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SPOTLIGHT

Defence Deal



Modi govt to acquire 145 M-777 howitzers from US

Defence ministry sources said that the cabinet committee on security, chaired by PM, has cleared the acquisition of 145 M-777 ultra-light howitzers.

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Bank Board Bureau likely to be set up for creating holding company model

By [Dheeraj Tiwari](#), ET Bureau | Updated: Dec 10, 2015, 07.29 AM IST [Post a Comment](#)

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NEW DELHI: The [finance ministry](#) is expected to kick-start the process of setting up the proposed [Bank Board Bureau](#) (BBB), the first step towards a [holding company](#) structure for state-run banks, by the end of this month.

A search committee, which includes the Reserve Bank of India governor, will shortlist six candidates and a chairman for the part-time body which will take over the selection process for public sector banks and also discuss their business strategies, officials said.

"The whole process will be completed by February 2016. Since it takes time for vigilance clearances in case of private sector candidates, we will try and finish it before March," said a senior finance ministry official, requesting anonymity.

The government had earlier announced that BBB will start functioning from April 1, 2016. The six-member panel will have three government officials and three experts, of which two will be from banking sector. "We are looking to get on board at least one member who has an international experience. We will come out with a global advertisement," said the official cited earlier.

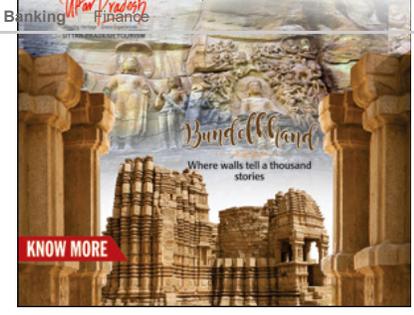
Besides RBI governor, the search committee will include secretary, [financial services](#) and secretary, Department of Personnel and Training. The government is looking to follow a bottom-up approach in restructuring public sector banks through the proposed bureau.

"Though the primary task of BBB will be to select top officials for public sector banks, it will also interact with banks individually on their strategies and further make suggestions to the government on various issues including consolidation," the finance ministry official said. BBB will be a specialised body, he said.



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The government has maintained that it will follow up on reforms in public sector banks by setting up a Bank Investment Committee (BIC). "It will be a holding company for all public sector banks. We are working on the details, which include various constitutional amendments that may be required," said another finance ministry official.

The government will transfer its stake in state-run banks to the proposed BIC, which will help raise capital for banks and reduce the government stake to below 51%. As per the finance ministry data, the gross nonperforming assets of Bank of India have increased a staggering .`15,767 crore to .`29,894 crore since September 2014.

Earlier this year, [finance minister](#) Arun Jaitley had said that the government is systemically trying to address the problem of public sector banks and if there is a fragile bank even after this, the government will look at consolidation with stronger banks.

The government is already holding consultations to bring down its stake in [IDBI Bank](#) **BSE -0.21 %** to 49% or lower and is in talks with International Finance Corporation.

ET view: Now for a holding company

A Bank Boards Bureau is welcome. The reform will enhance the functional autonomy of banks which are constrained now by government ownership and meddling by politicians and bureaucrats. The government should also vest the ownership of all the banks in a single holding company.

The holding company, in turn, can borrow funds from the market to raise huge amounts of capital which can be infused into banks. It will enable banks to grow and lend more to revive the economy. This will mark true governance reform.

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