Reserve Bank of India

Draft Guidelines for ‘on tap’ Licensing of Urban Co-operative Banks

August 05, 2026

Preamble

1.1 In light of the deteriorating financial health of the urban co-operative banking sector, it was decided in June 2004 to consider issuance of fresh licenses only after a comprehensive policy on Urban Co-operative Banks (UCBs), including an appropriate legal and regulatory framework for the sector, is put in place, and a policy for improving the financial health of the urban co-operative banking sector is formulated. The financial health of the UCBs has improved over the years generally and also through consolidation in the sector and closure of many weak UCBs. Further, the regulatory and supervisory powers of the RBI have been strengthened following the Banking Regulation (Amendment) Act, 2020.

1.2 In view of the above developments, the Reserve Bank had published a discussion paper on licensing of UCBs on January 13, 2026 for stakeholder consultation. The comments / suggestions received were comprehensively examined and it has been decided to issue a new framework for granting licenses to UCBs.

2. Guidelines

2.1 **Eligibility:** Credit Co-operative Societies in existence for at least 10 years are eligible to apply.

2.2 **Minimum Capital and Other Requirements:** The society should have a deposit size of at least ₹10,000 crore and minimum net worth[1] of at least ₹300 crore (as per audited financials as on March 31 of the previous financial year)

2.3 **Registration:** In the initial phase, the societies demonstrating geographical diversification across multiple states will be considered. Hence, the society must be registered under Multi-State Co-operative Societies Act, 2002 at the time of application.

[1] Net worth to be calculated as per Reserve Bank of India (Urban Co-operative Banks – Prudential Norms on Capital Adequacy) Directions, 2025 or as updated from time to time.

2.4 **Track Record:** The society must demonstrate a positive and progressive trend in operating and financial parameters in the previous five years. The CRAR[2] should not be less than 12% and the Net NPA[3] ratio should not be more than 3% as on March 31 of the previous financial year of application. The method of calculation of financials will be as per guidelines issued by the Reserve Bank as applicable to existing UCBs and the financials shall be certified by the statutory auditor.

2.5 **Fit and Proper:** No member should have a shareholding of more than 5%. RBI would assess the 'fit and proper' status of the Board of Directors. They should have a past record of sound credentials and integrity and should not have defaulted to a bank or any other financial institution in the past. Further, the directors of the Board shall be qualified to be on the Board as per Reserve Bank of India (Urban Co-operative Banks – Governance) Directions, 2025 (as updated from time to time) and Banking Regulation Act, 1949 (AACS). No director on the Board of the entity shall discharge any executive role or have a designation implying as such in the entity.

2.6 **Business Plan:** Applicants will be required to submit a detailed business plan along with their applications. The business plan needs to state the objectives and address how the society proposes to achieve these objectives especially related to financial inclusion. The business plan should comprise of a project report covering business potential and viability. The report should include, inter alia, include (but not be limited to) the underlying assumptions, financial projections for five years, target locations for branch openings, proposed product lines, target clientele, technology usage, risk management, plans relating to human resources, priority sector compliance, compliance with prudential norms on CRR/SLR, comprehensive plan to separate and transfer all non-banking activities, etc. The business plan submitted by the applicant should be realistic and viable. In the event of deviation from the stated business plan after the issuance of a license, the RBI may consider restricting the bank's expansion, effecting a change in management, and imposing other penal/regulatory measures as may be necessary.

[2] CRAR to be calculated as per Reserve Bank of India (Urban Co-operative Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025 (Updated as on January 22, 2026) or as updated from time to time.

[3] Asset Classification as per Reserve Bank of India (Urban Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 or as updated from time to time.

2.7 Any other information: The applicant may furnish any other relevant information and documents supporting the applications. Further, the RBI may call for any other additional information, as may be required, in due course.

2.8 Regulatory framework: The bank shall be governed by the provisions of the Banking Regulation Act, 1949 (AACS), Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, Deposit Insurance and Credit Guarantee Corporation Act, 1961, other relevant Statutes and the Directives, Prudential regulations and other Guidelines / Instructions issued by RBI and other regulators from time to time.

3. Procedure for Application

3.1 Applications from eligible societies shall be on an on-tap basis. In terms of Rule 6 of the Banking Regulation (Cooperative Societies) Rules, 1966, an application has to be submitted in the prescribed form (Form IIIA) along with NOC from Central Registrar of Co-operative Societies (CRCS) and shareholder resolution.

3.2 The resolution for conversion to bank shall be approved by the shareholders and passed by a majority representing two-thirds of the shareholders both in number and value, present in person at a meeting called for the purpose. The notice of such meeting shall be published in newspapers well in advance (about a month before the meeting) at least once a week for three consecutive weeks in not less than two newspapers circulating in the locality or localities where the registered office of the society is situated, and one of the newspapers shall be in a language commonly understood in the locality or localities.

3.3 The application along with other related documents as prescribed in Annex-1, can be submitted anytime to RBI through the PRAVAAH portal and addressed to:

The Chief General Manager
Department of Regulation
Reserve Bank of India, Central Office
12th Floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai – 400001

4. Procedure for Decisions and Appeal

4.1 The RBI will initially screen the applications to ensure prima facie eligibility of the applicants and those applications not meeting the norms will be returned.

4.2 Due diligence of all the existing directors will be carried out as prescribed in Para 2.5.

4.3 If the applicant is found to be in compliance with the eligibility requirements, an inspection of the society will be carried out to verify the financials and other information submitted by the bank.

4.4 Thereafter, an Internal Screening Committee (ISC) in Reserve Bank consisting of two Deputy Governors and two Executive Directors, will evaluate the application. The committee's recommendations will be presented to the Committee of the Central Board (CCB) of the RBI for a final decision on issuing 'in-principle approval.'

4.5 The applicant shall be informed of the decision. RBI's decision in this regard will be final. Applicants whose applications are rejected will not be eligible to make an application for a banking license for a period of three years from the date of that decision. Applicants aggrieved by the decision of the CCB can prefer an appeal against the decision to the Central Board of Directors within one month from the date of receipt of the communication from the RBI.

4.6 The validity of the in-principle approval issued by RBI would be valid for 18 months from the date of granting such approval and will thereafter lapse automatically.

4.7 Banking being a highly leveraged business, RBI will adopt a cautious approach in licensing. Licenses shall be issued on a very selective basis to those co-operative societies that conform to the stipulated requirements, as well as any other requirements the RBI may deem necessary to be fulfilled, have an impeccable track record, and are likely to conform to the best standards of governance, customer service, and efficiency. Therefore, it may not be feasible for the RBI to issue licenses to all the applicants meeting the eligibility criteria prescribed above.

5. **Conditions to be fulfilled by the bank after grant of in-principle approval**

5.1 During the validity period of the in-principle approval, the entity shall fulfil the licensing conditions, as under:

a) Necessary IT and cybersecurity infrastructure as per extant RBI guidelines.
b) Full CBS implementation as per extant banking standards.
c) Meeting the conditions related to governance, specifically, formation of Committees of the Board, Board of Management and appointment of key officers as per Reserve

Bank of India (Urban Co-operative Banks – Governance) Directions, 2025 (as updated from time to time) and Banking Regulation Act, 1949 (AACS).

d) Amendment to the byelaws - The byelaws of the bank shall be amended to include the following:

- The admission of any other co-operative society as a member shall be prohibited.
- The composition and tenure of Board of Directors, along with various Committees of the Board and Board of Management, shall be as per provisions of Banking Regulation Act, 1949 and Directions issued by the Reserve Bank from time to time.
- A director on the Board of the entity shall not be on the Board of any other bank or credit society.
- RBI will have the right to assess the fitness and propriety of any member of the Board, the senior management personnel of the entity, as well as its compliance with the above-stated parameters, and require the entity to make such changes in the Board/management as it may consider necessary.
- Any further amendments to the above-mentioned byelaws would require NOC from the Reserve Bank.

5.2 After issue of the in-principle approval for setting up of the UCB, if any adverse features are noticed subsequently regarding the directors/ society or the entities with which they are associated/have interest, the RBI may impose additional conditions and, if warranted, may withdraw the in-principle approval.

5.3 Once the compliance report is received from the society regarding implementation of the conditions and after verification of the same by RBI, the society will be issued a banking license. The society must commence banking business within six months of the license being granted and fulfil any additional requirements stated in the letter granting the banking license (e.g., approaching DICGC for deposit insurance cover within the timeline prescribed by RBI).

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Annex-1

List of Documents to be submitted

1) Covering letter
2) Form IIIA [Rule 6 of the Banking Regulation (Cooperative Societies) Rules, 1966]
3) Copy of the Registration Certificate of the Society
4) Copy of latest bye laws
5) Details of shareholding (Top 10 shareholders; If there are shareholders with more than 5% shareholding, an action plan to reduce to 5% or below before final license)
6) Copy of resolution for conversion to bank approved by the shareholders along with copies of the notices of the shareholder meeting called for approval of conversion to bank, together with newspaper cuttings evidencing compliance with the notice publication requirements.
7) NOC from CRCS
8) Audited balance sheet and profit and loss statement (including all schedules) of previous five financial years.
9) Net Worth (excluding non-banking assets), Deposit size, CRAR, Gross NPA and Net NPA (both absolute and percentage as on March 31 of previous five FY) certified by Statutory Auditor. The methodology of calculation shall be as per extant Reserve Bank guidelines applicable to UCBs.
10) The composition and tenure of each member of the Board of Directors, along with various Committees of the Board and Key Personnel
11) Fit and Proper Declarations : Declaration-cum-undertaking of each member of the Board of Directors and Key Personnel, as per format given in Para 22 of Reserve Bank of India (Urban Co-operative Banks - Governance) Directions, 2025 dated November 28, 2025.
12) Business Plan in terms of Para 2.6
13) Undertaking providing explicit consent to the Reserve Bank to access its books, IT systems, audit reports, member records, loan files, physical assets etc., as and when required in connection with the application.
14) RBI may call for any other additional information, as may be required, in due course.

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