

## **Collection and dissemination of information on defaulters**

Ref.: DBOD. No DL. BC 54 /20.16.001/2001-02

December 22, 2001

The Chairmen/ CMDs/CEOs,  
All Scheduled Commercial Banks (excluding RRBs and LABs) and  
All India Notified Financial Institutions

Dear Sirs,

### Collection and dissemination of information on defaulters

Please refer to paragraph 3 of our circular DBOD No.BC/ DL/161/ 20.16.002/99-2000 dated April 1, 2000 in terms of which, banks and financial institutions were required to exclude nominee directors of the Government, banks and FIs while reporting the details of the defaulting borrowing companies.

2. In this connection, we advise that the Board for Financial Supervision (BFS), while examining the roles of Professional and Nominee Directors, has observed that Professional Directors who associate with companies for their expert knowledge act as Independent Directors. Such Independent Directors apart from receiving director's remuneration do not have any material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgment of Board may affect their independent judgment. BFS further observed that as a guiding principle of disclosure, no material fact should be suppressed while disclosing the names of a company which is a defaulter and the names of all directors should be published. However, while doing so, a suitable distinguishing remark could be made as a foot-note clarifying that the concerned person was a 'nominee director' or 'independent director'.

3. In view of the above, banks and FIs are advised to substitute the words "Professional Directors" by "Independent Directors" in the reporting formats and report the names of all directors including Independent Directors and Nominee Directors of banks/FIs/Central Govt./State Govts in their lists of defaulters of Rs. 1 crore and above, suit-filed accounts and wilful defaulters of Rs. 25 lakhs and above to be submitted to Reserve Bank commencing from the period ending March 2002 and onwards. However, against the names of Nominee Directors and Independent Directors, they should indicate the abbreviations "Nom" and "Ind" respectively in brackets to distinguish them from other directors.

4. Banks and FIs are also advised to keep in mind our instructions regarding exercise of due caution while dealing with defaulting companies and their directors.

5. An amendment slip incorporating the above changes is appended for carrying out necessary changes in our circular DBOD No. BC/ DL/161/ 20.16.002/99-2000 dated April 1, 2000.

6. Please acknowledge receipt.

Yours faithfully,

(J.G.Gupta)  
General Manager

**Amendment Slip No 1**

(DBOD NO. DL BC 54 / 20.16.001/2001-02 dated December 22, 2001)

The following consequential amendment may be carried out in our circular DBOD No. BC/ DL 161 /20.16.002 /99-2000 dated 1st April 2000

- (I) In 9th line of paragraph 3, the word " excluding " may be replaced by the word " including "
- (II) The Annexures I to III - Remarks for field names Dir 1 to Dir 14:

Item (b) to be replaced by "The names of nominee directors of banks / FIs / Central Govt. State Govt. should be included and indicated as 'Nom' in the bracket"

Item (c) to be replaced by "In case of independent directors '(Ind)' should be entered against the name of such director."