

## **RBI fixes private bank MD, CEO tenures at 15 years; compliance by Oct 1**



The [Reserve Bank of India](#) (RBI) on Monday capped the tenure of managing directors (MDs) and chief executive officers (CEOs) of private banks at 15 years. Promoters or major shareholders, however, cannot hold these posts for more than 12 years, but the RBI can choose to give them a three-year extension under extraordinary circumstances.

In its draft guidelines issued last year, the central bank had proposed a maximum of 10 years for promoter shareholders as MD and CEO.

According to the RBI's latest guidelines on corporate governance in banks, after the completion of their term, professional MDs & CEOs or whole-time directors will be eligible for re-appointment in the same bank after a minimum gap of three years. During the cooling-off period, they should not be associated with the bank or its group entities in any capacity, either directly or indirectly.

The rules apply to private banks, small finance banks, and wholly owned subsidiaries of foreign banks.

The RBI will issue norms for other banks separately.

Banks have to comply with the instructions latest by October 1.

The upper age limit for MDs, CEOs and whole-time directors will be 70 years. The board can fix a lower age limit if it chooses to, the RBI said.

The RBI will examine the level of progress and "adherence to the milestones for dilution of promoters' shareholding in the bank shall also be factored in by the Reserve Bank," the RBI notification said.

The chairman of a bank has to be an independent director, and at least half of the directors attending the board meetings have to be independent directors.

The RBI will let the existing chairman, MD and CEO, or whole-time director's tenure to be completed for which approvals have already been taken.

It would mean that Kotak Mahindra Bank's Uday Kotak would complete his tenure as MD and CEO even after being the head of the institution for 17 years. The RBI had approved his reappointment for three years, starting January 1, 2021.

Among other important measures, the RBI said the audit committee of the board (ACB) of a bank and the nomination and remuneration committee (NRC) can be constituted with only non-executive directors. However, the chairman of the board cannot be part of the audit committee. The audit committee has to meet at least once a quarter.

"The meetings of the ACB shall be chaired by an independent director who shall not chair any other committee of the Board. The chair of the ACB shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures," the RBI rules said.

The maximum age of such non-executive directors should be 75 and the total tenure of such directors should not exceed eight years, continuously or otherwise. But they will be eligible for reappointment after a cooling-off period of three years. The maximum remuneration of non-executive directors, other than that of the chairman, should not exceed Rs 20 lakh per annum.

The latest circular would push up demand for additional independent-director candidates with understanding and expertise across audit, technology, HR, credit, and risk management, said Srinath Sridharan, an independent markets commentator.

"If you have an eight-member board, with five NEDs and at least eight different sub-committees of the board, it's going to be an interesting mathematical model to solve for having appropriate independent directors with differentiated expertise and time to

actively participate in the board & committee discussions," said Sridharan, adding that NEDs forming the audit committee, and keeping the board chairman separated from the audit committee, would bring in the much-needed safeguard.

[Reserve Bank of India](#)