

F. No.7/89/2012-BOA
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, Parliament Street,
New Delhi, the 10th July, 2012

The Chief Executives of All Public Sector Banks/ Financial Institutions

Subject : Structure and Methodologies of Board Meetings

Board of Directors (BODs) of Public Sector Banks and Financial Institutions are expected to guide and advise the organisation on business and organisational strategy, organisation and capacity development, resource allocation, performance evaluation, risk mitigation, operating capabilities, governance structure and compliance frameworks.

2. In order that the BODs are able to perform these responsibilities in the most effective manner certain reforms in the structure and methodologies of the Board meetings are required. The following are some of the suggestions on reforms for consideration:

(I) Meetings of the Board

- a. Presently a number of meetings of the Board of Banks are held, many with short notice. These meetings have a large number of agenda items including many reporting items. It is felt that the Boards are not able to devote enough attention on the major policy and strategic issues in the regular meetings which get devoted to the routine items.
- b. Besides regular meetings, one meeting every quarter must focus only on one of the following items. In such meetings no other agenda need to be taken up. Action plan to be prepared for these items and progress should be reviewed in every meeting of the Board
 - i. Strategic business plan including products and markets, innovation in business, e-governance

- ii. Core Business
 - a. Branch operation, on-line banking, Business Process re-engineering, costs and productivity
 - b. Customer service,
- iii. Human Resources and Succession Planning
- iv. Risk and NPA management
- c. The above key topics to be covered every quarter must include key customer metrics, how does the bank differentiate its offerings v/s the competition, how fast is technology being used to significantly improve the customers' experience. Core operations should cover technology and capabilities which the Bank wishes to build for better services and products to the customers.
- d. Meetings of the Board must be fixed well in advance, preferably a calendar for the entire year must be drawn up. This will help Directors in planning their schedules. Any additional meeting could, however, be convened as required.

(II) Agenda for Board

- a. One of the most important agenda item for every Board meeting must be the Board Financial Reporting System which gives highlights of the financial progress, and key metrics (NPAs, Customer acquisition and diversification) progress of key initiatives, action taken on the action plan for key priorities, comparison of performance with plan/budget. The report must also show the comparison against the competitors and best in business. The Board Financial reporting System must be simple with high level of analysis of performance, commentary on variances and conclusions on what needs to be done.
- b. Agenda must be listed in subject wise groups and in order of priority. Every agenda must at the end give a summary of the key issues which are to be brought to the attention of the Board and the issues on which decision of the Board is expected.
- c. The main agenda must invariably be of 2-3 pages. In case more details are to be furnished, this can be appended to the agenda with the main features included in the body of the main agenda.

- d. On the agenda items the opinion of the management must be clearly brought out. For items for reporting to the Board, opinion of the management after their review must be mentioned. Significant changes since the previous review need to be specifically highlighted.
- e. In view of the large number of reporting items prescribed by the RBI, it would be better if most of these items are delegated to the Management Committee for review and report of the Management Committee is placed before the Board on a quarterly basis. The list of calendar items has already been sent to the RBI for review. During discussions, RBI was favourably inclined to the idea of assigning the responsibility to the management Committee.
- f. Table items must be introduced only in very rare circumstances. In such cases the agenda must clearly bring out why the item could not be circulated in advance.
- g. The practice of all senior officers of the banks/FI to be present for the meeting of the Board must be discontinued as it inhibits free and frank discussion in the Board. Officials can be called to assist the Board for their respective items, as may be required.

(III) Capacity Building

- a. It is important that the members of the Board, particularly the non-official Directors, are familiarised with their role and responsibilities, key operations of the Bank/FI.
- b. Reputed Management Institutions, viz., IIMs, could be used for the capacity building of Board. Bank of India has started work with Thompson Reuters for developing a module for the capacity building of Board members.

(IV) Reporting and Management Tools

- a. Banks and FIs must use technology for the Board meetings. Tools are available for the recording of minutes and views of Members.

- b. The practice of cumbersome Board agenda notes could be replaced by electronic copies and use of gadgets like iPad for easy access could be promoted. This would however require the Board Agendas to be properly organised in order of subjects and priorities.
3. You are requested to align structure and methodologies of Board meetings with the above suggestions in order to enable BODs to perform in the most effective manner and in the best interest of organization.

Your faithfully,

-Sd-

(M.M. Dawla)

Under Secretary to the Government of India

Telephone No.011-23748731

Fax No. 011-23742207, 23747018

E-mail – boa@nic.in

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