



RBI/DBR/2019-20/71

Master Direction DBR.Appt.No: 9/29.67.001/2019-20

August 2, 2019
(Updated as on June 03, 2020)

Master Direction - Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019

In exercise of the powers conferred by sub-section (2) of Section 19A of the State Bank of India Act, 1955 [hereinafter referred to as SBI Act]; and sub-sections (3AA) & (3AB) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, Reserve Bank of India [hereinafter referred to as Reserve Bank] being satisfied that it is necessary and expedient in the public interest to do so, hereby notifies and specifies the authority, manner, procedure and criteria for determining the 'fit and proper' status of a person to be eligible to be elected as a director on the Board of Public Sector Banks, and issues the Directions hereinafter specified.

CHAPTER – I

PRELIMINARY

1. Short Title and Commencement:

- (a) These Directions shall be called the Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019.
- (b) These Directions shall come into effect on the day these are placed on the official website of the Reserve Bank (i.e. www.rbi.org.in).

2. Applicability:

These Directions shall be applicable to Public Sector Banks.

3. Definitions:

(a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below -

- (i) "Board of Directors" or "Board", in relation to a bank, means the collective body of the directors of the bank.

- (ii) “Chairperson” means the Chairman/Part-time Chairman of the Board of Directors of a bank.
- (iii) “Corresponding new bank” shall be as defined in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (iv) “Director” means a director appointed to the Board of a bank.
- (v) “Elected/Shareholder Director” means a director referred to in section 19(c) of the SBI Act, and clause (i) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (vi) “Government of India Nominee Director” means a director referred to in Section 19(e) of the SBI Act and Section 9(3)(b) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.
- (vii) “Independent Director” shall be as defined in the Companies Act, 2013.
- (viii) “Nationalised bank” means a corresponding new bank constituted under sub-section (1) of section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970/1980.
- (ix) “Non-official director” means director referred to in Section 9(3)(g), (h) & (i) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and Section 19(c) & (d) of SBI Act.
- (x) Non-Operative Financial Holding Company (NOFHC) means a non-deposit taking NBFC which holds the shares of a banking company and the shares of all other financial services companies in its group, whether regulated by Reserve Bank or by any other financial regulator, to the extent permissible under the applicable regulatory prescriptions.
- (xi) “Public Sector Banks” means State Bank of India and nationalised banks.
- (xii) “State Bank of India” means the State Bank of India constituted under Section 3 of the SBI Act, 1955.

(b) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the SBI Act or the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 or Companies Act, 2013 or any statutory modification or re-enactment thereto or SEBI Guidelines or as defined elsewhere by the Reserve Bank or used in commercial parlance, as the case may be.

CHAPTER – II

APPOINTMENT OF ELECTED DIRECTORS

4. 'Fit and Proper' Criteria for Elected Directors on the Boards of State Bank of India and Nationalised Banks:

Authority

4.1 All the banks are required to constitute a Nomination and Remuneration Committee [hereinafter referred to as the Committee] consisting of a minimum of three non-executive directors from amongst the Board of Directors [hereinafter referred to as Board], out of which not less than one-half shall be independent directors and should include at least one member from Risk Management Committee of the Board, for undertaking a process of due diligence to determine the 'fit and proper' status of the persons to be elected as directors under sub-section (c) of Section 19 of the SBI Act/clause (i) of sub-section (3) of Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980. The Government of India nominee director and the director nominated under section 19(f) of the SBI Act/section 9(3)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 shall not be part of the Committee. The non-executive Chairperson of the bank may be appointed as a member of the Committee but shall not chair such Committee. The Board should also nominate one among them as Chairman of the Committee. The quorum required is three, including the Chairman. In case the absence of any nominated member results in want of quorum, the Board may nominate any other non-executive director in his place for the meeting. At the time of constituting the Committee, the Board can decide on its tenure.

Manner and procedure

4.2 The banks shall obtain necessary information, and a declaration & undertaking, in the format annexed ([Annex 1](#)), from the persons who file their nominations for election. The Committee shall meet after the last date prescribed for acceptance of nominations and determine whether or not the person's candidature should be accepted, based on the criteria mentioned below. The Committee's discussions shall be properly recorded as formal minutes of the meeting and the voting, if done, shall also be noted. Based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the candidature and shall make references, where considered necessary, to the appropriate authority / persons, to ensure that the candidate conforms to the requirements indicated.

Criteria

4.3 The Committee shall determine the 'fit and proper' status of the proposed candidates based on the broad criteria mentioned hereunder:

(i) **Age** – The candidate's age should be between 35 to 67 years as on the cut-off date fixed for submission of nominations for election.

(ii) **Educational qualification** – The candidate should at least be a graduate.

(iii) **Experience and field of expertise** – The candidate shall have special knowledge or practical experience in respect of one or more of the matters enumerated in section 19A(a) of the SBI Act / section 9(3A)(A) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, as the case may be, read with [RBI Circular DBR.Appt.BC No 39/29.39.001/2016-17 dated November 24, 2016](#).

(iv) **Disqualifications:** In addition to 'Disqualifications of Directors' as prescribed in Section 22 of the SBI Act, 1955 / Clause 10 of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80:

(a) The candidate should not be a member of the Board of any bank or the Reserve Bank or a Financial Institution (FI) or an Insurance Company or a NOFHC holding any other bank.

Explanation: For the purpose of this sub-para and sub-para (c), the expression "bank" shall include a banking company, a corresponding new bank, State Bank of India, a co-operative bank and a regional rural bank.

(b) A person connected with hire purchase, financing, money lending, investment, leasing and other para banking activities shall not be considered for appointment as elected director on the board of a PSB. However, investors of such entities would not be disqualified for appointment as directors if they do not enjoy any managerial control in them.

(c) No person may be elected/ re-elected on the Board of a bank if he/she has served as director in the past on the board of any bank¹/FI/RBI/Insurance Company under any category for six years, whether continuously or intermittently.

(d) The candidate should not be engaging in the business of stock broking.

¹ It includes the bank in which he/she has served as director in the past.

- (e) The candidate should not be holding the position of a Member of Parliament or State Legislature or Municipal Corporation or Municipality or other local bodies².
- (f) The candidate should not be acting as a partner of a Chartered Accountant firm which is currently engaged as a Statutory Central Auditor of any nationalised bank or State Bank of India.
- (g) The candidate should not be acting as a partner of a Chartered Accountant firm which is currently engaged as Statutory Branch Auditor or Concurrent Auditor of the bank in which nomination for election is filed.
- (v) **Tenure** – An elected director shall hold office for three years and shall be eligible for re-election: Provided that no such director shall hold office for a period exceeding six years³, whether served continuously or intermittently.
- (vi) **Professional Restrictions** –
 - (a) The candidate should neither have any business connection (including legal services, advisory services etc.) with the concerned bank nor should be engaged in activities which might result in a conflict of business interests with that bank.
 - (b) The candidate should not be having any professional relationship with a bank or any NOFHC holding any other bank.

Provided that a candidate having any such relationship with a bank at the time of filing nomination for election shall be deemed to be meeting the requirement under item (b), the candidate shall submit a declaration to the Committee that such relationship with the bank shall be severed if he is elected as a director, and upon being elected, severs such relationship before appointment as a director of the bank.
- (vii) **Track record and integrity** - The candidate should not be under adverse notice of any regulatory or supervisory authority/agency, or law enforcement agency and should not be a defaulter of any lending institution.

5. The banks shall obtain from the elected director:

- (a) a Deed of Covenant executed in the format annexed ([Annex 2](#)), before such person assumes office of director;

² Other local bodies means bodies such as Notified Area Council, City Council, Panchayat, Gram Sabha, Zila Parishad, etc.

³ Clause 9(4) of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80, and Section 20(3) of the SBI Act

(b) a simple declaration every year as on 31st March to the effect that the information already provided by such person has not undergone any change.

(c) Where the elected director informs that there is change in the information provided earlier, the bank shall obtain from such director a fresh [Annex 1](#) incorporating the changes.

6. The banks shall also -

Ensure compliance to Section 20 of the Banking Regulation Act, 1949. In addition,

(a) Put in place a system of safeguards, including proper disclosure of the elected CA director's/his firm's clients, and not participating in bank's credit/investment decisions involving his/firm's clients. The elected CA director should be required to compulsorily dissociate himself from the entire process and sign a covenant to this effect.

(b) Require the elected director to make a full and proper disclosure of his interests and directorships in business entities, with the director personally distancing himself from and not participating in the bank's credit/investment decisions involving entities in which he is interested.

(c) Not allot any professional work to a person who was an elected director of that bank, for a period of two years after demitting office as such director.

7. Where the elected director:

(a) fails to

(i) submit the Deed of Covenant or declaration; or

(ii) make proper disclosures; or

(iii) refrain from participating in credit/investment decisions, where he is interested; or

(b) makes incomplete or incorrect disclosures, or

(c) involves in such activities that render him/her 'not fit and proper' as per the criteria mentioned above,

such director shall be deemed to be not fulfilling the requirements of sub-section (2) of section 19A of the SBI Act / sub-section (3AA) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and shall be liable for the consequences thereof.

8. The Committee shall adopt the revised criteria stated above while scrutinizing the nomination of candidates seeking election as new directors (appointment/re-appointment). However, existing elected directors may be allowed to complete their current terms as per the pre-revised criteria.

CHAPTER – III

INTERPRETATIONS AND REPEAL

9. Interpretations:

For the purpose of giving effect to the provisions of these Directions, the Reserve Bank 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 Reserve Bank shall be final and binding on all the parties concerned.

10. Repeal:

With the issue of these Directions, the instructions/guidelines contained in the following circulars issued by the Reserve Bank stand repealed.

- a) [DBOD. No. BC.No.47/29.39.001/2007-08 dated November 1, 2007](#) on 'Fit and proper' criteria for elected directors on the boards of nationalised banks.
- b) [DBOD. No. BC.No. 50/29.39.001/2007-08 dated November 14, 2007](#) on 'Fit and proper' criteria for elected directors on the boards of Associate Banks of SBI.
- c) DBOD. No. BC.No. 54/29.39.001/2011-12 dated November 21, 2011 on 'Fit and proper' criteria for elected directors on the board of SBI.
- d) DBOD. No. BC.No. 56/29.39.001/2011-12 dated November 21, 2011 on 'Fit and proper' criteria for elected directors on the board of IDBI Bank Limited.

Annex 1

Name of Bank: _____

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

Sr No	Particulars	Information Disclosed		
I. Personal Details				
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, business management or any other matter the special knowledge of and			

Sr No	Particulars	Information Disclosed								
	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;"> <thead> <tr> <th style="text-align: center;">Bank Name</th> <th style="text-align: center;">Branch</th> <th style="text-align: center;">Type of A/c</th> <th style="text-align: center;">A/c Number</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td></td> </tr> </tbody> </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:									
II. Relevant Relationships of proposed director										
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 are connected with any bank:									
21.	List of entities in which: (a) interested [Refer Section 184 of the Companies Act, 2013]:									

Sr No	Particulars	Information Disclosed																	
	<p>(b)beneficial ownership [<i>Refer Section 89 of Companies Act, 2013 as also the applicable Significant Beneficial Ownership Rules of MCA</i>]:</p> <p>(c)Trustee (also mention any other relationship with reference to a trust):</p>																		
22.	List of entities, existing and proposed, in which holding substantial interest within the meaning of Section 5(ne) ⁴ of the Banking Regulation Act, 1949.	<table border="1"> <tr> <td data-bbox="903 517 1270 562"><i>Name of the company / firm</i></td> <td data-bbox="1270 517 1353 562"></td> </tr> <tr> <td data-bbox="903 562 1270 607"><i>Country of incorporation</i></td> <td data-bbox="1270 562 1353 607"></td> </tr> <tr> <td data-bbox="903 607 1270 651"><i>Number of shares</i></td> <td data-bbox="1270 607 1353 651"></td> </tr> <tr> <td data-bbox="903 651 1270 696"><i>Face Value of each share</i></td> <td data-bbox="1270 651 1353 696"></td> </tr> <tr> <td data-bbox="903 696 1270 797"><i>Total face value of share holding</i></td> <td data-bbox="1270 696 1353 797"></td> </tr> <tr> <td data-bbox="903 797 1270 887"><i>Shareholding as % of total Paid up Capital</i></td> <td data-bbox="1270 797 1353 887"></td> </tr> <tr> <td data-bbox="903 887 1270 976"><i>Beneficial interest (in value as well as % terms)</i></td> <td data-bbox="1270 887 1353 976"></td> </tr> <tr> <td data-bbox="903 976 1270 1126"><i>Whether the entity is a Section 8 Company under Companies Act, 2013</i></td> <td data-bbox="1270 976 1353 1126"></td> </tr> </table>	<i>Name of the company / firm</i>		<i>Country of incorporation</i>		<i>Number of shares</i>		<i>Face Value of each share</i>		<i>Total face value of share holding</i>		<i>Shareholding as % of total Paid up Capital</i>		<i>Beneficial interest (in value as well as % terms)</i>		<i>Whether the entity is a Section 8 Company under Companies Act, 2013</i>		
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<i>Whether the entity is a Section 8 Company under Companies Act, 2013</i>																			
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 thereof.																		
26.	If a stock broker or connected with any entity engaged in share broking activities, details thereof.																		

⁴ 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 five lakhs of rupees or ten percent 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.

Sr No	Particulars	Information Disclosed
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.	
III. Records of professional achievements		
29.	Professional achievements relevant for the directorship.	
IV. Proceedings, if any, against the proposed director		
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 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.	

Sr No	Particulars	Information Disclosed
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.	<p>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 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</i></p>	

Sr No	Particulars	Information Disclosed
	<i>proceedings are pending, the same also should be mentioned).</i>	
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 any other information relevant for assessing 'fit and proper', 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/ MD & CEO/ CEO
	Date :	
	Remarks of Nomination and Remuneration Committee (NRC) of having satisfied itself that the above information is true and complete.	
	Place :	Signature of the Chair of the NRC
	Date :	

Annex 2

FORM OF DEED OF COVENANTS WITH A DIRECTOR

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, 2013 and rule 4 of the Companies (specification of definition) rules, 2014 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 judgment 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 judgment 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 judgment; 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 judgment;

(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 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.

6. The Chartered Accountant firm, in which the director is a partner, shall not undertake Statutory Central Audit in any public sector bank / shall not undertake Statutory Branch Audit or Concurrent Audit in the bank during current directorship 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 authorized 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 MENTIONED ABOVE.

For the Bank	Director
By
Name :	Name :
Title :	
In the presence of :	
1.....	2.....