

F.No. 13/1/2006-BO.1
Government of India
Ministry of Finance
Department of Financial Services

New Delhi, dated the 3rd ~~March~~ ^{April}, 2012.

To

The CMDs of all Nationalized Banks

Sub: Setting up of Credit Committees at the Corporate, Regional and Zonal level in Nationalized Banks

Sir,

The matter of establishing Committees at various levels in Nationalized Banks for decision on the credit proposals and related issues has been under the consideration of this Department. It has been felt that setting up of such a structure in the PSBs would expedite disposal of matters, improve the quality of decision making and reverse the growing trend of upward delegation in the banks. Based on the consultations with the banks, following policy guidelines are issued.

Composition of Committees

2. Since various Banks have different field organizational structures and many having separate verticals to look after specific business segments, Credit Committee could be set up at the Corporate level and Zone/ Region levels.

3. The Committees at the Head Office level would be named Head Office Level Credit Committee (HLCC). At the Head Office, more than one Committee may be required for the various verticals/ functional divisions. These Committee could be named as HLCC-LC (for Large Corporates), HLCC-MC (For Mid Corporates) and so on. These could be headed by the ED/ CGM/ GM, as may be considered appropriate and would include the heads of the departments looking after the vertical, risk management and finance.

4. The Committees at the Regional/ Zonal level would be named as Regional Level Credit Committee (RLCC) and/or Zonal Level Credit Committee (ZLCC) respectively, as the case may be. These Committees would be headed by the Regional/ Zonal head and would include the senior most officer in the office of dealing with the subject, risk management and finance, credit. Branch Heads of specialized branches may be included, if required.

5. Considering the different administrative and functional structure in various Banks, a broad composition of the Committees is being suggested and the individual Banks could finalize the composition, schedule of meetings etc. keeping their own organizational structure in consideration.

6. These Committees shall exercise the powers delegated to them by the Board. While delegating powers, the risk profile of the proposals may be kept in mind. Delegation of powers for proposals with higher risk should be lower. The Committees should also be empowered to decide compromise/ write off proposals as per the powers delegated by the Board.

7. With the setting up of these Committees, the powers vested in officers above the Branch level should cease to exist. However, specific time limits would need to be prescribed by the Banks for decision on cases at the branch level and matters are not disposed off within the time limit should be reported to the next higher committee for review.

8. It is expected that since these Committees would be at the local level, these should be able to meet frequently, at least on a fixed day every week, and take up all pending proposals. Video conference facilities could be used, if required. Besides decision on the proposals, these Committees would also review the pending proposals and expedite action.

9. The decision of these Committees are expected to be unanimous and in case unanimous decision could not be arrived at, reasons of disagreement and the basis of the decision should be specifically mentioned in the minutes.

12. Minutes of the Meetings of the Committee below the HO level would be sent to the next higher Committee, as prescribed by the concerned banks, for reporting. Minutes of the Committee at HO would be sent to the Credit

Approval Committee for reporting. This system of oversight is to ensure that financial powers delegated to the subordinate committee are in line with the Bank's loan policy, related regulatory guidelines and other instructions.

13. Banks would also have to ensure that the Scheme, once approved by the Board be adhered to and no administrative order is issued to bypass the arrangement.

14. It is advised that the Banks may formulate proposals on the above lines and place it before the next meeting of their Board for approval.

Yours faithfully,



(Vijay Malhotra)
Under Secretary (BO.1)

Copy to all Government Nominee Directors on the boards of Nationalised Banks