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Banks Board Bureau has some key suggestions for PSBs

BY ET BUREAU | UPDATED: MAR 20, 2018, 11.58 PM IST

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The [Banks Board Bureau \(BBB\)](#), headed by [Vinod Rai](#), completes two years on March 31. The government says it has no plans to scrap the bureau but there is no clarity on its role going ahead.

BBB has released a compendium of its recommendations on reforms at public sector banks ([PSBs](#)) in a report that also cites a lack of engagement with the agency by the government.

Here are some of its key suggestions:

APPOINTMENTS

- * Ownership-neutral guidelines for appointment to boards of banks
- * Boards should be empowered to appoint part-time/non-executive directors

COMPENSATION

- *Delink bank compensation from those of civil servants; introduce performance-based compensation

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- * Short-term variable salary component
- * Long-term component of stock options

PERFORMANCE ASSESSMENT

- * Relative performance rating (RPR) framework for banks
- * Top 10% of banks to be ranked outstanding relative to rest

GOVERNANCE

- * Non-executive directors nominated/appointed by the govt empowered to perform the role of independent directors
- * Boards of state-run banks empowered to assess performance of directors

CODE OF CONDUCT AND ETHICS

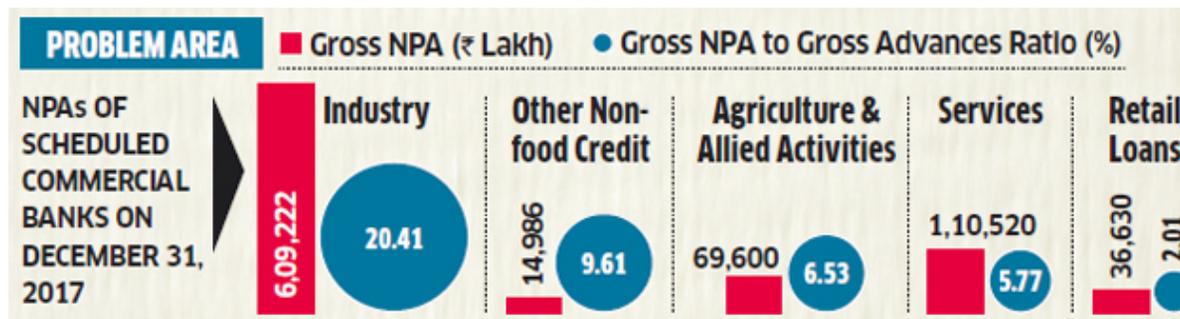
- * Board's ethics and vigilance committee should be constituted
- * Code of ethics/conduct and associated processes be put in place

STRATEGY

- * Recommendations on consolidation of PSBs

CAPITAL

- * Methodology for capital allocation



WHAT'S AHEAD:

BBB's GROUSE

- * No word from government on its many recommendations
- * BBB's request for a specific mandate on stressed asset strategy not met
- * Govt has not engaged with BBB in deciding the allocation of capital to PSBs

THE MANDATE BBB WANTS

- * PSB consolidation
- * Rework the articles of association of [IDBI Bank](#)
- * Independent feedback on governance, reward and accountability framework
- * Help PSBs build capacity to attract, retain and nurture talent and tech
- * Strategise on asset-quality resolution
- * Quarterly assessment of PSBs
- * Put in place an arrangement for engagement of state-run bank boards
- * Recommendations on govt appointees/nominees on boards of PSBs
- * Take over RBI's specific role in respect of PSBs



While the govt retains its majority shareholding, it is very much possible for the public sector to reach the same levels of efficiency as the private sector, provided governance regulations, supervision & the developmental agenda are allowed to be ownership neutral...

VINOD RAI, CHAIRMAN, BANKS BOARD BUREAU

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