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RBI Tightens Norms for Re-appointment of Directors on UCB Boards

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The Reserve Bank of India (RBI) has tightened governance norms for directors of Urban Co-operative Banks (UCBs). Under the new amendment directions, a director cannot continue on the board of the same UCB for more than 10 consecutive years and can be re-appointed only after completing a mandatory cooling-off period of 3 years. The new rules came into force with immediate effect.



Key Highlights

Maximum continuous tenure of a director on a UCB board capped at 10 years.

Re-appointment allowed only after a 3-year cooling-off period.

During the cooling-off period, the former director cannot be associated with the same UCB in any capacity except as a member/customer.

RBI introduced the amendment to prevent directors from bypassing tenure restrictions through resignation and quick re-election/co-option.

The rules are part of the Reserve Bank of India (Urban Co-operative Banks – Governance) Amendment Directions, 2026.

Why This Decision Was Taken:

RBI observed cases where directors briefly resigned and rejoined boards to continue beyond permissible tenure.

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The move aims to:

Improve governance standards

Reduce concentration of power

Increase transparency and accountability in co-operative banks.

Additional Key Facts for Government Exams

About Urban Co-operative Banks (UCBs)

UCBs are co-operative banks operating mainly in urban and semi-urban areas.

They are registered under:

State Co-operative Societies Acts or

Multi-State Co-operative Societies Act.

Banking functions of UCBs are regulated by the RBI under the Banking Regulation Act, 1949.

Banking Laws (Amendment) Act, 2025

Increased maximum director tenure in co-operative banks from 8 years to 10 years.

Intended to align with the 97th Constitutional Amendment related to co-operative societies.

Important Governance Terms

Cooling-off Period: Mandatory break before reappointment to prevent concentration of authority.

Fit and Proper Criteria: RBI guidelines ensuring directors possess integrity, financial soundness, and professional competence.

Related RBI Governance Reforms

RBI has also strengthened:

Board governance norms,

Whole-Time Director requirements,

Audit and risk management standards for banks.

Important:

RBI Governor: Sanjay Malhotra

RBI regulates banks under the Banking Regulation Act, 1949.

One-Liner Questions & Answers

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