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RESERVE BANK OF INDIA

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RBI Committee suggests Way Forward for UCBs

The Reserve Bank of India today placed on its website the [Report of the High Powered Committee on Urban Co-operative Banks \(UCBs\)](#) (Chairman: Shri R. Gandhi). Suggestions and comments on the Report may please be forwarded by September 18, 2015 to the Principal Chief General Manager, Department of Co-operative Bank Regulation (DCBR), Reserve Bank of India, Central Office, Garment House, First Floor, Dr. Annie Besant Road, Worli, Mumbai – 400 018 (Fax No. 022-24974030) or [emailed](#).

The important recommendations made by the HPC are briefly as under:

- 1. Business Size and Conversion of Multi-State UCBs into joint stock bank:** A business size of ₹ 20,000 crore or more may be the threshold limit beyond which a UCB may be expected to convert itself into a commercial bank. The conversion need not be *de jure* compulsory. However, the types of businesses to be undertaken by those choosing not to convert may remain within the limits of plain vanilla products and services and hence, growth will be at a much slower pace. Their expansion in terms of branches, area of operations and business lines may thus be carefully calibrated.
- 2. Conversion of UCBs into Small Finance Banks (SFBs):** Smaller UCBs with business size of less than ₹ 20,000 crore willing to convert to SFBs can apply to the Reserve Bank for conversion provided they fulfil all the eligibility criteria and selection processes prescribed by the Reserve Bank and further provided that the licensing window for SFBs is open.
- 3. Issue of fresh licences:** Licenses may be issued to financially sound and well-managed co-operative credit societies having a minimum track record of 5 years which satisfy the regulatory prescriptions set by the Reserve Bank as licensing conditions. For providing banking access in unbanked areas, the Reserve Bank may put in place an appropriate set of incentives for existing banks to open branches there.
- 4. Board of Management (BoM) in addition to Board of Directors (BoDs):** Putting in place a BoM as suggested by the Malegam Committee has to be one of the mandatory licensing conditions for licensing of new UCBs and expansion of existing ones.

5. Entry Point Norms: The new Entry Point Norms (EPNs) may be as under:

- (a) To operate as a Multi-State Urban Co-operative Bank- ₹ 100 crore
- (b) To operate beyond two districts and as a State level UCB - ₹ 50 crore
- (c) To operate as District level UCB (upto 2 districts) - ₹ 25 crore
- (d) In case of conversion of co-operative credit societies in unbanked areas and in the north-east, suitable relaxation may be made by the Reserve Bank.

6. Depositors as voting members: The depositors ought to have a say on the Boards of UCBs. For this, a majority of the board seats may be reserved for depositors by making suitable provisions in the bye-laws.

It may be recalled that on [January 30, 2015](#), the Reserve Bank had announced the constitution of a High Powered Committee (HPC) under the Chairmanship of Shri R. Gandhi, Deputy Governor, Reserve Bank of India to examine and recommend permissible business lines and appropriate size, and examine the issues with regard to conversion of UCBs into commercial banks besides determining whether the time is opportune to issue new licenses to UCBs as recommended by the [Expert Committee on Licensing of New UCBs](#) (Malegam Committee). This was pursuant to the recommendation made by the Standing Advisory Committee (SAC) on UCBs in its meeting held on October 20, 2014.

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