

June 10, 2005

The Chief Executives of All Public Sector Banks

Dear Sir,

Revised Calendar of Reviews

Please refer to our circular DBOD.No.BP.BC. 3/21.03.038/2000 dated July 14, 2000 advising Calendar of Reviews to be submitted to the Board and Management Committee of the bank.

2. In view of reports of increasing burden on Boards of banks on account of the calendar of reviews to be undertaken by them and to ensure that the calendar of reviews reflects the present day concerns, the calendar items have been reviewed. While retaining the basic structure of the calendar issued in the year 2000, the total number of reviews have been reduced by leveraging the work of the several committees of the boards. The revised calendar of reviews to be put up to the Board, Management Committee and Audit Committee are detailed in Annex I to III. It is emphasised that the above calendar outlines the critical minimum requirements of review and the bank Boards will have discretion to prescribe additional reviews to suit their requirements.

3. The revised schedule may please be brought into force with effect from 1st July 2005. If for any particular reason it is not possible to place the memorandum as per the calendar before the Board in the month it is due, a note should be put up to the Board giving reasons for the delay and when the review is proposed to be placed before the Board.

4. Please acknowledge receipt.

Yours faithfully,

(Anand Sinha)
Chief General Manager-In-Charge

Annexure - I

Revised Calendar of Reviews to be put up to the Board

Every Board Meeting

1 Funds Management

A report on Funds and Treasury Management including derivatives giving the position as on the last reporting Friday of every month from the previous Board meeting. The report should contain summary of the total purchase/sales transactions without transaction-wise details. Compliance with CRR/SLR requirements may also be reported. The review should give an overview on deposit growth and also look at the achievement of investment policy objectives.

2 Position Report

A Report giving details of Deposits, Advances, Investments, C-D Ratio, NPAs, Recovery thereof, etc. as on last reporting Friday. Compliance in respect of outstanding observations of the Board, adherence to exposure norms may also be included. The Report should not be a fact sheet but should capture qualitative data on the important market trends, market developments, regulatory initiatives, etc. between the review periods and should stimulate constructive suggestions and discussions on critical appraisal of the strategies followed presently and the need for changes.

3 Compliance Reporting

The Compliance Reporting may be made on an exception basis.

4 Reports from Committees of the Board

The Board may consider reports from Management Committee, Audit Committee and Committees on Risk Management. Reports from Compensation and Nomination Committees, etc. may be put up to the Board as and when developments take place

I. Quarterly

1 Reports from Vigilance Committee, Customer Service Committee and Information Technology Committee

The Board may consider reports from Vigilance Committee, Customer Service Committee and Information Technology Committee and issue necessary directions

2 Borrowal accounts

A review of borrowal accounts with classification of Sub-standard, Doubtful and Loss categories of Rs. 1 crore and above. The Management Committee should furnish a status report giving macro level analysis of NPAs (trend, movement, sector-wise, suit-filed cases, recovery, etc.) of the review of top 100 borrowal accounts **of below Rs.1 crore** in each category of NPA (i.e., Sub-standard, Doubtful and Loss categories). The report should be

comprehensive and cover requisite details on the deficiencies observed, systemic controls required for avoidance of incidence of NPAs, etc. The review should also look at loan policy caveats on exposure thresholds, borrower-wise/industry-wise, etc. and other credit risk management initiatives on ongoing basis.

3 Working Results

An analysis of the working results of the bank on a quarterly basis along with an analytical note and proposals for future course of action. The bank's comparative position should also be highlighted.

4 Business Plan - targets and achievement

Performance review vis-à-vis business goals and targets set up by the Board itself should be comprehensive and covered specifically the banks' structural / organisational requirement. The intention is that the review should lead to initiation of business strategies of growth and profitability. The review should also contain bank's performance under priority sector advances and special programmes of credit assistance like SGSY, PMRY, etc., NPAs in such advances, performance under Lead Districts and sick SSI units being nursed by the bank.

II. Half-yearly

1 Subsidiaries and RRBs

A critical review of the performance of the bank's subsidiaries and the RRBs sponsored by it, separately.

2. Overseas operations

A detailed review of the bank's overseas operations.

3 Review of non-fund business

A review of the entire gamut of operations of the bank's non-fund business.

4 Income Recognition, Asset Classification & Provisioning and Capital Adequacy norms including preparedness for implementation of Basel II Recommendations

Comprehensive status notes separately on Income Recognition, Asset Classification and Capital Adequacy regarding compliance with the policy guidelines laid down by RBI from time to time. The review should be a progress report on the steps initiated on the policy guidelines of RBI on prudential regulations, risk management, etc. A comprehensive status note detailing bank's effort to implement the Basel II guidelines may also be put before the Board.

III. Yearly

1 Bank's Balance Sheet

Comparison of various parameters with working results of other banks and should include analysis of Balance Sheet prescribed by RBI.

2 Long Form Audit Report

LFAR of the bank along with bank's comments on the auditors observations.

3 Branch Rationalisation

A comprehensive review of bank's need for branch expansion and branch rationalisation with a more commercial outlook. Will also include review of loss-making branches.

4 Use of Hindi

A note on the use of Hindi in the bank.

5 Human Resources Management, Training & Industrial Relations

A review of the bank's HRDD policy, training programmes, etc

6 Review of all policies

An annual review of all policies formulated by the bank like Loan Policy, Recovery Policy, Funds Management Policy, Risk Management Policy, ALM, etc.

Annexure II

Revised Calendar of Reviews to be put up to the Management Committee

I. Monthly

1. Credit proposals sanctioned by Chairman & Managing Director/Executive Director.

II. Quarterly

1. Compromise proposals/bad debts written off – General Manager/Executive Director/Chairman and Managing Director.
2. Compliance on observations by the Management Committee.
3. Review of top 100 borrowal accounts of below Rs.1 crore in each category of NPA i.e., Sub-standard/Doubtful/Loss (75 in each quarter). After deliberations, a status report giving macro level analysis of NPAs (trend, movement, sector-wise, suit-filed cases, recovery, etc.) should be put up to the Board.

III. Half-yearly

1. Review of Credit/Smart/Debit Cards.

IV. Yearly

1. Review of Corporate Budget – includes review of publicity expenses, capital expenditure vis-à-vis capital budget, donations made during the year, etc. – deviations to be put up to the Board.
2. Overdue loan proposals beyond six months falling in the powers of Management Committee.

Annexure III

Calendar of Reviews to be put up to the Audit Committee

I. Monthly - Nil

II. Quarterly

1. Inter-branch reconciliation.
2. Performance of Audit/Inspection Department.
3. Inspection reports of poorly rated branches - Progress in rectification of deficiencies.
4. Position of house-keeping (i.e., balancing of books, clearing differences, Nostro/Vostro accounts).

III. Half Yearly

1. Loss Assets- Review of loss assets with balance of Rs.5 lakh and above outstanding for more than two years and where legal action has not been initiated.