

Government of India
Ministry of Finance
Department of Financial Services
LOK SABHA
Unstarred Question No. 1742
To be answered on Friday, July 27, 2018/Shravana 5, 1940 (Saka)

Constitution of BoM in UCBs

1742. ADV. JOICE GEORGE: SHRI ANURAG SINGH THAKUR: SHRI B. VINOD KUMAR.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is planning to set up a Board of Management (BoM) in addition to Board of Directors (BoD) as per Malegam Committee in all Urban Co-operative Banks (UCBs) having deposits of over Rs. 100 crore within one year to strengthen governance and promote professional management in these banks and if so, the details thereof;
- (b) whether the said BoM will be the apex policy setting body for the management of these Bank, if so, the details thereof;
- (c) whether BoM is authorised to look after all administrative functions of UCBs as spelt out in the respective Co-operative Act and if so, the details thereof;
- (d) whether BoM will be responsible for credit, risk and liquidity management of UCBs and if so, the details thereof;
- (e) whether Reserve Bank of India has come out with a scheme to allow conversion of large UCBs into small financial banks to avoid risks to the system because of their size and complexity and if so, the details thereof and if not, the reasons therefor; and
- (f) whether this move is to bring new regulatory regime in UCBs in order to bring them into the mainstream banking and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance
(Shri Shiv Pratap Shukla)

(a) to (d) Reserve Bank of India (RBI) has intimated that they have issued draft guidelines on Licensing of new Urban Cooperative Banks (UCBs) on the lines of recommendations of the Expert Committee (i.e. Malegam Committee) on licensing of new UCBs and the High Powered Committee on UCBs.

As per the draft guidelines, there shall be a Board of Management (BoM) in every UCB in addition to the Board of Directors (BoD), which shall be constituted by the BoD. Existing UCBs having deposit size exceeding Rs.100 crore shall put in place the BoM within a period of one year and other banks may constitute the BoM within a period of two years. As per the draft guidelines, BoD would be the apex policy setting body and would also look after the administrative functions of UCBs as spelt out in the respective Co-operative Act. The key responsibility of BoM will include credit management, risk management and liquidity management. BoM will also be implementing sound internal controls and systems/ preparation/ implementation of Risk management policy.

(e) and (f) RBI has informed that in its monetary policy statement released on June 6, 2018 it has announced to allow voluntary transition of UCBs meeting the prescribed criteria into Small Finance Banks (SFBs). Under the scheme, well run UCBs meeting certain criteria will be eligible to transit into SFBs.