



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
[www.rbi.org.in](http://www.rbi.org.in)

RBI/2014-15/323

DCBR.BPD.(PCB).Cir No.3/12.05.001/2014-15

November 27, 2014

The Chief Executive Officers  
All Primary (Urban) Co-operative Banks

Madam/Dear Sir,

**Supervisory Action Framework for Urban Co-operative Banks (UCBs)**

Please refer to [circular UBD.BPD.\(PCB\).Cir.No.22/12.05.001/2011-12 dated March 01, 2012](#) in terms of which Supervisory Action Framework (SAF) for UCBs was introduced. Having regard to the improvements witnessed by the sector and the need for ensuring more timely supervisory responses, it has been decided to review and revise the supervisory action framework. The main features of this revision are as indicated herein below:-

**1. Self Corrective Action by UCBs:**

The triggers for some of the supervisory/regulatory actions have been revised and advanced to facilitate early rectification of the irregularities/deficiencies by the bank. The corrective action to be taken by UCBs in respect of different trigger points includes the following:-

**Gross NPAs exceeds 10% of the advances or incremental gross NPAs of 3 percentage points each during the last two consecutive years, whichever is earlier:** UCB would be required to furnish an action plan for recovery of NPAs and to undertake special drive to reduce the stock of NPAs and contain generation of fresh NPAs. The Board of the UCB would review its loan policy, take steps to upgrade credit appraisal skills, strengthen follow-up of advances including loan

सहकारी बैंक विनियमन विभाग, केंद्रीय कार्यालय, गारमेट हाऊस, पहली मंज़िल, डॉ ए बी रोड, वरली, मुंबई- 400018 भारत  
फोन: 022 - 2493 9930 - 49; फ़ैक्स: 022 - 2497 4030 / 2492 0231; ई मेल: [cgmdcbrc@rbi.org.in](mailto:cgmdcbrc@rbi.org.in)

Department of Co-operative Bank Regulation, Central Office, Garment House, 1 Floor, Dr.A.B.Road, Worli,  
Mumbai - 400018, India

Phone: 022 - 2493 9930 - 49; Fax: 022 - 2497 4030 / 2492 0231; Email: [cgmdcbrc@rbi.org.in](mailto:cgmdcbrc@rbi.org.in)

बैंक हिन्दी में पत्राचार का स्वागत करता है।

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं मांगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



review mechanism for large loans, follow-up suit filed/decreed debts effectively. The Board would review top 50 NPA accounts monthly.

**CD Ratio:** UCBs are required to take corrective action in case CD ratio exceeds 70%. In case the CD ratio is 80% and above, the UCB will be advised not to increase its advances portfolio beyond the level as on a specified date and invest its surplus funds in liquid assets without compromising on CRR/SLR requirements and other restrictions.

In this connection, the national /state Federations had represented to Reserve Bank that the earlier methodology of calculating CD ratio constricted their ability to expand credit even while they had long term funds for lending, without attracting action under SAF. To address the concern of the Federations, it has been decided that the CD ratio for the purpose of SAF would be computed by reducing from credit the provision held by a UCB for bad and doubtful debts and the sums lent out of the financial assistance if any provided by State/Central Government and Federations of UCBs/refinance availed from NHB/SIDBI etc.

**Profitability:** If the UCB has incurred losses for two consecutive years or is having accumulated losses, it will be required to submit an action plan within a month of receipt of our letter for making the operations profitable. The UCB will be advised not to access/renew high cost deposits, to contain administrative expenses, launch special drive to reduce the stock of NPAs and contain generation of fresh NPAs, rationalise its branches and close down loss making branches.

**Capital Funds:** In case the bank's capital slips to below the regulatory capital of 9%, UCB will be advised to submit an action plan within a month of receipt of our letter for augmenting capital, specifically indicating the manner in which the capital would be increased either by fresh infusion, conversion of deposits into equity or by issue of LTDs, IPDI for improving CRAR to 9% within three months. UCB would be advised to reduce its exposure to the sensitive sectors like capital market, real estate, non-SLR investments and not to mobilise high cost deposits and raise resources at market related rates and review its credit /investment policy. In case CRAR of UCB is less than 3%, UCB will have to explore options for merger.



## **2. Regulatory Action by Reserve Bank:**

In tune with the general approach to facilitate early rectification of the deficiencies, regulatory action to deal with UCBs which are having negative networth such as prohibiting premature withdrawal of deposits including by way of loans against deposits, imposition of all inclusive directions under Section 35 A of BR Act, 1949 (AACS) and issue of show cause notice for cancellation of license will also be advanced with a view to facilitating less disruptive exit of such UCB.

## **3. Date of Applicability of Revised SAF:**

The revised supervisory action framework will be generally implemented based on the findings of inspection conducted with reference to March 31, 2014. The individual UCB will be advised of the specific action under SAF proposed to be taken against the bank concerned based on the current assessment of the financials and the corrective action they need to take to improve the financial position.

4. With the revision of SAF as above it is expected that the Board of Directors of UCBs will be proactive in identifying the shortcomings/deficiencies in the functioning of the bank and taking timely action to address them so that the need to take stern regulatory action by Reserve Bank is minimised.

5. A copy of this circular may be placed in the next meeting of the Board of Directors and a confirmation to that effect should be sent to the Regional Office concerned.

Yours faithfully

(Suma Varma)  
Principal Chief General Manager