RBI Regulation of Private Banks

Why in news?

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The Reserve Bank of India is said to tighten the regulatory norms for the private banks.

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What is the proposal?

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- Reserve Bank of India (RBI) plans to “sensitise” the private banks' boards.
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- RBI officials will brief bank boards on the role of independent directors.
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- They would also sensitise independent directors on their liabilities under the
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i. Prevention of Corruption Act (PCA)
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ii. Companies Act
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iii. Criminal Procedure Code (CrPC)
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- The central bank may even tighten the criterion for electing and appointing such directors.
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What is the need?

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- The central bank's move comes two years after a decision by the Supreme Court (SC) in 2016.

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- SC observed that "officers" of private banks are "public servants" under the PCA.

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- The judgment paved way for strengthening the anti-corruption enforcement measures in the private arena.

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- The PCA (Amendment) Bill, 2013 also sought to include private players into the ambit of the PCA.

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- The immediate trigger is a recent Central Bureau of Investigation's (CBI's) first information report.

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- It named two independent directors of IDBI Bank over a Rs 6-billion loan given by it to former Aircel promoter.

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- Notably, the bank is not a private one and is government-owned (but not nationalised).

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- Besides, a recent case of possible misconduct by ICICI Bank CEO highlighted the concerns in corporate governance.

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- Also, there are concerns with the disclosed levels of non-performing assets at few private banks.

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- There are variations in these when compared to the RBI's assessment.

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- These have led the central bank to tighten its regulation on the role of independent directors.

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Source: Business Standard

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