

CODE OF CONDUCT FOR NON-OFFICIAL DIRECTORS (NODs)

Role and responsibility of Individual Directors:

- I). The Bank is a separate corporate body created by the Bank Nationalisation Acts. Being a separate corporate body, the Bank though owned by the Government, is juristically different from the Central Government. It is not an actual person but an artificial entity and acts through its 'Board of Directors.
- II). As more than 51% of the share capital of the Bank is owned by the Government of India, the share- holders, in a sense are comprised of the entire nation. Central Government, on behalf of the shareholders, appoints the directors on the board of Bank. Though some of the Directors are appointed to represent certain specified interests, they are expected not only to take interest in the banks' activities concerning their own fields of activity but also to deliberate on all matters of general policy affecting the bank's functioning including those concerning their staff. In other words, every director is expected to function in a manner most conducive to the interests of the Bank on which he serves and to the welfare of the nation as a whole.
- III). A Director, other than the Managing Director or a whole-time Director, is not an employee of the bank.
- IV). Every Director of the Bank shall be deemed to be a public servant for the purpose of the Indian Penal Code.
- V). A Director other than the Managing Director, as an individual, has no power to act on behalf of the bank nor can he give any direction to any employee of the bank on behalf of the management. Unless any power has been specifically delegated to a Director by the Board by way of a resolution, he/she exercises power only as a member of a collective body, sitting along with others on the Board of Directors. An individual Director or a Committee of the Board may be authorised by the Board to finally decide a matter or make a recommendation to the Board for its direction.
- VI). A Director while discharging duties of his office must act honestly and with due diligence. He is expected to act with that amount of care and prudence which an ordinary person is expected to take in his own business.
- VII). Under section 20 of the Banking Regulation Act, the bank shall not enter into any commitment for granting any loan or advance to or on behalf of:
 - (a) Any of its directors,
 - (b) Any firm in which any of its directors is interested as partner, manager, employee or guarantor, or
 - (c) Any company (not being a Subsidiary of the Bank or a company registered under section 8 of the Companies Act, 2013 or a Government Company) of which any of the Directors of the Bank is a Director, Managing agent, manager, employee or guarantor or in which he holds substantial interest, or
 - (d) Any individual in respect of whom any of its Directors is a partner or guarantor.



VIII). Under section 20A of the Banking Regulation Act, notwithstanding anything to the contrary contained in the Companies Act, 2013, the Bank shall not, except with the prior approval of the Reserve Bank, remit in whole or in part any debt due to it by –

- (a) Any of its directors, or
- (b) Any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor or
- (c) Any individual if any of its directors in his partner or guarantor

Any remission made in contravention of the provisions of of sub-Section (I) shall be void and of no effect.

IX). A director who is directly or indirectly concerned or interested in any contract, loan arrangement or proposal entered into or proposed to be entered by or on behalf of the bank shall, as soon as possible after the relevant circumstances, have come to his knowledge, disclose the nature of his interest to the Board when any such contract, loan arrangement or proposal 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.

X). Section 13(1) of the "Bank Nationalisation" Acts enjoins on the bank to observe, except as otherwise required by law, the practices and usages customary among bankers, and, in particular, not to divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with law or practices and usages customary among bankers necessary or appropriate for the nationalised bank to divulge such information.

XI). According to section 13 (2) of the "Banks Nationalisation" Acts, every director of the bank shall, before, entering upon his duties, make a declaration of fidelity and secrecy in the form prescribed for the purpose.

XII). Managing Director & Chief Executive Officer of the Bank and shall exercise such powers and discharge such duties as may be delegated to him by the Board. He is charged with the responsibility of the efficient management of the bank on behalf of the Board. It is through him that the programme, policies and decisions approved by the Board are made effective and again it is through him the Board gets the responses and reactions of these at various levels of the organisations to its deliberations. It is he who interprets the policy decided upon by the Board to the employees of the Bank and issues instructions in pursuance of Board policies and ensures that these instructions are carried out.

XIII). In the discharge of their duties, the non-official Directors are expected to observe the following guidelines:

- a) Directors are expected to disclose to the Board the nature of interest, if any in any proposal. They shall not be present at the meeting of the Board when any such a proposal is discussed.



- b) Directors shall not sponsor any individual proposal nor would they pressurise the concerned Branch Managers to sanction loans or other facilities to the constituents.
- c) In the matter of personnel management, Directors are requested not to sponsor individual cases of employees or officers regarding their transfers, promotions, postings and other related matters.
- d) Directors should desist from sending any instructions to the individual officers of the banks or give directions to such officers on any matter. Such cases, if any, should be routed through the Managing Director & CEO of the bank.
- e) Directors are not required to watch the routine of every day's business of the bank. It is the Chief Executive alongwith officers who has to manage the affairs of the bank. The Board has to oversee implementation of policies and performance of the bank at the corporate level.
- f) Directors are expected to work collectively as a team in the Board meetings and not involve themselves in the conduct of the day-to-day affairs of the bank. If any information is required, it should be sought only for the purpose of taking a decision or reviewing the situation at the Board level.

Policies of the Government

In the discharge of its functions, the bank shall be guided by such directions in the matter of policy involving public interest as Central Government may, in consultation with the Governor of the Reserve bank and Chairman and Managing Director & CEO of the bank, give to it.

All directions given by the Central Government shall be given through the Reserve Bank and if any question whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

General

The important policies laid down by the Government/RBI and/or instructions issued by them will normally be placed before the Board. The Directors are expected to address themselves to policy formulations and performance appraisal leaving other operational aspects to be handled by the Chairman and senior executives of banks under powers delegated to them by the Board. Some of the important areas on which the Directors may bestow particular attention are compliance with monetary and credit policy of RBI/Govt., observance of cash reserve and statutory liquidity ratio, efficient management of personnel, funds and branch control, profitability, overall sectoral deployment of funds, loan to sick units, performance budgeting and housekeeping particularly in regard to reconciliation of inter branch accounts and customer service including vigilance and avoidance of frauds. Emphasis should be on policy formulation, management information and monitoring.

