

ELECTION OF DIRECTORS EXTRACTS OF RELEVANT ACTS, SCHEME AND REGULATIONS ETC.

In terms of Section 9 (3) (i) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, shareholder directors shall have to be appointed depending upon the extent of capital issued under clause (c) of sub-section (2B) of Section 3. The relevant sections of The Banking Regulation Act, 1949, The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, the relevant clauses of Nationalised Banks (Management and Miscellaneous Provisions Scheme), 1970, as amended, and the relevant regulations of the Union Bank of India (Shares and Meetings) Regulations, 1998, respectively in this regard, are reproduced below for information of the shareholders.

The Banking Regulation Act, 1949

Substantial Interest – Section 5 (ne)

(i) In relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares thereof, the amount paid up on which exceeds five lakhs of rupees or ten percent of the paid-up capital of the company, whichever is less.

(ii) In relation to a firm, means the beneficial interest held therein by the individual or his spouse or minor child, whether singly or taken together, which represents more than ten percent of the total capital subscribed by all the partners of the said firm.

Prohibition of common Directors – Section 16 (1)

No Banking Company incorporated in India shall have as a Director in its Board of Directors any person who is a Director of any other Banking Company.

Restrictions on Loans and Advances – Section 20

- 1) Notwithstanding anything to the contrary contained in Section 77 of the Companies Act, 1956 (1 of 1956), no Banking company shall, -
 - (a) grant any loans or advances on the security of its own shares, or
 - (b) enter into any commitment for granting any loan or advance or advance to or on behalf of
 - (i) any of its Directors,
 - (ii) any firm in which any of its Directors is interested as partner, manager, employee or guarantor, or
 - (iii) any Company not being a subsidiary of the Banking Company or a Company registered under Section 25 of the Companies Act, 1956 (1 of 1956), or a Government Company of which (or the subsidiary or the holding Company of which) any of the Directors of the Banking Company is a Director, Manager, Employee or guarantor or in which he holds substantial interest, or
 - (iv) any individual in respect of whom any of its Directors is a partner or guarantor.
- 2) Where any loan or advance granted by a Banking Company is such that a commitment for granting it could not have been made if Clause (b) of Sub-1

section (1) had been in force on the date on which the loan or advance was made, (or is granted by Banking Company after the commencement of Section 5 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), but in pursuance of a commitment entered into before such commencement), steps shall be taken to recover the amounts due to the Banking Company on account of the loan or advance together with interest, if any, due thereon within the period stipulated at the time of the grant of loan or advance, or where no such period has been stipulated, before the expiry of one year from the commencement of the said Section 5;

Provided that the Reserve Bank of India may, in any case on an application made in writing made to it by the Banking Company in this behalf, extend the period for the recovery of the loan or advance until such date, not being a date beyond the period of three years from the commencement of the said Section 5 and subject to such terms and conditions, as the Reserve Bank of India as may deem fit:

Provided further that this sub-section shall not apply if and when the Director concerned vacates the office of the Director of the Banking Company, whether by death, retirement, resignation or otherwise.

- 3) No loan or advance, referred to in sub-section (2), or any part thereof shall be remitted without the previous approval of the Reserve Bank of India, and any remission without such approval shall be void and of no effect.
- 4) Where any loan or advance referred to in sub-section (2), payable by any person, has not been repaid to the Banking Company within the period specified in that sub-section, then such person shall, if he is a Director of such Banking Company on the date of the expiry of the said period, be deemed to have vacated his office as such on the said date.

Explanation in this Section –

- (a) “**Loan or advance**” shall not include any transaction which the Reserve Bank of India may, having regard to the nature of the transaction, the period within which, and the manner and circumstances in which, any amount due on account of the transaction is likely to be realised, the interest of the depositors and other relevant considerations, specify by general or special order as not being a loan or advance for the purpose of this Section;
- (b) “Director” includes a member of any Board or Committee in India constituted by Banking Company for the purpose of managing, or for the purpose of advising it in regard to the management of, all or any of its affairs.
- 5) If any question arises whether any transaction is a loan or advance for the purpose of this Section, it shall be referred to the Reserve Bank of India, whose decision thereon shall be final.

Section 51 of Banking Regulation Act, 1949 mentions the applicability of certain sections of Banking Regulation Act to a corresponding new bank.

The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

Restrictions on voting rights - Section 3(2E)

No shareholder of the corresponding new Bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of ten per cent of the total voting rights of all the shareholders of the corresponding new Bank.

Composition of the Board of Directors - Section 9 (3) (i)

Where the capital issued under clause (c) of sub-section (2B) of Section 3 is: -

- (I) not more than sixteen per cent of the total paid-up capital, not more than one Director.
- (II) more than sixteen per cent but not more than thirty two percent of the total paid-up capital, not more than two Directors.
- (III) more than thirty two percent of the total paid-up capital, not more than three Directors.

to be elected by the shareholders other than the Central Government, from amongst themselves:

Provided that on the assumption of charge after election of any such director under this clause, equal number of directors nominated under clause (h) shall retire in such manner as may be specified in the Scheme.

Provided further that in case the number of directors elected , on or before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, in a corresponding new Bank exceed the number of directors specified in sub-clause (I) or sub-clause (II) or sub-clause (III), as the case may be, such excess number of directors elected before such commencement shall retire in such manner as may be specified in the scheme and such directors shall not be entitled to claim any compensation for the premature retirement of their term of office

Special Knowledge in certain fields – Section 9(3A)

The Directors to be elected under the said clause (i) shall-

(A) have special knowledge or practical experience in respect of the one or more of the following matters namely:-

- i. agriculture and rural economy,
- ii. banking,
- iii. co-operation,
- iv. economics,
- v. finance,
- vi. law,
- vii. small scale industry,
- viii. any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank of India is useful to the corresponding new Bank.

(B) represents the interest of depositors; or

(C) represents the interest of farmers, workers and artisans.

FIT and Proper Status

Section -9(3AA)

Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or any other law for the time being in force, no person shall be eligible to be elected as director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

Section 9(3AB)

The Reserve Bank of India may also specify in the notification issued under sub section 3(AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

RIGHT OF RBI TO REMOVE A DIRECTOR - Section 9(3B)

Where the Reserve Bank is of the opinion that any Director of a corresponding new Bank elected under clause (i) of sub-section (3) does not fulfill the requirements of sub-section (3A), it may, after giving to such Director and the Bank a reasonable opportunity of being heard, by order, remove such Director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section (3A) as a Director in place of the person so removed till a Director is duly elected by the shareholders of the corresponding new Bank in the next Annual general meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new Bank as a Director.

Obligation as to Fidelity and Secrecy - Section - 13(2)

Every Director, member of a local Board or a Committee, or Auditor, Advisor, Officer or other Employee of a corresponding new Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Third Schedule.

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970

Term of office of elected Director -Clause 9(4):

An elected Director shall hold office for three years and shall be eligible for re-election:

Provided no such Director shall hold office continuously for a period exceeding six years.

Disqualification of Directors- Clause 10:

A person shall be disqualified for being appointed as, and for being a Director:

- a) if he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or
- b) if he has been found to be of unsound mind and stands so declared by a competent court; or
- c) if he has been convicted by criminal court of an offence which involves moral turpitude.

- d) if he holds any office of profit under any nationalised bank or State Bank of India constituted under sub-section (1) of Section 3 of the State Bank of India Act, 1955 or any subsidiary bank as defined in Section 3 of the State Bank of India (Subsidiary Banks) Act, 1959, except for holding the post of a whole-time Director, including the Managing Director and Directors nominated under clauses (e) and (f) of sub-section (3) of Section 9 of the Act from among the employees of the Bank.

Vacation of office of Directors -Clause 11:

1. If a Director becomes subject to any of disqualification specified in clause 10, or is absent without leave of the board for more than three consecutive meetings thereof, he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.
2. The Chairman or a whole-time Director including the Managing Director or a Director referred to in clause (b) or clause (c) of sub-section 3 of Section 9 of the Act may resign his office by giving notice thereof in writing to the Central Government and on such resignation being accepted by that Government shall be deemed to have vacated his office; and any other Director may resign his office by giving notice thereof in writing to the Central Government and such resignation shall take effect on the receipt of the communication of the resignation by the Central Government.
3. Without prejudice to the provisions of the foregoing sub-clauses, the office of the Director referred to in Clause (e) or Clause (f) of sub-section 3 of Section 9 of the Act shall become vacant as soon as the Director ceases to be a workman or an employee, other than a workman of the Nationalised Bank of which he is a Director.
4. Where any vacancy occurs in the office of a Director other than an elected Director, it shall be filled in accordance with sub-section (3) of Section 9 of the Act.

Removal from office of an elected Director -Clause 11A:

The shareholders, other than the Central Government, may, by a resolution passed by a majority of the votes of such shareholders holding in the aggregate, not less than one half of the share capital held by all such shareholders, remove any Director elected under Clause (i) of the sub-section (3) of Section 9 and elect in his stead another person to fill the vacancy.

Filling of vacancy in the office of elected Director- Clause 11B:

- (1) Where any vacancy occurs before the expiry of the term of office of an elected Director, the vacancy shall be filled by election.

Provided that where the duration of vacancy is likely to be less than six months, the vacancy may be filled in by the remaining Directors.

- (2) A person elected or co-opted, as the case may be, under sub clause (1) shall hold office for the unexpired portion of the term of his predecessor.

Disclosure of interest by Directors- Clause 12(8)

A Director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the Nationalised Bank shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest to the Board and shall not be present at the meeting of the Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other Directors for the purpose of eliciting information and no Director so required to be present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-clause shall apply to such Director by reason only of his being:

- (i) a shareholder (other than a Director) holding not more than two percent of the paid-up capital in any public Company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the Nationalised Bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or
- (ii) an officer or other employee of the Nationalised Bank, if he is a Director (referred to in clause (e) or clause (f) of sub-section (3) of Section 9 of the Act).

Union Bank of India (Shares and Meetings) Regulations, 1998

Exercise of rights of joint holders

Regulation 10:

If any share stands in the names of two or more persons, the first named in the register shall as regards voting, receipt of dividend, service of notices and all or any other matters connected with Union Bank of India except the transfer of shares be deemed to be the sole holder thereof.

Voting at general meetings

Regulation 61-

(i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.

(ii) Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes.

(iii) Unless a poll is demanded under sub-regulation (I) a declaration by the Chairman of the meeting that a resolution on show of hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of, or against, such resolution.

(iv) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that

behalf by any shareholder or shareholders present in person or by proxy and holding shares in Union Bank of India which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution.

(v) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

(vi) A poll demanded on a question of adjournment or election of chairman of the meeting shall be taken forthwith.

(vii) A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made, as the chairman of the meeting may direct.

(viii) The decision of the chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final.

Scrutineers at Poll Regulation 61A

(i) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him.

(ii) The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutineers from the office and to fill the vacancy in the office of the scrutineers arising from such removal or from any other cause.

(iii) Of the two scrutineers appointed under this regulation one shall always be a shareholder 34 (not being an Officer or employee of the Bank) present at the meeting; provided that such a shareholder is available and willing to be appointed.

Manner of taking poll and result thereof Regulation 61B

(i) The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

(ii) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Directors to be elected at general meetings Regulation 63:

(1) A Director under clause (i) of sub-section 3 of Section 9 shall be elected by the shareholders on the register, other than the Central Government from amongst themselves in the general meeting of the Union Bank of India.

(2) Where an election of Director to be held at any general meeting, the notice thereof shall be included in the notice convening the meeting. Every such notice shall specify the number of Directors to be elected and the particulars of vacancies in respect of which the election is to be held.

List of shareholders

Regulation 64:

- (i) For the purpose of election of a Director under sub-regulation (i) of Regulation 63 of these regulations, a list shall be prepared of shareholders on the register by whom the Director is to be elected.
- (ii) The list shall contain the names of the shareholders, their registered addresses, the number and denoting numbers of shares held by them with the dates on which the shares were registered and the number of votes to which they will be entitled on the date fixed for the meeting at which the election will take place and copies of the list shall be available for purchase atleast three weeks before the date fixed for the meeting at a price to be fixed by the Board or the Management Committee on application at the Head Office.

Nomination of candidates for election

Regulation 65:

- (i) No nomination of a candidate for election as a Director shall be valid unless,
 - (a) he is a shareholder holding not less than 100 (one hundred) shares in the Union Bank of India;
 - (b) he is on the last date for receipt of nomination, not disqualified to be a Director under the Act or under the Scheme;
 - (c) he has paid all calls in respect of the shares of the Union Bank of India held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;
 - (d) the nomination is in writing signed by atleast one hundred shareholders entitled to elect Directors under the Act or by their duly constituted attorney, provided that a nomination by shareholder who is a Company may be made by a resolution of the Directors of the said Company and where it is so made, a copy of the resolution certified to be true copy by the Chairman of the meeting at which it was passed shall be despatched to the Head Office of the Union Bank of India and such copy shall be deemed to be a nomination on behalf of such Company;
 - (e) the nomination accompanies or contains a declaration signed by the candidate before a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Gazetted Officer or an officer of the Reserve Bank of India or any other nationalised Bank, that he accepts the nomination and is willing to stand for election, and that he is not disqualified either under the Act or the Scheme or these regulations from being a Director.
 - (f) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the Union Bank of India on a working day not less than fourteen days before the date fixed for the meeting.

Scrutiny of nominations

Regulation 66:

- (i) Nominations shall be scrutinised on the first working day following the date fixed for the receipt of nominations and in case any information is not found to be valid, the same shall be rejected after recording the reason therefore. If there is only one valid nomination for any particular vacancy to be filled by election, the candidate so nominated shall be deemed to be elected forthwith and his name and address shall be published as so elected. In such an event there shall not be any election at the meeting

convened for the purpose and if the meeting had been called solely for the purpose of the aforesaid election it shall stand cancelled.

- (ii) In the event of an election being held, if valid nominations are more than the number of Directors to be elected, the candidate polling the majority of votes shall be deemed to have been elected.
- (iii) A Director elected to fill an existing vacancy shall be deemed to have assumed office from the date following that on which he is, or is deemed to be elected.

Election disputes

Regulation 67:

- (i) If any doubt or dispute shall arise as to the qualification or disqualification of a person deemed, or declared to be elected, or as to the validity of the election of a Director, any person interested, being a candidate or shareholder entitled to vote at such election, may, within seven days of the date of the declaration of the result of such election, give intimation in writing thereof to the Chairman and Managing Director of the Union Bank of India and shall in the said intimation give full particulars of the grounds upon which he doubts or disputes the validity of the election.
- (ii) On receipt of an intimation under sub-regulation (i) the Chairman and Managing Director or in his absence, the Executive Director of the Union Bank of India shall forthwith refer such doubt or dispute for the decision of a committee consisting of the Chairman and Managing Director or in his absence, the Executive Director and any two of the Directors nominated under clauses (b) and (c) of sub-section (3) of Section 9 of the Act.
- (iii) The committee referred to in sub-regulation (ii) shall make such enquiry as it deems necessary and if it finds that the election was valid election, it shall confirm the declared result of the election or, if it finds that the election was not a valid election, it shall, within thirty days of the commencement of the enquiry make such order and give such directions including the holding of a fresh election as shall in the circumstances appear just to the committee.
- (iv) An order and direction of such committee in pursuance of this regulation shall be conclusive.

Voting Rights of Shareholders

Determination of voting rights

Regulation 68:

- (i) Subject to the provisions contained in Section 3(2E) of the Act, each shareholder who has been registered as a shareholder on the date of the closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him.
- (ii) Subject to the provisions in Section 3(2E) of the Act, every shareholder entitled to vote as aforesaid who not being a Company is present in person or by proxy or who being a Company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation (i)

Explanation- for this chapter, "Company" means any body corporate.

- (iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting.

Voting by duly authorised representative

Regulation 69:

- (i) A shareholder, being the Central Government or a Company, may by a resolution, as the case may be, authorise any of its officers or any other person to act as its representative at any general meeting of the shareholders and the person so authorised (referred to as a “duly authorised representatives” in these regulations) shall be entitled to exercise the same powers on behalf of the Central Government or the Company which he represents, as if he were an individual shareholder of the Union Bank of India . The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as a duly authorised representative of the Central Government / Company.
- (ii) No person shall attend or vote at any meeting of the shareholders of the Union Bank of India as the duly authorised representative of the Company unless a copy of the resolution appointing him as a duly authorised representative certified to be true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of Union Bank of India not less than four days before the date fixed for the meeting.

PROXIES

Regulation 70:

- (i) No instrument of proxy shall be valid unless, in the case of an individual shareholder it is signed by him/her or his/her attorney, duly authorised in writing or in the case of joint holders, it is signed by the shareholder first named in the register or his / her attorney, duly authorised in writing, or in the case of a body corporate, signed by its officer or an attorney duly authorised in writing.

Provided that an instrument of proxy shall be sufficiently signed by any shareholder, who is, for any reason, unable to write his / her name, if his / her mark is affixed thereto and attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Government Gazetted Officer or an Officer of Union Bank of India.

- (ii) No Proxy shall be valid unless it is duly stamped and a copy thereof is deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting, together with the power of attorney or other authority, if any under which it is signed. or a copy of that power of attorney or other authority certified as true copy by a Notary Public, or a Magistrate unless such a power of Attorney or the other authority is previously deposited and registered with the Bank.
- (iii) No Instrument of Proxy shall be valid unless it is in Form “B”.
- (iv) An instrument of proxy deposited with the Bank shall be irrevocable and final¹⁰

(v) In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.

(vi) The grantor of an instrument of proxy under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

No person shall be appointed as duly authorised representative or a proxy who is an officer or an employee of Union Bank of India.

November 1, 2007

'Fit and proper' criteria for elected directors on the boards of nationalized banks:

In exercise of the powers conferred by sub-sections (3AA) and (3AB) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 (as amended in 2006), the Reserve Bank of India hereby notifies that with immediate effect:

(a) All the nationalized banks are required to constitute a 'nomination committee' consisting of a minimum of three directors (all independent directors/non-executive directors) from amongst the board of directors. The Board of directors should also nominate one among them as Chairman of the nomination committee. The quorum required is three, including the Chairman. In case of absence of any member already nominated, the board of directors may nominate any other independent director in his place for the ensuing meeting. At the time of constituting the nomination committee the board can decide on its tenure.

(b) The nomination committee should undertake a process of due diligence to determine the 'fit and proper' status of the existing elected directors/person to be elected as a director under Sec 9 (3)(i) of the Act *ibid*. For this purpose, the banks should obtain necessary information and declaration, in the format enclosed (Annexure-1), from the existing elected directors/persons, who file their nominations for election. The nomination committee should meet before the last date of acceptance of nominations in case of candidates to be elected and decide whether or not the person's candidature should be accepted based on the criteria mentioned below. The committee's discussions should be properly recorded as formal minutes of the meeting and the voting if done should also be noted in case of both existing and proposed Directors. Based on the information provided in the signed declaration, Nomination Committee should decide on the acceptance or otherwise of the candidate and may make references, where considered necessary to the appropriate authority/persons/institutions etc., to ensure their compliance with the requirements indicated.

(c) The nomination committee should determine the 'fit and proper' status of the existing elected Directors/proposed candidates based on the broad criteria as mentioned hereunder:

- (i) Educational qualification
- (ii) Experience and field of expertise
- (iii) Track record and integrity

(The above list is only illustrative and not exhaustive).

The Nomination Committee should see whether the non-adherence to any of the above criteria would hamper the existing elected director/proposed candidate from discharging the duties as a director on the Board of the bank. Further, the candidate coming to the adverse notice of any authority/regulatory agency or insolvency or default of any loan from any bank or financial institution would make the candidate unfit and improper to be a director on the Board of a bank.

d) It is desirable that the board ensures, in the public interest, that the elected directors execute the deed of covenants (copy enclosed for ready reference – Annexure-2) as recommended by the Dr Ganguly Group vide our circular DBOD.No.BC.116/08.139.001/2001-02 dated 20th June 2002 after the election and also every year as on 31st March.

2. The nomination committee is required to complete the process of determining the 'fit and proper' status of the existing elected directors on the Board of the bank at the earliest.

3. It is also mandatory that all the elected directors must furnish a simple declaration every year as on 31st March that the information already provided by them has not undergone any change and where there is any change, requisite details are furnished by the directors forthwith. If there are any significant changes, the nomination committee should undertake the due diligence exercise afresh and examine the 'fit and proper' status of the director.

(Anand Sinha)
Executive Director



RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2010-11/ 541

DBOD. No.BC.No. 95 /29.39.001/2010-11

May 23, 2011

To,

The Chairmen & Managing Directors of all Nationalised Banks /

Managing Directors & CEOs of all Private Sector Banks /

The Managing Directors of all the Associate Banks of State Bank of India

Dear Sir / Madam,

'Fit and Proper' Criteria for Directors on the Boards of Banks

Please refer to [DBOD circulars No.BC.104 & 105/08.139.001/2003-04 dated June 25, 2004](#) addressed to all private sector banks, [DBOD. No.BC.No.46 & 47/29.39.001/ 2007-08 dated November 1, 2007](#) addressed to all nationalized banks and [DBOD.No.BC.No. 50/29.39.001/2007-08 dated November 14, 2007](#) issued to all Associate Banks of SBI, on the captioned subject.

2. It has been decided to partially modify the format of 'Declaration and Undertaking' prescribed for the purpose of conducting due diligence to determine the 'fit and proper' status of directors, incorporating an explanatory note against Column (IV)(g) of the said format which is given in **Annexure 1**. Henceforth, banks should use the revised format for obtaining declaration and undertaking from existing directors as well as the person to be appointed / elected as director.

3. Please acknowledge receipt.

Yours faithfully,

(A K Khound)
Chief General Manager

Encl. As above

Annexure 1

Name of Bank : _____

Declaration and Undertaking by Director* (with enclosures as appropriate as on _____)

| | | |
|-----------|--|--|
| I. | Personal details of director | |
| a. | Full name | |
| b. | Date of Birth | |
| c. | Educational Qualifications | |
| d. | Relevant Background and Experience | |
| e. | Permanent Address | |
| f. | Present Address | |
| g. | E-mail Address / Telephone Number | |
| h. | Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle | |
| i. | Relevant knowledge and experience (Refer Section 9(3-A) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 / 1980 | |
| j. | Any other information relevant to Directorship of the Bank | |
| II | Relevant Relationships of director | |
| a. | List of Relatives if any who are connected with the Bank (Refer Section 6 and Schedule 1A of the Companies Act, 1956) | |
| b. | List of entities if any in which he / she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956) | |
| c. | List of entities in which he / she is considered as holding substantial interest within the meaning of Section 5(ne) of the Banking Regulation Act, 1949 proposed and existing | |
| d. | Name of Bank in which he / she is or has been a member of the board (giving details of period during which such office was held) | |
| e. | Fund and non-fund facilities, if any, presently availed of by him / her and / or by entities listed in II (b) and (c) above from the bank | |

| | | | |
|------------|--|--|--|
| | f. | Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the bank or any other bank. | |
| III | Records of professional achievements | | |
| | a. | Professional achievements relevant | |
| IV. | Proceedings, if any, against the director | | |
| | a. | If the director is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry of at any profession / occupation at any time. | |
| | b. | Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and / or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations | |
| | c. | Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the director | |
| | d. | Whether the director attracts any of the disqualifications envisaged under Section 274 of the Company's Act 1956? | |
| | e. | Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency? | |
| | f. | Has the director at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise / income tax / foreign exchange / other revenue authorities, if so give particulars | |
| | g. | Whether the director at any time come to the adverse notice of a regulator such as SEBI, IRDA, DCA. <i>(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by regulators which have been later on reversed / set aside in toto, it would be necessary to make a mention of the same, in case the reversal / setting aside is on technical reasons like limitation or lack of</i> | |

| | | |
|---|--|-----------------------|
| | <i>jurisdiction, etc, and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned).</i> | |
| V. | Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper | |
| <u>Undertaking</u> | | |
| I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above. | | |
| I also undertake to execute the deed of covenant required to be executed by all directors of the bank. | | |
| | | |
| | | |
| | Place : | Signature of director |
| | | |
| | Date : | |
| | | |
| VI. | Remarks of Nomination Committee of the Bank | |
| | | |
| | Place : | Signature |
| | | |
| | Date : | |



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2016-17/152

DBR.Appt.BC.No.39/29.39.001/2016-17

November 24, 2016

All Commercial Banks excluding RRBs

Dear Sir / Madam,

Special knowledge or practical experience useful to banking companies

In the backdrop of innovations in banking and technology, it is felt that the domain knowledge and experience enumerated under various statutory provisions for the directors on the boards of commercial banks (excluding RRBs) need to be augmented by knowledge and experience in other specialized areas, to guide the banks in managing their diversified business portfolios and risks. It has, therefore, been decided to broaden the fields of specialization to include (i) Information Technology (ii) Payment & Settlement Systems (iii) Human Resources (iv) Risk Management and (v) Business Management, for persons who could be considered for appointment of director in the banks.

2. A copy of the relative notification DBR.Appt.BC.No.38/29.39.001/2016-17 dated November 24, 2016, is **enclosed**.

Yours faithfully,

(Ajay Kumar Choudhary)
Chief General Manager

Encl: Notification

NOTIFICATION

RESERVE BANK OF INDIA DEPARTMENT OF BANKING REGULATION

DBR.Appt.BC.No.38/29.39.001/2016-17

November 24, 2016

Special knowledge or practical experience useful to banking companies

In exercise of the powers conferred by Section 10A(2)(a)(ix) of the Banking Regulation Act, 1949, Section 19A(1)(a)(viii) of State Bank of India Act, 1955, Section 25A(1)(a) (viii) of State Bank of India (Subsidiary Banks) Act, 1959, and Section 9(3A)(A)(viii) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, Reserve Bank of India hereby notifies that special knowledge or practical experience in matters or areas relating to (i) Information Technology (ii) Payment & Settlement Systems (iii) Human Resources (iv) Risk Management and (v) Business Management would be useful to a banking company, State Bank of India, subsidiary bank and a corresponding new bank, as the case may be.

(Sudarshan Sen)
Executive Director



RBI/DBR/2019-20/71

Master Direction DBR.Appt.No: 9/29.67.001/2019-20

August 2, 2019
(Updated as on June 03, 2020)

Master Direction - Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019

In exercise of the powers conferred by sub-section (2) of Section 19A of the State Bank of India Act, 1955 [hereinafter referred to as SBI Act]; and sub-sections (3AA) & (3AB) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, Reserve Bank of India [hereinafter referred to as Reserve Bank] being satisfied that it is necessary and expedient in the public interest to do so, hereby notifies and specifies the authority, manner, procedure and criteria for determining the 'fit and proper' status of a person to be eligible to be elected as a director on the Board of Public Sector Banks, and issues the Directions hereinafter specified.

CHAPTER – I

PRELIMINARY

1. Short Title and Commencement:

- (a) These Directions shall be called the Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019.
- (b) These Directions shall come into effect on the day these are placed on the official website of the Reserve Bank (i.e. www.rbi.org.in).

2. Applicability:

These Directions shall be applicable to Public Sector Banks.

3. Definitions:

(a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below -

- (i) "Board of Directors" or "Board", in relation to a bank, means the collective body of the directors of the bank.

- (ii) "Chairperson" means the Chairman/Part-time Chairman of the Board of Directors of a bank.
- (iii) "Corresponding new bank" shall be as defined in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (iv) "Director" means a director appointed to the Board of a bank.
- (v) "Elected/Shareholder Director" means a director referred to in section 19(c) of the SBI Act, and clause (i) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (vi) "Government of India Nominee Director" means a director referred to in Section 19(e) of the SBI Act and Section 9(3)(b) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (vii) "Independent Director" shall be as defined in the Companies Act, 2013.
- (viii) "Nationalised bank" means a corresponding new bank constituted under sub-section (1) of section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970/1980.
- (ix) "Non-official director" means director referred to in Section 9(3)(g), (h) & (i) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and Section 19(c) & (d) of SBI Act.
- (x) Non-Operative Financial Holding Company (NOFHC) means a non-deposit taking NBFC which holds the shares of a banking company and the shares of all other financial services companies in its group, whether regulated by Reserve Bank or by any other financial regulator, to the extent permissible under the applicable regulatory prescriptions.
- (xi) "Public Sector Banks" means State Bank of India and nationalised banks.
- (xii) "State Bank of India" means the State Bank of India constituted under Section 3 of the SBI Act, 1955.

(b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the SBI Act or the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 or Companies Act, 2013 or any statutory modification or re-enactment thereto or SEBI Guidelines or as defined elsewhere by the Reserve Bank or used in commercial parlance, as the case may be.

CHAPTER – II

APPOINTMENT OF ELECTED DIRECTORS

4. 'Fit and Proper' Criteria for Elected Directors on the Boards of State Bank of India and Nationalised Banks:

Authority

4.1 All the banks are required to constitute a Nomination and Remuneration Committee [hereinafter referred to as the Committee] consisting of a minimum of three non-executive directors from amongst the Board of Directors [hereinafter referred to as Board], out of which not less than one-half shall be independent directors and should include at least one member from Risk Management Committee of the Board, for undertaking a process of due diligence to determine the 'fit and proper' status of the persons to be elected as directors under sub-section (c) of Section 19 of the SBI Act/clause (i) of sub-section (3) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980. The Government of India nominee director and the director nominated under section 19(f) of the SBI Act/section 9(3)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 shall not be part of the Committee. The non-executive Chairperson of the bank may be appointed as a member of the Committee but shall not chair such Committee. The Board should also nominate one among them as Chairman of the Committee. The quorum required is three, including the Chairman. In case the absence of any nominated member results in want of quorum, the Board may nominate any other non-executive director in his place for the meeting. At the time of constituting the Committee, the Board can decide on its tenure.

Manner and procedure

4.2 The banks shall obtain necessary information, and a declaration & undertaking, in the format annexed ([Annex 1](#)), from the persons who file their nominations for election. The Committee shall meet after the last date prescribed for acceptance of nominations and determine whether or not the person's candidature should be accepted, based on the criteria mentioned below. The Committee's discussions shall be properly recorded as formal minutes of the meeting and the voting, if done, shall also be noted. Based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the candidature and shall make references, where considered necessary, to the appropriate authority / persons, to ensure that the candidate conforms to the requirements indicated.

Criteria

4.3 The Committee shall determine the 'fit and proper' status of the proposed candidates based on the broad criteria mentioned hereunder:

(i) **Age** – The candidate's age should be between 35 to 67 years as on the cut-off date fixed for submission of nominations for election.

(ii) **Educational qualification** – The candidate should at least be a graduate.

(iii) **Experience and field of expertise** – The candidate shall have special knowledge or practical experience in respect of one or more of the matters enumerated in section 19A(a) of the SBI Act / section 9(3A)(A) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, as the case may be, read with [RBI Circular DBR.Appt.BC No 39/29.39.001/2016-17 dated November 24, 2016](#).

(iv) **Disqualifications:** In addition to 'Disqualifications of Directors' as prescribed in Section 22 of the SBI Act, 1955 / Clause 10 of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80:

(a) The candidate should not be a member of the Board of any bank or the Reserve Bank or a Financial Institution (FI) or an Insurance Company or a NOFHC holding any other bank.

Explanation: For the purpose of this sub-para and sub-para (c), the expression "bank" shall include a banking company, a corresponding new bank, State Bank of India, a co-operative bank and a regional rural bank.

(b) A person connected with hire purchase, financing, money lending, investment, leasing and other para banking activities shall not be considered for appointment as elected director on the board of a PSB. However, investors of such entities would not be disqualified for appointment as directors if they do not enjoy any managerial control in them.

(c) No person may be elected/ re-elected on the Board of a bank if he/she has served as director in the past on the board of any bank¹/FI/RBI/Insurance Company under any category for six years, whether continuously or intermittently.

(d) The candidate should not be engaging in the business of stock broking.

¹ It includes the bank in which he/she has served as director in the past.

- (e) The candidate should not be holding the position of a Member of Parliament or State Legislature or Municipal Corporation or Municipality or other local bodies².
- (f) The candidate should not be acting as a partner of a Chartered Accountant firm which is currently engaged as a Statutory Central Auditor of any nationalised bank or State Bank of India.
- (g) The candidate should not be acting as a partner of a Chartered Accountant firm which is currently engaged as Statutory Branch Auditor or Concurrent Auditor of the bank in which nomination for election is filed.
- (v) **Tenure** – An elected director shall hold office for three years and shall be eligible for re-election: Provided that no such director shall hold office for a period exceeding six years³, whether served continuously or intermittently.
- (vi) **Professional Restrictions** –
 - (a) The candidate should neither have any business connection (including legal services, advisory services etc.) with the concerned bank nor should be engaged in activities which might result in a conflict of business interests with that bank.
 - (b) The candidate should not be having any professional relationship with a bank or any NOFHC holding any other bank.

Provided that a candidate having any such relationship with a bank at the time of filing nomination for election shall be deemed to be meeting the requirement under item (b), the candidate shall submit a declaration to the Committee that such relationship with the bank shall be severed if he is elected as a director, and upon being elected, severs such relationship before appointment as a director of the bank.
- (vii) **Track record and integrity** - The candidate should not be under adverse notice of any regulatory or supervisory authority/agency, or law enforcement agency and should not be a defaulter of any lending institution.

5. The banks shall obtain from the elected director:

- (a) a Deed of Covenant executed in the format annexed ([Annex 2](#)), before such person assumes office of director;

² Other local bodies means bodies such as Notified Area Council, City Council, Panchayat, Gram Sabha, Zila Parishad, etc.

³ Clause 9(4) of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80, and Section 20(3) of the SBI Act

(b) a simple declaration every year as on 31st March to the effect that the information already provided by such person has not undergone any change.

(c) Where the elected director informs that there is change in the information provided earlier, the bank shall obtain from such director a fresh [Annex 1](#) incorporating the changes.

6. The banks shall also -

Ensure compliance to Section 20 of the Banking Regulation Act, 1949. In addition,

(a) Put in place a system of safeguards, including proper disclosure of the elected CA director's/his firm's clients, and not participating in bank's credit/investment decisions involving his/firm's clients. The elected CA director should be required to compulsorily dissociate himself from the entire process and sign a covenant to this effect.

(b) Require the elected director to make a full and proper disclosure of his interests and directorships in business entities, with the director personally distancing himself from and not participating in the bank's credit/investment decisions involving entities in which he is interested.

(c) Not allot any professional work to a person who was an elected director of that bank, for a period of two years after demitting office as such director.

7. Where the elected director:

(a) fails to

(i) submit the Deed of Covenant or declaration; or

(ii) make proper disclosures; or

(iii) refrain from participating in credit/investment decisions, where he is interested; or

(b) makes incomplete or incorrect disclosures, or

(c) involves in such activities that render him/her 'not fit and proper' as per the criteria mentioned above,

such director shall be deemed to be not fulfilling the requirements of sub-section (2) of section 19A of the SBI Act / sub-section (3AA) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and shall be liable for the consequences thereof.

8. The Committee shall adopt the revised criteria stated above while scrutinizing the nomination of candidates seeking election as new directors (appointment/re-appointment). However, existing elected directors may be allowed to complete their current terms as per the pre-revised criteria.

CHAPTER – III

INTERPRETATIONS AND REPEAL

9. Interpretations:

For the purpose of giving effect to the provisions of these Directions, the Reserve Bank may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the Reserve Bank shall be final and binding on all the parties concerned.

10. Repeal:

With the issue of these Directions, the instructions/guidelines contained in the following circulars issued by the Reserve Bank stand repealed.

- a) [DBOD. No. BC.No.47/29.39.001/2007-08 dated November 1, 2007](#) on 'Fit and proper' criteria for elected directors on the boards of nationalised banks.
- b) [DBOD. No. BC.No. 50/29.39.001/2007-08 dated November 14, 2007](#) on 'Fit and proper' criteria for elected directors on the boards of Associate Banks of SBI.
- c) DBOD. No. BC.No. 54/29.39.001/2011-12 dated November 21, 2011 on 'Fit and proper' criteria for elected directors on the board of SBI.
- d) DBOD. No. BC.No. 56/29.39.001/2011-12 dated November 21, 2011 on 'Fit and proper' criteria for elected directors on the board of IDBI Bank Limited.

Annex 1

Name of Bank: _____

‘Declaration and Undertaking’ by a proposed Director/ MD & CEO/ CEO (with appropriate enclosures)

| Sr No | Particulars | Information Disclosed | | |
|----------------------------|--|------------------------------------|--------------------------|-----------|
| I. Personal Details | | | | |
| 1. | Name in full | First Name | Middle Name | Last Name |
| 2. | Father's name | | | |
| 3. | Gender (M/F/others) | | | |
| 4. | Present address | | | |
| 5. | E-mail address & alternate e-mail address: Telephone Number with STD code: Mobile Number: | | | |
| 6. | Nationality | | | |
| 7. | Date of Birth (dd/mm/yyyy) and Age | --/--/---- Age: -- years -- months | | |
| 8. | Educational qualifications | | | |
| 9. | Director Identification Number (DIN) | | | |
| 10. | Aadhaar Number (Optional) | | | |
| 11. | (a) Permanent Account Number (PAN) (b) Charge where the proposed director is assessed to tax (Income Tax jurisdiction)/name and address of Income Tax Circle/Ward (c) Details of filing of return(s) and payment of taxes for past 3 years | Date of filing | Amount of tax paid (INR) | |
| 12. | Permanent address | | | |
| 13. | Details in the form of a brief write up on the relevant knowledge or experience in respect of one or more of the matters namely accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small scale industry, information technology, payment and settlement systems, human resources, risk management, business management or any other matter the special knowledge of and | | | |

| Sr No | Particulars | Information Disclosed | | | | | | | | |
|--|--|---|------------|--------|-------------|------------|--|--|--|--|
| | practical experience of which would in the opinion of the Reserve Bank be useful to the Banking Company. | | | | | | | | | |
| 14. | Present occupation (designation, name of the organisation and brief write-up on experience) | | | | | | | | | |
| 15. | Previous occupation covering minimum of past ten years, with complete address of the organisation(s) worked in, date of joining, date of relieving (including reasons), designation, etc. | | | | | | | | | |
| 16. | In case a Chartered Accountant, indicate the following: (a) Membership Number of Institute of Chartered Accountants of India (ICAI): (b) Date of registration with the ICAI: (c) Name and Address of the registered firm/s: (d) Details of the Audit(s) presently undertaken by the firm(s) or by you: | | | | | | | | | |
| 17. | Name of the banker(s) with Branch and Account Numbers (savings/current/loan accounts) where you are a primary account holder: | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Bank Name</th> <th style="text-align: center;">Branch</th> <th style="text-align: center;">Type of A/c</th> <th style="text-align: center;">A/c Number</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> | Bank Name | Branch | Type of A/c | A/c Number | | | | |
| Bank Name | Branch | Type of A/c | A/c Number | | | | | | | |
| | | | | | | | | | | |
| 18. | Details of shareholding, if held in any entity, either in physical or dematerialized form, by you, spouse, and your minor child. (attach demat/shareholding certificate) | | | | | | | | | |
| 19. | Any other information relevant to directorship of the bank: | | | | | | | | | |
| II. Relevant Relationships of proposed director | | | | | | | | | | |
| 20. | List of relatives, [Refer Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definition) Rules, 2014] if any, who are connected with any bank: | | | | | | | | | |
| 21. | List of entities in which: (a) interested [Refer Section 184 of the Companies Act, 2013]: | | | | | | | | | |

| Sr No | Particulars | Information Disclosed | | | | | | | | | | | | | | | | |
|--|---|--|-----------------------------------|--|---------------------------------|--|-------------------------|--|---------------------------------|--|--|--|---|--|--|--|--|--|
| | (b) beneficial ownership [<i>Refer Section 89 of Companies Act, 2013 as also the applicable Significant Beneficial Ownership Rules of MCA</i>]: (c) Trustee (also mention any other relationship with reference to a trust): | | | | | | | | | | | | | | | | | |
| 22. | List of entities, existing and proposed, in which holding substantial interest within the meaning of Section 5(ne) ⁴ of the Banking Regulation Act, 1949. | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><i>Name of the company / firm</i></td> <td style="width: 20%;"></td> </tr> <tr> <td><i>Country of incorporation</i></td> <td></td> </tr> <tr> <td><i>Number of shares</i></td> <td></td> </tr> <tr> <td><i>Face Value of each share</i></td> <td></td> </tr> <tr> <td><i>Total face value of share holding</i></td> <td></td> </tr> <tr> <td><i>Shareholding as % of total Paid up Capital</i></td> <td></td> </tr> <tr> <td><i>Beneficial interest (in value as well as % terms)</i></td> <td></td> </tr> <tr> <td><i>Whether the entity is a Section 8 Company under Companies Act, 2013</i></td> <td></td> </tr> </table> | <i>Name of the company / firm</i> | | <i>Country of incorporation</i> | | <i>Number of shares</i> | | <i>Face Value of each share</i> | | <i>Total face value of share holding</i> | | <i>Shareholding as % of total Paid up Capital</i> | | <i>Beneficial interest (in value as well as % terms)</i> | | <i>Whether the entity is a Section 8 Company under Companies Act, 2013</i> | |
| <i>Name of the company / firm</i> | | | | | | | | | | | | | | | | | | |
| <i>Country of incorporation</i> | | | | | | | | | | | | | | | | | | |
| <i>Number of shares</i> | | | | | | | | | | | | | | | | | | |
| <i>Face Value of each share</i> | | | | | | | | | | | | | | | | | | |
| <i>Total face value of share holding</i> | | | | | | | | | | | | | | | | | | |
| <i>Shareholding as % of total Paid up Capital</i> | | | | | | | | | | | | | | | | | | |
| <i>Beneficial interest (in value as well as % terms)</i> | | | | | | | | | | | | | | | | | | |
| <i>Whether the entity is a Section 8 Company under Companies Act, 2013</i> | | | | | | | | | | | | | | | | | | |
| 23. | Details of holdings in entities incorporated abroad and having a place of business in India. | | | | | | | | | | | | | | | | | |
| 24. | Name of Bank/NBFC/any other company in which currently or in the past a member of the Board/ Advisor etc. (giving details of period during which such office is being/ was held). | | | | | | | | | | | | | | | | | |
| 25. | If connected with any entity undertaking hire purchase, financing, investment, leasing and other para banking activities (nature of association to be mentioned), details thereof. | | | | | | | | | | | | | | | | | |
| 26. | If a stock broker or connected with any entity engaged in share broking activities, details thereof. | | | | | | | | | | | | | | | | | |

⁴ substantial interest" (i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds five lakhs of rupees or ten percent of the paid-up capital of the company, whichever is less; (ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm.

| Sr No | Particulars | Information Disclosed |
|---|---|-----------------------|
| 27. | Details of fund and non-fund-based facilities, if any, presently availed in person and/or by entities listed in (21) to (26) above. | |
| 28. | Cases, if any, where as an individual or the entities listed at (21) to (26) above have defaulted or declared as willful defaulter in the past in respect of credit facilities obtained from a bank/NBFC/any other lending institution. | |
| III. Records of professional achievements | | |
| 29. | Professional achievements relevant for the directorship. | |
| IV. Proceedings, if any, against the proposed director | | |
| 30. | (a) As a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past or whether been banned from entry at any profession/ occupation at any time, details thereof. | |
| | (b) If subject of any written complaint or accusation regarding individual professional conduct or activities, details thereof. | |
| 31. | Details of prosecution, if any, pending or commenced or resulting in conviction of self or the entities listed at (21) to (26) above for violation of economic laws and regulations. | |
| 32. | Details of criminal prosecution, if any, pending or commenced or resulting in conviction. | |
| 33. | If indulged in any breach of AML/CFT guidelines, details thereof. | |
| 34. | If attracting any of the disqualifications envisaged under Section 164 of the Companies Act, 2013, details thereof. | |
| 35. | If adjudicated insolvent or has suspended payment or has compounded with creditors, details thereof. | |

| Sr No | Particulars | Information Disclosed |
|-------|---|-----------------------|
| 36. | If found to be of unsound mind and stands so declared by a competent Court, details thereof. | |
| 37. | (a) If convicted by a Criminal Court of an offence which involves moral turpitude or otherwise, details thereof. | |
| | (b) If convicted by any Court of law, details thereof? | |
| 38. | If holding any office of profit under any nationalised bank or State Bank of India, except for holding the post of a whole-time director, details thereof. | |
| 39. | If as an individual or any of the entities at (21) to (26) above have been subject to any investigation/vigilance/ matters of enquiry from any of the previous employers or government departments or agency, details thereof. | |
| 40. | If found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange/ other revenue authorities, details thereof. | |
| 41. | <p>If reprimanded, censured, restricted, suspended, barred, enjoined, or otherwise sanctioned by any regulator such as SEBI, IRDAI, PFRDA etc., professional organisation, government agency, or court because of professional conduct or activities, details thereof.</p> <p><i>(Though it shall not be necessary for a candidate to mention in the column about orders and findings which have been later on reversed/ set aside in toto, it would be necessary to make a mention of the same, in case the reversal/ setting aside is on technical reasons like limitation or lack of jurisdiction, and not on merit. If the order is temporarily stayed and the appellate/ court</i></p> | |

| Sr No | Particulars | Information Disclosed |
|--|--|--|
| | <i>proceedings are pending, the same also should be mentioned).</i> | |
| V. General Information | | |
| 42. | If a professional like Chartered Accountant, Advocate etc. and presently undertaking/undertaken any professional work in any bank, provide details thereof including the name of the bank and period of association with the bank. | |
| 43. | If a sitting MP/MLA/MLC or holding political position in Municipal Corporation or Municipality or other local bodies, provide details thereof. | |
| VI. In the interest of disclosure and transparency, should there be any other information relevant for assessing 'fit and proper', provide details thereof. | | |
| <u>Undertaking</u> | | |
| I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place after my appointment which are relevant to the information provided above. | | |
| I also undertake to execute a 'Deed of Covenant' as required to be executed with the bank. | | |
| | | |
| | Place : | Signature of proposed Director/ MD & CEO/ CEO |
| | Date : | |
| | | |
| | Remarks of Nomination and Remuneration Committee (NRC) of having satisfied itself that the above information is true and complete. | |
| | | |
| | Place : | Signature of the Chair of the NRC |
| | | |
| | Date : | |

Annex 2

FORM OF DEED OF COVENANTS WITH A DIRECTOR

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ BETWEEN _____, having its registered office at _____ (hereinafter called the 'Bank') of the one part and Mr. / Ms. _____ of _____ (hereinafter called the 'Director') of the other part.

WHEREAS

A. The director has been appointed as a director on the Board of Directors of the Bank (hereinafter called 'the Board') and is required as a term of his / her appointment to enter into a Deed of Covenants with the Bank.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The director acknowledges that his / her appointment as director on the Board of the Bank is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Bank and the provisions of this Deed of Covenants.

2. The director covenants with the Bank that:

(i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Bank and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the Bank a list of his / her relatives as defined in the Companies Act, 2013 and rule 4 of the Companies (specification of definition) rules, 2014 and to the extent the director is aware directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the Bank:

(a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;

(b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the Bank;

(c) shall keep himself / herself informed about the business, activities and financial status of the Bank to the extent disclosed to him / her;

(d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as 'Board ') with fair regularity and conscientiously fulfil his / her obligations as director of the Bank;

(e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Bank;

(f) shall bring independent judgment to bear on all matters affecting the Bank brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;

(g) shall in exercise of his / her judgment in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgment; and

(h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgment;

(v) The director shall have:

(a) fiduciary duty to act in good faith and in the interests of the Bank and not for any collateral purpose;

(b) duty to act only within the powers as laid down by the Bank's Memorandum and Articles of Association and by applicable laws and regulations; and

(c) duty to acquire proper understanding of the business of the Bank.

(vi) The director shall:

(a) not evade responsibility in regard to matters entrusted to him / her by the Board;

(b) not interfere in the performance of their duties by the whole-time directors and other officers of the Bank and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

(c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the Bank in his / her capacity as director of the Bank only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The Bank covenants with the director that:

(i) the Bank shall apprise the director about :

(a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;

(b) control systems and procedures;

(c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;

(d) qualification requirements and provide copies of Memorandum and Articles of Association;

(e) corporate policies and procedures;

(f) insider dealing restrictions;

(g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;

(h) appointments of Senior Executives and their authority;

(i) remuneration policy,

(j) deliberations of committees of the Board, and

(k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the Bank, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the Bank shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a directors of the Bank and to take

informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the Bank to the directors shall include but not be limited to the following :

- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- (b) Bank's strategic and business plans and forecasts;
- (c) organisational structure of the Bank and delegation of authority,
- (d) corporate and management controls and systems including procedures;
- (e) economic features and marketing environment,
- (f) information and updates as appropriate on Bank's products;
- (g) information and updates on major expenditure;
- (h) periodic reviews of performance of the Bank; and
- (i) report periodically about implementation of strategic initiatives and plans;

(iv) the Bank shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The Bank shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the Bank to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Bank.

6. The Chartered Accountant firm, in which the director is a partner, shall not undertake Statutory Central Audit in any public sector bank / shall not undertake Statutory Branch Audit or Concurrent Audit in the bank during current directorship of the bank.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorized representative of the Bank.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR MENTIONED ABOVE.

| For the Bank | Director |
|----------------------|----------|
| By | |
| Name : | Name : |
| Title : | |
| | |
| In the presence of : | |
| | |
| 1..... | 2..... |

Ref.: 1. F.No.16/83/2013-BO.I of DFS, MoF, GOI dated 3rd September 2013

Ref.: 1. F.No.16/51/2012-BO.I of DFS, MoF, GOI dated 20th July, 2016
2. F.No.16/51/2012-BO.I of DFS, MoF, GOI dated 28th April, 2015

Guidelines for Selection of Part-time Non-official Director

The following criteria may be adopted for nomination of part-time non-official directors (NOD) on the boards of public sector banks/financial institutions etc.

(I) GENERAL

1. Nominations will be made keeping in view the provisions of the relevant Acts/Rules.
2. The suitability of nominees may be assessed in terms of formal qualifications and expertise, track record, integrity etc. For assessing integrity and suitability, information on criminal records, financial position, civil actions undertaken to pursue personal debts, refused of admission to or expulsion from professional bodies, sanctions applied by regulators and similar bodies and previous questionable business practices etc. will be relied upon.
3. Persons with special academic training or practical experience in the fields of agriculture, rural economy, banking cooperation, economics, business management, human resources, finance, law, marketing, industry and IT will ordinarily be considered.
4. As far as possible representation may also be given to women and the persons belonging to SC/ST community.

(II) EDUCATION

1. An NOD should at least be a graduate. Educational qualification may be relaxed with the approval of ACC in case of farmers, depositors and artisans.

(III) AGE

1. The age of the Director, on the date of recommendation by Appointments Board, (should be between 35 years and 65 years. No further relaxation is desirable. However, the upper age limit may be relaxed only with the approval of the ACC and for reasons to be recorded by the Ministry).

(IV) WORK EXPERIENCE

1. Professionals/ academicians should ordinarily have 10 years of work experience in the particular field.

(v) DISQUALIFICATION

1. A director already on a Bank/FI, under any category, may not be considered for nomination as NOD on any other Bank/FI.
2. Persons connected with hire purchase, financing, investment, leasing and other para-banking activities, MPs, MLAs, MLCs and Stock Brokers will not be appointed as non-official directors on the Boards of Banks/FIs.

3. No person may be re-nominated as a NOD on the Board of a Bank/ FI on which he/she has served as Directors in the past under any category for two terms of six years whichever is longer.
4. An NOD would not be considered for nomination as a Director on the Board of a Bank/ FI if such Director has already been a NOD/shareholder-Director on the Board of any other Bank/FI for six years, whether continuously or intermittently, (The general rule of two terms for six years for Non-Official Directors should apply to the Directors appointed under CA category also).

(VI) PROFESSIONAL RESTRICTION

1. NOD will not accept/will not be allotted any work of the Bank/FI for two years after demitting office as Director of that Bank/FI.
2. (During his term as NOD on any Bank, such Director will not undertake any professional work (statutory audit, concurrent audit, legal retainership or empanelment as a lawyer etc.) in that Public Sector Bank. In the case of SBI, such restriction will cover Associate Banks as well. However, in respect of any other Bank/insurance company, the firm should be allowed to be engaged, provided the non official director recuses himself/herself from handing that part of the business of the firm, where there may be conflict of interest.)
3. If a person having professional relationship with Bank, including cooperative Bank, is selected for being nominated on the Board of any Bank, he will have to sever his connection with the Bank before such appointment.
4. Professionals shall not be nominated on the Board of PSB with which they have had a business relationship during the last 3 years before such nomination.

(VII) REGIONAL REPRESENTATION

Effort should be made to ensure representation of all the six zones of the country-North, South, East, West, Central and North-East on the Boards of Public Sector Banks taken together.

Ref No.18(81)EO/2010(ACC)

Dated:25.03.2015

Reference correspondence resting with the Department of Financial Services' communication No.16/51/2012-BO.I dated 19.11.2014.

2. The Appointments Committee of the Cabinet (ACC) HAS APPROVED THE FOLLOWING REVISED GUIDELINES FOR APPOINTMENT OF Non-Official Director (NoDs) in Public Sector Banks (PSBs) and Financial Institutions (FIs).

- (i) Nomination will be made keeping in view the provisions of the relevant Act/Rules.
- (ii) (a) Those interested can apply on Web Portal designated for the purpose. The format of the applications will be placed on the Portal and applicants would be asked to upload certificates relating to qualification and experience on the portal.
(b) The data base so generated will be shared with the Search Committee constituted in DFS for shortlisting the candidate who have applied for the post of Non-Official Directors on the Web Portal of DFS.

(c) The Search Committee shall be chaired by Secretary, Department of Financial Services and will consist of Deputy Governor, Reserve Bank of India (to be nominated by Governor of RBI) and on outside Expert(to be nominated by ACC).

(d) The Search Committee will be provided with the Bio-data of the persons who have applied for nomination as Non Official Directors(NoD) on the Board of Public Sector Banks, Insurance Companies, Financial Institutions Regional Local Boards of RBI/SBI.

(e) The Search Committee will provide its recommendations to the Department periodically. The Search Committee may also consider names of outside candidates whose names are not available in the Data Base to ensure that the knowledge – skills required on the Board of a Bank are met by such names.

(iii) The suitability of persons to be considered for nomination as non – official Government Nominee Directors would be assessed in terms of qualifications and expertise, track record, integrity etc. For assessing integrity and suitability, information on criminal records, financial position, civil actions undertaken on pursue personal debts, sanctions applied by regulators and similar bodies and previous questionable business practices etc. will be relied upon.

(iv)The following categories of persons will be considered for appointment of Part-Time Non-Official Director on the Boards of Public Sector Banks/Reserve Bank of India/Financial Institutions/Public Sector Insurance Companies:

a. Persons of eminence with special academic training or practical experience in the field of agriculture, rural economy banking, cooperation, economics, business management, human resources, finance, corporate law, Risk Management, industry and IT will ordinarily be considered. 20 years of industry experience at a senior position, established expertise in respective areas(Successfully led a reputed organization, brought turnaround in a failing organization) would be preferred.

b. Retired senior Government officials with total experience of 20 years and minimum 10 years of experience at Joint Secretary and above level. Retired CMDs/EDs of Public Sector Banks after one year of retirement. The ex-CMDs/EDs will not be considered for appointment as NoD on the Board of the PSB from which they have retired. Serving CMDs/EDs of a PSB will not be considered for appointment as NoD on the Board of any other PSB.

c. Academicians Directors of premier Management Banking Institutes and Professors having more than 20 years' experience.

d. Chartered Accountants with 20 years' experience (excluding audit experience) would also be preferred.

e. However, the experience criteria may be relaxed with the approval of the Finance Minister in exceptional cases based on merits of the case.

f. Whatever possible representation may also be given to women and the persons belonging to SC/ST/OBC community.

(v) EDUCATION

An NoD should at least be a graduate in any stream preferably with specialization in Business Management, Risk Management, Finance, Human Resources and IT.

(vi) AGE

The age of the Director, on the date of recommendation by Search Committee should not be more than 67 years.

(vii) WORK EXPERIENCE

Professionals/academicians should ordinarily have 20 years of work experience in their particular field.

(viii) DISQUALIFICATIONS

(a) A Director already on a Bank/ Financial Institutions (FIS)/RBI/Insurance Company, under any category, may not be considered for nomination as NoD in any other Bank/FI/RBI/Insurance Company.

(b) Persons connected with hire purchase, financing investment, leasing and other para-banking activities, MPs MLAs, MLCs and Stock Brokers will not be appointed as non-official directors on the Boards of Banks/FIs/RBI/Insurance Companies. Investors in a hire purchase, financing investment, leasing and other para banking activities would not be disqualified for appointment as NoD, if they are not having any managerial control in such companies.

(c) No person may be re-nominated as an NoD on the Board of a Bank/FI/RBI/Insurance Company on which he/she has served as Director in the past under any category for two terms or six years whichever is longer.

(ix) TENURE

An NoD would not be considered for nomination as a Director on the Board of a Bank/FI/RBI/Insurance Company if such Director has already been a NoD/Shareholder Director on the Board of any other Bank/FI/RBI/Insurance Company for six years, whether continuously or intermittently.

(x) PROFESSIONAL RESTRICTION

The issue of professional restriction vis-à-vis office of profit in any Public Sector Bank under clause 10(d) of the Nationalised Banks Scheme (Management and Miscellaneous) Provision scheme, 1970 may be separately examined.

(xi) REGIONAL REPRESENTATION

Effort should be made to ensure representation of all the six zones of the country- North, South, East, West, Central and North-East on the Boards of the Public Sector Banks taken together.



(xii) The PSB/FI concerned may indicate the knowledge/skill gap on the Board to the Department of Financial Services and the Department will initiate the process for appointment of NoDs six months in advance of occurrence of a vacancy.

(xiii) A reserve panel with two names as proposed in the case of PSUs may also be prepared to address exigencies. The reserve panel shall be used subject to the person therein fulfilling the knowledge/skill gap.

(xiv) Department of Financial Service may work out and prescribed specific time lines for each stage/stakeholder to ensure timely processing of proposals.

(Virender Singh)

Under Secretary to the Government of India

Department of Financial Services
(Shri Hasmukh Adhia, Secretary)
Jeevan Deep Building, New Delhi.

RBI Master Circular dated 1st July 2015 – Loans and Advances – Statutory and Other Restrictions

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/95MND246C0F34D0041F6831205AB5D695422.PDF>

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

<https://www.sebi.gov.in/legal/regulations/sep-2015/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirement-regulations-2015-last-amended-on-may-5-2021-37269.html>
