

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:563

ANSWERED ON:24.11.2006

APPOINTMENT OF NON-OFFICIAL DIRECTORS

Agarwal Shri Dharendra;Khan Shri Sunil;Singh Deo Smt. Sangeeta Kumari;Yadav Shri M. Anjan Kumar

Will the Minister of FINANCE be pleased to state:

- (a) the criteria regarding appointment of Non-official Directors in the nationalized banks;
- (b) the number of Non-official Directors appointed in the nationalized banks during the current year;
- (c) whether the Government received complaints against the working of these Non-official Directors during the last two years;
- (d) if so, the nature of complaints thereof and the action taken thereon;
- (e) whether the Government has reviewed the working of Non-official Directors during the said period; and
- (f) if so; the outcome thereof and the follow-up action taken thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a); The criteria adopted for appointment of Non-official Directors on the Board of Directors of Nationalised Banks is at Annex.
- (b): The Government has appointed twenty nine non-official part-time Directors on the Board of Directors of nationalised Banks under Section 9(3)(h) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 during the last one year.
- (c) & (d): No complaint has been received by RBI/Government against any of the non-official director appointed by the Government;
- (e) & (f): The non-official directors on the Boards of Nationalised Banks are bound by the `do`s and don`ts`. They are bound by the Deed of Covenant furnished at the time of taking of directorship. RBI nominee directors on the Boards of the Nationalised Banks submit a bi-monthly report to RBI in which functioning of the Board of Directors and also the comments on the working of individual Directors are brought out. RBI takes necessary action, in case any adverse remarks on any directors are noticed.

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 qualification and expertise, track record, integrity etc. For assessing integrity and suitability, information on criminal records, financial position, civil action undertaken to pursue personal debts., refusal 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 qualifications 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 not be less than 40 years and preferably below 60 years. The upper age limit may be relaxed in case of outstanding experts, eminent persons

(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/KIs.
3. No person may be re-nominated as a NOD on the Board of a Bank/ FI on which he/she has served as Director in the past; under any category for two terms or 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 NOP/shareholder- Director on the board of any other Bank/FI for six years, whether continuously or intermittently.

(VI) PROFESSIONAL RESTRICTION

1. NOD will not accept/will not be allotted any work of the Bank/FI for two years after demisting 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 empanel merit as a lawyer etc.) in any other Public Sector Bank.
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 a 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.