

Draft Guidelines on Board of Management for Urban Co-operative Banks

1. Introduction

A High Powered Committee was constituted by the Reserve Bank on [January 30, 2015](#) under the Chairmanship of Shri R. Gandhi, Deputy Governor, Reserve Bank of India, to examine the issues with regard to permissible business lines, appropriate size and conversion of Urban Co-operative Banks (UCBs) into commercial banks, besides determining whether the time is opportune to issue new licences to UCBs as recommended by the Expert Committee on Licensing of new UCBs (Malegam Committee). 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 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 draft 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)

There shall be a Board of Management (BoM) in every UCB in addition to the Board of Directors. BoM shall be constituted by the Board of Directors (BoD). Existing UCBs having deposit size exceeding Rs. 100 crore shall put in place the BoM within a period of one year. Other banks may constitute the BoM within a period of two years.

4. Size of BoM

The BoM shall have a minimum of three members in UCBs having deposit size up to Rs. 100 crore and five members in UCBs having deposit size above Rs. 100 crore. The maximum number of members in BoM shall not exceed twelve.

5. Qualifications of Members of BoM

(i) At least fifty per cent of 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:-

(i) accountancy, (ii) agriculture and rural economy, (iii) banking, (iv) co-operation, (v) economics, (vi) finance, (vii) law, (viii) small scale industry, (ix) Information Technology (x) any other matter the special knowledge of which would be useful to the UCB.

(ii) BoM may be constituted from the elected 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.

6. Meetings of BoM

BoM may hold meetings at such periodicity as deemed necessary. The Chairman to preside over the meetings of BoM may be selected by the members of BoM from amongst themselves or by the BoD.

7. 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.

8. Tenure of BoM

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

9. 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. The CEO of a UCB may be appointed by the board and he shall be a person meeting the 'fit and proper' criteria as prescribed in [Annex II](#). UCBs having deposits above Rs. 100 crore shall obtain prior approval of RBI for appointment of CEO.

10. Functions of Board of Management

The BoM shall be responsible to BoD. Broadly, BoM shall carry out the functions as spelt out in [Annex-I](#). Key responsibilities of BoM will include credit management, risk management and liquidity management.

11. Functions of CEO

The CEO shall be under the general superintendence, direction and control of the board of directors, exercise such powers and discharge such functions as may be delegated to him by the BoD. He 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. 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.

14. BoM mandatory for expansion of areas of operation

Constitution of BoM shall be a mandatory condition, in addition to the criteria already prescribed, for obtaining regulatory approval for expansion of area of operation and opening of new branches by existing UCBs.

Functions of Board of Management

1. Considering loan proposals as per the board approved policy and making recommendations to the Loan Committee or BoD for sanction.
2. Recommending action for recovery of NPAs, One Time Settlement or Compromise Settlement.
3. Management of funds and borrowings.
4. Considering proposals for investment of bank's funds as per the board approved policy and making recommendations to the Investment Committee or BoD for approval.
5. Implementing sound internal controls and systems, preparation / implementation of Risk Management policy.
6. Computerisation, Technology adoption
7. Overseeing internal audit and inspection functions.
8. Compliance functions.
9. Customer Service, Complaints Handling / Grievance Redressal
10. Any other responsibility as may be delegated to it by the BoD.

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

A. ‘Fit and Proper’ criteria for 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 less than 35 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. ‘Fit and Proper’ criteria for members of Board of Management

(i) Not less than fifty per cent of 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) economics
- (e) finance
- (f) law
- (g) small scale industry
- (h) Information Technology

(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 as in [Annex III](#) from the CEO or a co-opted 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.

Name of Bank :

Declaration and Undertaking by CEO / Member of Board of Management

(with enclosures as appropriate as on _____)

I.	Personal details	
a.	Full Name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Relevant Background and Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address / Telephone Number	
h.	Permanent Account Number under the Income Tax Act	
i.	Relevant knowledge and experience	
j.	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.	Professional achievements relevant	
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 person	
d.	Has the candidate or any of the entities at II (b) above been subject to any investigation at the instance of 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 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 judging fit and proper		
	<p style="text-align: center;">Undertaking</p> <p>I confirm that the above information is to the best of my knowledge and belief true and complete. 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 :</p> <p>Date :</p>		
VI.	Remarks of BoD / Selection /Nomination Committee of the Bank		
			Signature
Place :			
Date :			