

**Criteria laid down by the Government for consideration as non-official Director  
in Public Sector Banks/FIs/RBI/Insurance Companies**

**A) Criteria of experience**

The following categories of persons will be considered for appointment of Part-Time Non-Official Director on the Boards of Public Sector Banks/Reserve Bank of India/Financial Institutions/Public Sector Insurance Companies:

- a. Persons of eminence with special academic training or practical experience in the fields of agriculture, rural economy banking, cooperation, economics, business management, human resources, finance, corporate law, Risk Management, industry and IT will ordinarily be considered. 20 years of industry experience at a senior position, established expertise in respective areas (successfully led a reputed organization, brought turnaround in a failing organization) would be preferred.
- b. Retired senior Government officials with total experience of 20 years and minimum 10 years of experience at Joint secretary and above level. Retired CMDs/EDs of Public Sector Banks after one year of retirement. The ex-CMDs/EDs will not be considered for appointment as NoD on the Board of the PSB from which they have retired. Serving CMDs/EDs of a PSB will not be considered for appointment as NoD on the Board of any other PSB.
- c. Academicians/ Directors of premier Management/ Banking Institutes and Professors having more than 20 years experience.
- d. Chartered Accountants with 20 years experience (excluding audit experience) would also be preferred.

**B. Criteria of Educational Qualification**

An NoD should at least be a graduate in any stream preferably with specialization in Business Management, Risk Management, Finance, Human Resources and IT.

**C. Criteria of age**

The age of the Director, on the date of recommendation by Search Committee should not be more than 67 years.

**D. Criteria of Work Experience**

Professionals/ academicians should ordinarily have 20 years of work experience in their particular field.

**E. Criteria of Disqualification**

- (a) A Director already on a Bank/Financial Institution(FIs)/ RBI/Insurance Company, under any category, may not be considered for nomination as NoD in any other Bank/FI/RBI/Insurance Company.
- (b) Persons connected with hire purchase, financing investment, leasing and other para-banking activities, MPs MLAs, MLCs and Stock Brokers will not be appointed as non-official directors on the boards of Banks/FIs/RBI/Insurance Companies. Investors in a hire purchase, financing investment, leasing and other para banking activities would not be disqualified for appointment as NOD, if they are not having any managerial control in such companies.
- (c) No person may be re-nominated as an NOD on the Board of a Bank/FI/RBI/Insurance Company on which he/she has served as Director in the past under any category for two terms or six years whichever is longer.

**F. Criteria of Tenure**

An NoD would not be considered for nomination as a Director on the Board of a Bank/FI/RBI/Insurance Company if such Director has already been a NoD/Shareholder Director on the board of any other Bank/FI/RBI/Insurance company for six years, whether continuously or intermittently.

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## FOR SHAREHOLDER DIRECTORS

### **The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980**

**Section 9(3A)** The Directors to be nominated under the clause (h) or to be elected under clause (i) of sub-section; (3A) shall,-

(A) have special knowledge or practical experience in respect of the one or more of the following matters namely:-

- i. agriculture and rural economy,
- ii. banking,
- iii. co-operation,
- iv. economics,
- v. finance,
- vi. law,
- vii. small scale industry,
- viii. any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank of India is useful to the corresponding new Bank.

(B) represents the interest of depositors; or

(C) represents the interest of farmers, workers and artisans.

**Section 9(3AA)** Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or any other law for the time being in force, no person shall be eligible to be elected as director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

**Section 9(3AB)** The Reserve Bank of India may also specify in the notification issued under sub section 3(AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

**Section 9(3B)** Where the Reserve Bank is of the opinion that any Director of a corresponding new Bank elected under clause (i) of sub-section (3) does not fulfill the requirements of sub-section (3A), it may, after giving to such Director and the Bank a reasonable opportunity of being heard, by order, remove such Director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section (3A) as a Director in place of the person so removed till a Director is duly elected by the shareholders of the corresponding new Bank in the next Annual general meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new Bank as a Director.

### **Obligation as to Fidelity and Secrecy**

**Section 13(2)** Every Director, member of a local Board or a Committee, or Auditor, Advisor, Officer or other Employee of a corresponding new Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Third Schedule.

### **The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980**

#### **Clause 9: Term of office of elected Director**

**Clause 9(4)** An elected Director shall hold office for three years and shall be eligible for re-election:

Provided that no such Director shall hold office continuously for a period exceeding six years.

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## **Clause 10: Disqualification for Directorship**

A person shall be disqualified for being appointed as, and for being a Director:

- a) if he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or
- b) if he has been found to be of unsound mind and stands so declared by a competent court; or
- c) if he has been convicted by criminal court of an offence which involves moral turpitude.
- d) if he holds any office of profit under any nationalised bank or State Bank of India constituted under sub-section (1) of Section 3 of the State Bank of India Act, 1955 or any subsidiary bank as defined in Section 3 of the State Bank of India (Subsidiary Banks) Act, 1959, except for holding the post of a whole-time Director, including the Managing Director and Directors nominated under clauses (e) and (f) of sub-section (3) of Section 9 of the Act from among the employees of the Bank.

## **Clause 11: Vacation of office of Directors**

1. If a Director becomes subject to any of disqualification specified in clause 10, or is absent without leave of the board for more than three consecutive meetings thereof, he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.
2. The Chairman or a whole-time Director including the Managing Director or a Director referred to in clause (b) or clause (c) of sub-section 3 of Section 9 of the Act may resign his office by giving notice thereof in writing to the Central Government and on such resignation being accepted by that Government shall be deemed to have vacated his office; and any other Director may resign his office by giving notice thereof in writing to the Central Government and such resignation shall take effect on the receipt of the communication of the resignation by the Central Government.
3. Where any vacancy occurs in the office of a Director other than an elected Director, it shall be filled in accordance with sub-section (3) of Section 9 of the Act.

## **Clause 11A: Removal from office of an elected Director**

The shareholders, other than the Central Government, may, by a resolution passed by a majority of the votes of such shareholders holding in the aggregate, not less than one half of the share capital held by all such shareholders, remove any Director elected under Clause (i) of the sub-section (3) of Section 9 and elect in his stead another person to fill the vacancy.

## **Clause 11B: Filling of vacancy in the office of elected Director**

11B(1): Where any vacancy occurs before the expiry of the term of office of an elected Director, the vacancy shall be filled by election.

Provided that where the duration of vacancy is likely to be less than six months, the vacancy may be filled in by the remaining Directors.

11B(2): A person elected or co-opted, as the case may be, under sub clause (1) shall hold office for the unexpired portion of the term of his predecessor.

## **Disclosure of interest by Directors**

Clause 12(8): A Director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the Nationalised Bank shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest to the Board and shall not be present at the meeting of the Board when any such contract, loan, arrangement or proposal

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is discussed unless his presence is required by the other Directors for the purpose of eliciting information and no Director so required to be present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-clause shall apply to such Director by reason only of his being:

(i) a shareholder (other than a Director) holding not more than two percent of the paid-up capital in any public Company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the Nationalised Bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or

(ii) an officer or other employee of the Nationalised Bank, if he is a Director (referred to in clause (e) or clause (f) of sub-section (3) of Section 9 of the Act.

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