

# **AMENDMENT TO BE CARRIED OUT IN BANK'S BYE LAWS REGARDING CONSTITUTION OF BOARD OF MANAGEMENT**

Bye Law No.51 : **BOARD OF MANAGEMENT** :

## Objective-

Under the present legal framework, the Board of Directors of a UCB perform both the executive and supervisory roles and has the responsibility to oversee the functioning of UCB as a co-operative 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. Accordingly, a Board of Management shall be constituted which will consist of members with special knowledge and practical experience in banking to facilitate professional management and focused attention to banking related activities of Bank.

Bye Law No.52 : **CONSTITUTION OF BOARD OF MANAGEMENT (BoM)** :

There shall be a Board of Management (BoM) in the Bank in addition to the Board of Directors. BoM shall be constituted by the Board of Directors (BoD) of the Bank. In addition to the functions as furnished in para 55 below, the BoD may delegate such powers as deemed necessary for the proper functioning of the bank.

The constitution of BoM is mandatory condition for opening of new branches/expansion of area of operation.

Bye Law No.53 : **FUNCTION OF BOARD OF MANAGEMENT (BoM)**:

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 Board for proper functioning of the bank. The functions of the BoM shall include the following:

- i. Rendering expert advice on all proposals being put up to the Board or any committee of the Board for sanction of loans.
- ii. Recommending action for recovery of NPAs, One Time Settlement or Compromise Settlement and assisting the Board in monitoring the same.
- iii. Overseeing the management of funds and borrowings in the Bank.
- iv. Recommending proposals for investment of bank's funds as per the board approved policy.
- v. Oversight on internal controls and systems and risk management in the bank.
- vi. Exercising oversight on implementation of computerization, technology adoption and other incidental issues in the bank.
- vii. Overseeing internal audit and inspection functions including compliance.
- viii. Oversight on complaint redressal system.
- ix. Assisting the Board in formulation of policies related to banking functions, illustratively loan policy, investment policy, recovery policy, ALM and Risk management, etc. to ensure that policies are in tune with RBI guidelines.
- x. Any other responsibility as may be delegated to it by the BoD.

NB : In the event where the BoD differs with the recommendations of BoM, it shall do so by recording, in writing, the reasons thereof.

Bye Law No.54 : **SIZE OF BoM**:

The BoM (excluding CEO) shall have a 05 members. The CEO would be a non-voting member.

Bye Law No.55 : QUALIFICATION AND 'FIT AND PROPER'

CRITERIA FOR MEMBERS OF BoM:

- (i) All the members of BoM should consist of persons having special knowledge or practical experience in respect of one or more of the following matters, namely:-
- a. Accountancy
  - b. Agriculture and rural economy
  - c. Banking
  - d. Co-operation
  - e. Economics
  - f. Finance
  - g. Law
  - h. Small Scale Industry
  - i. Information Technology
  - j. Any other subject, which would, in opinion of the Reserve Bank, be useful to the Bank.

Any person who has had a business relationship with the bank, in question, during the immediate preceding three year will not be eligible. A person having deposits with the Bank will not be classified as having business relationship for the purpose.

- (ii) Members of BoM should be drawn from the members of the Board of Directors provided they meet the criteria specified. However, not more than 50 percent of the BoM members shall be from BoD. Under all circumstances, BoM should have at least two members from outside the BoD.
- (iii) A member of BoM can be appointed in more than one bank, subject to a maximum of three, provided that there is no overlapping in area of operation.
- (iv) Any disqualification prescribed for member of BoD under respective Co-operative Societies Act will also apply to a member of a BoM.

Bye Law No.56 : MEETINGS OF BoM:

BoM may hold meetings at such periodicity as deemed necessary. 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 and Bank should maintain proper record of the minutes of the meeting and the same should be put up to BoD. The quorum for the meeting shall be two-third of the total members of BoM.

Bye Law No.57 : SITTING FEES:

Members of BoM may be paid allowance/sitting fees for their services as may be provided for in the bye-laws of the bank or with the approval of BoD.

Bye Law No.58 : TENURE OF BoM:

The tenure of BoM should be co-terminus with the tenure of BoD.

Bye Law No.59 : FUNCTIONS OF BOARD OF DIRECTORS:

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 Societies Act. BoD will continue to be the apex policy setting body and constitute various committees of the Board including the board of Management 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 of the Bank may be appointed by the Board and who shall be a person meeting the “fit and proper” criteria as prescribed in (60). Bank should obtain prior approval of RBI for appointment of CEO.

Bye Law No.60 : 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.

‘Fit and Proper’ criteria for Chief Executive Officer or Managing Director of Bank.”

- i) The person shall be a graduate with
  - (a) CAIIB/DBF/Diploma in Co-operative Business Management or equivalent qualification;
  - or
  - (b) Chartered/Cost Accountant; or
  - (c) Post graduate in any discipline.
- ii) The person may preferably not be less than 35 years of age and not more than 70 years of age at the time of appointment. The BoD will have power to exceed the upper age limit to 75 years of age.
- iii) The person shall have at least 8 years work experience at the middle or senior level in the banking sector.

Bye Law No.61 : RBI’s POWERS OVER BoM AND CEO

RBI shall have powers to remove any member of BoM and/or the CEO if the person is found to be not meeting the criteria prescribed by RBI or acting in a manner detrimental to the interest of the bank or its depositors or both. The BoD shall seek concurrence from RBI before removing any member of the BoM/accepting the resignation tendered by any member of the BoM. RBI shall also have powers to supersede the BoM if the functioning of BoM is found unsatisfactory. After removal of the member of BoM or CEO or supersession of BoM, BoD shall appoint a new member or CEO or constitute a new BoM as the case may be within a period of three months. As an interim arrangement, BoD may carry out the functions of the BoM.

Bye Law No.62 : DECKARATUIB-CUM-UNDERTAKING BY CEO/  
MEMBERS OF BOARDS OF MANAGEMENT.

A declaration-cum-undertaking should be obtained from CEO/member of Board of Management as per Appendix II attached to RBI Circular No. DoR(PCB).BPD.Cir.No.8/12.05.002/2019-20 dated 31.12.2019 before their appointment/ selection.

Note:- The present bye-laws No. 51 to 67 will be renumbered as 63 to 79 without any change.