the Board

State Government may nominate their representatives on the Board of directors of urban banks which are state partnered in regard to share capital. The number of such representatives should not exceed one-third of the total number of directors or three, whichever is less. Further, the directors nominated by the Government should preferably be competent non-officials rather than officers from the Co-operative Department.



Annex 2

Reviews to be submitted to the Board of Directors of primary (urban) co-operative banks [Vide para 4]

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

- | | Deposit Mobilisation/Target/
Achievement (bank as a whole) | April
(1-3) | July
(4-6) | October
(7-9) | January
(10-12) |
|----|---|----------------|---------------|------------------|--------------------|
| 1. | Review of Deposit Mobilisation/Target/ Achievement (bank as a whole) | | | | |
| 2. | Branch-wise performance of deposits and advances - Targets/ Achievements | | --do-- | | |
| 3. | Review of at least 25% of large borrowal accounts (Rs. 5 lakhs and above in case of non-scheduled banks and Rs. 10 lakhs and above in case of scheduled banks - 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 | April (1-3) | July (4-6) | October (7-9) | January (10-12) |
| 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. Bank'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 provisioning towards non-performing assets (May)
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)



Appendix

Master Circular - Boards of Directors - UCBS

List of Circulars consolidated in the Master Circular

| No. | Circular No. | Date | Subject |
|-----|---|------------|---|
| 1 | <u>DOR.GOV.REC.No.26/18.10.004/2022-23</u> | 21.04.2022 | Creation of Honorary Designations at Board level in Urban Co-operative Banks |
| 2 | <u>DOR.CRE(DIR).REC.26/21.04.103/2021-22</u> (Partly) | 25.06.2021 | Appointment of Chief Risk Officer in Primary (Urban) Co-operative Banks |
| 3 | <u>DoR.(PCB).BPD.Cir.No.8/12.05.002/2019-20</u> (Partly) | 31.12.2019 | Constitution of Board of Management (BoM) in Primary (Urban) Co-operative Banks (UCBs) |
| 4 | <u>UBD.PCB.Cir.No.7/09.72.000/2013-14</u> | 30.08.2013 | Donations to trusts and institutions where directors, their relatives hold position or are interested |
| 5 | <u>UBD.PCB.Cir.No.41/09.103.01/2007-08</u> | 21.04.2008 | Professionalisation of Managements of Urban Cooperative Banks |
| 6 | UBD.PCB.Cir.No.6/09.1 03.01/2007-08 | 18.09.2007 | Professionalisation of Managements of Urban Cooperative Banks |
| 7 | UBD.BPD.CIR 36/09.06.00/2002-03 | 20.02.2003 | Audit Committee of Boards of Directors |
| 8 | UBD.PCB.CIR.POT.39/ 09.10.3.01/2001-02 | 05.04.2002 | Professionalisation of boards of directors of primary (urban) co-operative banks |
| 9 | UBD.POT.73/09.06.00/ 2000-01 | 12.07.2001 | Audit Committee of Board of Directors |
| 10 | UBD.No.Plan(PCB)12/0 9.08.00/2000-01 | 15.11.2000 | Calendar of reviews - Matters to be placed before Board of Directors of cooperative Banks |
| 11 | UBD.No.I&L (PCBs) 39/12.05.00/96-97 | 07.02.1997 | Banking Regulation Act, 1949 (AACS) – Section 29 – Submission of Annual Balance Sheet and Profit & Loss Account – Payment of Fees and Allowances to Directors |
| 12 | UBD.No.I&L/(PCBs) 41/12.05.00/96-97 | 27.02.1997 | Banking Regulation Act, 1949 (AS applicable to Co-operative Societies) – Section 29- Submission of Annual Balance Sheet and Profit and Loss Account – Payment of Fees and Allowances to Directors |
| 13 | UBD.No.Plan.(PCB).11/ 09.08.00/94-95 | 02.08.1994 | Calendar of Reviews - Matters to be placed before the Board of Directors of primary (urban) co-operative banks. |



| | | | |
|----|---|------------|--|
| 14 | UBD.No.Plan.(PCB).09/ 09.06.00/94-95 | 25.07.1994 | Overseeing the internal audit function in banks setting up of Audit Committee of Boards |
| 15 | UBD.No.Plan.(PCB).CI R.55/09.08.00/93-94 | 11.02.1994 | Board of Directors of primary (urban) co-operative banks - Professionalisation and their role - Dos and Don'ts |