

BANKING

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RBI caps tenure of bank CEOs at 15 years

The RBI has issued final guidelines to strengthen corporate governance and encourage professionalisation of management teams in banks. Private and small finance banks must comply with these instructions beginning Oct'21.

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MD & CEO tenure capped: In order to encourage professionalisation of management teams, the continuous term of a bank MD & CEO has been capped at 15 years while that of a promoter MD & CEO has been restricted to 12 years. In extraordinary circumstances, the RBI can extend this to 15 years.

Three-year cooling period for reappointment: An MD & CEO can be considered for reappointment by the board after a cooling period of three years. However, during these three years, the concerned individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

Upper age limit capped: The upper age limit for the MD & CEO has been maintained at 70 years while that for the Chairman and independent directors has now been limited to 75 years.

Our view: We believe these guidelines will affect Kotak Mahindra Bank sooner than others as Uday Kotak's term as promoter MD & CEO ends in Dec'24 and with over 15 years at the post, he may not be eligible for reappointment. Banks with professional CEOs such as DCB Bank, Federal Bank and RBL Bank have residual tenures of 3-4 years under the new norms. Large private banks such as ICICI, Axis and HDFC Bank will not be immediately affected.

FIG 1 – PROMOTERS & MD-CEOs IN PRIVATE BANKS UNDER COVERAGE

Bank	MD	Date of first appointment	Tenure as on date	Expiry of current term	MD & Promoter
HDFCB	Sashidhar Jagdishan	27-Oct-20	5M	Oct-23	No
ICICIBC	Sandeep Bakhshi	15-Oct-18	2Y 6M	Oct-21	No
AXSB	Amitabh Chaudhry	1-Jan-19	2Y 3M	Dec-21	No
KMB	Uday Kotak	1-Feb-03	18Y 2M	Dec-20	Yes
IIB	Sumant Kathpalia	24-Mar-20	1Y 1M	Mar-23	No
RBK	Vishwavir Ahuja	Jul-10	10Y 9M	Jun-21	No
FB	Shyam Srinivasan	23-Sep-10	10Y 7M	Sep-21	No
DCBB	Murali Natarajan	6-May-09	11Y 11M	Apr-22	No
IDFCFB	V Vaidyanathan	19-Dec-18	2Y 4M	Dec-21	No
BANDHAN	Chandra Shekhar Ghosh	Jul-15	5Y 9M	Jul-21	No
AUBANK	Sanjay Agarwal	1-Apr-17	4Y	Apr-23	Yes

Source: Company, BOBCAPS Research



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ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

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