



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

वेबसाइट : [www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)

Website : [www.rbi.org.in](http://www.rbi.org.in)

ई-मेल/email : [helpdoc@rbi.org.in](mailto:helpdoc@rbi.org.in)



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई-400001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai-400001 फोन/Phone: 022- 22660502

August 30, 2023

**Conference for the Directors on the Boards of select large Urban Co-operative Banks**

The Reserve Bank of India (RBI) today held a Conference of Directors on the Boards of Tier 3 and 4 Urban Cooperative Banks (UCBs) in Mumbai Zone. The Governor, RBI inaugurated the Conference on the theme 'Governance in Banks - Driving Sustainable Growth and Stability'. Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J., along with Executive Directors representing the RBI's Departments of Supervision, Regulation and Enforcement, and other senior officials, also participated in the Conference.

Reserve Bank has started engaging with the Directors of its Regulated Entities functioning in different segments of the financial system. Two separate Conferences were held with Directors on Boards of Public Sector Banks and Private Sector Banks in May 2023. Carrying forward this process, today's Conference was organised for select large UCBs in Mumbai Zone. Going forward, Reserve Bank would be convening similar Conferences of Directors on Boards of other Urban Cooperative Banks in other regions of the country.

Recalling the objectives and strengths of UCBs in furthering financial inclusion and supporting economic development by providing last mile connectivity, the Governor acknowledged the role played by UCBs in these aspects. He noted that while the UCB sector has displayed improved financial performance at an aggregate level in recent times, concerns and vulnerabilities are seen for certain individual entities. He highlighted the need for the UCBs to strengthen their financial and operational resilience so as to contribute to the overall financial and banking sector stability.

Turning to specific expectations from the UCBs, the Governor stressed that the quality of governance was the most important aspect in ensuring stability of individual banks and urged the Directors of UCBs to further strengthen governance practices, especially the three supporting pillars of Compliance, Risk Management, and Internal Audit. On the functioning of Boards, the Governor emphasized five aspects - adequate skills and expertise of Directors, constitution of a professional Board of Management, diversity and tenure of Board members, transparent and participatory nature of Board discussions, and effective functioning of Board level Committees. He also emphasised on a planned approach towards human resources in the UCBs to ensure adequate quality and right size of manpower in UCBs.

The Governor reinforced the need for Board's involvement in upholding rigorous credit risk management including robust underwriting standards, effective post sanction monitoring, timely recognition and mitigation of incipient stress, rigorous follow up of large NPA borrowers for effective recovery, and maintaining adequate provisioning. He emphasised that the role of Directors is very significant in ensuring the integrity and transparency of financial statements, and cautioned against use of innovative accounting practices to camouflage the actual financial position.

The Governor urged the Boards to be more proactive in Asset Liability Management and the necessity of managing liquidity risk in a more systematic manner. He also stressed that the Board's role is pivotal in establishing a robust IT and cybersecurity infrastructure and availability of requisite skills at the bank level. It was stated by the Governor that the management of the UCBs should enjoy the required autonomy in their functioning.

The Governor concluded that Boards of UCBs can play a pivotal role in navigating change by adapting their bank's strategy and offerings as suited to the digital age, promoting innovation and embracing change, while retaining the essence of their cooperative culture.

The Conference included addresses by the Deputy Governors and technical sessions on Governance, Business Risks and Cyber Security.

The Conference concluded with an open house interaction of the participants with the Executive Directors of the Reserve Bank.

**Press Release: 2023-2024/836**

**(Yogesh Dayal)**  
Chief General Manager