

Tenure of MD & CEO, WTDs capped; conditions set for various Board committees

The Reserve Bank of India has issued instructions with respect to corporate governance relating to the appointment of Directors and constitution of Board committees for private banks (including SFBs) and foreign banks. ([Link](#))

- For MD & CEO and Whole-time Director (WTD), same individual shall not hold the post for more than 15 years but will be eligible for re-appointment after a minimum gap of 3 years – **eligibility of re-appointment is a positive surprise.**
- For MD & CEO or WTD who is also a promoter/major shareholder shall hold these posts for not more than 12 years; however, he/she can continue up to 15 years only at the sole discretion of the RBI. Eligibility of re-appointment is not applicable here.
- Upper age limit for MD & CEO and WTDs in private banks is capped at 70 years.

Also, for smooth transitions, current MDs & CEOs or WTDs shall be allowed to complete their current term already approved by the RBI.

Implications: Kotak Mahindra Bank, RBI (on 14th December 2020) has granted the approval for re-appointment of Mr. Uday Kotak as MD & CEO and Mr. Dipak Gupta as Joint MD for a period of 3 years, wef 1st January 2021 and they can continue till then. **RBL Bank** is yet to receive the approval from the RBI for re-appointment of Mr. Vishwavir Ahuja till June '24. Eligibility (subject to Board/RBI approval beyond current reappointment tenure) for Mr. Natrajan at **DCB Bank** would be till April '24, for Mr. Srinivasan at **Federal Bank** till Sep '25 and for Dr. Kamakodi at **CUBK** till May '26.

Table 1: MD & CEO/Joint MD/WTD tenure, reappointment details and age

Organization	Name	Designation	Age	Date of initial appointment	Date of re-appointment	Reappointment valid till	Tenure remaining (yrs)	Total tenure till re-appointment validity (yrs)
Kotak Mahindra Bank	Uday Kotak (Promoter)	MD & CEO	62	May-03	Jan-21	Dec-23	2.7	21
Kotak Mahindra Bank	Dipak Gupta	Joint MD	59	May-03	Jan-21	Dec-23	2.7	21
RBL Bank*	Vishwavir Ahuja	MD & CEO	59	Jun-10	Jun-21	Jun-24	3.2	14
DCB Bank	Murali M Natrajan	MD & CEO	59	May-09	Apr-21	Apr-22	1.0	13
City Union Bank	Dr N. Kamakodi	MD & CEO	47	May-11	May-20	May-23	2.1	12
Federal Bank	Shyam Srinivasan	MD & CEO	59	Sep-10	Sep-20	Sep-21	0.4	11
Bandhan Bank	Chandrashekhar Ghosh	MD & CEO	61	Aug-15	Jul-21	Jul-26	5.2	11
HDFC Bank	Kaizad Barucha	WTD	55	Dec-13	Jun-20	Jun-23	2.1	9
AU SFB*	Sanjay Agarwal (Promoter)	MD & CEO	51	Apr-17	Apr-20	Apr-23	2.0	6
HDFC Bank	Sashidhar Jagdishan	MD & CEO	55	Oct-20	Oct-20	Oct-23	2.5	3
IndusInd Bank	Sumant Kathpalia	MD & CEO	55	Mar-20	Mar-20	Mar-23	1.9	3
IDFC First Bank	V Vaidyanathan	MD & CEO	53	Dec-18	Dec-18	Dec-21	0.6	3
Equitas SFB	P N Vasudeven	MD & CEO	59	Sep-16	May-19	Jul-22	1.3	6
Ujjivan SFB	Nitin Chuagh	MD & CEO	50	Dec-19	Dec-19	Nov-22	1.6	3

Note: *RBL Bank & AU SFB reappointment of MD & CEO is subject to RBI approval
Source: MCA, BSE, Company, I-Sec Research

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Bank's corporate governance: Appointment of directors and constitution of Board Committees

Tenure of MD & CEO and Wholetime Directors

- Post of the **MD & CEO or WTD cannot be held by the same incumbent for more than 15 years.**
- Thereafter, the **individual will be eligible for re-appointment as MD & CEO or WTD in the same bank after a minimum gap of three years**, if considered necessary and desirable by the Board.
- During this 3-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.
- Upper age limit for MD & CEO and WTDs in private banks will continue and no person can continue as MD & CEO or WTD beyond the age of 70 years.

MD & CEO or WTD who is also a promoter/ major shareholder

- MD & CEO or WTD who is also a promoter/ major shareholder cannot hold these posts for more than 12 years.
- In extraordinary circumstances, at the sole discretion of the Reserve Bank, such MDs & CEOs or WTDs may be allowed to continue up to 15 years.
- While examining the matter of re-appointment of such MDs & CEOs or WTDs within 12/15 year period, the level of progress and adherence to the milestones for dilution of promoters' shareholding in the bank shall also be factored in by the RBI.

For smooth transition, Chairman of Board, who is not an independent director or banks with MDs & CEOs or WTDs who have already completed 12/15 years as MD & CEO or WTD, on the date these instructions coming to effect, shall be allowed to complete their current term as already approved by the Reserve Bank.

Chair of the Board and Board meeting

- Chair of the Board shall be an **independent director**
- Quorum for 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 Board meetings shall be independent directors

Audit Committee

- Shall be constituted with **only non-executive directors (NEDs)**
- **Chair of the Board shall not be a member** of the ACB.
- **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.
- Meetings of ACB shall be chaired by an independent director who shall not chair any other committee of the Board.

- Chair of ACB shall not be a member of any committee of the Board, which has a mandate of sanctioning credit exposures.
- All members should have the ability to understand all financial statements and at least one member shall have the requisite professional expertise/ qualification in financial accounting or financial management.

Risk Management Committee

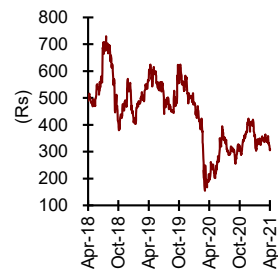
- ***Board shall constitute an RMCB with majority of NEDs.***
- RMCB shall meet with a quorum of three members. At least half of the members attending the meeting of the RMCB shall be independent directors of which at least one member shall have professional expertise/ qualification in risk management.
- ***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.***
- The Chair of the Board may be a member of the RMCB only if he/she has the requisite risk management expertise. The RMCB shall meet at least once every quarter.

Nomination and Remuneration Committee

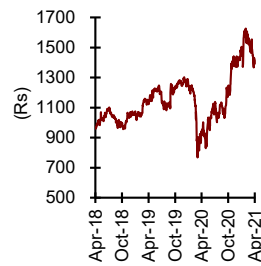
- ***Board shall constitute an NRC made up of only NEDs.***
- The NRC shall meet with a ***quorum of three members. At least half of the members attending the meeting of the NRC shall be independent directors,*** of which one shall be a member of the RMCB.
- The meetings of the NRC shall be chaired by an independent director. The Chair of the Board shall not chair the NRC.
- The meeting of NRC may be held as and when required.

Price charts

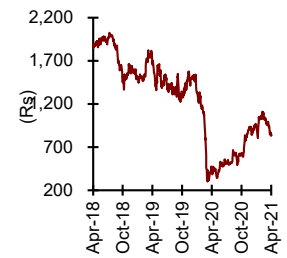
Bandhan Bank



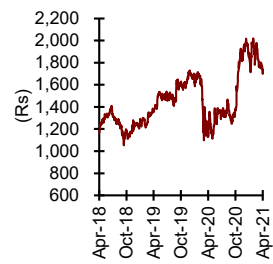
HDFC Bank



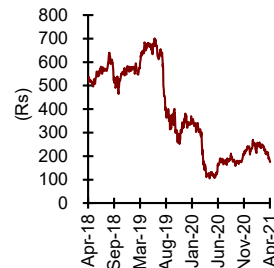
IndusInd Bank



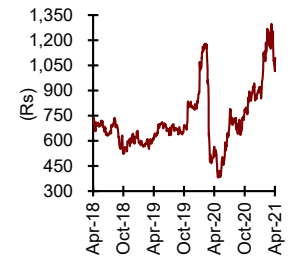
Kotak Mahindra Bank



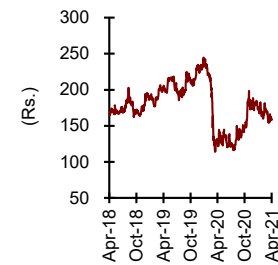
RBL Bank



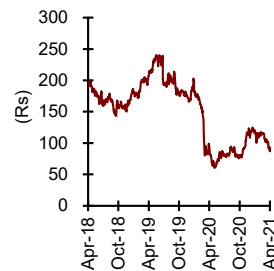
AU SFB



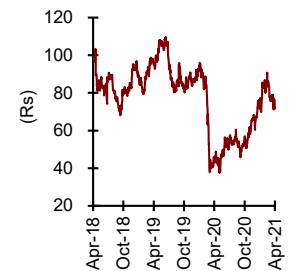
City Union Bank



DCB Bank



Federal Bank



Source: Bloomberg

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