

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:316
ANSWERED ON:20.11.2009
APPOINTMENT OF BOARD OF DIRECTORS
Thakor Shri Jagdish

Will the Minister of FINANCE be pleased to state:

- (a) the details of guidelines for the appointment of Board of Directors of Public Sector Banks;
- (b) whether the Government proposes to lay down any norms / criteria for the appointment of Bank Directors; and
- (c) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): The Board of Directors of Public Sector Banks are appointed under Section 9(3) of The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980. The guidelines for selection of part-time non-official directors as approved by the Appointments Committee of the Cabinet (ACC) are Annexed.

Annexure

**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 actions 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 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/FIs.
3. No person may be re-nominated as a NOD on the Board/FI of a Bank on which he/she has served as Director 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.

(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 any other Public Sector Bank. In the case of SBI, such restrictions 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 rescues himself/herself from handling that part of the business of the firm, where there may be a 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 a PSB with which they have had a working 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.