



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA



RBI/2022-23/143

DOR.REG.No.85/07.01.000/2022-23

December 01, 2022

Madam / Sir

**Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)**

In order to ensure a financially sound and stable co-operative sector, select UCBs are termed as Financially Sound and Well Managed (FSWM) subject to fulfillment of certain parameters. In this context, a reference is made to our [circular DCBR.CO.LS \(PCB\) Cir.No.4/07.01.000/2014-15 dated January 28, 2015](#) on “Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)” for criteria prescribed for considering the UCBs as FSWM.

2. It has been decided to revise the criteria for UCBs to be classified as FSWM. The revised criteria in view of [Revised Regulatory Framework for Urban Co-operative Banks \(UCBs\) released by RBI on July 19, 2022](#) based on the recommendation of the [Expert Committee on Primary \(Urban\) Co-operative Banks](#) are given in the [Annex](#).

3. Further, the UCBs are now permitted to classify themselves as FSWM based on this revised FSWM criteria.

**Commencement**

4. The revised instructions shall be applicable with immediate effect.

**Applicability**

5. This circular is applicable to all Primary (Urban) Co-operative Banks.

(Prakash Baliarsingh)  
Chief General Manager

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Financially Sound and Well Managed (FSWM)**

The revised criteria, for determining the FSWM status have been given as under:

- a) The CRAR shall be at least 1 percentage point above the minimum CRAR applicable to an UCB as on the reference date;
- b) Net NPA of not more than 3%;
- c) Net profit for at least three out of the preceding four years subject to it not having incurred a net loss in the immediate preceding year;
- d) No default in the maintenance of CRR / SLR during the preceding financial year;
- e) Sound internal control system with at least two professional directors on the Board;
- f) Core Banking Solution (CBS) fully implemented; and
- g) No monetary penalty should have been imposed on the bank on account of violation of RBI directives / guidelines during the last two financial years.

2. The process of deciding the eligibility for being classified as a FSWM UCB may be carried out by UCBs themselves as per the revised criteria based on the assessed financials and findings of RBI inspection report or audited financial statements, whichever is latest. The Boards of the banks shall examine the compliance to the FSWM criteria and pass necessary resolution approving the same and inform the concerned Regional Office of Department of Supervision, Reserve Bank of India immediately, and in any case, not later than within 15 calendar days from the date of passing the resolution. UCBs may review the compliance with FSWM criteria every year at Board level as indicated above immediately after the audit of the financial statements and RBI inspection report as and when received. This process will be subject to supervisory review.

3. The following instructions/circulars stand repealed on the issue of this circular

<b>Sl. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1.	<a href="#">DCBR.CO.LS (PCB)</a> <a href="#">Cir.No.4/07.01.000/2014-15</a>	January 28, 2015	Circular on “Classification of UCBs for Regulatory Purposes - Revised Norms”
2.	<a href="#">UBD.CO.LS (PCB)</a> <a href="#">Cir.No.20/07.01.000/2014-15</a>	October 13, 2014	Definition of FSWM UCBs in second para of circular on circular on “Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)”
3.	<a href="#">UBD.CO.LS.(PCB).Cir.No.24/07.01.000/2013-14</a>	October 01, 2013	Definition of FSWM UCBs in second para of circular on “Review of norms for classification of Financially Sound and Well Managed (FSWM) Urban Co-operative Banks (UCBs)”
4.	<a href="#">UBD.CO.LS.Cir.No.26/07.01.000 /2010-11</a>	November 16, 2010	Definition of FSWM UCBs in second para of circular on “UCBs –Norms for Opening of branches and extension counters Liberalised”
5.	<a href="#">UBD.CO.LS.Cir.No.25/07.01.000/ 2010-11</a>	November 16, 2010	Definition of FSWM UCBs in first para of circular on “Second Quarter Review of the Monetary Policy for 2010-11 Extension of Area of Operation-Liberalisation”

4. The following circulars contain existing Guidelines/Directions by the Reserve Bank of India on norms for classification of UCBs as FSWM.

<b>Sl. No.</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1.	<a href="#">UBD.CO.LS (PCB) Cir.No.20/07.01.000/2014- 15</a>	October 13, 2014	Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)
2.	<a href="#">UBD.CO.LS.(PCB).Cir.No.2 4/07.01.000/2013-14</a>	October 01, 2013	Review of norms for classification of Financially Sound and Well Managed (FSWM) Urban Co-operative Banks (UCBs)
3.	<a href="#">UBD.CO.LS.Cir.No.26/ 07.01.000 /2010-11</a>	November 16, 2010	UCBs –Norms for Opening of branches and extension counters Liberalised
4.	<a href="#">UBD.CO.LS.Cir.No.25/ 07.01.000/ 2010-11</a>	November 16, 2010	Second Quarter Review of the Monetary Policy for 2010-11 Extension of Area of Operation-Liberalisation