



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
[www.rbi.org.in](http://www.rbi.org.in)

RBI/2024-25/57

DOR.CAP.REC.No.30/09.18.201/2024-25

July 30, 2024

Dear Sir/ Madam,

**Guidelines on treatment of Dividend Equalisation Fund (DEF)- Primary (Urban) Co-operative Banks (UCBs)**

Please refer to [Master Circular DOR.CAP.REC.5/09.18.201/2024-25 dated April 01, 2024](#) on “Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs)”, [Master Circular DoR.CRE.REC.71/07.10.002/2023-24 dated January 16, 2024](#) on “Exposure Norms and Statutory / Other Restrictions – UCBs”, and [circular UBD.BPD.\(PCB\).Cir.No.4/12.05.001/2012-13 dated July 05, 2012](#) on “Declaration of Dividend by the UCBs”.

2. It is observed that some UCBs have created the Dividend Equalisation Fund (DEF) through appropriation of profits, with an intent to utilise these balances to pay dividend in future years, when profits are not sufficient or where the bank has posted a net loss. However, extant guidelines on [“Declaration of Dividends by UCBs” dated July 05, 2012](#) *ibid* prohibit dividend payments from previously accumulated profits or reserves and mandate that dividend can only be paid by the banks from net profit of the current year after making all statutory and other provisions and after adjustment for accumulated losses in full. It is also observed that UCBs have been considering the balances in DEF as part of Tier-II capital.

3. In order to provide a better treatment of these balances for regulatory capital purposes, it has been decided, as a onetime measure, to permit UCBs to transfer the balances in the DEF to general reserves/free reserves. The credit balances in general reserves/free reserves, shall qualify as Tier-I capital as per our Master Circular *ibid*.

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हिंदी आसान है इसका प्रयोग बढाइए

4. Suitable disclosures shall be made of such transfers in the 'Notes on Accounts' to the Balance Sheet in terms of [Reserve Bank of India \(Financial Statements - Presentation and Disclosures\) Directions, 2021 dated August 30, 2021](#).

5. UCBs shall comply with the provisions of applicable State/ Central Co-operative Acts & bye-laws, and other applicable laws, statutes and regulations.

**Applicability**

6. This circular is applicable to all Primary (Urban) Co-operative Banks. The instructions shall come into force with immediate effect.

Yours faithfully,

(Usha Janakiraman)  
Chief General Manager-in-Charge