



Annex II

FORM OF DEED OF COVENANTS WITH A DIRECTOR OF A BANK

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ BETWEEN _____, having its registered office at _____ (hereinafter called the 'Bank') of the one part and Mr/Ms _____ of _____ (hereinafter called the 'Director') of the other part.

WHEREAS

- A. The director has been appointed as a director on the Board of Directors of the Bank (hereinafter called 'the Board') and is required as a term of his/her appointment to enter into a Deed of Covenants with the Bank.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The director acknowledges that his/her appointment as director on the Board of the Bank is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Bank and the provisions of this Deed of Covenants.
2. The director covenants with the Bank that:
 - (i) The director shall disclose to the Board the nature of his/her interest, direct or indirect, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Bank and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.



- (ii) The director shall disclose by general notice to the Board his/her other directorships, his/her memberships of bodies corporate, his/her interest in other entities and his/her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
- (iii) The director shall provide to the Bank a list of his/her relatives to the extent the director is aware directorships and interests of such relatives in other bodies corporate, firms and other entities.
- (iv) The director shall in carrying on his/her duties as director of the Bank:
 - (a) use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;
 - (b) in the performance of his/her duties take such care as he/she might be reasonably expected to take on his/her own behalf and exercise any power vested in him/her in good faith and in the interests of the Bank;
 - (c) shall keep himself/herself informed about the business, activities and financial status of the Bank to the extent disclosed to him/her;
 - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as 'Board') with fair regularity and conscientiously fulfil his/her obligations as director of the Bank;
 - (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Bank;
 - (f) shall bring independent judgement to bear on all matters affecting the Bank brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - (g) shall in exercise of his/her judgement in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgement; and
 - (h) shall express his/her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/her independent judgement;



(v) The director shall have:

- (a) fiduciary duty to act in good faith and in the interests of the Bank and not for any collateral purpose;
- (b) duty to act only within the powers as laid down by the Bank's Memorandum and Articles of Association and by applicable laws and regulations; and
- (c) duty to acquire proper understanding of the business of the Bank.

(vi) The director shall:

- (a) not evade responsibility in regard to matters entrusted to him/her by the Board;
- (b) not interfere in the performance of their duties by the whole-time directors and other officers of the Bank and wherever the director has reasons to believe otherwise, he/she shall forthwith disclose his/her concerns to the Board; and
- (c) not make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to him/her by the Bank in his/her capacity as director of the Bank only for the purposes of performance of his/her duties as a director and not for any other purpose.

3. The Bank covenants with the director that:

- (i) the Bank shall apprise the director about:
 - (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - (b) control systems and procedures;
 - (c) voting rights at Board meetings including matters in which Director should not participate because of his/her interest, direct or indirect therein;
 - (d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - (e) corporate policies and procedures;



- (f) insider dealing restrictions;
- (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
- (h) appointments of Senior Executives and their authority;
- (i) remuneration policy,
- (j) deliberations of committees of the Board, and
- (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the Bank, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the Bank shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a directors of the Bank and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the Bank to the directors shall include but not be limited to the following:

- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- (b) Bank's strategic and business plans and forecasts;
- (c) organisational structure of the Bank and delegation of authority,
- (d) corporate and management controls and systems including procedures;
- (e) economic features and marketing environment,
- (f) information and updates as appropriate on Bank's products;
- (g) information and updates on major expenditure;
- (h) periodic reviews of performance of the Bank; and
- (i) report periodically about implementation of strategic initiatives and



plans;

- (iv) the Bank shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The Bank shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The Bank shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
6. The director shall not assign, transfer, sublet or encumber his/her office and his/her rights and obligations as director of the Bank to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Bank.
7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the Bank.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS



AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the Bank

Director

By

.....

Name:

Name:

Title:

In the presence of:

1.

2.