

Financial Services Institutions Bureau (FSIB)

July 4, 2022

In news- The Appointments Committee of the Cabinet has recently approved a government resolution (proposed by Department of Financial Services) for establishing the FSIB **in place of the Banks Board Bureau (BBB)**.

Why amendments/changes?

The Delhi High Court in its order in 2021 had said that the BBB is not a competent body to select the general managers and directors of state-owned general insurers.

About Financial Services Institutions Bureau (FSIB)-

- It will **advise the government on a suitable performance appraisal system** for whole-time directors and non-executive chairmen of the state-run **financial services institutions**.
- **It will build a data bank relating to the performance of public-sector banks (PSBs), Financial Institutions (FIs) and insurance companies.**
- It will **advise the government on “formulation and enforcement of a code of conduct and ethics for whole-time directors”** in these institutions.
- It will **even help these state-run banks, Financial Institutions and insurers in developing business strategies** and capital raising plans, etc
- The **FSIB will now select the chiefs of public sector banks** and insurance companies.
- These functions will be in addition to its role in recommending candidates for appointment as whole-time

directors and non-executive chairpersons of PSBs), FIs and public-sector insurers (PSI).

- The **FSIB will comprise of-**
 - **A chairperson** nominated by the central government.
 - The **secretaries** of the departments of financial services and public enterprises.
 - The chairman of the Insurance Regulatory and Development Authority of India and
 - A deputy governor of the Reserve Bank of India (RBI).
 - Apart from them, **there will be three members with knowledge of banks** and other financial institutions, and three more with knowledge of insurance.
- **Former BBB chairman Bhanu Pratap Sharma** has been **selected to head the FSIB for two years** or until further orders.
- **In future, the FSIB chairman and the three members handling affairs relating to banking and financial institutions will be selected by a search committee that will comprise the governor of the RBI and the secretaries of the departments of financial services and personnel and training.**
- **Similarly, the part-time members relating to the insurance sector would be chosen by the chairman of the IRDAI** and the secretaries of the departments of financial services and personnel and training.
- To **avoid conflict of interest**, the **part-time members shall be either retired or, if working, be required to discontinue work.**
- Further, such members **shall have no commercial relationship with any commercial entity** that has commercial relationship with any PSB or FI or PSI, and the central government may consult the regulator concerned in this regard.
- The FSIB chairperson and part-time members will get a

fee of Rs 50,000 per sitting.

- **FSIB shall be a professional body with autonomy** in its affairs and shall **have its own secretariat.**
- **It may appoint a person, or take on deputation from RBI a person** in the rank of chief general manager or general manager in RBI, to act **as full-time secretary of its secretaria.**

Banks Board Bureau (BBB)-

- It is an **autonomous body of the Government of India tasked to Search and Select apposite personages for Board of PSBs**, Public Sector Financial Institutions and Public Sector Insurance Companies and recommend measures to improve Corporate Governance in these Institutions.
- The **BBB was originally set up in 2016** to select the CEOs and Executive Directors of public sector banks.
- Central Government notified the amendment to the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 providing the legal framework for composition and functions of the BBB in 2016.
- However, the government later entrusted BBB to select the chiefs of insurance companies.
- With the government now clearing the FSIB, the selection process of chiefs of insurance firms is expected to take place in the coming days.
- **The BBB works as step towards governance reforms in PSBs as recommended by P.J. Nayak Committee.**

The mandate of the Bureau includes-

- To recommend the **selection and appointment of Board of Directors in Nationalised Banks, Financial Institutions and Public Sector Insurance Companies** (Whole Time Directors and Chairman).
- To advise the Central Government on matters relating to appointments, confirmation or extension of tenure and

termination of services of the Directors of mandated institutions.

- To advise the Central Government on the desired management structure of mandated institutions, at the level of Board of Directors and senior management.
- To advise the Central Government on a **suitable performance appraisal system for mandated institutions.**
- To **build a data bank containing data relating to the performance of mandated institutions** and its officers.
- To **advise the Central Government on the formulation and enforcement of a code of conduct** and ethics for managerial personnel in mandated institutions.
- To advise the Central Government on evolving **suitable training and development programs** for managerial personnel in mandated institutions.
- To **help the banks in terms of developing business strategies and capital raising plan and the like** any other work assigned by the Government in consultation with Reserve Bank of India.