

Banks Board Bureau

October 24, 2017

Activities undertaken/ Recommendations made: April 2017 to September 2017

The Banks Board Bureau (Bureau), a recommendatory body, which came into being on April 01, 2016 has completed a year and a half of its functioning. Considering the public interest in matters related to the mandate of the Bureau, the Bureau has been providing half yearly updates on the activities/recommendations made by the Bureau. [The first update was provided for the half year period April 2016 to September 2016. The second update was provided for the period October 2016 to March 2017.](#) Accordingly, the update for the half year period April 2017 to September 2017 is as follows.

A. Appointments

2. Continuing with the effort to front load the process of appointments of Whole time Directors (WTDs) in Public Sector Banks (PSBs), the Bureau has made its recommendations for the vacancies in PSBs for financial year 2017-18. This has made it possible to ensure that the final decision on appointments are made by the government before the vacancy arises. The Bureau has also been making recommendations for appointment of Non-executive Chairmen in PSBs.

B. Governance

3. As a sequel to the recommendations made in the past by the Bureau on [a Governance, Reward and Accountability Framework \(GRAF\)](#), the Bureau has made various recommendations such as *interalia*:

- i. Rationalising the number of committees of the boards of PSBs as well as the mandate of the committees.
- ii. Separate the management function of the board from its supervisory function.
- iii. Empower the Non-official directors (NODs) of PSBs to play the role of independent directors on the same lines as provided in the Companies Act, 2013.

- iv. Set up a Nomination and Remuneration Committee (NRC) of the Board, now performed by two separate committees, with composition and mandate along the same lines as provided in the Companies Act, 2013.
- v. To facilitate the possibility of having an optimal board composition with expertise especially in the areas of Risk Management, Information Technology and Human Resource Management, empower the NRC in the search process for appointment of non- official directors (NODs) on the boards of PSBs.
- vi. To ensure that PSBs, which have a higher degree of operating challenges, are not disadvantaged vis-à-vis its private sector competitors when it comes to attracting board level talent, empower the NRC to decide the remuneration of non-executive directors on the same lines as provided for in the Companies Act, 2013.
- vii. To put in place a framework for assessment of the Board and directors of PSBs on the lines provided for in the Companies Act, 2013.

C. Leadership

4. The Bureau is currently working on leadership and succession planning by devising a world class strategy to groom leaders for the future who can lead the transformation of PSBs to truly 21st century banks- modern and digital, providing unique customer experience and meeting competition. The Bureau is also working towards putting in place assessment systems to facilitate candidates to demonstrate their abilities that are essential to take on challenges faced by WTDs in PSBs. The Bureau will also be advising the government on evolving suitable training and development programs for management personal in PSBs.

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