

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7002

ANSWERED ON:08.05.2015

APPOINTMENT OF NON OFFICIAL DIRECTORS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has amended the procedure for appointment of Non-Official Directors (NODs) on the Boards of Public Sector Banks (PSBs), Financial Institutions and Insurance Companies;
- (b) if so, the details thereof and the reasons therefor along with the eligibility criteria fixed for appointment of said post;
- (c) whether the Government has also set up a portal where those interested in position could apply, and if so, the details thereof; and
- (d) the steps taken/being taken by the Government for better profitability ratios and ensure better governance of PSBs and other financial institutions in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a), (b) & (c): Yes, Madam. The Government has amended the procedure for appointment of Non-official Directors on the Boards of Public Sector Banks (PSBs)/Financial Institutions (FIs) in order to implement reforms in banking. As per provisions of the amended procedure, Government has set up a web-portal i.e. <http://financialservices.gov.in/nod>, where interested persons can apply online. The data base so generated will be shared with the Search Committee constituted for shortlisting the candidates.

The details of new norms/criteria are as follows:

I. Criteria of 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 fields 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. Wherever possible representation may also be given to women and the persons belonging to SC/ST/OBC community.

II.Criteria of 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.

III. Criteria of age

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

IV. Criteria of Work Experience

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

V. Criteria of Disqualification

(a) A Director already on a Bank/Financial Institution (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.

VI. Criteria of 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.

(d): PSBs are autonomous entities governed by their board driven policies and Government does not interfere in their internal affairs. Government has decided to infuse a sum of 6990 crore in 9 PSBs in 2014-15 on the basis of their efficiency parameters i.e. Return on Assets and Return on Equity. In order to encourage achievement of better profitability ratio, the capital infusion has been done on the basis of better efficiency ratios achieved by the banks. Further, in order to bring in better governance in PSBs and FIs, the Government has implemented reforms in the selection process for appointment of Whole Time Directors on the Boards of PSBs and FIs. The Government has approved the proposal to separate the posts of Chairman and Managing Directors in PSBs. While the Chairman would be non-executive, Managing Director & Chief Executive Director (MD&CEO) would be executive head. The Government has also approved the revised guidelines for appointment of Non-official Directors on the Boards of PSBs/FIs.