

**EXTRACTS OF RELEVANT ACTS, SCHEME AND REGULATIONS ETC. –  
ELECTION OF SHAREHOLDER DIRECTOR**

In terms of Section 9(3)(i) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Shareholder Directors shall have to be appointed upon the extent of capital issued under clause (c) of sub-section (2B) of Section 3 of the Act.

The relevant sections of the Banking Regulations Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970 and the relevant regulations of UCO Bank (Shares and Meetings) Regulations, 2003 respectively in this regard, are reproduced below for the information of the shareholders.

**THE BANKING REGULATION ACT, 1949**

A. "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;

B. 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.

C. 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 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 2 [or the subsidiary or the holding company of which] any of the Directors of the banking company is a Director, Managing agent, 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-section (1) had been in force on the date on which the loan or advance was made, or is granted by a 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 the 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 may, in any case, on an application 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 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, 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 subsection, 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) "loans or advance" shall not include any transaction which the Reserve Bank 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" include a member of any board or committee in India constituted by a 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 purposes of this section, it shall be referred to the Reserve Bank, whose decision thereon shall be final.

## **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 per cent of the total paid-up capital, not more than two directors,
- (III) more than thirty two per cent 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.

Section 9(3A): The Directors to be elected under the said clause (i) shall-

- (A) have special knowledge or practical experience in respect of one or more of the following matters namely,-
  - (i) agricultural and rural economy,
  - (ii) banking,
  - (iii) co-operative,
  - (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, be useful to the corresponding new bank;
- (B) represent the interests of depositors; or
- (C) represent the interest of farmers, workers and artisans.

Section 9(3AA): Without prejudice to the provisions of sub section (3A) and notwithstanding anything to the contrary contained in this Act or in 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 may also specify in the notification issued under sub section (3AA), 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.

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-sections (3A) and (3AA), 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-sections (3A) and (3AA) 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.

Section 13(2): Obligations as to fidelity and secrecy.

Every Director, member of a local Board or a committee, or Auditor, Adviser, 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**

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

An elected director shall hold office for three years and shall be eligible for re-election.

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

Clause 10: Disqualification of Directors

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 a Criminal Court of an offence which involves moral turpitude; or
- d) if he holds any office of profit under any nationalized 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 corresponding new bank.

### Clause 11: Vacation of office of directors

- (1) If a director becomes subject to any of the disqualifications specified in Cl.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 whole-time director including the Managing Director or a director referred to in Cl. (b) or Cl. (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: 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 Cl. (e) or Cl. (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 nationalized bank of which 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.

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

The shareholders other than the Central Government, may, by a resolution passed by 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 Cl. (i) of sub-section (3) of Section 9 and elect in his stead another person to fill the vacancy.

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

(1) Where any vacancy occurs before the expiry of the term of office of an elected director, the vacancy shall be filled in 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-operated, as the case may be, under sub-clause (1) shall hold office for the unexpired portion of the term of his predecessor.

### Clause 12(8): Disclosure of interest by Directors

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 nationalized 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 cooperative society, with which or to which the Nationalized Bank has entered into or made or proposed to enter into or make a contract, loan, arrangement or proposal, or
- (ii) an officer or other employee of the nationalized bank, if he is a director referred to in Cl. (e) or Cl. (f) of sub-section (3) of Section 9 of the Act.

### **UCO BANK (SHARES AND MEETINGS) REGULATIONS 2003**

#### Regulation 10: Exercise of rights of joint holders

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

#### Regulation 63 : Directors to be elected at general meeting

- i. A Director under clause (i) of sub-section 3 of Section 9 of the Act shall be elected by the shareholders on the register, other than the Central Government from amongst themselves in the General Meeting of the Bank.
- ii. Where an election of a Director is 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.

#### Regulation 64 : List of shareholders

- 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 at least 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.

#### Regulation 65 : Nomination of candidates for election

- 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 Bank.
  - 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 Bank 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 at least one hundred shareholders entitled to elect Directors under the Act or by their duly constituted attorney, provided that a nomination by a 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 a true copy by the Chairman of the meeting at which it was passed shall be dispatched to the Head Office of UCO Bank 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 Nationalized 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 UCO Bank on a working day not less than fourteen days before the date fixed for the meeting.

#### Regulation 66: Scrutiny of nominations

- i. Nominations shall be scrutinized on the first working day following the date fixed for receipt of nominations and in case any nomination is not found to be valid, the same shall be rejected after recording the reason thereof. 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.

#### Regulation 67: Election disputes

- 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 Managing Director & CEO of UCO Bank 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 Managing Director & CEO or in his absence, the Executive Director (s) of UCO Bank shall forthwith refer such doubt or dispute for the decision of a committee consisting of the Managing Director & CEO or

in his absence, the Executive Director (s) 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 an enquiry as deemed necessary and if it finds that the election was valid election, it shall confirm the declared results of the election, or if it finds that the election was not valid election, it shall, within 30 days of the commencement of the enquiry, make such order and give such directions including the holding of the 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 :

### Regulation 68: Determination of voting rights

- i. Subject to the provisions contained in Section 3(2E) of the Act, each shareholder has been registered as a shareholder on the date of the closure of 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 provision contained 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 authorized representative, or by proxy shall have one vote on show of hands and in case of poll shall have one vote for each share held by him as stated herein above 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 appointed shall not have any right to speak at the meeting.

### Regulation 69: Voting by duly authorized representative

- i. A shareholder, being the Central Government or a company, may by a resolution, as the case may be, authorize any of his officer or any other person to act as its representative at any general meeting of the shareholder and person so authorized (referred to as "duly authorized 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 UCO Bank. The authorization so given may be in favour of two persons in the alternative and in such a case any of such persons may act as duly authorized representative of the Central Government/Company.
- ii. No person shall attend or vote at any meeting of the shareholders of the Bank as the duly authorized representative of the company unless a copy of the resolution appointing him as a duly authorized representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office, 2, India Exchange Place, Kolkata – 700 001 of UCO Bank not less than 4 days before the date fixed for the meeting.



## Regulation 70: Proxies

- i. No instrument of proxy shall be valid unless, in the case of an individual shareholder, it is signed by him/her or by his/her attorney, duly authorized 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 authorized in writing, or in the case of a body corporate signed by an officer or an attorney duly authorized in writing.

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

- ii. No proxy shall be valid unless it is duly stamped and a copy thereof deposited at the Head Office of UCO Bank or at any other place duly notified by the Bank in this regard, 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 a true copy by a Notary Public or a Magistrate, unless such a Power of Attorney or other authority is previously deposited and registered with UCO Bank.
- iii. No instrument of the proxy shall be valid unless it is in Form "B".
- iv. An instrument of proxy deposited with the Bank shall be irrevocable and final.
- 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 granter of an instrument of proxy shall not be entitled to vote in person in the Extra ordinary General Meeting to which such instruments relates.
- vii. No person shall be appointed as duly authorized representative or a proxy who is an officer or an employee of UCO Bank.
- viii. All alterations in the Proxy Form should be duly authenticated.

## **RBI'S FIT AND PROPER CRITERIA NOTIFICATION**

Reserve Bank of India (RBI), in exercise of powers conferred on it under sub-sections (3AA) of Section 9 of the Banking Companies (Acquisition & Transfer of Undertakings) Act 1970/1980 has issued notification RBI/DBR/2019- 20/71 Master Direction DBR.Appt. No:9/29.67.001/2019-20 dated August 2, 2019 laying down specific "Fit and Proper" Criteria to be fulfilled by the persons being elected as directors on the Board of PSBs under the provisions of Section 9 (3)(i) of the Banking Companies ( Acquisition & transfer of undertakings) Act 1970/1980.

### **SALIENT FEATURES OF THE NOTIFICATION**

The Authority, Manner/ Procedure and Criteria for deciding the "Fit and Proper "status etc., are as under:

- **Authority:**

All the nationalized banks are required to constitute a "Nomination and Remuneration committee" (Committee) consisting of a minimum of three non-executive directors from amongst the Board of Directors for undertaking the process of due diligence to determine 'fit and proper' status of the candidate. 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 non-executive Director in his place for the ensuing meeting. At the time of constituting the nomination committee the board can decide on its tenure.

- **Manner and procedure:**

The Bank will obtain necessary information, and declaration & undertaking in format given in Annexure-A from the persons who file their nomination 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 in the RBI circular.

The committee's discussions should be properly recorded as formal minutes of the meeting and the voting if done should also be noted. Based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the candidate and may make references, where considered necessary to the appropriate authority/persons, to ensure that the candidate conforms to the requirements indicated.

- **Criteria**

The committee shall determine the 'fit and proper' status of the proposed candidate based on the broad criteria as 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 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 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 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 bank (including the bank in which he/she has served as director in the past) /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.

(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 bodies (means bodies such as Notified Area Council, City Council, Panchayat, Gram Sabha, Zila Parishad, etc).

(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 years (Clause 9(4) of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80), 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.

The candidate should not be having any professional relationship with a bank or any Non-Operative Financial Holding Company (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.

The banks shall obtain from the elected director:

- (a) Deed of Covenant executed in the format given in Annex 2 to the RBI circular, before such person assumes office of director
- (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.

Further, the Circular also provides that the Bank 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.

Further the Circular provides that 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 (3AA) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and shall be liable for the consequences thereof.

The Committee shall 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

**Criteria laid down by Government of India for consideration as non-official Director in Public Sector Banks/FIs/RBI/Insurance Companies**

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

2. F.No.16/51/2012-BO.I of DFS, MoF, GOI dated 28<sup>th</sup> April, 2015

3. F.No.16/51/2012-BO.I of DFS, MoF, GOI dated 20<sup>th</sup> July, 2016

A) Experience

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, co-operation, 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.

B) Educational Qualification

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

C) Age

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

D) Work Experience

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

E) Disqualification

- 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 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.

F) 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.

G) Professional Restriction

- i) If a Chartered Accountant firm is currently engaged in any Public Sector Bank (PSB) as a Statutory Central Auditor, no partner of the same Chartered Accountant firm shall be eligible for appointment as a Non-Official Director in any Nationalized Bank/PSB.
- ii) If a Chartered Accountant firm is currently engaged in a Nationalised Bank as Statutory Branch Auditor or Concurrent Auditor, no partner of the same Chartered Accountant firms should be eligible for appointment as a Non-official Director in the same Bank.

**NOTIFICATION : RESERVE BANK OF INDIA, DEPARTMENT OF BANKING REGULATION**

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

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

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.