

**BANKS BOARD BUREAU**

# ANNUAL REPORT 2019-2020





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## LIST OF ABBREVIATIONS

ACC	Appointments Committee of the Cabinet
CEO	Chief Executive Officer
CGM	Chief General Manager
CMD	Chairman and Managing Director
DFS	Department of Financial Services
DMD	Deputy Managing Director
FI	See PSFI
GM	General Manager
IBA	Indian Banks Association
IIFCL	Indian Infrastructure Finance Company Limited
IIM	Indian Institute of Management
IRDAI	Insurance Regulatory and Development Authority of India
LDP	Leadership Development Program
MD	Managing Director
MD & CEO	Managing Director and Chief Executive Officer
MOF	Ministry of Finance, Govt of India
NABARD	National Bank for Agriculture and Rural Development
NEC	Non-Executive Chairman
NOD	Non-official Director
NRC	Nomination & Remuneration Committee
PSIC	Public Sector Insurance Companies
PSB	Public Sector Bank
PSFI	Public Sector Financial Institutions
RMCB	Risk Management Committee of Board
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SIDBI	Small industrial Development Bank of India
WTD	Whole Time Directors

## I. THE BOARD

**Bhanu Pratap Sharma**  
Chairman

### Public Sector Banks & Financial Institutions

**Debasish Panda\***

Secretary  
Department of Financial Services  
**Ex-Officio Member**

**Sailesh@**

Secretary  
Department of Public Enterprises  
**Ex-Officio Member**

**M. Rajeshwar Rao#**

Deputy Governor  
Reserve Bank of India  
**Ex-Officio Member**

**Vedika Bhandarkar**

Former Vice Chairman & MD  
Credit Suisse  
**Expert Member**

**Pradeep Kumar Panja**

Former MD  
State Bank of India  
**Expert Member**

**Pradip Panalal Shah**

Founder MD  
CRISIL  
**Expert Member**

### Public Sector Insurance Companies

**Debasish Panda\***

Secretary  
Department of Financial Services  
**Ex-Officio Member**

**Dr. S C Khuntia**

Chairman  
IRDAI  
**Ex-Officio Member**

**Sailesh@**

Secretary  
Department of Public Enterprises  
**Ex-Officio Member**

**Ghyanendra Nath Bajpai**

Former Chairman  
SEBI and LIC of India  
**Expert Member**

**Mathew Verghese**

Former General Manager  
New India Assurance Company Ltd.  
**Expert Member**

**N M Govardhan&**

Former Chairman  
LIC of India  
**Expert Member**

\* Shri Rajeev Kumar was the Ex-officio member upto February 29, 2020.

@ Smt. S Bahuguna was the Ex-Officio member upto September 30, 2019.

# Shri N S Vishwanathan was a member till March 31, 2020. Shri M K Jain was member till Nov 11, 2020.

& Shri N M Govardhan is appointed as Expert member on August 3, 2020.

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## II. PRINCIPAL OFFICERS OF SECRETARIAT

### **Secretary**

Dr. Vijay Singh Shekhawat, General Manager (August 9, 2019 onwards)

Navin Nambiar, General Manager (till August 8, 2019)

### **Assistant General Managers**

Kshitij Singh

Rishabh Garg

### **Manager**

Savitri Ramesh (till May 29, 2020)

### **Assistant Manager**

Devansh Rawat (January 08, 2020 onwards)

### III. OVERVIEW

The Bureau is an autonomous body of the Government of India set up in 2016 for developing and implementing appropriate methodologies for appointments, extension, and termination of members of the Board in public sector banks, public sector insurance companies, and financial institutions. The Bureau is mandated to improve the management structures, performance appraisal systems and formulation and enforcement of a code of conduct and ethics for managerial personnel in public sector banks. The mandate of the Bureau has been expanded in November 2019 to include the appointments of Whole time Directors of Public Sector Insurance Companies (PSICs<sup>1</sup>).

During the year 2019-20, the Bureau made recommendations for 34 appointments of Whole Time Directors in the mandated institutions. The average time for making the recommendation was 45 days<sup>2</sup>. Of the 34, recommendations, 31 (91%) were appointed by Government in the recommended positions. In all cases where appointments required interactions with candidates, the results of the interaction was uploaded on the Bureau's website within hours of final-

isation. The results were also published on the Official Twitter handle within minutes of finalisation, making the whole process transparent. The average time for recommending, when the vacancy was to be filled in by internal candidates, was 32 days while vacancies filled through open advertisements were completed in 53 days. Thereafter, various clearances were obtained and approvals taken from competent authorities. This process took around 3 months. The Bureau interacted with 126 candidates maintaining an average ratio of five candidates per vacancy.

In the year, Bureau commenced with competency assessment of all candidates appearing for any of the Board level positions in PSICs, Public Sector Banks (PSBs), and Public Financial Institutions (PSFIs). These assessments were earlier being done only for MD & CEOs of large PSBs. Also, the Bureau started carrying out a background check on all private candidates appearing for any position in PSBs and PSFIs. Despite these additional checks, the Bureau has managed to reduce the average time taken for recommendations from 71 days in 2018-19 to 45 days in 2019-20. This reduction in

1. Life Insurance Corporation of India, General Insurance Corporation of India, The New India Assurance Company Ltd., The United India Insurance Company Ltd, The Oriental Insurance Company Ltd., National Insurance Company Ltd and Agriculture Insurance Company of India Ltd.
2. Difference between the date of notification of vacancy and date of recommendation

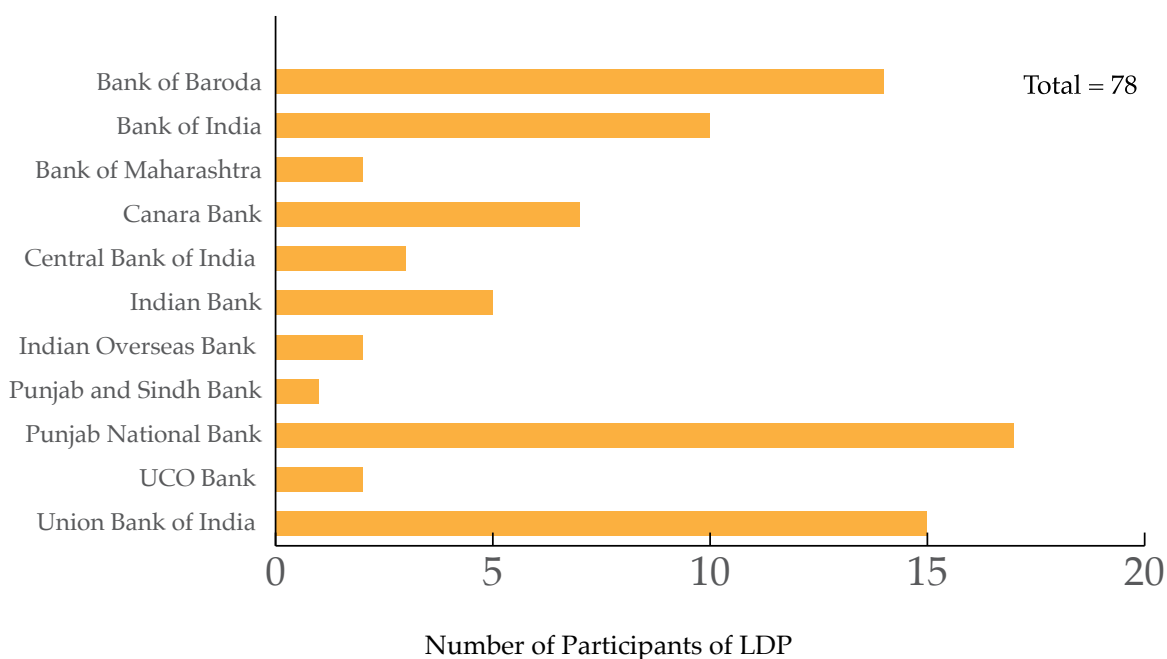
time taken for the recommendation was due to improvement in processes for scrutiny and leveraging on technology. Moreover, all vacancies for EDs were filled up by lateral shifting of EDs from merging banks and hence did not require the usual process to be undertaken.

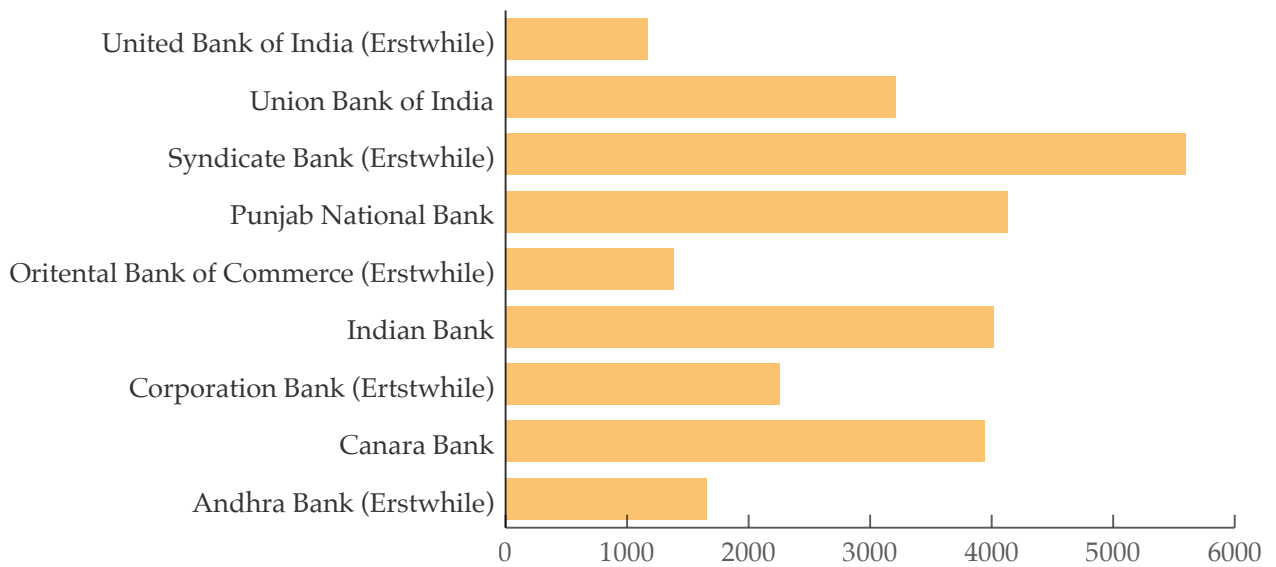
The average time taken for recommending MD & CEO / MD / CMD / Chairman was reduced from 89 days to 32 days on average in 2019 and for ED and equivalent positions, it was reduced from 60 days to 55 days.

While the focus remained on appointments during the year, the Bureau also followed up and finetuned its recommendations made to the Government, especially those related to Governance. A few of these recommendations were accepted and notified by the Government during the year as a part of governance reforms in public sector banks.

A Leadership Development Program was curated and launched by the Bureau in 2019-20 to create a pipeline of leaders in PSBs. The program aims to enhance technical skills, increase market awareness, and leadership qualities by using on-campus, online, and off-campus interfaces. The Program was designed by M/S Egon Zehnder and delivered by IIM Bangalore and its associates. The first batch of Leadership Development Program comprising 75 Deputy General Managers / General Managers of Public Sector Banks (PSBs) completed their program in July 2020.

As an addendum to the Program, a Discovery Day Event was designed and delivered by M/S KPMG and IIM Bangalore with a focus on the opportunities and challenges that arose from the merger of various banks in 2019-20. As a part of the Discovery Day, the officers of the PSBs participated in a survey to discern the differences in Organ-



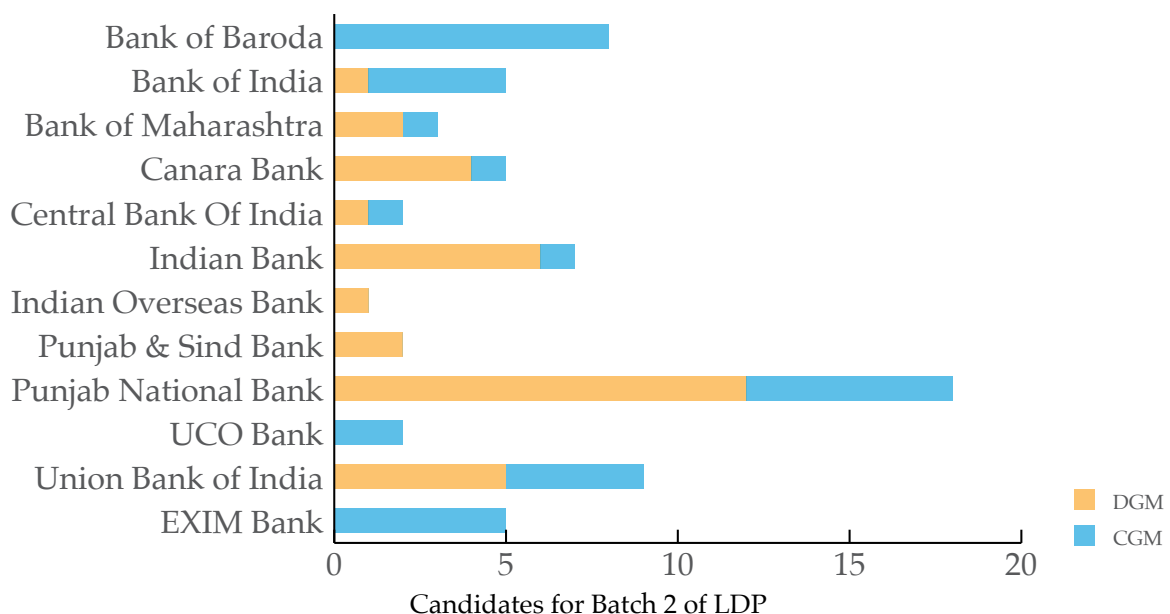


Organisational Culture survey responses

isational Culture. The findings indicate that the organisational culture across the surveyed PSBs is similar overall with a slight diversity in some of the cultural traits but even that diversity tends to converge at senior management levels. Around 25,000 officers from various PSBs participated in this survey with representation at all levels and regions.

LDP, comprised 18 projects focused on delivering specific results for the PSBs. MD & CEOs of PSBs have been very appreciative of the Live projects that had an impact on the reduction of non-performing assets, reduction of costs, and improvement in efficiency through the introduction of new processes, estimated at a total of Rs. 4,265 crore. The second batch of 66 officers commenced their program in September 2020. This batch includes officers from EXIM Bank as well.

The Live Projects, a mandatory part of the



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On the administrative side, in the wake of the global pandemic, the Bureau acquired Video Conferencing System and E-Signing capabilities, and developed legal documentation and Meeting protocols for the continuation of the interactions and meetings remotely. It has also developed systems and processes for gathering online applications from candidates applying for various vacancies.

The Bureau also prepared its first Receipt and Payment Account for 2019-20 after duly reconciling all previous receipts and payments. The expenses for 2019-20 and the demands for 2020-21 were intimated to SBI, IRDAI, and NABARD as per the revised process. The Bureau also undertook a major renovation of its premises to create suitable infrastructure for the conduct of interactions including acquiring state-of-the-art video conferencing system.

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## IV. ESTABLISHMENT AND FUNCTIONS

### Establishment and Mandate

Central Government notified the amendment to the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 providing the legal framework for constitution and functioning of the Banks Board Bureau on March 23, 2016. The Bureau accordingly started functioning from April 01, 2016 as an autonomous recommendatory body of Government of India.

The functions of the Bureau, outlined in Section 7(C) of the Scheme and in subsequent amendments as per orders of Appointments Committee of the Cabinet, are:

- a) To recommend the selection and appointment of Board of Directors in Public Sector Banks, Financial Institutions<sup>3</sup> and Public Sector Insurance Companies<sup>4</sup> (Whole Time Directors and Non-Executive Chairman).
- b) To advise the Central Government on matters relating to appointments, confirmation or extension of tenure and termination of services of the Directors of nationalised banks.
- c) To advise the Central Government on the desired management structure of nationalised banks, at the level of Board of Directors and senior management.
- d) To advise the Central Government on a suitable performance appraisal system for nationalised banks.
- e) To build a data bank containing data relating to the performance of nationalised banks and its officers.
- f) To advise the Central Government on the formulation and enforcement of a code of conduct and ethics for managerial personnel in nationalised banks.
- g) To advise the Central Government on evolving suitable training and development programs for managerial personnel in nationalised banks.
- h) To help the banks in terms of developing business strategies and capital raising plan and the like; and any other works assigned by Central Government.

### Functions

As a result of the initial mandate and subsequent amendments, the Bureau is responsible for appointment of directors of:

- a) PSBs: Fifty positions of Whole Time Directors – Eleven MD & CEOs and Thirty-four Executive Directors of Nationalised Banks;

3. As per order dated 24-Aug-2015

4. As per order dated 6-Nov-2019 and 9-Jun-2020

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one Chairman and four Managing Directors of State Bank of India; and Eleven positions of Non-Executive Chairman (NEC).

b) PSICs: Eleven positions<sup>5</sup> – One Chairman and four Managing Directors of LIC, and six CMDs of PSICs other than LIC; and

c) PSFIs: Fourteen positions – Six positions of CMDs/ MDs/ MD & CEOs and Eight positions of the DMDs.

### **Composition**

The composition of Board of the Bureau for PSICs has been altered to include three expert members from Insurance Sector and the Chairman, Insurance Regulatory and Development Authority of India as Ex-Of-ficio member. The composition of the Bureau for search and selection for financial institutions (EXIM Bank, SIDBI, NABARD, IIFCL, IFCI Ltd, NHB) also has been altered to include one expert with wide experience in financial sector in lieu of the ex-banker member. Subsequently, the ex-banker member has been retained for the purpose of matters related to FIs as well.

### **Management**

The general superintendence, direction and management of affairs of the Bureau is vested in the Secretary, who shall function under the guidance and direction of the Chairman and members of the Bureau. The Bureau has an office in Mumbai with adequate staff.

The Bureau is a not-for-profit autonomous body that was initially expected to meet its expenses with upfront support from Reserve Bank of India and thereafter distribute the expenses among the PSBs. The revised guidelines for the year 2019-20 (and thereafter) specify that the expenses of the Bureau shall be met by all PSBs, PSICs and PSFIs on a pro-rata basis based on the number of vacancies of Whole Time Directors (WTDs) estimated as on 1st April of the vacancy year in each category i.e. PSBs, PSICs and PSFIs. Thereafter, the same shall be distributed amongst the operating profit making PSBs/PSICs/PSFIs on the basis of the ratio of profit of the individual PSB/PSIC/PSFI to the total profit of all the PSBs/PSICs/PSFIs.

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5. 9 posts of 'GM & Directors' on respective boards were proposed to be filled up in 5 Public Sector General Insurance companies viz. NIACL, NICL, OICL, UIICL and GIC, with their General Managers in the Zone of Consideration. Guidelines for the same have now been approved by the Appointment Committee of the Cabinet. Hereafter, these posts would also be filled up through the Bureau.

## V. RECOMMENDATIONS FOR APPOINTMENT

In the year 2019-20, the Bureau handled 34 vacancies for the following institution categories:

**Table 1:** Recommendations in 2019-20

Designation	FIs	PSBs	PSICs	Total
Chairman	1	-	-	1
CMD	-	-	2	2
DMD	7	-	-	7
MD	1	1	2	4
MD & CEO		5	-	5
EDs	-	4	-	15
Grand Total	9	10	4	34

The process starts with collection and scrutiny of applications sourced directly from institutions or from open advertisement. Of the total applicants, 88 candidates were subjected to behavioral assessment by external agencies. Also, 19 non-government /non-PSU candidates were subjected to background checks by external agencies. Of the eligible candidates, 131 appeared for interactions with the Bureau members. Each candidate was invariably interviewed by three panels, each comprising one ex-officio and one expert member, of the Bureau. After interactions with candidates, the final recommendation of the Bureau uploaded on the website within hours of finalisation. The same was also published on the Official

Twitter handle within minutes of finalisation.

The entire process was carried out by the Secretariat exclusively and on an average, it took 45 days from the date of notification to the date of submission of the recommendations. The reduction in time has been due to the improvement in system and processes including acquiring Video Conferencing system for online interactions. Mergers of PSBs in 2019-20 that allowed the ED vacancies to be filled in by lateral movement of EDs from merging entities also contributed to reduction of time taken for recommendation.

Specifically, in the case of PSBs, the Bureau has handled more than 300 applications for filling in more than 90 vacancies for various board level positions since its inception in 2016. Starting from 2019-20, the behavioral assessments has been adopted as a standard process for all candidates and background check is done for all private candidates. Details of vacancies, applicants and recommendations since the inception of the Bureau are given in the Table 2.

**Table 2: Recommendations for the posts of NECs and WTDs in PSBs/PSICs/ FIs**

Position	Period	Vacancy	Applicants	Shortlisted	Behavioural Assessment	Background verification	Candidates recommended
Executive Director in Nationalised Banks	2016-17	18	45	45	NA	NA	18
Executive Director in Nationalised Banks	2017-18	15	39	39	NA	NA	15
Executive Director in Nationalised Banks	2018-19	17	44	44	NA	NA	17
Executive Director in Nationalised Banks	2019-20	4	4	4	NA	NA	4
Managing Director in SBI	2016-17	1	3	3	NA	NA	1
Managing Director in SBI	2017-18	1	10	10	NA	NA	1
Managing Director in SBI	2018-19	1	11	11	NA	NA	1
Managing Director in SBI	2019-20	1	17	17	NA	NA	1
MD & CEO in Nationalised Banks	2016-17	3	10	10	NA	NA	3
MD & CEO in Nationalised Banks	2017-18	5	15	15	NA	NA	5
MD & CEO in Nationalised Banks	2018-19	12	30	30	NA	NA	12
MD & CEO in Nationalised Banks	2019-20	4	62	25	29	9	4
Chairman, SBI	2017-18	1	4	4	NA	NA	1
Chairman/ MD in FIs	2019-20	2	37	24	10	1	2
DMD in FIs	2019-20	7	116	40	25	0	2
Chairman LIC	2018-19	1	5	5	0	0	1
CMD in PSICs	2019-20	2	7	7	0	0	2
MD in LIC	2018-19	2	9	9	0	0	2
MD in LIC	2019-20	2	7	7	0	0	2
NEC in Nationalised Banks	2016-17	10	#		NA	NA	3
NEC in Nationalised Banks	2016-17	8	#		NA	NA	2
NEC in Nationalised Banks	2017-18	6	#		NA	NA	6
NEC in Nationalised Banks	2019-20	4	#		NA	NA	1

# As per the list of Independent Directors sourced from various databases on boards of listed companies in India

## VI. EVENTS AND VISITS



**April 8, 2017:** The Bureau inaugurated by then Minister of State for Finance, Shri Jayant Sinha. Also visible in the photograph are Dr. Raghuram Rajan, former Governor, RBI, Shri Vinod Rai, former Chairman, Banks Board Bureau, Shri Ameising Luikham, former Secretary, Department of Public Enterprises, GOI, Shri R Gandhi and Shri Mundra, former Deputy Governors, Reserve Bank of India, Dr. Anil K. Khandelwal, Shri H.N. Sinor, and Ms. Roopa Kudva, former members, Banks Board Bureau.



**March 26, 2018:** The term of the First Board of the Bureau gets over. From Right to left, Shri Rajeev Kumar, then Finance Secretary and Ex-Office member of the Bureau is seen handing over a memento to Shri Vinod Rai, Chairman, Shri H. N. Sinor and Dr. Anil K. Khandelwal.



**April 24, 2018:** The members of the Second Board meet for first time. Visible in the photograph are Shri B P Sharma, Chairman and Board members Shri N. S Vishwanathan, Ms Veditka Bhandarkar, Shri Panja Pradeep Kumar and Shri Pradip P Shah.



**July 19, 2019:**

The Leadership Development Program is inaugurated at IIM Bangalore.



**August 8, 2019:**  
Shri Shaktikanta Das,  
Governor, Reserve Bank of  
India meets the Bureau



**Leadership Development  
Program – July 2019 to July  
2020**





**Leadership Development  
Program –  
July 2019 to July 2020**





**Leadership Development Program**

Outbound Wilderness Module to amalgamate the theories of leadership and teamwork



## VII. LEADERSHIP DEVELOPMENT PROGRAMME

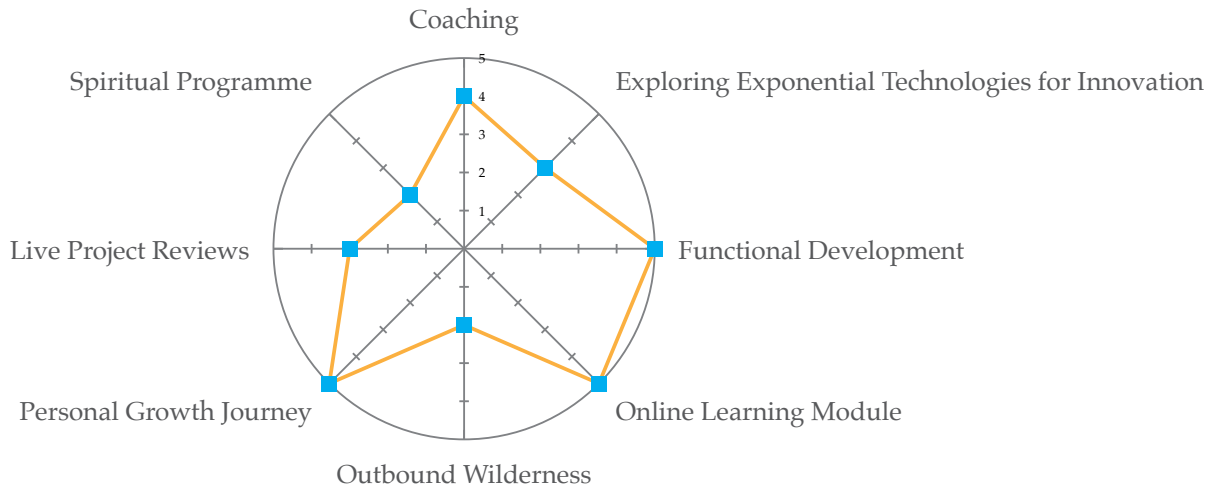
One of the mandates of the Banks Board Bureau is 'To help banks to develop a robust leadership succession plan for critical positions that would arise in future through appropriate HR processes, including performance management systems'. In accordance with this mandate, in consultation with the IBA, the Bureau's Knowledge Partner M/S EgonZehnder, the leadership of the PSBs and IIM Bangalore, the Bureau curated a Leadership Development Programme (LDP) that was delivered by IIM Bangalore.

### Program Details:

The program was delivered by IIM Bangalore and their partners. The program had modules for all-round development of the participants. *Personal Growth Journey* module focused on Individual growth by ex-

ploring identity and potential, developing stronger conversational skills, internal skills for influencing and leadership presence, leading teams and driving Organizational Learning etc. *Functional modules* focused on most recent advances in exponential technologies and the latest leadership and organizational models to support innovation with hands-on experience. *Coaching module* was based on Individual Development Plan (IDP) that was drawn up for each candidate after psychometric assessment. An *Out-bound Wilderness* module was delivered that amalgamated the theories of leadership and teamwork through practice to create positive, lasting change. *Live Projects*, that were duly sanctioned by MD & CEOs of their respective banks, were selected for channelizing team and individuals to organisa-



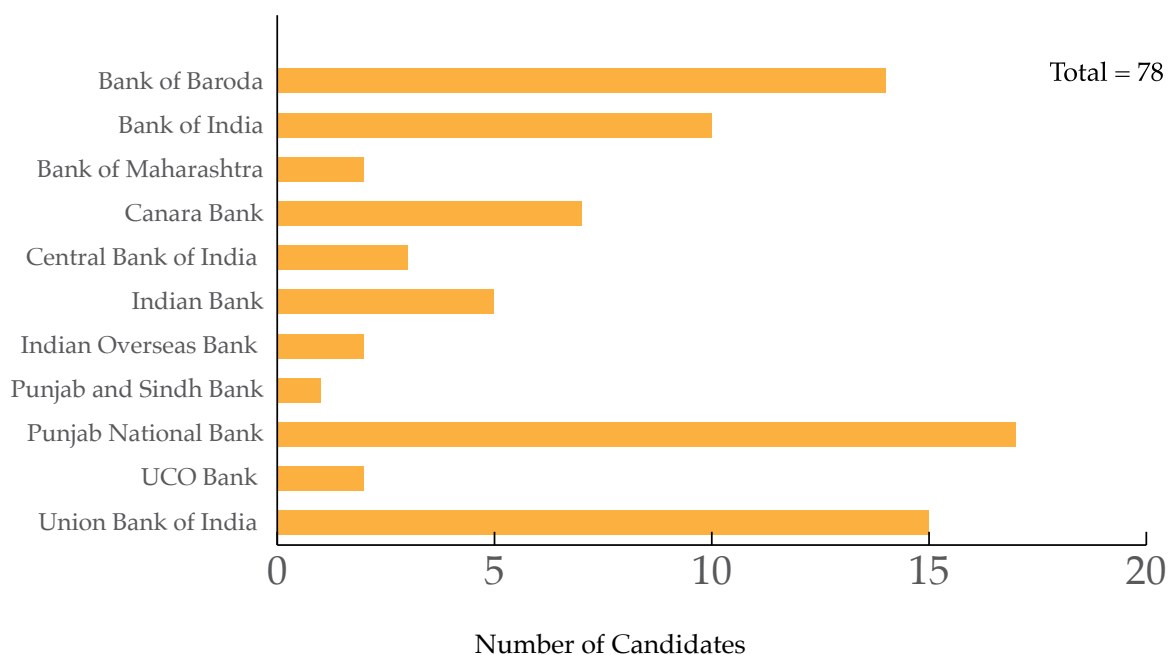


Effort distribution of candidates on LDP components (Scale 0-5)

tional goals while leveraging on the learnings through this program. *Online Learning Module* was included to engage and inspire on functional as well as leadership topics. The *Spiritual Module* focused on Self-evaluation and personal explorations, for personal growth and to establish the possibility of exploring the higher dimensions of life, in addition to optimizing health and success. Finally, *Motivational Speaker sessions* were also incorporated with around ten reputed

(International/ Indian) thought leadership sessions.

Selection of the participants was based on various assessments like Hogan, the Motives, Values, Preferences Inventory, Functional Survey and In-person Assessments including the Competency and Development Potential Review. These assessments were leveraged to develop Individual Development Plans (IDPs) for each of these





**The First batch of LDP at IIM Bangalore**

participants that were used in the Coaching. The modules were scheduled over a period of 9-10 months to ensure that the participants had sufficient time to absorb and practice. The effort distribution (computed as actual days of engagement) of the candidates was highest for the Functional Modules and Personal Growth journey that were done on-campus. The effort on online learning was also quite high as estimated by number of hours spent by the candidates.

#### **The pool of participants:**

Participants were selected from a wide pool of General Managers / Deputy General Managers of PSBs with a minimum tenure of one year in existing capacity and a residual service of 4-5 years.

The selection process entails an assessment on an identified range of competencies and the preferences of the respective MD & CEOs. For 2019-20, a final shortlist of 78 participants was arrived at from 16 banks (United Bank of India chose to not recommend any participant for the Programme for the year).

#### **Programme Delivery**

The Programme was finally launched on July 19, 2019-on a day when bank nationalization was announced 50 years ago in 1969. All modules were delivered on schedule, barring a few due to travel restrictions. All modules finally culminated into a “Live Project”, with the intent to spur action plans aimed at improving each bank’s operational and financial parameters.

The timelines for each of these interventions including the Live Project were fixed such that the projects were initiated during the 9-month schedule and their beneficial effects continue to accrue to the bank and individual officers thereafter.

A brief description of the timelines is given in figure below on ‘Development Methodology’.

A team of six top executives from banks and senior Professors from IIM Bangalore guided participants through the Live Project with three formal reviews.



### Development Methodology

#### Discovery Day Workshop

A Discovery Day Workshop was held from January 03 to January 05, 2020 at IIM, Bengaluru. This workshop was designed to provide tools to senior officers of the 10 banks that went through amalgamation process as mandated by the Government of India. The objective of the workshop was to (i) Prepare senior officers for serving as a communication channel within each of the banks involved in the merger, (ii) Entrust these officers to reach out across the merging banks highlighting the strengths and opportunities of their respective banks, as visualised by the management; and finally

(iii) Empower these officers to communicate the shared vision and goal to all stakeholders across the merging banks and to identify team players across banks that can collaborate in future projects.

The expected outcome of the workshop was to Assess the organisational culture of the banks involved in the merger, be Aware of the exact areas of synergies and gaps in the culture, Discuss strategies based on the experiences of other banks and finally have a clear Understanding of the HR changes required to reach the aspired organisational culture.

## VIII. RECOMMENDATIONS ON GOVERNANCE

Apart from its recommendations for vacancies, the Bureau makes other recommendations to the Government in line with its mandate. Some of these recommendations have extensive implications for governance and accountability frameworks within the PSBs. All the major recommendations made by the Bureau till date have been summarized into 18 major heads. Many of the recommendations coincide with the governance reforms agenda of the Government. As a part of this agenda, many governance reforms were undertaken in 2019-20. A summary of these reforms introduced by the Government is given at the end of this chapter.

The Bureau has been continuously evaluating its recommendations in light of the dynamic changes to the capital and business structure of PSBs and feedback from the stakeholders.

Some of the important recommendations of the Bureau are mentioned below.

### I. GOVERNANCE

**(i) Separate Nomination and Remuneration Committee** - Instead of a separate Nomination Committee and a Remuneration Committee – have a single committee viz., NRC of the Board with a mandate similar to that prescribed for Companies registered

under the Companies Act as well as by SEBI for listed entities.

**(ii) Exclusive Executive Director for Risk Management and Audit functions:** One exclusive ED to have oversight of the second and third line of defense while reporting to the MD & CEO only for administrative purposes. The Reporting Authority for this ED, will be the Risk Management Committee of the Board (RMCB) as well as the Audit Committee of the Board (ACB) and the Reviewing/Accepting Authority will be the NRC of the Board.

The NRC will be the Reporting/Reviewing/Accepting Authority for Other EDs and the MD & CEO – who are a part of the first line of defence. The first line is expected to generate revenues with adequate controls and to assume risks within the limits set by the RMCB.

**(iii) Term of Non-Executive Directors-** Increase the current three-year term of a Non-Executive Director to four years, with a maximum of two terms subject to performance.

**(iv) Manpower planning in PSBs:** While being accountable for costs, productivity and risks, the Board, based on the bank's

strategy, to decide the head count required at each level in the management hierarchy or add any additional levels based on business requirements.

**(v) Role of Non-Official Directors-** Non-Official Directors (NODs) including Non-Executive Chairpersons (NECs), although appointed by the government, should perform the role of Independent Director as is prescribed for Companies registered under the Companies Act as well as by SEBI for listed entities and therefore presently applicable to banks other than PSBs.

**(vi) Diversity in Boards-** The NRC should put in place a Board Diversity Policy to ensure that the committees of the Board would not be dominated by any one individual or small group of individuals. NRC should be empowered to recommend to the Board the constitution / reconstitution of any committee of the Board to ensure that the constitution is in accordance with guidelines which are ownership neutral and there is rotation of members on the committees.

**(vii) Management Committee of the Board** - Management Committee of the Board to be manned by management i.e., Whole Time Directors (This may require amendments in subordinate legislation). MCB to exercise such management powers, including credit sanctioning powers, as delegated by the Board.

## II. APPOINTMENTS

**(viii) Tenure of Whole Time Directors:** MD & CEO should have a minimum tenure of three years irrespective of age. This minimum three-year tenure may go beyond 60 years of age.

**(ix) Internal Executive Director:** One of the Executive Director positions to be earmarked for candidates from within the bank.

## III. COMPENSATION

**(x). Remuneration for Non-Executive Directors** - The Board, based on the proposal of the NRC, to decide on the remuneration/ compensation/ fees of their Non-Executive Directors including Non-Executive Chairperson within the ambit of guidelines prescribed for Companies registered under the Companies Act as well as by SEBI for listed entities and also prescribed by RBI for its regulated entities.

**(xi). Performance based Compensation-** Align compensation with right individual and collective performance metrics through 'Performance based compensation' viz.,

- a. Employee Stock Option Scheme (ESOS), for rewarding long term performance.
- b. Performance Linked Incentives (PLIs) for rewarding short term performance.

## IV. PERFORMANCE EVALUATION

**(xii). Performance Evaluation of Part time**

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**Directors-** The Board, based on a criterion decided by the NRC, to assess its performance, performance of its committees and the performance of the individual Non-Executive Directors (NEDs)/Independent Directors (IDs).

**(xiii). Performance evaluation of Whole Time Directors and Senior Management:**

The Board, through the NRC, to undertake the Performance Assessment of WTDs/ Senior Management Personnel.

**V. CREDIT GOVERNANCE, RISK MANAGEMENT AND AUDIT FUNCTIONS**

**(xiv) Composition of Risk Management Committee:** Risk Management Committee of the Board to have the following composition:

- a. All members including the Chair should be NEDs/IDs.
- b. Only exception: ED having oversight of second and third line of defence
- c. Permanent invitees - Chief Risk Officer (CRO) and Head of Compliance who has direct reporting to the ED having oversight of second and third line of defence.
- d. Majority of members should have experience of risk management issues and practices.

The mandate of the RMCB should *interalia* include setting the 'Risk Appetite' of the bank based on its 'Risk Capacity' & hold the line management/first line of defence accountable.

**(xv) Role of Chief Risk Officer:** The RMCB with the approval of the Board should decide the role for its credit risk management function/functionaries including Chief Risk Officer.

**(xvi) Function of Credit Appraisal Committee of the Board-** Committee system of grant of loans should be restricted to only very large value credit proposals (with the sanctioning limits and other details to be decided by the RMCB). The Credit Approval Committee (CACB) in its present form may be dispensed. The MCB be reconstituted with only WTDs who would undertake the management function of the Board.

The Risk Management Committee (RMC) of the Board be given the mandate to decide on the credit rating and credit exposure threshold matrix within which the MCB as well as various executive committees/ individuals to undertake various credit underwriting decisions.

**(xvii) Powers to sanction loans:** The Risk Management Committee of the Board to allocate the credit sanctioning powers/limits based on the risk capacity of the bank.

**(xviii) Audit Committee of the Board (ACB):** The ACB should have the following composition and control structures:

- a. To have only Non-Executive Directors / Independent Directors, only exception being the ED having exclusive oversight

- |  |   |
|--|---|
| <p>of second and third line of defence.</p> <p>b. Chair should not be the Chair of the Board or any other committee of the Board.</p> <p>c. Head of Internal Audit who reports to the ED having exclusive oversight of</p> | <p>second and third line of defence, should be a permanent invitee.</p> <p>A report regarding the status of implementation some of these recommendations is given in the box below:</p> |
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### **Governance & HR Reforms in Public Sector Banks through EASE**

PSBs reforms agenda under EASE (Enhanced Access and Service Excellence) was rolled-out in November 2017. The agenda is anchored around six themes – Responsible banking, Customer responsiveness, Credit off-take, MSME coverage, Deepening financial inclusion and digitization, Governance and HR. Progress against the reforms agenda is measured and benchmarked by an independent agency and reported publicly. As part of the EASE reforms agenda, five key HR reforms have been instituted in all the PSBs:

- a. Instituting a digitalized performance management system with focus on enhanced measurability and auto-population of data for scientific, transparent and objective performance appraisals.
- b. Introduction of Job Families in all PSBs to build specialized capabilities and support employees to acquire new-age skills.
- c. Implementing IT-based HR deployment and decision support system to streamline transfers process in PSBs and ensure optimal deployment of manpower.
- d. Instituting role-based e-learning programmes to enhance performance and improve effectiveness of employees in their assigned roles.
- e. Developing Individualized Development Plans (IDPs) for mid-, senior-level management of PSBs to ensure early identification and tracking of developmental priorities.

In addition, several governance reforms have been laid out as part of Action Point 21 of EASE 3.0 reforms agenda for 2019-20 and 2020-21.

- a. Aligning the Roles and responsibilities of Non-Official Directors to enable them to function in a manner similar to that envisaged for independent directors under the provisions of the Companies Act.
- b. Performance evaluation of Non-official Directors through peer-review.
- c. Revisiting organizational structure and operational setup considering
  - Creation of additional WTD position and CGM-level
  - Market recruitment of Chief Risk Officer (CRO) and amalgamations
- d. Aligning WTD performance appraisal with Bank's business goals and priorities through
  - Allocation of WTD-wise annual goals based on business performance and potential and finalization of the same by April 30th.
  - Incorporating mid-year review of progress against the goals.
- e. Putting in place institutionalized arrangements for induction and need-based specialized training and peer-evaluation of non-official directors.

*Source: Boston Consulting Group and DFS, Government of India*

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## IX. RIGHT TO INFORMATION ACT, 2005

The Banks Board Bureau is a public authority as defined in the Right to Information Act, 2005. As such, Banks Board Bureau is obliged to provide information to members of public. During the year, the Board received 2 applications (7 in the previous year) under Right to Information Act. Further, no appeals were filed against replies. A summary of the applications received under RIA is given below.

**Table 3:** RIA applications

	2016-17	2017-18	2018-19	2019-20
No. of applications	NIL*	19	7	2
No. of Appeals received	NIL*	1	1	NIL

\* - The Bureau was designated as a public authority under the purview of RTI Act 2005 only during late 2016.

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## X. DATABASE, ANALYTICS AND IT SYSTEMS

One of the mandates of the Bureau is *“To build a data bank containing data relating to the performance of PSBs/FIs.”*. In this context, the Bureau relies on published financial results of the mandated institutions and occasionally calls for additional information. The database is used to generate key ratios used to assess the relative and absolute financial performance of the PSBs. The Bureau also maintains a database of the Board positions in all the mandated institutions that is regularly updated. The Bureau also undertakes studies on performance using primary and secondary data.

### IT Systems and Infrastructure

**Hardware:** The secretariat has sufficient PCs, Printers, Video Conferencing systems and other IT infrastructure for its uninterrupted operations.

**Premises:** The premises of the Bureau are on lease from Reserve Bank of India.

**Software:** The process of accounting of the Bureau underwent a change during the year 2019-20. The Bureau is now required to maintain an accounting period concept and align its receipts and payments on accrual basis. Prior to 2019-20, the receipts and payments were being done on cash basis. In order to standardize the entire process, the Bureau acquired license for Tally 9 applica-

tion software and after two months of parallel processing, went live on the same. The entire data for the year was migrated onto Tally and reconciled. Thereafter, the entire process of accounting, reconciliation, audit and preparation of final accounts is being done on Tally 9.

Hitherto, the Bureau was conducting all its surveys, collecting applications for positions etc. either on email or manually. During the year, the Bureau developed an online system for conducting surveys and collecting applications from candidates online. The Bureau has acquired licenses on SurveyMonkey portal for the purpose since September 2019.

The Bureau was hitherto using standard emails for communicating with stakeholders. A need was felt to ensure that all important communications are verified and protected with a tamper-evident seal. The Bureau has a license for e-sign application usage on the E-mudhra portal for digital signatures of the documents. Since its acquisition, all communications are being digitally signed.

It uses licensed MS Office 365 and Windows Operating system on its desktops and laptops.

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The Bureau uses a Twitter handle (@BanksBoardBuro) and its official website <https://www.banksboardbureau.org.in> for dissemination of information.

The Bureau receives and dispatches numerous communication to stakeholders and was using simple spreadsheet for tracking the same. A need was felt to have a proper software system to improve the document management. The Bureau has internally developed a Document Management System for record management.

Prior to March 2020, majority of the Bureau meetings were held in-person with mem-

bers occasionally joining over video conferencing. Further, the candidates invariably were required to be physically present at the venue. In order to create a virtual, safe and secure system for conduct of Bureau meetings and for interacting with candidates, the Bureau has acquired licenses for Cisco WebEx Video conferencing. The Bureau has also designed necessary processes, agreements and protocols around the WebEx system. Since March 2020, all interactions and meetings of the Bureau have been done online without the need for either candidates or members to move to any alternate location.

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## XI. RECEIPTS AND PAYMENTS ACCOUNT

**Receipts:** The Receipts of the Bureau are inflows from various Public Sector Banks, Insurance companies and Financial Institutions that are currently within the remit of the Bureau. The expenses (both incurred and projected) are divided among the institution categories i.e. Public Sector Banks, Insurance companies and Financial Institutions, in proportion of the vacancies that were serviced by the Bureau. As per the extant directions, the nodal institutions for PSBs is State Bank of India, for Insurance Companies is IRDAI and for Financial Institutions is NABARD. The dues for 2019-20 have been received from State Bank of India, NABARD, and IRDAI.

As per the revised ACC guidelines applicable for 2019-20 onwards, the Bureau is required to project its expenses and distribute it among the institutions in proportion of the vacancies as on April 1 of the year. Accordingly, the Bureau has made projections of its expenses for 2020-21 and raised demand on SBI, IRDAI and NABARD. The payment from SBI, NABARD and IRDAI have been received for 2019-20. The amount claimed for projected expenses for 2020-21 has been upfront paid by SBI and NABARD.

The receipts and payments of the Bureau are routed through an account maintained

at Reserve Bank of India.

**Payments:** The major payments related to lease rentals towards hiring of premises at Mumbai and personnel costs that are reimbursed to Reserve Bank of India. These constitute the recurring expenses for the Bureau.

The External HR agency charges are incurred for assessment and background verification of candidates.

There are no fixed assets as majority of the fixtures, furniture and computer hardware etc. are provided by RBI. Minor items of hardware are considered as revenue expense.

In terms of efficiency, the Talent Acquisition Cost (Total Expenses divided by number of vacancies) works out to Rs. 17.4 lakh per vacancy for 2019-20.

## Receipts and Payment Statement for the year ended 31st March 2020

(Rupees)

PAYMENTS			RECEIPTS		
Particulars	Amount	Amount	Particulars	Amount	Amount
Advertisement Charges		32,83,510	Reimbursement Received		
Personnel Cost		1,46,49,474	State Bank of India		1,06,41,265
Staff Welfare Expenses		6,32,104			
Rental Charges		63,90,000	Excess of Expenditure (Payment) Over Reimbursement (Receipts) for Year and to be received in Subsequent year		2,06,34,952
Travelling Expenses					
Fare	8,84,353				
Hotel Charges	4,68,595				
Car Hire	2,02,537	15,55,485			
External HR Agencies Charges		18,46,700	(Out of the said amount, an amount of Rs 1,56,38,108/- is received from NABARD on June 30, 2020)		
Sitting Charges					
Experts for LDP <sup>6</sup>	1,20,000				
FI Expert Members	8,00,000				
PSB Expert Member	10,50,000	19,70,000			
Purchase of Assets					
Office Equipment	1,91,119				
Office Furniture	1,70,144				
Interior for Office	40,497	4,01,760			
Software Charges		97,451			
Printing, Postage, Stationery,- Consumables		2,77,236			
Telecommunication Charges		28,106			
Miscellaneous Expenses		1,44,391			
<b>TOTAL</b>		<b>3,12,76,217</b>	<b>TOTAL</b>		<b>3,12,76,217</b>

6. Sitting fees paid to Panel members, setup for review of Live Projects under the Leadership Development Program

**SCA AND ASSOCIATES**  
Chartered Accountants

501-D, 5<sup>th</sup> Floor,  
Poonam Chambers A Wing  
Dr. Annie Besant Road, Worli,  
Mumbai – 400018  
Ph - 022 24960407  
[Email-mail@scaassociates.com](mailto:Email-mail@scaassociates.com)  
[Website-www.scaandassociates.com](http://Website-www.scaandassociates.com)

### **Independent Auditors' Report**

**The Secretary**  
**Banks Board Bureau**

#### **Opinion**

1. We have audited the accompanying statement of Receipts and Payments (the statement) of **M/s Banks Board Bureau (BBB)** for the year ended March 31, 2020. The statement has been prepared by management of Banks Board Bureau to give the True and Fair view of the payments made and corresponding receipts/to be received of the Banks Board Bureau.
2. In our opinion, the statement presents a true and fair view of the Receipts and Payments of Bank Board Bureau for the year ended March 31, 2020.

#### **Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the audit of the statement section of our report. We are independent of the Banks Board Bureau in accordance with the Code of Ethics issued by the ICAI and we have fulfilled our other ethical responsibilities in accordance with Code of Ethics. We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibility of Management for the Statement**

4. Management of Bank Board Bureau is responsible for the preparation and fair presentation of this statement to give the True and Fair view of the payments made and corresponding receipts of the Banks Board Bureau. This responsibility also includes maintenance of adequate records and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the statement that is free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibilities for the Audit of the Statement**

5. Our objectives are to obtain reasonable assurance about whether the statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standard on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these statement.
6. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**SCA AND ASSOCIATES**  
Chartered Accountants

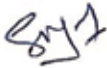
501-D, 5<sup>th</sup> Floor,  
Poonam Chambers A Wing  
Dr. Annie Besant Road, Worli,  
Mumbai - 400018  
Ph - 022 24960407  
[Email-mail@scaassociates.com](mailto:Email-mail@scaassociates.com)  
Website-www.scaandassociates.com

7. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

**8. Restriction on distribution or use**

The accompanying statement have been prepared solely for information and use of Bank Board Bureau only and accordingly may not be suitable for any other purpose. This report is issued solely for the aforementioned purpose and accordingly, should not be used, referred to or distributed for any other purpose or to any other party without our written consent. Further, we do not accept or assume any liability or any duty of care for any other purpose or any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For SCA AND ASSOCIATES  
Chartered Accountants  
Firm Registration No.:101174W



Shivratn Agarwal  
Partner  
Membership Number: 104180  
UDIN:20104180AAAAHL2236  
Mumbai, July 06, 2020





बैंक्स बोर्ड ब्यूरो

## **BANKS BOARD BUREAU**

4th floor, Reserve Bank of India  
Byculla Office Building,  
Mumbai Central,  
Mumbai - 400 008

चौथी मंजिल, भारतीय रिज़र्व बैंक,  
डॉ आनंद राव नायर मार्ग, मुंबई सेंट्रल,  
मुंबई - ४०० ००१