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RBI issues Prompt Corrective Action (PCA) Framework for Primary (Urban) Co-operative Banks

The Reserve Bank of India today issued a [Prompt Corrective Action \(PCA\) Framework for Primary \(Urban\) Co-operative Banks \(UCBs\)](#). The provisions of the PCA Framework will be effective from April 1, 2025.

Background

The Reserve Bank had issued a Supervisory Action Framework (SAF) as an early intervention tool for bringing about desired improvements in weak UCBs and UCBs which are experiencing financial stress. The SAF was last revised vide [RBI Circular dated January 6, 2020](#)¹. This PCA framework shall replace the SAF.

The salient features of the PCA Framework are as follows:

- The framework has been suitably harmonised with similar frameworks applicable for Scheduled Commercial Banks and Non-Banking Financial Companies, with suitable modifications keeping in mind the underlying principle of proportionality.
- The PCA framework is largely principle-based with fewer number of parameters as compared to the SAF, without any dilution in the supervisory rigour.
- The revised framework seeks to provide flexibility to design entity specific supervisory action plans based on the assessment of risks on a case-by-case basis.
- The hard-coded limit of Rs 25,000/- for restrictions on capital expenditure by UCBs under SAF has been dispensed with. The revised framework enables the Supervisors to decide the limit depending upon their assessment of each entity.
- The PCA Framework has been made applicable to all² UCBs in Tier 2, Tier 3 and Tier 4, except UCBs under All Inclusive Directions (AID).

¹ [Supervisory Action Framework for Primary \(Urban\) Co-operative Bank \(UCBs\)](#)

² The UCBs have been categorized into following four tiers for regulatory purposes:

Tier 1 - All unit UCBs and salary earners' UCBs (irrespective of deposit size), and all other UCBs having deposits up to ₹100 crore;

Tier 2 - UCBs with deposits more than ₹100 crore and up to ₹1,000 crore;

Tier 3 - UCBs with deposits more than ₹1,000 crore and up to ₹10,000 crore;

Tier 4 - UCBs with deposits more than ₹10,000 crore.

- Tier 1 UCBs have been excluded from the PCA framework for the present. However, they shall continue to be subjected to enhanced monitoring under the extant supervisory framework.
- The revised framework is expected to give more focus on the larger UCBs requiring more intensive monitoring by optimal utilisation of supervisory resources.

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