

Banks Board Bureau

April 10, 2019

Activity Report: October 2018 to March 2019

1. It is three years since the [Banks Board Bureau](#) (the Bureau) came into being. During the last six months, the Bureau met on three occasions and undertook the following activities:-

i. Vacancies of whole-time Directors (WTDs) in PSBs:

The recommendations for filling up the posts of WTDs in PSBs were made on [time](#). As a result, the vacancies which came up during this six monthly period were filled up without delay. The only vacancy which could not be filled up on time was that of [MD&CEO in Canara Bank](#) for which candidates outside the PSB universe are also eligible. The vacancy was advertised [twice](#). However, it was met with less than enthusiastic response on both occasions. The Bureau made the recommendation for filling up of the vacancy on January 31, 2019. The Bureau has separately recommended to the Government the measures which may improve the pool of talent for filling up such vacancies.

ii. Leadership development strategy for nationalised banks

To help nationalised banks to take on the present and emerging challenges as well as help create a [leadership](#) pipeline, the Bureau continues to play the role of a catalyst. From a pool of 450 senior management personnel across nationalised banks, an inaugural batch of around 75 personnel has been identified this year. They are presently undergoing deeper assessments after which Individual Development Plans will be generated. Shortly, a globally ranked Indian Institution will be identified where every year the identified personnel will undergo intensive leadership development journey.

iii. Encourage a culture of discerning operating performance and strategy

To encourage a culture of discerning operating performance as well as business [strategy](#), on a quarterly basis, the Bureau now makes available to each PSB its

[Relative Performance Rating \(RPR\)](#) based on various Key Performance Indicators (KPIs). Other performance parameters including benchmarking with the private sector competitors as well as the results of capital assessment viz., common equity [capital projections](#), are also made available.

iv. **Reiteration of the earlier recommendations/fresh recommendations:**

After detailed review, the earlier recommendations of the Bureau has been [reiterated](#)/ fresh recommendations made available to the government for further consideration in the following areas:

- a. Improving the [operating environment](#) as well as the process for search and selection of directors to nudge and attract the best board level talent.
- b. [Empowering](#) the non-official Directors including non-executive Chairmen to play the role of “independent directors”.
- c. Boards be allowed to recommend personages to the GoI who could be considered for [appointments](#) to address specific competency gaps on the Boards
- d. [Performance Assessment](#) of WTDs and senior management personnel to be undertaken by the Board.
- e. Incentivise maximisation of risk adjusted income and disincentivise operational inefficiencies by aligning compensation with right performance metrics through the introduction of '[Performance based compensation](#)' through Employee Stock Option Scheme (ESOS), which is different from Employee Share Purchase Scheme (ESPS), and Performance Linked Incentives (PLIs).
- f. Empower nationalised banks by giving complete autonomy to Boards to decide the [organization structure](#).
- g. Revamp [credit governance architecture](#) in nationalised banks to reinforce efforts to minimise credit costs and enhance efficiency of credit allocation.

v. Appointment of WTDs in Public Sector Insurance Companies (PSIC)

The Banks Board Bureau has been assigned the task of recommending personnel for appointment as WTDs in PSICs. In this regard, on January 04, 2019 the Bureau made its recommendations for appointment of Chairman and MDs of LIC.

WN/1/2019-20