The Rural Cooperative Banks have significantly enhanced their business operations in the recent years. Apart from conventional short-term lending, the credit portfolio has diversified into long term lending in agriculture, retail banking, investment operations, technology-based products/services. The enhanced range of financial and non-financial services also entails greater compliance to regulatory prescriptions of RBI/NABARD and respective State Cooperative Acts. In order to achieve the business objectives and meet regulatory prescriptions, the Banks at their end, should adopt sound Corporate Governance principles that lead to timely and proper decision making.

2. The decision making by Banks is affected at various levels such as Board of Directors, Committees and at executive level. NABARD from time to time has issued guidelines on Board of
3. इस परिषद में बैंक स्तर पर निदेशक मंडल और विभिन्न समितियों की भूमिका, गठन, कार्यसूची से संबंधित सुझाव आदि को यादृच्छिक किया गया है। कार्यसूची से संबंधित सुझाव केवल निदेशक हैं और बैंकों से अनुरोध है कि वे अपनी मौजूदा आवश्यकताओं के अनुसार उनमें उपयुक्त संशोधन कर सकें।

| Directors, constitution of Committees at Board level/ management level. These guidelines are now consolidated / updated for guidance to Banks. |

| 3. This circular covers the role, constitution, suggested agenda etc., of the Board of Directors and various Committees at the bank level. The suggested agenda is illustrative and the Banks are requested to suitably modify the same as per their extant requirements. |

भवदीय

श्रीमता उर्मिला
(सरिता अरोरा)
मुख्य महाप्रबंधक

अनुलग्न: यथोपयोग
A. Board of Directors

1. Constitution of Board of Directors

- Cooperative Banks have been functioning under the supervision of NABARD and regulatory control of Reserve Bank of India for banking related functions in terms of the powers vested under Banking Regulation Act, 1949 (As applicable to Cooperative Societies) and the Reserve Bank of India Act, 1934.

- However, the appointment of directors, administrative and managerial functions, elections etc. of these banks come under the purview of respective State and Central Government by virtue of the provisions of the respective State Cooperative Societies Act and Multi State Cooperative Societies Acts.

- Since the directors are elected from amongst the members (except co-opted and nominated directors), the persons who are not eligible for admission even as members cannot act as promoters or become directors of the bank. In particular, persons engaged in money lending, financing and investment activities, either in individual capacity or as proprietor/ partner/ employee/ director of any concern as also those convicted of any criminal offenses including moral turpitude are ineligible in terms of clause b (ii) of the model Bye-law no.9 and/or the provisions contained in the Cooperative Societies Act (concerned).

- Professionalization of Board: To ensure professionalism in the Board, the banks should have at least two directors with suitable banking experience (at middle/ senior management level) or with relevant professional qualifications i.e. in areas of accountancy / banking / agriculture and development/legal/auditing etc. The banks should also have a suitable provision in their Bye-laws to ensure such Professional on their Board. The directors of Cooperative Banks must be knowledgeable and persons of high integrity. They must function in a cohesive manner and provide leadership for the smooth and efficient management of the affairs of the bank.

The Fit and proper Criteria for appointment of Directors and CEOs of StCBs/DCCBs have been prescribed issued vide RBI (Circular No.RPCD.CO.RCBD.137/03.01.03/2011-12 dated 5 July 2011) and NABARD Circular No.NB.IDD.COOP/1351/V-52/2017-18 dated 17 January 2018.

2. Role of Board of Directors

- The Boards of Directors of Cooperative Banks have the responsibility of formulation of policies and overseeing the performance of the respective bank’s operations and ensure that they function in accordance with the provisions of Acts / bye laws / guidelines of RBI/NABARD/GoI/State Government.
The Board should exercise overall supervision and control over the functioning of the bank, leaving day to day administration to the Chief Executive Officer (CEO) of the bank.

The Corporate Governance Index (CGI) developed by NABARD provides an overview of various facets of banks governance that need to be adhered to and to be monitored.

It should be ensured that all circulars and other material relating to policies issued by RBI/NABARD/GoI/State Government are seen by every member of the Board and also placed before the Board for suitable action.

3. **Code of conduct**

- As part of Corporate Governance, a Code of Conduct for Directors and Senior Management needs to be laid down. Senior Management has been defined to include personnel top Executives at the level of General Managers and functional heads. Accordingly, the Bank has to laid down the Code for its Directors on the Board and Senior Management.

- This Code of Conduct attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected. It recognizes that the Bank is a trustee and custodian of public money and in order to fulfill its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of public at large. The Bank shall continue to initiate policies, which are customer centric and which promote financial prudence.

- The Code has certain expectations from the members of the board - Do’s and Don’ts for the Directors on the Board of Directors of Cooperative Banks.

- The Do’s and Don’ts is illustrative and not exhaustive and is not to be regarded as a substitute to the specified duties, responsibilities or rights of the Board of Directors as enunciated in the Cooperative law and / or Bye-laws of the respective banks.

- In order to ensure adherence to the code of conduct, once the standards are formulated, the same should be signed by the Directors in witness of RCS and NABARD.

- Do’s and Don’ts circulars issued vide Ref. No. NB.IDD. COOP.ST / 1111 / V.20 / 2010-11 21 September 2010 Circular No. 187 / IDD - 09 /2010 and circular No. 194 / IDD - 21 / 2006 (Ref. No. NB.IDD.COOP.ST / 188 / V.20 / 2006) dated 16 November 2006) have been reviewed and indicated below:

**Do’s**

- **Corporate Governance**

  - The Directors should

    - be fully aware of Cooperative Societies Act, Bye-laws & Rules and regulatory prescriptions of B R Act on banking related aspects
attend the Board meeting regularly, participate effectively and work in a spirit of "Cooperation must succeed".

receive of agenda notes in advance and examine as regards to quality of content and coverage.

involve in formulation and adoption of various policies such as credit policy, human resource policy, procurement policy, IT policy, cybersecurity policy, etc and monitoring implementation of such policies at Board meetings.

ensure that selection and appointment of CEO / Professional Directors as per "Fit and Proper Criteria" prescribed by RBI.

ensure adoption of a proper HR policy in relation to recruitment, placement, promotion, transfer and training.

be aware of latest developments in banking technology and strive for adoption of these technologies in their Banks.

review functioning of various Board level / management level Committees such as audit committee, HR committee, investment committee, ALCO, risk management committee, Frauds Committee, etc.

strengthen internal checks and controls mechanism as regards to segregation of duties and responsibilities and fixing accountability.

strengthen internal audit system & vigilance mechanism and its timely reporting and follow up action thereon.

carefully peruse audit reports & NABARD Inspection Reports and ensure timely action and compliance.

review of frauds committed, timely reporting and action taken.

ensure observance of statutory requirements and guidelines issued by Central Govt./RBI/NABARD/State Govt.

**Business Development** : The Directors should

ensure framing and adoption of Loan policy and Manual.

review of loan portfolio and develop strategies for business diversification for improving the profitability.

review of mobilization of resources and suggest measures for low cost resources.

ensure efficient management of funds and improving profitability.

review investment management and functioning of Investment Committee

review budgeting of income & expenditure, performance & profitability.

identify new business activities inclusive of non-fund business.

review viability of branches with special focus on branches especially loss-making branches.

ensure loans sanctioned by CEO/GM to be put up to the Board.

create effective follow up and monitoring system for prompt and timely recovery and reduce level of NPAs and over dues.

analyse the trends of economy, assist in the discharge of management's responsibility to public and formulation of measures to improve
customer service and be generally of constructive assistance to the bank management.
  o review arbitration cases.

- Development aspects
  The Directors should
  o ensure preparation of Development Action Plans for successive financial year (Example – for 2019-20, it should be prepared and approved by Board in March 2019.) and monitoring of implementation of plan at quarterly intervals.
  o endeavour involvement of the bank in Govt. sponsored/National priority programmes also promoting SHGs, JLGs, Farmers Clubs etc.
  o promote and participate in spreading message of financial inclusion and digital financial literacy
  o create environment for effective coordination with higher and lower tiers.
  o establish proper MIS and intensifying computerization process.
  o monitor key risk areas.
  o take steps for financial literacy and credit counseling.

Don'ts
- Non-Interference
  The directors should not
  o interfere in the management functions and involve themselves in routine or everyday business of the bank
  o send instructions / directions to any individual officer/ employee of the bank in any manner.

- No Sponsorship
  The directors should not
  o sponsor any loan proposal, buildings and sites for bank’s premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc.
  o approach or influence for sanction of any kind of facility
  o participate in Board discussions, if a proposal in which they are directly or indirectly interested, comes up for discussions. They should disclose their interest, well in advance, to the CEO and Board.
  o sponsor any candidate for recruitment or promotion or interfere in the process of selection/appointment or in transfers of staff.
  o do anything which will interfere with an / or be subversive of maintenance of discipline, good conduct and integrity of the staff.
  o encourage the individual officer/ employee or unions approaching them in any matter.
  o conduct Bank’s business with a relative or any other person or any firm, Company or Association in which the relative or other person is associated in any significant role. If such a related party transaction is unavoidable, they must fully disclose the nature of the related party
transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party. In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

- **Maintain confidentiality**: The directors should not
  - reveal any information relating to any constituent of the bank to anyone as, he is under oath of secrecy and fidelity. The directors are expected to ensure confidentiality of the bank’s agenda papers / notes. The board papers may ordinarily be returned to the bank after the meeting.
  - call for papers/ files/ notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the meetings. All information/clarification that they may require for taking a decision should be made available by the executive.
  - Display logos of distinctive design of the bank on the visiting card/ letter head though a director may indicate his directorship of the bank on his visiting card or letter head

3. **Model Agenda of Board Meetings**

- Funds position, compliance with CRR/SLR, maintenance of investments in Government securities, concurrent audit report by internal auditors and its compliance
- Loans and advances
- Business Plan – Targets and Achievements
- Branch Performance etc.,
- Review of half-yearly investment of the bank
- Review of high value frauds
- Effective Information Technology (IT) and Information Security (IS)
- Cyber security framework and review of systems

The agenda to be examined and the periodicity of reviews is indicated in Annexure –I.

The status of submission of agenda notes to the Board – A quarterly return to be submitted by 10th of April / July / October / January (circular dated 20th Sep 2013)
B. Audit Committee of Board

1. Role of the Committee

- In order to ensure and enhance the quality and effectiveness of internal audit / inspection as a management tool, it is considered necessary that an independent Audit Committee should be set up at the Board level for overseeing and providing direction to the internal audit/inspection machinery / Statutory (external) Auditors and other executives of SCBs/DCCBs.

- The primary purpose of Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the bank to any statutory body or the public the banks systems of internal controls regarding funds, accounting, legal compliance, ethics that management and the Board have established and the bank’s auditing, accounting and financial reporting process.

- Serve as a proactive, effective and objective mechanism to monitor the bank’s financial reporting process and internal control systems

- Review and appraise the audit efforts of the bank’s external auditors and internal audit department

- Review and approve the compliances furnished by the Bank in respect of audit reports and inspection reports issued by NABARD / Bank’s internal audit department

- Provide an open channel of communication among the external, senior management, the internal audit department and the Board of Directors

- It is the responsibility of the Board of Directors to ensure that Audit Committee members are independent, understand banking and financial matters and have the capability to serve as effective Audit Committee members.

2. Constitution of the Committee

- Audit Committee is a Sub-committee of the Board
- The audit committee need to meet at least once in a quarter
- The composition of Audit Committee may be three or four directors only, one of whom may act as the Chairman of the Committee.
- The Chairman and the CEO of the bank should not be on the Audit Committee
- Only qualified locally available Chartered Accountant be co-opted on the Audit Committee by all banks
- Wherever elected Boards have been superseded, the Audit Committee to be appointed by the Administrator should have the Chartered Accountant as the Chairman of the Committee.
2. Suggested Agenda

Review:

- Recommend to the full Board for shareholders’ approval, the appointment, reappointment, removal, or replacement and terms of appointment of auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.

- Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore.

- Reviewing and examining with the management, the annual financial statements and auditor’s report thereon before submission to the Board for approval, with particular reference to:

  i) Any changes in accounting policies and practices
  ii) Major accounting entries involving estimates based on the exercise of judgement by management
  iii) Significant adjustments made in the financial statements arising out of audit findings
  iv) Compliance with the applicable accounting standards
  iv) Compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements
  v) To review the company’s statement on internal control systems prior to endorsement by the Board.
  vi) The going concern assumption
  vii) Disclosure of any related-party transaction, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank’s interests at large
  viii) Modified opinion(s) in the draft audit report
  ix) To consider suggesting adoption of Accounting Standards on voluntary basis in tune with industry best practices.

- Review of IS audit observations and compliance

- Review of the follow-up action on the Internal Inspection/Internal Audit Reports, particularly of “unsatisfactory” branches, and large branches and also on concurrent audit observations.

- Review the bank’s compliance with statutory provisions of the Banking Regulation Act 1949 (AACS), with particular reference to Section 18, 24, 29, 31, 35A etc./ Section 42 of the RBI Act, 1934 in case of Scheduled Banks
• Review the information security audit mechanism in the bank with particular reference to Disaster Recovery System and Business Continuity Planning.

• Periodically review the progress in reconciliation of entries in Inter-bank and Inter-branch accounts and reconciliation of bank accounts. The Committee should meet at least four times annually.

• Review of Frauds and action taken to recover the amount involved, to avoid recurrence of such frauds in future.

• Review any significant disagreement among management and the accounts department or the internal audit department in connection with the preparation of the financial statements.

• Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

• To review and oversight the functioning the Whistle Blower Mechanism.

• To ensure that Senior Management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner.

**Policy**

• Fixing accountability for unsatisfactory compliance of inspection/audit reports, delay in compliance and non-rectification of deficiencies.

• Ensure bank’s adherence to KYC & PMLA guidelines issued by the RBI/NABARD and if any violations are observed, action taken thereon to avoid recurrence of the same.

• Recommend to the Board of Directors the selection of the Internal Auditor considering his/her independence and effectiveness.

• Periodical review of the accounting policies, systems and controls in the bank with a view to ensuring greater transparency in the bank’s accounts and adequacy of accounting controls to address the risks faced or likely to be faced by the bank.

• Consider and approve, if appropriate, major changes to the bank’s auditing principles and practices as suggested by the accounts department, management, or the internal audit Department/External Auditors/NABARD Inspection Team.

• Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.

**Compliance**

• Peruse the latest Inspection Report of NABARD and status of compliance therewith.

• Compliance to Statutory Audit Report
- Divergence is observed and pointed out in the Inspection Reports which are sent to the bank. To see that the Bank/ Statutory Auditors have been ensuring proper classification of such assets while finalizing the books of accounts as at the end of next financial year.
- Review the integrity of the bank’s financial reporting processes, both internal and external, especially, the correctness of NPAs and provisioning for impaired assets.
- Reviewing omission on the part of internal inspecting officials/ concurrent auditors to detect serious irregularities, which come to light later.
- Certification of physical possession of securities as reported to RBI & NABARD every quarter by Internal/ Departmental Auditors or concurrent auditors.
- Perform any other activities consistent with the guidelines of RBI/NABARD, the Bank’s Bye-laws and Co-operative Societies’ Act, as the Committee or the Board deems necessary or appropriate.

Calendar of Reviews to be put up to the Audit Committees of SCBs and DCCBs

Quarterly

- Inter-branch reconciliation.
- Performance of Concurrent Audit/ Inspection Department
- Inspection reports of poorly rated branches – Progress in rectification of deficiencies.
- Review of arrears in balancing of books, clearing differences, sundry/ suspense items.
- IS audit compliances

Yearly

- Compliance with observations made by the statutory auditor.
- Compliance with observations made in NABARD’s Inspection Report.
1. Role of Risk Management Committee

- Risks are usually defined by the adverse impact of several distinct sources of uncertainty on profitability. The principal banking risks are credit risk, liquidity risk, interest rate risk, market risk, foreign exchange risk and solvency risk. Risk management covers all risk information systems, reporting and subsequent actions.

- Improve the ability of the Bank to identify, measure, monitor and control the overall level of risks the banks are exposed to.

- Ensure a proper Loan Review Mechanism is put in place for constantly evaluating the quality of credit portfolio and to bring out qualitative improvements in credit administration.

- Monitor the Bank's handling of concentration of risk and may require that the Credit Department reports to them any such exposure exceeding a specified limit or exposures to large borrowers.

- Ensure an effective liquidity management policy which spells out funding strategies, liquidity planning under alternative scenarios, prudential limits, liquidity reporting / reviewing, etc.

- Establish well defined internal control systems which includes segregation of duties, clear management reporting lines and adequate operating procedures and compliance thereof.

2. Constitution of Risk Management Committee

- Risk Management Committee may be a Sub-Committee of the Board.
- Includes the CEO and Heads of Credit, Investment, Operational Risk departments, etc.
- Head of IT Department will be a special invitee.
- Banks may have sub-committees and support committees at their discretion.

3. Suggested Agenda

- Risk Management Committee shall approve the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank and determining the acceptable level of risks, its management and control in the best interest of the Bank. The Committee shall oversee all risk management functions in the Bank and undertake the following functions.
a) Approve the policies and strategies for implementing integrated risk management system, for addressing various risks faced by the Bank.

b) Oversee functions of Credit Risk Management Committee (CRMC), Asset Liability Management Committee – (ALCO), Operational Risk Management Committee (ORMC) and Information Security Committee (ISC).

c) Set policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.

d) Set risk mitigation and stop-loss parameters in respect of all the three risks.

e) Ensure Management Processes (including people, systems, operations, limits and controls for implementing risk management systems.

f) Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.

g) Reviewing and approving the Internal Capital adequacy Assessment Process.

h) Approval / Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc., and based on internal / external rating, borrower category / groups etc.


j) Decide / approve adoption of technology / appropriate and adequate MIS system needed for risk management.

k) Reinforce the culture and awareness of risk management throughout the organization that would attach high priority on effective risk management and adherence to sound internal controls.

l) Assess feasibility of shift to Risk Based Internal Audit (RBIA) and prepare a road map for transition.
D. Asset Liability Management Committee (ALCO)

1. Role of Asset Liability Management Committee

- Cooperative Banks are now operating in a fairly deregulated environment and are required to determine their own interest rates on their deposits and advances. The interest rates on banks' investments in Government and other permissible securities are also now market-related.
- Intense competition in business, involving both the assets and liabilities, together with increasing volatility in the domestic interest rates has brought pressure on the management of banks to maintain an optimal balance between spread, profitability and long-term viability. Imprudent liquidity management can put banks' earnings and reputation at great risk.
- ALCO to develop a comprehensive approach towards management of banks' balance sheets and arriving at their business decisions, based on sound risk management systems with the ultimate objective of protecting the interests of depositors and stakeholders.
- Introduce an effective Asset-Liability Management (ALM) systems to address the emerging issues, particularly liquidity and interest rate risks and review the implementation on ALM system on a regular basis
- Get the ALM policy approved by the Board
- Take steps for capacity building / knowledge management of the officers involved in ALM
- Upgrade the Management Information System for preparation and internalization of reports

2. Constitution of Committee

- ALCO shall be a Management level Committee
- ALCO will consist of CEO as Head, the Chief of Investment/Treasury, Credit, Planning as members.
- Head of IT will be a special invitee

2. Suggested Agenda

- Review of progress in implementation of the decisions made in the previous meetings.
- Ensuring adherence to the limits set by the board as well as for deciding the business strategy of the Bank (on asset and liability side) in line with Bank's budget and decided risk management objective.
- Reporting to the Board of directors on a quarterly basis on Structural Liquidity Position - both Asset and Liability, Status of deployment and resources generation program and Analysis of Interest rate sensitivity.
- To develop a view on future direction of interest rates movements and decide on funding mixes between wholesale vs retail deposits, short term vs long term deposits etc.
- Developing and recommending policies for liquidity risk and interest rate risk for approval by Board.
○ Overseeing the implementation and maintenance of management information system that can effectively identify, measure, monitor and control the liquidity risk and interest rate risk.
○ Ensuring adherence to the line of authority and responsibility that the board has established for managing liquidity risk and interest rate risk.
○ Reviewing the management information reports and reporting to the board quarterly
○ Review of Interest Rate Sensitivity Statement
○ Pricing of both deposits and advances and suggest desired maturity profile and mix of the incremental assets and liabilities.
○ Furnish ALM returns viz., Statement of Structural Liability (SSL) and Statement of Interest Rate Sensitivity (SIRS) at quarterly intervals through ENSRE Portal of NABARD
E. Special Committee of Board for Monitoring of Frauds

1. Role of the Committee
   - The rising trend in incidence of frauds, dacoits, robberies, etc., in banks is a matter of concern. While the primary responsibility for preventing frauds lies with banks themselves, the RBI / NABARD has been advising banks from time to time about the major fraud prone areas and the safeguards necessary for prevention of frauds.
   - Provide focus on the "Fraud Prevention and Management Function" to enable, among others, effective investigation of fraud cases and prompt as well as accurate reporting to appropriate regulatory and law enforcement authorities including NABARD.
   - Delineate in a policy document on the processes for implementation of the Committee's directions and enable a dedicated outfit of the bank to implement the directions in this regard.
   - The fraud risk management, fraud monitoring and fraud investigation function must be owned by the bank's CEO, Audit Committee of the Board and the Special Committee of the Board.
   - While Audit Committee of the Board (ACB) shall monitor all the cases of frauds in general, banks are required to constitute a Special Committee of the Board for monitoring and follow up of cases of frauds (SCBF) involving amounts of Rs. 20.00 lakh and above exclusively.

2. Constitution of the Committee
   - The Fraud monitoring Committee shall be a Board level Committee
   - The Committee shall be constituted with the following members
     - President (for StCBs and DCCBs) of the bank
     - Two members from Audit Committee of the Board; and
     - Two other members from the Board (may be by rotation) excluding NABARD nominee director / observer, if any.
   - The periodicity of the meetings of the Special Committee may be decided according to the number of cases involved. However, the Committee should meet and review as and when a fraud involving an amount of Rs. 20.00 lakh and above comes to light.

3. Suggested agenda
   - Review the reported frauds, identify the reasons for delay in detection, if any,
   - Quarterly review of reporting to NABARD through FMS returns
   - Monitor progress of Police Investigation, and recovery position and
   - Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same;
- Examine staff accountability at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as, strengthening of internal controls.
1. **Role of the Committee**

- Formulation of Investment Policy to facilitate, guide and provide a directional framework for all the investment activities undertaken by the Bank.
- Ensure that investment decisions are taken and treasury operations are carried out in a prudent manner within the extant regulatory framework and Asset Liability Management strategies of the Bank.
- Manage the surplus and other funds of Bank, to comply with CRR and SLR requirements, to optimize the portfolio yield in a manner consistent with the liquidity, ALM strategies and business needs of the Bank, to ensure the safety of funds invested, to earn as much income as possible from treasury operations, without compromising on the safety and liquidity requirements, to manage risk, especially credit risk, interest rate risk and operational risk, to invest in Call Money, Notice Money and Term Money Market.

2. **Constitution of the Committee**

- The Investment Committee shall be a Management level Committee.
- The Investment Committee shall comprise of Managing Director/Special Officer, General Manager and all Executives of the Bank.
- The committee will be headed by MD/CEO/Administrator or in his / her absence Chief Revenue Officer of the Bank.
- The Officer-in-charge of Investment Operations will be the Convener of the meeting.
- The quorum of the meeting shall be two third of members of the IC, excluding the Convener.
- The Chief Dealer shall keep minutes of the IC meetings and in his absence the officer nominated by the General Manager shall take care of preparing the minutes. The Investment Committee may invite any other functionary to attend the meeting as a Special Invitee. The composition of the committee can be changed by the Chairman of the Investment Committee.
- The committee will meet once in a month or at more frequent intervals as warranted by the situation.

3. **Suggested Agenda**

- Consider and review the investment transactions of the previous month/since the last meeting. The review will be aimed at ensuring the efficacy of the system, compliance with the regulatory guidelines and investment policy.
- Consider the compliance with regard to the internal and statutory / other audit reports.
- Assess the funds position by taking into account cash flows and projections, review the interest rate scenario and other market developments and issue investment guidelines for the ensuing month.
- Guide the investment team on interest rate risk, price risk, management of securities acquired with trading objective and also on the investment mix, interest rates expectations and investment strategies.

- Review data on the current economic conditions and outlook for interest rates and review balance sheet liquidity with reference to Portfolio cash flow and liquidity, Value of Portfolio (Total, Permanent and current), Duration and Price Sensitivity of portfolio.

- Consider the present and projected interest rate environment, yield curve analysis, investment product alternatives and interest rate sensitivity positions.

- Review / approve the Counterparty exposure limits for Investments as and when required.

- The investment portfolio shall include the governing principles such as Safety -to mitigate credit risk and interest rate risk, liquidity - to meet all operational requirements that may be reasonably anticipated. and yield- attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs, in that order of priority.

- To review the investment portfolio of the bank and to take stock of the impact of “trading in Securities” in the preceding period, for deployment of surplus resources, to decide parameters for trading in securities with special reference to premium, minimum yield to maturity etc. and to work out suitable strategies for augmenting profit by trade, besides ensuring compliance to SLR and CRR requirements.

- The investment and treasury operations will be carried out keeping in view the provisions of bye laws of the Bank and instructions issued by Government of Registrar of Coop. Societies and Guidelines issued by NABARD and Reserve Bank of India.

- To exercise the delegation of powers within the framework of the Investment Policy and to submit to the Board of Directors for approval any proposal for investment exceeding the internal norms fixed by the Bank in the Investment Policy.
Annexure I

I. Calendar of Reviews to be put up to the Board of Directors of StCBs and DCCBs

1. Every Board Meeting

   a. Funds Management

      - Information about funds position of the bank
      - Compliance with CRR/SLR requirements
      - Details of investments in call deposits, non-SLR investments made, Securities traded and income earned/loss incurred, if any.
      - Compliance with RBI instructions in regard to maintenance of investments in Govt. Securities.
      - Details of borrowings availed of from higher financing agencies (SCB/NABARD/State Govt. etc.) under various lines of credit limits vis-à-vis the Maximum Borrowing Power.
      - Position of deposits mobilized, amount invested in various avenues and advances made. The report should not be a fact sheet but should capture qualitative data on the important market trends, market developments, regulatory initiatives, etc. between the review periods and should stimulate constructive suggestions and discussions on critical appraisal of the strategies followed presently and the need for changes.
      - Concurrent audit report by internal auditors and compliance report thereon (to be placed before the CEO and Chairman every month).

   b. Loans and Advances

      - Review of various credit limits sanctioned by Managing Director/Chairman/Executive Committee.
      - Sanction of term loans (for setting up/modernization of sugar factory/spinning mill/ginning press, etc.) and follow up.
      - Participation in Consortium Finance.
      - Adherence to exposure norms prescribed by RBI/NABARD.

   c. General

      - Compliance in respect of outstanding observations of the Board.
      - Circulars received from RBI, NABARD, DICGC, RCS and Apex Bank.
      - Implementation of the instructions/directives/guidelines issued by RBI/NABARD/Govt.
      - Submission of Statutory returns/OSS returns. ENSURE returns
2. Quarterly

a. Business Plan: Targets and Achievements

- Performance reviews vis-à-vis business goals such as deposit mobilization, credit disbursal, recovery of loans, etc. The reviews should be comprehensive and cover specifically the bank's structural/organizational requirement. It should lead to initiation of business strategies of growth and profitability. The review should also contain bank's performance under special programmes of credit assistance like SHG, etc.
- Review of high yielding advances sanctioned by the bank.
- Review of progress in implementation of Govt. sponsored programmes.
- Recoveries effected under NPA accounts. The report should be comprehensive and cover requisite details on the deficiencies observed, systemic controls required for avoidance of incidence of NPAs, etc. The review should also look at loan policy caveats on exposure thresholds, borrower-wise/industry-wise, etc. and other credit risk management initiatives on ongoing basis.
- Details of OTS/waiver of irrecoverable loans/interest.
- Recovery under legal action (cases of ABN filed, decree/awards obtained and EPs filed/ executed).
- Performance appraisal report (PAR) generated on ENSURE and action taken thereof.

b. Branch performance

- Branch-wise targets and achievements under various business parameters.
- Review of branch profitability with suggestions measures to improve the position of loss making branches. Need for branch expansion and branch rationalization.
- Progress in inspection of branches and important observations of branch inspections.
- Review of discussions held during Branch Manager's review meetings.

c. Working Results

- An analysis of the working results of the bank on a quarterly basis along with an analytical note and proposals for future course of action. The bank's comparative position should also be highlighted.
- Performance Appraisal Reports generated on ENSURE.

d. Others

- A comprehensive review of the Vigilance Cell including position of vigilance cases and disciplinary cases initiated against the bank's staff and secretaries of affiliated societies.
2. Quarterly

a. Business Plan: Targets and Achievements

- Performance reviews vis-à-vis business goals such as deposit mobilization, credit disbursal, recovery of loans, etc. The reviews should be comprehensive and cover specifically the bank's structural/organizational requirement. It should lead to initiation of business strategies of growth and profitability. The review should also contain bank's performance under special programmes of credit assistance like SHG, etc.
- Review of high yielding advances sanctioned by the bank.
- Review of progress in implementation of Govt. sponsored programmes.
- Recoveries effected under NPA accounts. The report should be comprehensive and cover requisite details on the deficiencies observed, systemic controls required for avoidance of incidence of NPAs, etc. The review should also look at loan policy caveats on exposure thresholds, borrower-wise/industry-wise, etc. and other credit risk management initiatives on ongoing basis.
- Details of OTS/waiver of irrecoverable loans/interest.
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c. Working Results

- An analysis of the working results of the bank on a quarterly basis along with an analytical note and proposals for future course of action. The bank's comparative position should also be highlighted.
- Performance Appraisal Reports generated on ENSURE

d. Others

- A comprehensive review of the Vigilance Cell including position of vigilance cases and disciplinary cases initiated against the bank's staff and secretaries of affiliated societies.
- Review of cases of frauds, misappropriations, embezzlements, defalcations, etc. together with action for recovery thereof. Review of cases of dacoities and security arrangements in the bank.
- A review of customer services rendered by the bank with analysis of complaints received and action taken.
- Progress in implementation of the Action Plan prepared for recompliance with Section 11 of the BR Act, 1949 (AACS) – (for Sec. 11 non-compliant banks).
- Observations of the Audit Committee.

3. **Half-yearly**

- Half yearly review of investment portfolio (as on 30 September and 31 March); copy of review report put up to the Board should be forwarded to RBI/NABARD by 15 November and 15 May.
- A review of operations of the bank's non-fund business.
- A review of Corporate Governance Index developed by NABARD
- A review of the bank's HRD policy, training programmes, etc.
- Comprehensive status notes separately on Income Recognition, Asset Classification and Capital Adequacy regarding compliance with the policy guidelines laid down by RBI from time to time. The review should be a progress report on the steps initiated on the policy guidelines of RBI on prudential regulations, risk management, etc.
- Review of implementation of Risk Management guidelines in the bank.
- Review of all aspects relating to the computerization of branches/ Regional Office/ Head Office and also look into Information Technology related needs.
- Review of cost of funds, yield on deployment of funds, interest rates revision, etc.
- Position of imbalance-society-wise.
- Review compliance of the Fair Practices Code and the functioning of Grievance Redressal Mechanism at various levels of controlling offices.
- Review of viability of affiliated DCCBs/ societies. Position of Cadre Fund, share capital contribution/ share linking at different tiers.

4. **Yearly**

- Working results – Comparison of various parameters with working results of other banks and should include analysis of Balance Sheet prescribed by RBI.
- Audit Report – Long Form Audit Report (LFAR) of the bank along with bank’s comments on the auditors’ observations.
- Review of all policies – An annual review of all policies formulated by the bank like Loan Policy, Investment Policy, Recovery Policy, Funds Management Policy, Risk Management Policy, ALM, etc.
- Corporate Budget-Review of budget proposals made for various expenditure vis-à-vis actual expenditure and reasons for large scale deviations, if any.
- Review of working of Head Office Departments.
- Statutory inspection report and compliance report thereon (to be submitted to NABARD).
- Review of findings of inspection conducted by SCB and action taken thereon.
- Review of reports submitted by Audit Committee and action taken thereon.
- Cash retention limits of HO and branches.
- Note on Man-power Planning and Development and periodical review in respect thereof. Policy relating to recruitment/ promotion/ transfer / staff welfare.

II. Calendar of Reviews to be put up to the Management Committee of SCBs and DCCBs

1. Every Meeting
   - Compliance on observations by the Management Committee.
   - Credit proposals sanctioned by Chairman/ Managing Director/ Branch Managers.

2. Quarterly
   - Compromise proposals/ bad debts written off, if any – General Manager/ Executive Director/ Chairman.
   - Review of top 20 loan accounts in each category of NPA i.e. Sub-standard/ Doubtful /Loss (75 in each quarter). After deliberations, a status report giving macro level analysis of NPAs (trend, movement, sector-wise, suit-filed cases, recovery, etc.) should be put up to the Board.

3. Yearly

   Review of Corporate Budget – includes review of publicity expenses, capital expenditure vis-à-vis capital budget, donations made during the year, etc. – deviations to be put up to the Board.
<table>
<thead>
<tr>
<th>No.</th>
<th>Circular No.</th>
<th>Date</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NB.IDD/Coop.ST/2679/V-20/2012-13</td>
<td>08 March 2013</td>
<td>Meetings of the Board of Directors of StCBs and DCCBs - Agenda Items - Submission of review notes to the Board</td>
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<td>2</td>
<td>NB.IDD.Coop.ST/191/V-20/2005-06 Circular No.149/ID/12/2005</td>
<td>19 July 2005</td>
<td>Meetings of the Board of Directors of StCBs and DCCBs - Agenda Items - Submission of review notes to the Board</td>
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<td>NB.IDD.COOP.ST/1111/V-20/2006-07 Circular No.187/IDD-09/2010</td>
<td>21 September 2010</td>
<td>Role of Directors on the Board of Directors of StCBs/CCBs – Code of Conduct – (Dos and Don’ts)</td>
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<td>NB.IDD.COOP.ST/188/V-20/2006-07</td>
<td>16 Nov. 2006</td>
<td>Role of Directors on the Board of Directors of State/District Central Cooperative Banks – Dos and Don’ts</td>
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<td>NB.DoS.HO.POL/219/J-1/2005-06</td>
<td>06 April 2005</td>
<td>Risk Management Systems in StCBs/CCBs</td>
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<td>8</td>
<td>NB.DoS/HO.POL/4420/P-108/2006-07</td>
<td>09 February 2007</td>
<td>Guidelines for introduction of Asset Liability Management in StCBs and select 31 DCCBs (This circular meant for RRBs)</td>
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<td>9</td>
<td>NB.DoS.HO.POL.H-1901/J-1/2003-04 Circular No.69/DoS-05/2004</td>
<td>12 March 2004</td>
<td>Setting up of Audit Committee at StCBs/DCCBs</td>
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<td>12</td>
<td>RBI Circular No.RPCD.CO.RCBD.137/03.01.03/2011-12</td>
<td>July 05, 2011</td>
<td>Fit and Proper Criteria for Directors and CEOs of StCBs/DCCBs</td>
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<td>13</td>
<td>NB.IDD.COOP/1351/V-52/2017-18</td>
<td>17 January 2018</td>
<td>Appointment of Directors and CEOs of StCBs/DCCBs as per “Fit and Proper Criteria”</td>
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