

**Draft Reserve Bank of India (Small Finance Banks - Governance) Directions,  
2025**

**DRAFT FOR COMMENTS**

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**Reserve Bank of India (Small Finance Banks - Governance) Directions, 2025**

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In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

## **Chapter I - Preliminary**

### **A. Short title and commencement**

1. These Directions shall be called the Reserve Bank of India (Small Finance Banks: Governance) Directions, 2025.
2. These Directions shall come into force with immediate effect.

### **B. Applicability**

3. These Directions shall be applicable to Small Finance Banks (hereinafter collectively referred to as 'banks' and individually as a 'bank').

*Provided that*, in the case of entities converting into Small Finance Banks, the terms and conditions of appointment of existing Directors shall be grandfathered till the completion of their respective terms.

*Provided that non-scheduled* Small Finance Banks shall be exempt from provisions contained in [Chapter VII](#) relating to 'Appointment of Chief Risk Officer' and [Chapter VIII](#) pertaining to 'Appointment of Chief Financial Officer and Chief Technical Officer'.

4. The contents of this Master Direction shall be read along with other relevant governing statutes and shall be applicable notwithstanding anything to the contrary contained in the licensing conditions, notifications, directions, regulations, guidelines, instructions, etc., issued by RBI before the issue of these Directions.

### **C. Definitions**

5. In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them below:
  - (1) 'Chairperson' means the Chairman / Part-time Chairman of the Board of Directors of a bank.

- (2) 'Clawback' means a contractual agreement between the employee and the regulated entity in which the employee agrees to return previously paid or vested remuneration to the entity under certain circumstances.
  - (3) 'Director' means a director appointed on the Board of a bank.
  - (4) 'Independent Director' shall be as defined in Section 149(6) of the Companies Act, 2013.
  - (5) 'Major shareholder' shall have the same meaning as under the Reserve Bank of India (Small Finance Banks: Acquisition and Holding of Shares or Voting Rights) Directions, 2025
  - (6) 'Malus' means an arrangement that permits a bank to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
  - (7) 'Relative' shall have the meaning assigned to it under clause 77 of Section 2 of the Companies Act, 2013.
  - (8) 'Retention period' means the period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.
  - (9) 'Substantial interest' shall have the same meaning as assigned to it in Section 5(ne) of the Banking Regulation Act, 1949
6. All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934 or the Banking Regulation Act, 1949 or the Companies Act, 2013 and Rules made thereunder, or any statutory modification or re-enactment thereto, or Glossary of Terms published by RBI or as used in common or commercial parlance, as the case may be.

## **Chapter II – Constitution of Board and Appointment of Directors**

7. A bank shall undertake a process of due diligence at the time of appointment / reappointment 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. For this purpose, the bank shall obtain necessary information and 'Declaration & Undertaking' from the proposed / existing directors in the format enclosed at [Annex I](#).
8. The aforementioned declarations shall be scrutinised by the Nomination and Remuneration Committee, constituted in terms of paragraph 42 to paragraph 46 of these Directions, which shall, based on the information provided in the signed declaration, decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.

*Provided that,*

- (i) for assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. shall be considered.
- (ii) while due diligence of directors other than the members of the NRC shall be carried out by the NRC, due diligence in respect of the members of the NRC shall be carried out by the Board itself and the members of the NRC (being interested parties) shall not be involved in this.
- (iii) If a member of the NRC has either proposed or seconded the name of a person for appointment as a director on the bank's Board, such a member of the NRC shall not be a part of the exercise of conduct of due diligence in respect of the person proposed to be appointed as a director. In all such cases, the bank's Board shall nominate another director, as a temporary member of the NRC, to conduct the exercise of

due diligence in respect of the person proposed to be appointed as a Director on the bank's Board.

9. Broad 'fit and proper' norms for directors shall include formal qualification, experience, track record, integrity etc. Additionally, a bank shall adhere to the following criteria to determine the 'fit and proper' status of the proposed candidates for independent/Non-Executive Directors (NEDs):

- (i) Age: The minimum age shall be 35 years. The upper age limit for NEDs, including the Chair of the Board, shall be 75 years and after attaining the age of 75 years no person can continue in these positions.
- (ii) Educational qualification - The candidate shall at least be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.)
- (iii) Experience and field of expertise – In accordance with Section 10A(2)(a) of the Banking Regulation Act, not less than 51 per cent of the total number of members of the Board of Directors of a banking company shall consist of persons who shall have special knowledge or practical experience in respect of one or more of the following areas, namely:
  - (a) accountancy
  - (b) agriculture and rural economy,
  - (c) banking,
  - (d) co-operation,
  - (e) economics,
  - (f) finance,
  - (g) law,
  - (h) small-scale industry,
  - (i) Information Technology,
  - (j) Payment & Settlement Systems,
  - (k) Human Resources,
  - (l) Risk Management,

- (m) Business Management, and
- (n) any other matter the special knowledge of, and practical experience in, which would, in the opinion of RBI, be useful to the bank.

*Provided that* out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, Cooperation or Small Scale Industry.

- (iv) Substantial interest and other restrictions - In accordance with Section 10A(2)(b) of the Banking Regulation Act, not less than 51 per cent of the total number of members of the Board of Directors of a banking company shall consist of persons, who shall not:
  - (a) have substantial interest in, or be connected with, whether as employee manager or managing agent in any company, not being a company registered under Section 25 of the Companies Act 1956, or any firm which carries on trade, commerce or industry and which in either case is not a small-scale industrial concern
  - (b) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern
- (v) Disqualifications - a candidate shall not
  - (a) be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council.
  - (b) be a director on the Board/s of finance, investment, money lending, hire purchase, leasing, chit/kuri business, Mutual funds, Asset Management Companies and other para-banking companies.

*Provided*, in case a director on the Board of an NBFC is to be considered for appointment as director on the Board of a bank, the following conditions must be followed:

- i. They shall not be the owner of the NBFC, [i.e., shareholdings (single or jointly with relatives, associates, etc.) shall not exceed 50 per cent],
- ii. They shall not be related to the promoter of the NBFC,
- iii. They shall not be a full-time employee in the NBFC.
- iv. The concerned NBFC shall not be a borrower of the bank.

- (c) be a person, who is not a director on the Boards of companies referred to in sub-para (b) above, but is associated with such companies in some other capacity

*Provided that* such a person may be considered for appointment as director on the Board of a bank if they comply with the following stipulations:

- i. the institutions with which the proposed appointee is associated does not enjoy any financial accommodations from the concerned bank;
- Explanation: the word ‘institutions’ referred above would cover all entities (including individuals) carrying on any of the activities specified under paragraph 9(v)(b).
- ii. they do not hold whole time appointment in these institutions; and
  - iii. they do not have in these institutions ‘substantial interest’ as defined in Section 5(ne) of the Banking Regulation Act, 1949.

*Provided further that* persons associated with non-banking financial institutions may be considered for appointment as directors on the Board of a bank subject to compliance with the provisions of Sections 10A, 16 and 20 of the Banking Regulations Act, 1949 and also conditions specified at sub-para i and sub-para iii above.

- (vi) As a matter of desirable practice, not more than one member of a family or a close relative or an associate (partner, employee, director, etc.) may be on the Board of a bank.
- (vii) Tenure - The total tenure of an NED, continuously or otherwise, on the Board of a bank, shall not exceed eight years. After completing eight years on the Board of a bank the person may be considered for re-appointment only after a minimum gap of three years. This will not preclude them from being appointed as a director in another bank subject to meeting the requirements.

10. A bank shall obtain from a director:

- (i) a Deed of Covenant executed in the format enclosed at [Annex II](#) as on March 31 of every year;
- (ii) a simple declaration as on March 31 every year to the effect that the information already provided by such person has not undergone any change;

*Provided that*, where there is change in the information provided earlier, the bank shall obtain requisite details from the director/s forthwith.

An annual certificate of the bank having undertaken such continuing due diligence shall be submitted to RBI.

### **Chapter III – MD&CEO, Part-time Chairman and Whole-time Directors**

11. A bank shall have a Part-time Chairman of the Board of Directors and a separate Managing Director & Chief Executive Officer (MD&CEO) who shall be responsible for day-to-day management of the bank.
12. A bank shall ensure the presence of at least two Whole-time Directors (WTDs), including the MD&CEO, on its Board. The total number of WTDs shall be decided by the Board by taking into account factors viz., the size of operations, business complexity, and other relevant aspects.
13. Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD of a bank shall not be held by the same incumbent for more than 15 years. Thereafter, the individual shall become eligible for re-appointment as MD&CEO or WTD in the same bank, if considered necessary and desirable by the Board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.
14. No person shall continue as the MD&CEO or WTD of a bank beyond the age of 70 years. Within the overall limit of 70 years, as part of its internal policy, an individual bank's Board is free to prescribe a lower retirement age for the WTDs, including the MD&CEO.
15. A MD&CEO or WTD of a bank who is also a promoter or major shareholder, shall not hold these posts for more than 12 years. However, in extraordinary circumstances, at the sole discretion of RBI, such an MD&CEO or WTD may be allowed to continue up to 15 years. While examining the matter of re-appointment of such MD&CEO or WTDs within the 12 / 15 years period, the level of progress and adherence to the milestones for dilution of promoters' shareholding in the bank shall also be factored in by RBI.

## **Chapter IV – Role of the Board and Individual Directors**

16. A bank shall conduct its affairs in such ways that it remains wholly solvent, adequately liquid and reasonably profitable. Additionally, it shall ensure that its Memorandum and the Articles of Association spell out the duties, functions and obligations of the directors towards the bank and are in conformity with extant statutory and regulatory instructions.
17. A bank's Board shall fulfil four major roles viz. overseeing the risk profile of the bank, monitoring the integrity of its business and control mechanisms, ensuring the expert management, and maximising the interests of its stakeholders.
18. The Board of a bank shall ensure that responsibilities of its directors are well-defined, and every director is familiarised with the functioning of the bank before their induction, covering the following essential areas:
  - (i) delegation of powers to various authorities by the Board,
  - (ii) strategic plan of the institution
  - (iii) organizational structure
  - (iv) financial and other controls and systems
  - (v) economic features of the market and competitive environment.
19. The Board of a bank needs to set and enforce clear lines of responsibility and accountability for itself as well as the senior management and throughout the organization.
20. A bank shall institutionalise discussions between its management and the Board on quality of internal control systems. The Board shall specifically pay attention to creating and sustaining a culture of control.
21. The non-executive directors(NEDs) of a bank shall address themselves to policy formulations, performance appraisal and proper arrangements for implementation of decisions of the Board and its Committees leaving the operational aspects to the care of MD&CEO and other executives. Some of the important areas on which the NEDs shall bestow particular attention are compliance with monetary and credit policy of RBI / Government, observance of Cash Reserve and Statutory Liquidity Ratio, efficient management of funds and

profitability, overall sectional deployment of funds, performance budgeting, housekeeping particularly reconciliation of inter-office accounts, customer service, vigilance, avoidance of frauds and development of a good system of management information and monitoring.

22. A NED of a bank shall not only take interest in the bank's work concerning their own fields of specialisation / activity but also deliberate on all matters of general policy affecting the bank's functioning including those concerning the staff. In other words, every NED is expected to function in a manner most conducive to the interests of the depositors, of the shareholders and of the nation as a whole.
23. In the context of what has been stated hereinbefore, a NED, in the discharge of their duties, shall observe the following:
  - (i) a NED is not an employee of the bank.
  - (ii) a NED as an individual, shall have no power to act on behalf of the bank nor can they give any direction to the employees of the bank on behalf of the management. A NED shall desist from sending any instructions to the individual officers on any matters and such cases, if any, shall be routed through the MD&CEO of the bank. Further, if any information is required for the purpose of taking a decision or reviewing the situation at the Board level, it shall be sought from the MD&CEO.
  - (iii) unless specifically authorised by a Board resolution, a NED shall exercise power only as a member of a collective body, sitting along with others on the Board of Directors. An individual director or a Committee of the Board may be authorised by the Board to finally decide any matter or make recommendations thereon to the Board.
  - (iv) a NED shall act with the amount of care and prudence which an ordinary person is expected to take in their own business.
  - (v) a NED who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered by or on behalf of the banking company shall, as soon as possible after the relevant circumstances have come to their knowledge, disclose the nature of their interest to the Board when any such contract, loan, arrangement or proposal is discussed. Unless their presence is

required by the other directors for the purpose of eliciting information, no NED, so required to be present, shall vote on any such contract, loan, arrangement or proposal.

- (vi) a NED shall not sponsor any individual proposal, nor shall they approach directly the Branch Managers to sanction loans or other facilities to any constituent. While sanction of individual loan application, determining credit worthiness etc. shall be the job of the technical experts i.e. the bank executives, in examining individual credit proposals, a NED shall carefully analyse the state of health of the concerned units by observing the cash flow position and appropriate action taken to ensure that the position of the unit does not deteriorate and the funds get locked up.
- (vii) a NED shall not sponsor individual cases of employees or officers regarding their recruitment, transfers, promotions, postings and other related matters. If they have any specific complaint against an individual employee, they shall be taken up and brought to the notice of the MD&CEO and not any officer below them.
- (viii) a bank and its directors, officers, etc. shall observe, except as otherwise required by law, the practices and usages customary among bankers, and in particular, not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with law or practices and usages customary among bankers, necessary or appropriate for the banking company to divulge such information.

24. A NED on the Board of a bank shall perform their role in such a manner as to assist the Chairman and strengthen the management to bring about qualitative and quantitative improvement in the working of the bank. In this connection, the NEDs shall ensure adherence to the following illustrative, but not exhaustive, list of DO'S and DONT'S:

- (i) DO'S: A NED shall
  - (a) attend the Board meetings regularly and effectively;

- (b) study the Board papers thoroughly and use the good offices of the Chief Executive for eliciting any information at the Board meeting;
  - (c) ask the Chairman to furnish the Board papers and follow-up reports on a definite time schedule;
  - (d) be involved thoroughly in the matter of formulation of general policy and also ensure that performance of the bank is monitored adequately at Board levels;
  - (e) be familiar with the broad objectives of the bank and the policy laid down by the Government and RBI;
  - (f) offer constructive ideas for the better management of the bank and for making valuable contribution;
  - (g) work as a team and not sponsor or be prejudiced against individual proposals. The management on its part shall furnish full facts and complete papers in advance;
  - (h) offer as much of wisdom, guidance and knowledge as possible to the management; and
  - (i) analyse the trends of economy, assist in the discharge of management's responsibility to public and formulation of measures to improve customer service and, be of constructive assistance to the bank management.
- (ii) DONT'S: a NED shall not
- (a) send any instruction to any individual officer of the bank or give direction to individual officer in any matter;
  - (b) involve themselves in any matter relating to personnel administration whether it is appointment, transfer, posting or promotion or a redressal of individual grievances of any employee;
  - (c) interfere in the day-to-day functioning of the bank;

- (d) involve themselves in the routine or every day business and in the management functions;
  - (e) approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official;
  - (f) sponsor any loan proposal, buildings and sites for bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc or do anything which will interfere with and / or be subversive of maintenance of discipline, good conduct and integrity of the staff.
  - (g) participate in the Board discussion if a proposal in which they are directly or indirectly interested comes up for discussion. They shall disclose their interest well in advance to the MD&CEO;
  - (h) call for papers / files / notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the meetings. All information / clarification that they may require for taking a decision shall be made available by the management.
  - (i) reveal any information relating to any constituent of the bank to anyone as they are under oath of secrecy and fidelity. To ensure confidentiality of the bank's agenda papers / notes, it is suggested that by way of abundant precaution, the Board papers may be returned to the bank after the meeting;
  - (j) send for individual officers of the bank or give directions to such officers on any matter;
  - (k) encourage an individual employee or union to approach them in any matter;
  - (l) display the logos or distinctive design of the bank on their visiting card/ letter head. They may indicate their directorship of the bank on their visiting card or letter heads.
25. MD&CEO / WTDs shall exercise such powers and discharge such duties as may be delegated to them by the Board. They are charged with the responsibility of efficient management of the bank on behalf of the Board. It is through them that

the programmes, policies and decisions approved by the Board are made effective and again it is through them that the Board gets the responses and reactions of those at various levels of the organisations to its deliberations. It is they who interpret the policy decided upon by the Board to the employees of the bank and issue instructions in pursuance of the Board's policies and ensure that these instructions are carried out.

## **Chapter V – Calendar of Reviews and Board Meeting Procedures**

26. The Chair of the Board of a bank shall be an independent director. In the absence of the Chair of the Board, the meetings of the Board shall be chaired by an independent director.
27. The quorum for the Board meetings shall be one-third of the total strength of the Board or three directors, whichever is higher. At least half of the directors attending the meetings of the Board shall be independent directors.
28. A bank shall determine the Board agenda items and the periodicity thereof, with the approval of their Boards, such that there is adequate focus on matters of strategic and financial importance, including the seven broad themes indicated below:

<b>Category</b>	<b>Description</b>
Business Strategy	Development of new products Competitiveness of individual businesses Business reviews in relation to targets.
Risk	Policies concerning credit, operational, market, liquidity risks Assessing the independence of the risk function.
Financial Reports and their integrity	Detailed scrutiny of quarterly and annual financial results; NPA management and Integrity of reported NPA and provisioning
Compliance	Regulatory requirements Adherence to RBI and SEBI norms Observations from the annual financial inspection by RBI and from the Long Form Audit Report Review of decisions in previous minutes of meetings, and key decisions within subsidiaries Review of action taken reports Appointments to Board committees
Customer Protection	Mis-selling, particularly third-party products Laying down the appropriateness of products to different customer segments Understanding the broad trends and concentration in the growth of customer grievances and their resolution
Financial Inclusion	Review of priority sector lending; Payments for the disadvantaged; Deposit mobilization from weaker sections Support to microfinance institutions and other issues

Category	Description
Human Resources	Appointments and approvals of directors Perks and perquisites for employees, Incentive schemes for employees Promotion policies for employees Training and skill development of employees

29. The Board shall maintain oversight on the following:
- (i) risk management system, policy and strategy followed by the bank;
  - (ii) exposures to related entities of the bank, viz. details of lending to / investment in subsidiaries, the asset classification of such lending / investment, etc.; and
  - (iii) conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions etc.
30. The Board of a bank shall review the status of the action taken on points arising from the earlier meetings till action is completed to the satisfaction of the Board, and any pending item shall continue to be put up as part of the agenda items before the Board.
31. A bank shall place before its Board, copies of all directives / circulars and other important communications from RBI and the Government along with adequate background and supplementary information of the policies and instructions sought to be conveyed in the said circulars.
32. To enable the Board of a bank to concentrate on strategic issues, the following may be assigned to a Committee of the Board:
- (i) reviews dealing with various performance areas. Only a summary on each of the reviews may be put up to the Board at periodic intervals;
  - (ii) monitoring of the exposures (both credit and investment) of the bank;
  - (iii) review of the adequacy of the risk management process and upgradation thereof;
  - (iv) internal control system;
  - (v) ensuring compliance with the statutory / regulatory framework, etc.

33. To improve the manner in which the proceedings of Board Meetings are recorded and followed up, a bank shall provide the following information to its Board:
  - (i) a summary of key observations made by the directors which shall be submitted in the next Board meeting; and
  - (ii) a detailed recording of the proceedings clearly bringing out the observations, dissents, etc. by the individual directors which shall be forwarded to them for their confirmation.

## **Chapter VI – Committees of the Board**

### **A. Audit Committee of the Board**

34. A bank shall set up an Audit Committee of the Board (ACB) comprising only NEDs. The members shall have the ability to understand all financial statements as well as the notes / reports attached thereto and at least one member shall have requisite professional expertise / qualification in financial accounting or financial management [e.g., experience in application of accounting standards and practices, including internal controls around it].

*Provided that,* the Chair of the Board shall not be a member of the ACB.

*In this regard,* the bank shall also refer to Circulars DoS.No.5/16.13.100/94 dated April 09, 1994; DOS.No.BC.14/Admn./919/16.13.100/95 dated September 26, 1995; DoS.No.BC.18/08.91.020/96 dated September 23, 1996; and DBS.ARS.BC.No.4/08.91.020/2010-11 dated November 10, 2010 containing instructions on the constitution, functions, and review mechanisms of the ACB.

35. The Chair of the ACB shall not be a member of any committee of the Board which has a mandate of sanctioning credit exposures.
36. The meetings of the ACB shall be chaired by an independent director who shall not chair any other committee of the Board.
37. The ACB shall meet at least once in a quarter with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB shall be independent directors.

### **B. Risk Management Committee**

38. The Board of a bank shall constitute a Risk Management Committee of the Board (RMCB) with a majority of NEDs.
39. The Chair of the Board may be a member of the RMCB only if they have the requisite risk management expertise.
40. The RMCB shall meet at least once in each quarter with a quorum of three members. At least half of the members attending the meeting of the RMCB shall be independent directors of which at least one member shall have professional expertise / qualification in risk management. The bank shall also refer to Circular

No. [DBOD.No.BP.520/21.04.103/2002-03](#) dated October 12, 2002 on 'Guidance Notes on Management of Credit Risk and Market Risk'.

41. Meetings of RMCB shall be chaired by an independent director who shall not be a Chair of the Board or any other committee of the Board.

### **C. Nomination and Remuneration Committee**

42. A bank shall constitute a Nomination and Remuneration Committee (NRC) consisting of only NEDs.
43. The Chair of the Board shall not chair the NRC.
44. The NRC shall meet with a quorum of three members. At least half of the members attending the meeting of the NRC shall be independent directors, of which one shall be a member of the RMCB.
45. The meetings of the NRC shall be chaired by an independent director.
46. The meeting of NRC may be held as and when required.

## **Chapter VII – Appointment of Chief Risk Officer**

47. A bank shall lay down a Board-approved policy clearly defining the roles and responsibilities of the Chief Risk Officer (CRO).
48. The CRO shall be a senior official in the hierarchy of a bank and shall possess the necessary and adequate professional qualification / experience in the area of risk management.
49. The policy referred at paragraph 47 shall include the necessary safeguards to ensure the independence of the CRO. For this purpose, it shall be ensured that:
  - (i) the CRO shall have direct reporting lines to the MD&CEO / RMCB;
  - (ii) in case the CRO reports to the MD&CEO, the RMCB shall meet the CRO without the presence of the MD&CEO, at least on a quarterly basis;
  - (iii) the CRO shall not have any reporting relationship with the business verticals and shall not be given any business targets; and
  - (iv) there shall not be any ‘dual hatting’ i.e., the CRO shall not be given the responsibility of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief of the internal audit function or any other function.
50. The CRO of a bank shall be appointed for a fixed tenure with the approval of the Board and may be transferred / removed from their post before completion of the tenure only with the approval of the Board. Such premature transfer / removal shall be reported to the Department of Supervision, RBI. In case of listed banks, any change in incumbency of the CRO shall also be reported to the stock exchanges.
51. A bank shall have a system of separation of credit risk management function from the credit sanction process as part of effective risk management. In case the CRO of a bank is associated with the credit sanction process, it shall be clearly enunciated whether the CRO's role would be that of an adviser or a decision maker. In this regard, it shall be ensured that:
  - (i) In a bank that follows committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the

credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal. If the CRO is not a part of the credit sanction process, their role shall be limited to that of an adviser.

- (ii) In a bank which does not follow committee approach for sanction of high value credits, the CRO can only be an adviser in the sanction process and shall not have any sanctioning power.
- (iii) The CRO in their role as an adviser shall be an invitee to the credit sanction / approval committee without any voting rights in the proceedings of such a committee.

## **Chapter VIII – Appointment of Chief Financial Officer and Chief Technical Officer**

52. As a bank's Chief Financial Officer (CFO) or Chief Technology Officer (CTO) in its management structure plays a crucial role in strengthening and sustaining the risk governance framework, the bank shall stipulate, at a minimum, the following qualifications and experience while inviting applications for these positions:

<b>Role</b>	<b>Criteria (Minimum qualification and experience)</b>
Chief Financial Officer	<p><u>Qualification</u>: qualified Chartered Accountant.</p> <p><u>Experience</u>: Fifteen years in overseeing financial operations, preferably accounting and taxation matters, in banks / large corporates / PSUs / FIs / financial services organizations, of which ten years shall be in banks / FIs (of which five years shall be at senior management level).</p>
Chief Technology Officer	<p><u>Qualification</u>: Engineering Graduate or MCA or equivalent qualification from a recognized University / Institution.</p> <p><u>Experience</u>: Fifteen years of experience in relevant areas viz. Banking-IT related areas / projects involving IT Policy and Planning / Financial Networks and Applications / Financial Information Systems / Cyber Security Technologies / Payment Technologies, etc., of which five years shall be at senior management level.</p>

*Provided that* a bank may prescribe additional qualifications and experience as they deem fit, taking into account the risk profile, size and scale of operations.

## **Chapter IX – Remuneration of NEDs, WTDs, MD&CEO, Material Risk Takers, and Control Function staff**

53. A bank may pay its NEDs remuneration in the form of:
- (i) sitting fees and travelling / halting allowance i.e. expenses related to attending meetings of the Board and its committees which shall be fixed with the approval of the Board subject to compliance with the extant statutory provisions. It is clarified that a bank need not approach RBI for approval under Section 35B of the Banking Regulation Act, 1949 in this regard; and
  - (ii) fixed remuneration not exceeding ₹30 lakh per annum for an NED, other than the Chair of the Board. For this purpose, the bank shall set suitable criteria, such that the fixed remuneration is commensurate with an individual director's responsibilities and demands on time and are considered sufficient to attract qualified competent individuals.

*Explanation:* The Board of a bank may fix a lower amount within the ceiling limit of ₹30 lakh per annum depending upon the size of the bank, experience of the NED and other relevant factors.

54. A bank's compensation policies and practices in respect of WTDs, MD&CEO, Material Risk Takers (MRTs), and Control Function staff shall be in accordance with the Guidelines set out in paragraph 55, and the Basel Committee on Banking Supervision (BCBS) Methodologies detailed in paragraph 56 of these Directions.
55. **Guidelines:** a bank shall implement necessary policies or systems to ensure adherence to the guidelines delineated below which are based on the [FSB Principles for Sound Compensation Practices](#) and their [Implementation Standards](#), as well as current statutory and regulatory framework in India.

(1) **Guideline 1: Compensation Policy**

A bank shall formulate and adopt a comprehensive compensation policy covering all its employees and conduct annual review thereof. The policy shall cover all aspects of the compensation structure such as fixed pay, perquisites, performance bonus, guaranteed bonus (joining / sign-on bonus), severance

package, share-linked instruments e.g. Employee Stock Option Plan (ESOPs), pension plan, gratuity, etc., taking into account these Guidelines.

(2) Guideline 2: NRC

The NRC of the Board of a bank shall oversee the framing, review and implementation of compensation policy of the bank on behalf of the Board. The NRC shall work in close coordination with RMCB, to achieve effective alignment between compensation and risks. The NRC shall also ensure that the cost/income ratio of the bank supports the compensation package consistent with maintenance of sound capital adequacy ratio.

(3) Guideline 3: For WTDs / MD&CEO / MRTs

A bank shall ensure that for the WTDs / MD&CEO / MRTs:

- (i) compensation is adjusted for all types of risks,
- (ii) compensation outcomes are symmetric with risk outcomes,
- (iii) compensation payouts are sensitive to the time horizon of the risks, and
- (iv) the mix of cash, equity and other forms of compensation are consistent with risk alignment.

A wide variety of measures of credit, market, liquidity and various other risks shall be used by a bank in implementation of risk adjustment. The risk adjustment methods may preferably have both quantitative and judgmental elements. The compensation shall also be in compliance with all statutory requirements.

The compensation structure for the WTDs / MD&CEO / MRTs of a bank shall be as under:

- (i) Fixed Pay and Perquisites: A bank shall ensure that the fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites, shall be treated as part of fixed pay. It may be noted that all perquisites that are reimbursable shall also be included in the fixed pay so long as there are

monetary ceilings on these reimbursements. Contributions towards superannuation / retiral benefits shall be treated as part of fixed pay.

(v) Variable Pay

- (a) Composition of Variable Pay: The variable pay may be in the form of share-linked instruments [including Cash-linked Stock Appreciation Rights (CSARs)], or a mix of cash and share-linked instruments. There shall be proper balance between the cash and share-linked components in the variable pay. Only in cases where the compensation by way of share-linked instruments is not permitted by law / regulations, the entire variable pay may be in cash.
- (b) Limit on Variable Pay: It shall be ensured that there is a proper balance between fixed pay and variable pay. In this respect, the bank shall ensure that:
  - i. In accordance with FSB Implementation Standards, read with sub-point (iv) of this subparagraph and BCBS stipulation furnished in paragraph 56(i), a substantial proportion of compensation i.e., at least 50 per cent, shall be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance, except in cases mentioned in sub-point (ii) of this subparagraph and guideline (4). At higher levels of responsibility, the proportion of variable pay shall be higher. The total variable pay shall be limited to a maximum of 300 per cent of the fixed pay (for the relative performance measurement period).
  - ii. In case variable pay is up to 200 per cent of the fixed pay, a minimum of 50 per cent of the variable pay; and in case variable pay is above 200 per cent, a minimum of 67 per cent of the variable pay shall be via non-cash instruments.
  - iii. In the event that an executive is barred by statute or regulation from grant of share-linked instruments, their

variable pay shall be capped at 150 per cent of the fixed pay, but shall not be less than 50 per cent of the fixed pay.

- iv. The deterioration in the financial performance of the bank shall generally lead to a contraction in the total amount of variable compensation, which may even be reduced to zero.

(c) Deferral of Variable Pay:

- i. For senior executives, including WTDs, and other employees who are MRTs (see guideline (6) below), in adherence to FSB Implementation Standards, deferral arrangements shall invariably exist for the variable pay, regardless of the quantum of pay. For such executives of a bank, a minimum of 60 per cent of the total variable pay shall be under deferral arrangements. Further, if cash component is part of variable pay, at least 50 per cent of the cash bonus shall also be deferred.
- ii. However, in cases where the cash component of variable pay is under ₹25 lakh, deferral requirements may not be necessary.

(d) Period of Deferral Arrangement: The deferral period shall be a minimum of three years. This shall be applicable to both the cash and non-cash components of the variable pay.

(e) Vesting: Deferred remuneration shall either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting shall not be before one year from the commencement of the deferral period. The vesting shall be no faster than on a pro rata basis. Additionally, vesting shall not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.

*Explanation:* ‘No faster than pro rata basis’ means vesting shall not be frontloaded. In other words, if the deferral arrangement is three years, not more than 33.33 per cent of the total granted

ESOPs should vest at the end of first year. Further, not more than 33.33 per cent of total granted ESOPs should vest at the end of second year. Similarly, in case deferral arrangement is four years, not more than 25 per cent of total granted ESOPs shall vest in each of the first three years.

- (f) Share-linked Instruments: Such instruments shall be included as a component of variable pay. Norms for grant of share-linked instruments shall be framed by a bank in conformity with relevant statutory provisions and should form part of the bank's compensation policy. The details of share-linked instruments granted shall also be disclosed in terms of the disclosure requirements stipulated in the Reserve Bank of India (Small Finance Banks: Financial Statements - Presentation and Disclosures) Directions, 2025. Share-linked instruments shall be fair valued on the date of grant by the bank using Black-Scholes model. The fair value thus arrived at shall be recognised as an expense beginning with the accounting period for which approval has been granted.
- (g) Malus / Clawback
- i. The deferred compensation shall be subject to malus / clawback arrangements in the event of subdued or negative financial performance of the bank and / or the relevant line of business in any year.
  - ii. A bank shall put in place appropriate modalities to incorporate malus/ clawback mechanism in respect of variable pay, taking into account [Supplementary Guidance](#) issued by FSB in March 2018 on use of compensation tools to address misconduct risk, and all relevant statutory and regulatory stipulations, as applicable. A bank shall identify a representative set of situations in their Compensation Policies, which require it to invoke the malus and clawback clauses that may be applicable on entire variable pay. When

setting criteria for the application of malus and clawback, a bank shall also specify a period during which malus and / or clawback can be applied, covering at least deferral and retention periods.

- iii. Wherever the assessed divergence in bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure (in terms of Reserve Bank of India (Small Finance Banks: Financial Statements - Presentation and Disclosures) Directions, 2025), a bank shall not pay the unvested portion of the variable compensation for the assessment year under 'malus' clause. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the bank's post assessment Gross NPAs are less than 2.0 per cent, these restrictions shall apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

- (h) Guaranteed Bonus: Guaranteed bonus is not consistent with sound risk management or the 'pay for performance' principles and shall not be part of the compensation plan. Therefore, guaranteed bonus shall only occur in the context of hiring new staff as joining / sign-on bonus and be limited to the first year. Further, joining / sign-on bonus shall be in the form of share-linked instruments only, since upfront payments in cash would create perverse incentives. Such bonus will neither be considered part of fixed pay nor part of variable pay. Further, a bank shall not grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory under any statute.
- (i) Hedging: A bank shall not permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement. To enforce the

same, a bank shall establish appropriate compliance arrangements.

(4) Guideline 4: For risk control and compliance staff

Members of staff engaged in financial and risk control, including internal audit, shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. Back office and employees in the risk control function play a key role in ensuring the integrity of risk measures. If their own compensation is significantly affected by short-term measures, their independence may be compromised. If their compensation is too low, the quality of such employees may be insufficient for their tasks and their authority may be undermined. The mix of fixed and variable compensation for control function personnel shall be weighted in favour of fixed compensation. Therefore, the requirement of minimum 50 per cent of total compensation to be paid in the form of variable pay shall not be applicable for this category of staff. However, a reasonable proportion of compensation shall be in the form of variable pay, so that exercising the options of malus and / or clawback, when warranted, is not rendered infructuous. Subject to the above, while devising compensation structure for such staff, a bank shall adopt principles similar to principles enunciated for WTDs / MD&CEO, as appropriate.

(5) Guideline 5: For other categories of staff

While these Guidelines do not apply to bank's staff other than WTDs / MD&CEO / MRTs and Control Function Staff, a bank may adopt similar principles, with suitable modifications, as appropriate for them as well.

(6) Guideline 6: Identification of MRTs of the bank

A bank shall identify its MRTs whose actions have a material impact on the risk exposure of the bank, and who satisfy the qualitative and any one of the quantitative criteria given below:

- (i) Standard Qualitative criteria: Relate to the role and decision-making power of staff members (e.g., senior manager, member of management

body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

(vi) Standard Quantitative Criteria:

- (a) Their total remuneration exceeds a certain threshold; the determination of which may be done prudently by the bank, or
- (b) They are included among the 0.3 per cent of staff with the highest remuneration in the bank, or
- (c) Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

A bank shall refer to the BCBS report titled '[Range of Methodologies for Risk and Performance Alignment of Remuneration](#)' published in May 2011 to enhance its understanding of risk-adjusted remuneration.

(7) Guideline 7: Disclosure

A bank shall make disclosure on remuneration of WTDs / MD&CEO / MRTs on an annual basis at the minimum, in their Annual Financial Statements as prescribed in Reserve Bank of India (Small Finance Banks: Financial Statements – Presentation, Disclosures and Reporting) Directions, 2025, as amended from time to time.

(8) The aforementioned guidelines cover the principles of effective governance of compensation (Guidelines 1 and 2) and effective alignment of compensation with prudent risk taking (Guidelines 3 to 7). With respect to the principle of regulatory and supervisory approval / oversight, it is reiterated that:

- (i) in terms of the Section 10(1)(b)(iii) of the B.R. Act, 1949, no banking company shall employ or continue the employment of any person whose remuneration is, in the opinion of RBI, excessive;
- (ii) a bank operating in India is required to obtain regulatory approval for grant of remuneration to WTDs / MD&CEO in terms of Section 35B of the B.R. Act, 1949; and
- (iii) a bank's compensation policy shall also be subject to supervisory oversight including review under Basel framework. Deficiencies

observed in this regard shall have the effect of increasing the risk profile of the bank with attendant consequences, including a requirement of additional capital if the deficiencies are very significant.

56. **BCBS Methodologies for risk and performance alignment of remuneration:**

The BCBS in consultation with the FSB has published a report in May 2011 titled '[Range of Methodologies for Risk and Performance Alignment of Remuneration](#)' according to which:

- (i) A bank shall ensure that the variable part of remuneration is truly and effectively variable and may even be reduced to zero, in line with the symmetry principle defined by the FSB. A bank shall be able to demonstrate to supervisors that the methodologies used to adjust variable remuneration to risk and performance are appropriate to its specific circumstances;
- (ii) The methodologies adopted by a bank for aligning remuneration with risk and performance shall be consistent with its general risk management and corporate governance framework.
- (iii) Performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees of a bank perceive the incentive mechanism. The usual annual determination of bonus shall be based on rules, processes and objectives known in advance, although some degree of discretion may be retained.
- (iv) A bank shall use a combination of financial and non-financial measures to assess employee performance and adapt the measurement to each employee's specific situation. Qualitative factors viz., knowledge, skills and abilities may be considered, particularly where these serve to reinforce the bank's risk management goals.
- (v) The nature and extent to which risk adjustments are needed in remuneration shall depend on the extent to which performance measures capture risks. In all cases, risk adjustment shall be made, given that remuneration is often awarded before the final outcome of an

activity is known. A bank shall estimate risks *ex ante* and monitor outcomes *ex post*, with both influencing the final payouts.

- (vi) Risk adjustments shall take into account the nature of the risks involved and the time horizons over which they may emerge. The impact of remuneration adjustments shall be linked to actions taken by employees and / or business units, and their impact on the level of risk taken on by the bank.
- (vii) A bank shall carefully consider the nature of the award process, which links the variable remuneration of each individual employee with bonus pools and the total amount of variable remuneration at a bank's level, as it directly influences how and when performance and risk adjustment are or may be used.

## **Chapter X – Regulatory Approvals and Reporting**

57. A bank shall seek prior approval of RBI for the following purposes by submitting corresponding information and documents through the *Pravaah* Portal (<https://pravaah.rbi.org.in>):

- (i) Amendment of a provision relating to the appointment or re-appointment or termination of appointment or remuneration of MD&CEO or any other Director - Form 'A' in [Annex III](#).
- (ii) Appointment or re-appointment of Chairman or WTD or MD&CEO (by whatever name called) - Form 'B' in [Annex IV](#) along with 'Declaration and Undertaking' from candidate(s), and the remarks of NRC of having satisfied itself that the information is true and complete.

*Provided that,*

- (a) A proposal for appointment of a new MD&CEO shall invariably contain a panel of at least two names in the order of preference and shall be submitted to RBI at least four months before the expiry of the term of office of the present incumbent.
- (b) A proposal for re-appointment of MD&CEO shall be submitted to RBI at least six months before the expiry of the term of office of the incumbent.

58. A bank shall seek regulatory approval for grant of remuneration (i.e. compensation) to WTDs / MD&CEO in terms of Section 35B of the Banking Regulation Act, 1949. For this purpose, a bank shall submit application through the *Pravaah* Portal (<https://pravaah.rbi.org.in>) in the format prescribed in [Annex V](#).

*Provided that* the approval process shall involve, inter alia, an assessment of whether the bank's compensation policies and practices are in accordance with the Guidelines and the BCBS Methodologies set out or detailed in paragraph 55 and paragraph 56 respectively of these Directions.

59. A bank shall obtain regulatory approval regarding remuneration to Part-time Chairman in terms of Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949 through the *Pravaah* Portal (<https://pravaah.rbi.org.in>).

60. Any change in the Board composition shall be reported as and when they take place to the Department of Regulation, Central Office, Reserve Bank of India in the format given at [Annex VI](#).
61. A bank shall obtain regulatory approval regarding Additional Roles or Responsibilities of MD&CEO in terms of Section 10B(8) of the Banking Regulation Act, 1949, through the *Pravaah* Portal (<https://pravaah.rbi.org.in>).
62. A bank proposing to amend its Articles of Association shall obtain prior regulatory approval for such amendment in terms of Section 35B of the Banking Regulation Act, 1949 through the *Pravaah* Portal (<https://pravaah.rbi.org.in>) before circulating the draft amendments to its shareholders or convening a meeting of the shareholders in this regard.

## **Chapter XI – Repeal and other provisions**

### **A. Repeal and saving**

63. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to governance of Small Finance Banks stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.
64. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

### **B. Application of other laws not barred**

65. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

### **C. Interpretations**

66. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

Name of Bank: \_\_\_\_\_

**'Declaration and Undertaking' by a proposed Director / MD&CEO**  
**(with appropriate enclosures)**

Sr No	Particulars	Information Disclosed		
<b>I. Personal Details</b>				
1.	Name in full	First Name	Middle Name	Last Name
2.	Father's name			
3.	Gender (M/F/others)			
4.	Present address			
5.	E-mail address & alternate e-mail address: Telephone Number with STD code: Mobile Number:			
6.	Nationality			
7.	Date of Birth (dd/mm/yyyy) and Age	- - / - - / - - - Age: - - years - - months		
8.	Educational qualifications			
9.	Director Identification Number (DIN)			
10.	Aadhaar Number (Optional)			
11.	a) Permanent Account Number (PAN) b) Charge where the proposed director is assessed to tax (Income Tax jurisdiction)/name and address of Income Tax Circle/Ward c) Details of filing of return(s) and payment of taxes for past 3 years	Date of filing	Amount of tax paid (INR)	
12.	Permanent address			
13.	Details in the form of a brief write up on the relevant knowledge or experience in respect of one or more of the matters namely accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small scale industry, information technology, payment and settlement systems, human resources, risk management,			

<b>Sr No</b>	<b>Particulars</b>	<b>Information Disclosed</b>								
	business management or any other matter the special knowledge of and practical experience of which would in the opinion of the Reserve Bank be useful to the Banking Company.									
14.	Present occupation (designation, name of the organisation and brief write-up on experience)									
15.	Previous occupation covering minimum of past ten years, with complete address of the organisation(s) worked in, date of joining, date of relieving (including reasons), designation, etc.									
16.	In case a Chartered Accountant, indicate the following: a) Membership Number of Institute of Chartered Accountants of India (ICAI); b) Date of registration with the ICAI; c) Name and Address of the registered firm/s; d) Details of the Audit(s) presently undertaken by the firm(s) or by you:									
17.	Name of the banker(s) with Branch and Account Numbers (savings/current/loan accounts) where you are a primary account holder:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center; padding: 2px;">Bank Name</th> <th style="text-align: center; padding: 2px;">Branch</th> <th style="text-align: center; padding: 2px;">Type of A/c</th> <th style="text-align: center; padding: 2px;">A/c Number</th> </tr> <tr> <td style="text-align: center; padding: 2px;"></td> </tr> </table>	Bank Name	Branch	Type of A/c	A/c Number				
Bank Name	Branch	Type of A/c	A/c Number							
18.	Details of shareholding, if held in any entity, either in physical or dematerialized form, by you, spouse, and your minor child. (attach demat/shareholding certificate)									
19.	Any other information relevant to directorship of the bank:									
<b>II. Relevant Relationships of proposed director</b>										
20.	List of relatives, [Refer Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definition) Rules, 2014] if any, who									

<b>Sr No</b>	<b>Particulars</b>	<b>Information Disclosed</b>																
	are connected with any bank:																	
21.	List of entities in which: a) interested [Refer Section 184 of the Companies Act, 2013]; b) beneficial ownership [Refer Section 89 of Companies Act, 2013 as also the applicable Significant Beneficial Ownership Rules of MCA]; c) Trustee (also mention any other relationship with reference to a trust):																	
22.	List of entities, existing and proposed, in which holding substantial interest within the meaning of Section 5(ne) <sup>1</sup> of the Banking Regulation Act, 1949.	<table border="1"> <tr><td>Name of the company / firm</td><td></td></tr> <tr><td>Country of incorporation</td><td></td></tr> <tr><td>Number of shares</td><td></td></tr> <tr><td>Face Value of each share</td><td></td></tr> <tr><td>Total face value of share holding</td><td></td></tr> <tr><td>Shareholding as % of total Paid up Capital</td><td></td></tr> <tr><td>Beneficial interest (in value as well as % terms)</td><td></td></tr> <tr><td>Whether the entity is a Section 8 Company under Companies Act, 2013</td><td></td></tr> </table>	Name of the company / firm		Country of incorporation		Number of shares		Face Value of each share		Total face value of share holding		Shareholding as % of total Paid up Capital		Beneficial interest (in value as well as % terms)		Whether the entity is a Section 8 Company under Companies Act, 2013	
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Number of shares																		
Face Value of each share																		
Total face value of share holding																		
Shareholding as % of total Paid up Capital																		
Beneficial interest (in value as well as % terms)																		
Whether the entity is a Section 8 Company under Companies Act, 2013																		
23.	Details of holdings in entities incorporated abroad and having a place of business in India.																	
24.	Name of Bank/NBFC/any other company in which currently or in the past a member of the Board/ Advisor etc. (giving details of period during which such office is being/ was held).																	
25.	If connected with any entity undertaking hire purchase, financing, investment, leasing and other para banking activities (nature of association to be mentioned), details																	

<sup>1</sup> 'substantial interest' (i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds two crore rupees or such other amount as may be notified in the Official Gazette by the Central Government or ten per cent of the paid-up capital of the company, whichever is less; (ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm.

<b>Sr No</b>	<b>Particulars</b>	<b>Information Disclosed</b>
	thereof.	
26.	If a stock broker or connected with any entity engaged in share broking activities, details thereof.	
27.	Details of fund and non-fund-based facilities, if any, presently availed in person and/or by entities listed in (21) to (26) above.	
28.	Cases, if any, where as an individual or the entities listed at (21) to (26) above have defaulted or declared as willful defaulter in the past in respect of credit facilities obtained from a bank/NBFC/any other lending institution.	
<b>III. Records of professional achievements</b>		
29.	Professional achievements relevant for the directorship.	
<b>IV. Proceedings, if any, against the proposed director</b>		
30.	a) As a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past or whether been banned from entry at any profession/ occupation at any time, details thereof.	
	b) If subject of any written complaint or accusation regarding individual professional conduct or activities, details thereof.	
31.	Details of prosecution, if any, pending or commenced or resulting in conviction of self or the entities listed at (21) to (26) above for violation of economic laws and regulations.	
32.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction.	
33.	If indulged in any breach of AML/CFT	

<b>Sr No</b>	<b>Particulars</b>	<b>Information Disclosed</b>
	guidelines, details thereof.	
34.	If attracting any of the disqualifications envisaged under Section 164 of the Companies Act, 2013, details thereof.	
35.	If adjudicated insolvent or has suspended payment or has compounded with creditors, details thereof.	
36.	If found to be of unsound mind and stands so declared by a competent Court, details thereof.	
37.	a) If convicted by a Criminal Court of an offence which involves moral turpitude or otherwise, details thereof.	
	b) If convicted by any Court of law, details thereof?	
38.	If holding any office of profit under any nationalised bank or State Bank of India, except for holding the post of a whole-time director, details thereof.	
39.	If as an individual or any of the entities at (21) to (26) above have been subject to any investigation/vigilance/ matters of enquiry from any of the previous employers or government departments or agency, details thereof.	
40.	If found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange/ other revenue authorities, details thereof.	
41.	If reprimanded, censured, restricted, suspended, barred, enjoined, or otherwise sanctioned by any regulator such as SEBI, IRDAI, PFRDA etc., professional organisation, government agency, or court because	

Sr No	Particulars	Information Disclosed
	<p>of professional conduct or activities, details thereof.</p> <p><i>(Though it shall not be necessary for a candidate to mention in the column about orders and findings which have been later on reversed/ set aside in toto, it would be necessary to make a mention of the same, in case the reversal/ setting aside is on technical reasons like limitation or lack of jurisdiction, and not on merit. If the order is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned).</i></p>	

#### V. General Information

42.	If a professional like Chartered Accountant, Advocate etc. and presently undertaking/ undertaken any professional work in any bank, provide details thereof including the name of the bank and period of association with the bank.	
43.	If a sitting MP/MLA/MLC or holding political position in Municipal Corporation or Municipality or other local bodies, provide details thereof.	
VI.	In the interest of disclosure and transparency, should there be <b>any other information relevant for assessing 'fit and proper'</b> , provide details thereof.	

	<u>Undertaking</u>	
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 after my appointment which are relevant to the information provided above.		
I also undertake to execute a 'Deed of Covenant' as required to be executed with the bank.		
	Place :	Signature of proposed Director/

Sr No	Particulars	Information Disclosed
		MD&CEO
	Date :	
	<b>Remarks of Nomination and Remuneration Committee (NRC) of having satisfied itself that the above information is true and complete.</b>	
	Place :	Signature of the Chair of the NRC
	Date :	

**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 as defined in the Companies Act, 1956 and 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. .....

**Form – A**

**Application for the approval of Reserve Bank of India to an amendment of a provision relating to the appointment/ re-appointment/ remuneration, etc., of Managing Director & Chief Executive Officer (MD&CEO) or any other Director or termination of appointment of a Director**

Name of the banking company: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Date \_\_\_\_\_

The Chief General Manager-in-Charge  
Department of Regulation  
Central Office  
Reserve Bank of  
India Mumbai-  
400001

Madam/Dear Sir,

**Section 35B of the Banking Regulation Act, 1949**

We hereby apply for the approval of the Reserve Bank in terms of Section 35B of the Banking Regulation Act, 1949, to the following amendment/s of the relevant provision/a as per particulars given below. We shall be glad to furnish any further information that you may deem necessary in this connection.

Yours faithfully,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Designation)

<b>Sr No</b>	<b>Particulars</b>	<b>Information Disclosed</b>
(1)	<p>State who the competent authority is to make the amendment/s in question. In case it is the Board of Directors, please quote the number of the relevant Article:</p> <p>[A certified copy of the resolution (also mentioning the date thereof) of the competent authority - the General Body or the Board of Directors, as the case may be - authorising the amendment/s should be furnished along with the application. If the resolution is in vernacular, a certified copy thereof - as translated into English may preferably be supplied.]</p>	
(2)	Full name of the person to whom the amendment relates:	
(3)	Post held by him and whether he is also the MD&CEO:	
(4)	<p>Particulars of -</p> <p>(a) the existing provision/s:</p> <p>(b) the proposed amendment/s:</p> <p>[For instance: an amendment of the Articles/ Memorandum of Association relating to the appointment or re-appointment or termination of appointment or remuneration of the specified persons; additions to the remuneration payable to them such as by way of an increase in the pay, allowances, perquisites and benefits, etc.]</p>	
(5)	<p>Position in regard to compliance with such of the provisions of the Companies Act, 2013, as are attracted, e.g., Sections 188,190,196,197:</p> <p>Please state the position with reference to each Section (which is applicable) separately.</p>	
(6)	Any additional facts which the banking company may like to state in support of the application or otherwise:	

For

\_\_\_\_\_  
(Name of the banking company)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Designation)

**Form - B**

**Application for the approval of Reserve Bank of India to the appointment/ re-appointment of Managing Director & Chief Executive Officer (MD&CEO) / Whole-Time Directors / Part-Time Chairperson**

Name of Banking Company: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

The Chief General Manager-in-Charge  
Department of Regulation  
Central Office  
Reserve Bank of  
India Mumbai-  
400001

Madam/Dear Sir,

**Section 35B / 10B(1A)(i) of the Banking Regulation Act, 1949**

We hereby apply for the approval of the Reserve Bank in terms of Section 35B / 10B(1A)(i) of the Banking Regulation Act, 1949, to the following appointment/re-appointment\* and give below the relevant particulars. We shall be glad to furnish any further information that you may deem necessary in this connection.

Yours faithfully,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Designation)

\*Strike out the word that is not applicable.

**Particulars**

Sr No	Particulars	Information Disclosed
(1)	<p>State who the competent authority is to make the appointment / re-appointment in question and to fix the terms thereof. In case it is the Board of Directors, please quote the number of the relevant Article:</p> <p>[A certified copy of the resolution (also mentioning the date thereof) of the competent authority, the General Body or the Board of Directors, as the case may be authorising the appointment/ re-appointment should be furnished along with the application. If the resolution is in vernacular, a certified copy thereof as translated into English may preferably be supplied.]</p>	
(2)	Full name of the person to be appointed/ re-appointed:	
(3)	Present designation:	
(4)	<p>Person's-</p> <p>(a) Age:</p> <p>(b) Academic qualifications:</p> <p>(c) Banking and/or other professional experience stating the name/s of the institution/s, the position/s held therein and the approximate period of such experience:</p>	
(5)	<p>Terms of appointment/ re-appointment:</p> <p>(a) Whether the appointment/ re-appointment will be under a contract or agreement:</p> <p>(If so, a copy of the draft contract or agreement should be furnished, together with a copy of existing contract or agreement, if any)</p>	

	(b) Period of appointment/ re-appointment fixed:  (c) Details of remuneration:	<i>To be furnished as per the format prescribed in Annex V</i>
(6)	(a) State whether the banking company complies with the provisions of Section 10(1)(b)(i) and (ii) and Section 10(1)(c) of the Banking Regulation Act, 1949 in respect of the person proposed to be appointed/ re-appointed:  (b) State whether the person to be appointed as the Managing Director & Chief Executive Officer (MD&CEO) is subject to any of the disqualifications mentioned in Section 10B(4) read with Section 5(ne) of the Banking Regulation Act, 1949:	
(7)	Position in regard to compliance with such of the provisions of the Companies Act, 2013 as are attracted, e.g. Section 188, 190, 196, 197: Please state the position with reference to each Section separately.	
(8)	Any additional facts, which the banking company may like to state in support of the application or otherwise:	

For

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(Name of the banking company)

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(Signature)

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(Designation)

**Note:** In case the application relates to the re-appointment of the MD&CEO, also involving an amendment of the provision/s relating to his existing appointment or remuneration, only one application as in 'Form B' need be submitted, particulars of existing provision/s and the proposed amendment/s being furnished as indicated in item 5 thereof.

**Details of Remuneration/Compensation of the Whole Time Director/  
Chief Executive Officer**

<b>Particulars</b>	<b>Existing (₹)</b>	<b>Proposed (₹)</b>	<b>Reasons for change</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
<b>PART-A:</b>			
<b>Fixed Pay (including perquisites):</b>			
w.e.f.....up to .....			
1. Salary 2. Dearness allowance 3. Retiral/Superannuation benefits: (a) Provident Fund (b) Gratuity (c) Pension (d) .... 4. Leave Fare Concession/ Allowance 5. Other fixed allowances, if any (please specify)* <i>*Consolidated allowance, if any, to be given with details of heads it subsumes.</i> 6. Perquisites: (i) Free Furnished House and its maintenance / House Rent Allowance (ii) Conveyance Allowance/Free use of bank's car for a) Official purposes b) Private purposes (iii) Driver(s)' salary (iv) Club Membership(s) (v) Reimbursement of medical expenses (vi) Any other perquisites (please specify)			
<b>Total Fixed pay (including perquisites)</b>			
<b>Note:</b>			
(a) If any of the benefits is of a non-monetary nature, e.g. free furnished house, its monetary equivalent as best as it is possible to determine, should invariably be given. In case the person to be appointed is already associated with the applicant bank, particulars of his existing compensation, etc. should be furnished. (b) The reasons for any proposed changes in the remuneration should be suitably indicated under column (4). (c) In case the bank proposes to give any sign-on/joining bonus (limited to the first year), which should be in the form of share-linked instruments, its details (such as number of shares, grant date and price, monetary value, vesting schedule) should be furnished separately. (d) Banks should exclude only such perquisites from fixed pay, which are reimbursables without any monetary ceilings, e.g. hospitalization expenses, etc. Details of such perquisites should be annexed separately and need not be added while computing total fixed pay. Such exclusions are provided solely for such benefits/perquisites which are not quantifiable in advance. These exclusions would be subject to supervisory review.			

<b>Particulars</b>	<b>Existing ₹)</b>	<b>Proposed ₹)</b>	<b>Reasons for change</b>
(1)	(2)	(3)	(4)
<b>PART-B:</b>			
<b>Variable Pay:</b>			
<b>For FY/Performance Period .....</b>			
<b>1. Cash component</b>			
<ul style="list-style-type: none"> <li>• Upfront payment (with %)</li> <li>• Deferred payment (with %)</li> </ul>			
<b>Total cash component</b>			
<b>Vesting period (in years)</b>			
<b>Deferral arrangement</b>			
<ul style="list-style-type: none"> <li>(i) First Year</li> <li>(ii) Second Year</li> <li>(iii) Third Year</li> <li>(iv) .....</li> </ul>			
<b>2. Non-cash Components (Share-linked instruments):</b>			
<b>(i) ESOP/ESOS</b> <ul style="list-style-type: none"> <li>(a) Number of share/ share-linked instruments</li> <li>(b) Monetary value</li> <li>(c) Deferral (with %)</li> <li>(d) Vesting schedule details</li> </ul>			
<b>(ii) .....(Any other share-linked instruments)</b> <ul style="list-style-type: none"> <li>(a) Number of share/ share-linked instruments</li> <li>(b) Monetary value</li> <li>(c) Deferral (with %)</li> <li>(d) Vesting schedule details</li> </ul>			
<b>(iii) Any other non-cash component</b> (please specify) and mention its monetary value, deferral, vesting schedule, etc.			
<b>Total monetary value of non-cash</b>			

Particulars	Existing (₹)	Proposed (₹)	Reasons for change
<b>component(s)</b>			
<b>Total monetary value of Variable Pay (Cash and non-cash components)</b>			
<b>% of Cash Component in Total Variable Pay</b>			
<b>% of Non-cash component in Total Variable Pay</b>			
<b>% of Variable Pay to Fixed Pay and % of Variable Pay in Total Compensation (for the same FY/Performance Period)</b>			
<b>Total Compensation (Fixed Pay + Variable Pay)</b>			
<b>Note:</b>			
(a) Both parts- A and B have to be filled and submitted at the time of appointment/re-appointment or seeking approval for the remuneration/revision of remuneration. The target variable pay, along with various sub- components, deferral and vesting period, etc., should be submitted in PART-B. (b) Whenever the bank approaches RBI for approval of variable pay for a particular performance measurement period, after the end of the period, only part-B has to be suitably filled and submitted.			

**Statement on Composition of Board as on \_\_\_\_\_****Name of the bank:****Number of Directors allowed under the Articles of Association of the bank:****Total number of Directors:**

Sl	Name of the director	Date of Appointment	Date of birth	Whether elected/ co-opted	Whether he was on the Board. If so, period	Special Knowledge/ Practical experience	Remarks

Whether the constitution of Board of Directors  
is in conformity with the provisions of Section 10A  
of the Banking Regulation Act, 1949 : .....

Whether the Board consists of not less than 2  
members who have special knowledge/ practical  
experience in respect of agriculture and rural economy,  
co-operation or SSI, and belonging to majority sector : .....

Whether the induction of Directors is in conformity with  
The provisions of Section 16 of the Banking Regulation  
Act, 1949 : .....

Whether any of the Directors or the Companies with  
Which they are associated have been provided credit  
Facilities by the bank : .....

Authorized signatory