Chapter -1

Mandate

The Banks Board Bureau owes its genesis to the recommendations in the Report of The Committee set up by the Reserve Bank of India to Review Governance of Boards of Banks in India (Chair: Dr P J Nayak; May 2014), which envisaged the Bureau as a precursor to a Company which would eventually hold the Government’s investments in PSBs.

2. The first public recognition by the Government of this concept of forming the Bureau appeared in the Union Finance Ministers’ Budget Speech of February 2015 (Para 81),

“In order to improve the Governance of Public Sector banks, the Government intends to set up an autonomous Bank Board Bureau. The Bureau will search and select heads of Public Sector banks and help them in developing differentiated strategies and capital raising plans through innovative financial methods and instruments. This would be an interim step towards establishing a holding and investment Company for Banks.”

3. Following up on the FM’s speech, the Government’s Press Note of August 15, 2015, issued after the first Gyan Sangam held in Pune, articulated the role and composition of the Bureau in the following terms:

“The announcement of the Bank Board Bureau was made by Hon’ble Finance Minister in his Budget Speech for the year 2015-16. … will be a body of eminent professionals and officials, which will replace the Appointments Board for appointment of Whole-time Directors as well as non-Executive Chairman of PSBs. They will also constantly engage with the Board of Directors of all the PSBs to formulate appropriate strategies for their growth and development. … will comprise of a Chairman and six more members of which three will be officials and three experts (of which two would necessarily be from the banking sector). The Search Committee for members …. would comprise of the Governor, RBI and Secretary (FS) and Secretary (DoPT) as members.”

5. At the inaugural meeting of the Bureau which was addressed by Mr Jayant Sinha, the then Minister of State for Finance and Dr Raghuram Rajan, the then Governor, Reserve Bank of India, on April 08, 2016 the following views emerged interalia:
   i. The extant terms of reference to the Bureau were nebulous. The Bureau had a space to occupy and it had to itself define the space it would like to cover over a period of next two years.
   ii. In the case of appointments, the role of the Bureau was limited to wholetime Directors and non-executive Chairman of PSBs. In order to ensure effective corporate governance through professionalisation of Boards of PSBs, it was necessary to broaden the Bureau's role to include non-executive Directors.
   iii. To ensure that appointments at Board levels were accelerated while filling in existing and future vacancies, the recommendations made by the Bureau should directly be forwarded to the Appointments Committee of the Cabinet (ACC). This was more so when both the Secretary, Department of Financial Services (DFS) and Deputy Governor, Reserve Bank of India (RBI) being members of the Bureau and part of the appointment process.
   iv. Stressed asset resolution was the most important challenge facing PSBs and a concerted and co-ordinated effort towards recovery became a priority area where the Bureau should have a role to play.

6. Accordingly, it was decided that the Bureau should set for itself a revised ‘Terms of Reference’ and submit the same to the Ministry of Finance for finalisation. Bureau’s recommendations on revised terms of reference were sent to the DFS in May 2016.

7. However, in a response received from the DFS in November 2016 the following mandates sought by the Bureau were not accepted:
   i. Recommendations be placed directly before the ACC.
   ii. Search and selection of Non-official Directors on PSB Boards.
iii. To develop a roadmap for transition of the Government share-holding into a Bank Holding Company.

iv. A specific mandate on Stressed Asset Resolution Strategies.

8. Therefore, based on the notification published in the Gazette of India, and subsequent communication received from the DFS, the current mandate of the Bureau is as follows:

a) to recommend the selection and appointment of wholetime Directors (WTDs);
b) to recommend the selection and appointment of non-executive Chairmen (NEC);
c) to advise the Central Government on matters relating to appointments;
d) to develop an appropriate methodology to enable the search and selection of high calibre wholetime Directors of PSBs;
e) to advise the Central Government on matters relating to confirmation or extension of tenure and termination of services of the Directors;
f) to advise the Central Government on the desired management structure at the level of Board of Directors, and, for senior management;
g) to advise the Central Government on the formulation and enforcement of a code of conduct and ethics;
h) 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;
i) to advise the Central Government on evolving suitable training and development programmes for management personnel in PSBs;
j) to build a data bank containing data relating to the performance of PSBs and share the same with Central Government;
k) to build a data bank containing data relating to the performance of senior management and the Board of Directors and share the same with Central Government;
l) to help the banks in terms of developing business strategies and capital raising plan and the like; and
m) any other work assigned by the Government in consultation with Reserve Bank of India.