

NATIONAL FEDERATION OF STATE COOPERATIVE BANKS LTD.



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NAFSCOB/B-4(190)/2021-22/ 50

Date: 08 June-2021

The Members of the Board, NAFSCOB
Chairman/Chief Executives
All Member State Cooperative Banks

Dear Sir/Madam

Sub: Board of Management (BOM) and Board of Directors (BOD)in State Cooperative Banks-Reg.

We draw your kind attention to the guidelines issued by Reserve Bank of India (RBI) vide **letter no RBI/2021-22/42-DOR.RUR.REC.No.17/19.51.007/2021-22** May 24, 2021 addressed to all State and Central Cooperative Banks on "Amalgamation of District Central Co-operative Banks (DCCBs) with the State Co-operative Bank (StCBs)."

In the context of the proposed amalgamation, RBI notified that "In addition to the Board of Directors, a Board of Management (BoM) shall be set up for the StCB within three months of amalgamation as prescribed in terms of the circular DoR(PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019 addressed to Urban Co-operative banks.

For this purpose, the bye-laws of the StCB shall be amended for incorporating the provisions relating to guidelines on BoM issued by RBI."

While you may examine in detail the issues raised by Department of Regulation, RBI in the circular issued to Urban Cooperative Banks, Let us share the highlights of the guidelines issued by RBI with regard to BoM. The guidelines centred around the following broader areas:

- 1. Constitution of Board of Management (BoM):** BOD shall constitute the BOM based on the laid down 'Fit and Proper Criteria' It will consist of members with special knowledge and practical experience in banking to facilitate professional management and focussed attention to banking related activities. The size of BOM may vary from 5 to 12 members. BOM shall prescribe functions in addition to those prescribed by RBI.
- 2. The BoM shall exercise oversight over the banking related functions** of the Bank, assist the BoD on formulation of the policy and any other related matters specifically delegated to it by the Board for proper functioning of the bank. (as in the case of present Professional Directors).
- 3. The members (size) of the BOM**, not exceeding 50 percent of the BOD, may be drawn from the BOD. The Chairman of the BoM may be elected by the members of BoM from amongst themselves or appointed by the BoD. Under no circumstances the Chairman of the BoD shall be appointed as Chairman of the BoM. Tenure of BoM. The tenure of BoM shall be co-terminus with the tenure of BoD.

4. **BOD Responsibility:** AS per the guidelines of RBI, the BoD is responsible for the general direction and control of the Bank.. They will continue to look after all the administrative functions as spelt out in the respective Co-operative Societies Act. 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. It will delegate powers to the various committees as considered appropriate. BoD may ensure that there are no conflicts in powers delegated to the Committees of the Board and BoM. The CEO may be appointed by the Board based on the 'fit and proper' criteria and as prescribed by RBI.
5. **Functions of CEO:** The CEO shall be under the general superintendence, direction and control of the BoD and exercise such powers and discharge such functions as may be delegated by the BoD. He/ she shall be an ex-officio member of the BoD and also the BoM.

The above are illustrative and not Exhaustive.

In the context of the above, we advise you to examine the detailed guidelines issued by RBI in case of UCBs and respond as follows:(Pl do not link it to the issue of Amalgamation/Merger/consolidation/closer). Pl consider this as an entirely a separate issue.

1. Your comments on the concept of BOM/BOD.
2. Do you have any suggestions on the guidelines to help to amend or fine tune in the interests of better governance of the bank.
3. Do we need to further demarcate the functions of BOM and BOD based on the concept of Cooperative Society and Cooperative Bank.
4. Do you feel whether it is necessary to amend the cooperative Societies Act before amending the Bye laws to incorporate the Provision for BOM.
5. Whether the General Body and or BOD of Your Bank approve the proposal for setting up of BOM.

We suggest you to place this as agenda for Board to ascertain appropriate views on the BOM whose objective appears to be in the overall interest of the Bank.Pl respond at the earliest.

Thanking You

Yours faithfully



(Bhima Subrahmanyam)
Managing Director