

E-mail address
<rbidboco@bom3.vsnl.net.in>

RESERVE BANK OF INDIA
CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
CENTRE - 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005

Post Box No. 6089
VSAT address
<cgmincbod@rbi.org.in>

RBI/2004/268
DBOD.No.BC.105/08.139.001/2003-04

June 25, 2004

The Chairmen and Managing Directors /
Chief Executive Officers of banks in private sector

Dear Sir,

'Fit and proper' criteria for directors of banks

Please refer to our circular DBOD.No.BC.116/08.139.001/2001-02 dated June 20, 2002, forwarding a list of recommendations of Dr. Ganguly Group Report to be implemented by banks based on the decision taken by the Board.

2. The Group, *inter alia*, recommended that banks should require the directors to execute a covenant binding them to discharge their responsibilities to the best of their abilities, individually and collectively. Further, the issue related to the broader issue of fit and proper status of directors and signing of the covenants should be one of the criteria to be eligible to be a director of a bank. Dr. Ganguly Group Report has also recommended that due diligence of directors should be done in regard to their suitability for the post by way of qualifications, technical expertise, track record, integrity, etc.

3. It has, thus, become imperative to lay down specific criteria to be fulfilled by the persons before they are appointed on the Boards of banks and therefore it has been decided that:

- (a) the banks in private sector should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. Banks should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format enclosed.
- (b) the process of due diligence should be undertaken by the banks in private sector at the time of appointment / renewal of appointment.
- (c) the boards of the banks in private sector should constitute Nomination Committees to scrutinize the declarations.
- (d) based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.

- (e) banks should obtain annually as on 31st March a simple declaration that the information already provided has not undergone change and where there is any change, requisite details are furnished by the directors forthwith.
- (f) the board of the bank must ensure in public interest that the nominated / elected directors execute the deeds of covenants as recommended by Dr. Ganguly Group (cf. our circular DBOD.No.BC.116/08.139.001/2001-02 dated June 20, 2002) every year as on 31st March.

4. Accordingly, our Directive DBOD.No.BC.104/08.139.001/2003-04 dated June 25, 2004 is enclosed.

5. Please acknowledge receipt.

Yours faithfully,

(**B. Mahapatra**)
Chief General Manager

Encl : As above

E-mail address
<rbidboco@bom3.vsnl.net.in>

**RESERVE BANK OF INDIA
CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
CENTRE - 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005**

Post Box No. 6089
VSAT address
<cgmincodbod@rbi.org.in>

DBOD.No.BC. 104 /08.139.001/2003-04

June 25, 2004

'Fit and proper' criteria for directors of banks

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and on being satisfied that it is necessary and expedient in public interest so to do, the Reserve Bank of India hereby directs, with immediate effect that :

- (i) the banks in private sector should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other fit and proper criteria. Banks should obtain necessary information and declaration from the proposed / existing directors for the purpose.
- (ii) the process of due diligence should be undertaken by the banks in private sector at the time of appointment / renewal of appointment.
- (iii) the boards of the banks in private sector should constitute Nomination Committees to scrutinize the declarations.
- (iv) based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.
- (v) banks should obtain annually a simple declaration that the information already provided has not undergone change and where there is any change, requisite details are furnished by the directors forthwith.
- (vi) the board of the bank must ensure in public interest that nominated / elected directors execute the deeds of covenants as recommended by Dr. Ganguly Group every year.

(Usha Thorat)
Executive Director

Name of Bank :

Declaration and Undertaking by Director * (with enclosures as appropriate as on _____)		
I	Personal details of director	
a.	Full name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Relevant Background and Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address / Telephone Number	
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i.	Relevant knowledge and experience (Refer Section 10A(2)(a) of the Banking Regulations Act, 1949)	
j.	Any other information relevant to Directorship of the Bank	
II	Relevant Relationships of director	
a.	List of Relatives if any who are connected with the Bank (Refer Section 6 and Schedule 1A of the Companies Act, 1956)	
b.	List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956)	
c.	List of entities in which he/she is considered as holding substantial interest within the meaning of Section 5(ne) of the Banking Regulation Act, 1949	

- **proposed and existing**

d.	Name of Bank in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e.	Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the bank	
f.	Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been	

	in default in the last five years in respect of credit facilities obtained from the bank or any other bank.	
III	Records of professional achievements	
a.	Professional achievements relevant	
IV	Proceedings, if any, against the director	
a.	If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of at any profession/ occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d.	Whether the director attracts any of the disqualifications envisaged under Section 274 of the Company's Act 1956?	
e.	Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g.	Whether the director at any time come to the adverse notice of a regulator such as SEBI, IRDA, DCA.	
V	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the bank.

Place :

Signature of director

Date :

VI Remarks of Board of Directors of Bank

Place :

Signature

Date :