

No central bank nominee should be on the boards of public sector banks (PSBs) to avoid "any conflict of interest", RBI Governor [Urjit Patel](#) said on Tuesday while briefing a [parliamentary panel](#) over [Nirav Modi](#) fraud case.

The central bank is discussing the matter of RBI nominee director with the Finance Ministry, he told the Parliamentary Standing Committee on Finance, according to sources who were present in the briefing.

Patel on Tuesday appeared before the panel, whose members include former Prime Minister Manmohan Singh, to brief it on mounting non-performing assets (NPAs), recent frauds in banks, and other issues.

He categorically said that the primary and collective responsibility to contain frauds in the banks rests with its board, according to the sources.

Emphasising on the director's role, Patel in a written reply to the panel said the main role of any director on the bank's board, including nominee director, is to ensure that the bank is managed efficiently and professionally.

Patel was responding to the queries of the MPs on the governance issues in [ICICI Bank](#) and Axis Bank, and also questions related to Rs 130 billion fraud at the Punjab National Bank perpetrated by diamond trader [Nirav Modi](#).

The proposals coming before the board and its committees are consistent with normal banking practices, guidelines of the government, RBI and are not violative of any law, he said.

"RBI nominee directors should be distanced from management committee of the board (which takes credit decisions), to avoid any conflict of interest and the RBI nominee should not be on the boards of the PSBs," he noted.

He further said that the separation of the post of Chairman from that of the CEO/MD, in the nationalised banks, has been done with a view to strengthening the independence of the board and enhancing its oversight over the management.

Highlighting the need for implementation of [Nayak committee](#) report, he said it will go long way in improving the role of the boards of the nationalised banks.