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RBI revises supervisory framework for UCBs to expedite resolution of UCBs in financial stress

BY GAYATRI NAYAK, ET BUREAU | UPDATED: JAN 07, 2020, 11.01 AM IST

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MUMBAI: The Reserve Bank of India has rationalised its supervisory framework for urban co-operative banks (UCBs) to expedite resolution of UCBs experiencing financial stress. The revised framework released by the RBI on Monday stipulates the thresholds for various parameters that could trigger a corrective action by the UCBs or a supervisory action by the central bank.

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A UCB may be placed under [supervisory action framework](#) when its Net NPAs exceed 6% of its net advances, its CRAR falls below 9%, when it incurs losses for two consecutive financial years or has accumulated losses on its balance sheet. The type of action would depend on the severity of stress, RBI said.

RBI could undertake different actions like imposition of all-inclusive directions under section 35A of the Banking Regulation Act, 1949, as applicable to co-operative societies and issue of show cause notice for cancellation of banking license may be considered by the Reserve bank when continued normal functioning of the UCB is no longer considered to be in the interest of its depositors.

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