

Board of Management in Primary (Urban) Cooperative Banks

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The Reserve Bank of India (RBI) issued guidelines on constituting a Board of Management (BoM) for Primary (Urban) Cooperative Banks (UCBs)

Need for Board of Management (BoM)

The board of directors (BoD) of a UCB performs both the executive and supervisory roles and has the responsibility to oversee the functioning of UCB as a cooperative 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

Key highlights about BoM

- According to the guidelines, **UCBs, with deposits of ₹100 crores and more, will constitute the BoM, which will be a mandatory requirement for opening new branches.**
- **The BoM will be constituted by the BoD within a period of one year from the date of the circular, and have a minimum of five members and may have as many as 12 members.**
- UCBs will have to make suitable amendments to their by-laws, with the approval of the general body and registrar of cooperative societies to provide for the constitution of BoM, in addition to the BoD.
- **The proposal to create the BoM was first proposed by the expert committee on licensing of new urban cooperative banks, constituted under the chairmanship of Y.H.**

Malegam. The creation of a BoM, in addition to the BoD, was aimed at addressing the issues arising out of dual-control, and to bring about an improvement in the functioning of UCBs. Subsequently, the **high-powered committee, set up by the RBI under the chairmanship of R. Gandhi, made it mandatory for UCBs to set up a BoM.**

- The BoM will report to the Board of Directors of the bank.

Composition

- The BoM will **comprise expert banking professionals.**
- The chairman of the BoM may be elected by the members from among themselves, or appointed by the BoD
- The BoM will have a minimum of five and a maximum of 12 members, with special knowledge or expertise in various fields, including accountancy, banking or law.

Functions of BoM:

- It will **exercise oversight on banking-related functions of the UCBs, assist the BoD on the formulation of policies** and any other related matter, specifically delegated to it by the board for the proper functioning of the bank.
- **The BoM will also oversee the management of funds and borrowings,** and recommend action for recovery of non-performing assets (NPAs).
- Its functions will also include **exercising oversight over the banking-related functions of UCBs and assisting the Board of Directors in policy formulation.**

The BoD will continue to be the **apex policy setting body** and constitute various committees of the board, including the BoM, to assist the board in carrying out its responsibilities.