



RBI/2020-21/89
DOR.CRG.CRS.Cir.No.5/13.05.000/2020-21

February 5, 2021

The Managing Director / Chief Executive Officer
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Loans and advances to directors, their relatives, and firms / concerns in which they are interested

Please refer to our [circular BPD.Cir.50/13.05.00/2002-03 dated April 29, 2003](#) on the captioned subject and subsequent instructions issued in this regard.

2. The Banking Regulation Act, 1949 (“**the Act**”) has been amended by the Banking Regulation (Amendment) Act, 2020 notified for the Primary (Urban) Co-operative Banks (**UCBs**) on September 29, 2020 and deemed to have been effective from June 29, 2020. Consequently, section 20 of the principal Act has become applicable to UCBs. Keeping in view the above, the extant directions on the subject issued to UCBs have been reviewed and the revised directions are issued as under.

3. UCBs shall not make, provide or renew any loans and advances or extend any other financial accommodation to or on behalf of their directors or their relatives, or to the firms / companies / concerns in which the directors or their relatives are interested (collectively called as “**director-related loans**”). Further, the directors or their relatives or the firms / companies / concerns in which the directors or their relatives are interested shall also not stand as surety/guarantor to the loans and advances or any other financial accommodation sanctioned by UCBs. ‘Advances’ for the purpose shall include all types of funded / working capital limits such as cash credits, overdrafts, credit cards, etc.

4. The following categories of director-related loans shall, however, be excluded from “loans and advances” for the purpose of these directions:

- i. Regular employee-related loans to staff directors, if any, on the Boards of UCBs;



- ii. Normal loans, as applicable to members, to the directors on the Boards of Salary Earners' UCBs;
- iii. Normal employee-related loans to Managing Directors / Chief Executive Officers of UCBs;
- iv. Loans to directors or their relatives against Government Securities, Fixed Deposits and Life Insurance Policies standing in their own name.

Explanation: For the purpose of these directions -

- i. The term 'any other financial accommodation' shall include funded and non-funded credit limits and underwritings and similar commitments, as under:
 - a) The funded limits shall include loans and advances by way of bill/cheque purchase/ discounting, pre-shipment and post-shipment credit facilities and deferred payment guarantee limits extended for any purpose including purchase of capital equipment and acceptance limits in connection therewith sanctioned to borrowers, and guarantees by issue of which a bank undertakes financial obligation to enable its constituents to acquire capital assets. It shall also include investments which are in the nature of / in lieu of credit.
 - b) The non-funded limits shall include letters of credit, guarantees other than those referred to in paragraph (a) above, underwritings and similar commitments. It shall also include off-balance sheet exposure in the form of derivatives.
- ii. The word "relative" shall have the meaning as under:

A person shall be deemed to be a relative of another, if and only if:-

 - a) They are members of a Hindu Undivided Family; or
 - b) They are husband and wife; or
 - c) The one is related to the other (or vice-versa) in the manner indicated below:
 - i) Father (including step-father)
 - ii) Mother (including step-mother)
 - iii) Son (including step-son)
 - iv) Son's wife
 - v) Daughter (including step-daughter)
 - vi) Daughter's husband
 - vii) Brother (including step-brother)
 - viii) Brother's wife



- ix) Sister (including step-sister)
 - x) Sister's husband
- iii. The word "interested" shall mean the director of the UCB or his relative, as the case may be, being a director, managing agent, manager, employee, proprietor, partner, coparcener or guarantor, as the case may be, of the firm / company / concern (including HUF):

Provided that a director of a UCB or his relative shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a director, managing agent, manager, employee or guarantor of the respective holding or subsidiary company:

Provided further that a director of a UCB shall also be deemed to be interested in a company/firm if he/she holds substantial interest in or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she holds substantial interest in or is in control of the respective holding or subsidiary company:

Provided further that a relative of a director of a UCB shall also be deemed to be interested in a company/firm if he/she is a major shareholder or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company:

- iv. The term "substantial interest" shall have the same meaning as assigned to it in section 5(ne) of the Banking Regulation Act, 1949.
- v. The term "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in another manner.
- vi. The term "major shareholder" shall mean a person holding 10% or more of the paid up share capital.



5. UCBs shall submit information pertaining to their director-related loans as at the end of each quarter (i.e. 31 March, 30 June, 30 September and 31 December), in the format given in the [Annex](#) to these directions, to the concerned Regional Office of Department of Supervision of Reserve Bank of India within fifteen days from the end of the respective quarter. In the case of UCBs functioning under Administrator(s) / Person(s)-in-Charge / Special Officers, the UCBs concerned should submit the information in respect of loans and advances availed by the Administrator(s) / Person(s)-in-Charge / Special Officers, including their relatives.

6. These directions supersede the earlier directives / instructions issued on the subject and shall come into force immediately. The existing director-related loans sanctioned/granted by UCBs in terms of the earlier directives / instructions prior to the issue of this circular, if any, may continue till their respective maturity and shall not be renewed further.

7. A copy of this circular should be placed before the Board of Directors of your bank in its ensuing meeting and a confirmation thereof should be sent to the concerned Regional Office of the Department of Supervision of Reserve Bank of India.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager



Information in respect of Director-related Loans and Advances

Name of the bank: _____

Position as on: _____

Sr. No.	Name of the Borrowers	Related to which director and nature of the relationship	Limits Sanctioned (₹ in lakhs)						
			Date of Sanction / Renewal	Type of Facility		Secured	Unsecured	Nature and Value of Security	Due Date / Date of Maturity
				Funded	Non-funded				
1	2	3	4	5	6	7	8	9	10

Amount Outstanding (₹ in Lakhs)				
Secured	Unsecured	Total (100% of Funded and 100 % of Non-funded Limits)	Whether in excess of exposure norms / limits stipulated by RBI	Action initiated in case of Overdue / NPA Accounts
11	12	13	14	15

Note: Different types of facilities sanctioned to a borrower should be indicated separately against column 5 and 6.