

# **Banks Board Bureau**

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**December 15, 2016**

## **Activities undertaken/ Recommendations made: April to September 2016**

The Banks Board Bureau was formally inaugurated by Mr Jayant Sinha, the then Minister of State for Finance and Dr Raghuram Rajan, the then Governor, RBI, on April 08, 2016. During first six months of its operation, the Bureau comprising of part time members and Chairman undertook following activities:

### **A. Meetings held**

- i. Regular meetings on April 08, April 22, May 12, August 31 and September 20, 2016.
- ii. Precursor meetings of the Chairman and members (other than ex-officio members) on April 06, July 07, August 04, August 30, 2016 and September 19, 2016.
- iii. Meetings related to the appointments process of WTDs on May 16, June 16, June 17, June 25 and September 21, 2016.
- iv. Meetings with the Chairman/ CMDs/MD& CEOs of PSBs on May 04, May 13 and June 15, 2016.

### **B. Appointments**

- i. On May 16, 2016, the Bureau made its recommendations for three vacancies of MD&CEO in PSBs for the year 2016-17.
- ii. On June 25, 2016 the Bureau recommended a candidate for an MD vacancy in SBI for the year 2016-17.
- iii. On June 25, 2016 and September 21, 2016 the Bureau recommended eighteen candidates for ED level vacancies in PSBs for the year 2016-17.
- iv. To bring in more transparency to the process of appointments a practice was introduced of disclosing, on the website of the Bureau, the names of the candidates recommended by the Bureau.
- v. Government to institutionalise a procedure wherein the vigilance process / due diligence of candidates was completed before they appear for interactions with the Bureau for vacancies of whole time directors in PSBs.

- vi. Recommendations on appointments made by the Bureau should be placed directly before the competent authority.
- vii. The mandate for appointment of part time non-official directors to be given to the Bureau.

### **C. Stressed asset resolution strategies**

- i. The Bureau facilitated a meeting of the Chairman/CMDs/MD& CEO's of PSBs with the Director, Central Bureau of Investigation and the Central Vigilance Commissioner. The meeting was co-chaired by the Governor, RBI along with the Chairman, Banks Board Bureau. It was also attended by the two expert members of the Overseeing Committee set up by the Indian Banks Association as part of the Reserve Bank of India guidelines under the Scheme for Sustainable Structuring of Stressed Assets.

### **D. Recommendations made for improving governance**

- i. In order to give operational flexibility to the management of PSBs, the Bureau recommended withdrawal of the existing instructions as per which a committee comprising of RBI and GoI nominee directors have to be present for the promotion process from DGM to GM as also foreign postings. The Bureau recommended that the process may rather be undertaken by a committee of at least two/three whole time directors of the bank including the MD & CEO.
- ii. There was a need to break from the past practice of extended length on boards and rotation amongst boards of various PSBs of certain directors. New appointees should be considered for not more than two terms in any PSB.
- iii. Department of Financial Services to engage with RBI to rationalise the service conditions of non-executive Chairman so as to attract the best personages.
- iv. In order not to be constrained in attracting the best personages, the BR Act, 1949 may be amended where the directors could be allowed to continue on the boards provided they recuse themselves from the decision making process which might involve conflict of interest.