

DIRECTORATE OF COOPERATIVE AUDIT : ODISHA : BHUBANESWAR.

Letter No. VI(I) 12/13 7438 / Audit -8/ Dated:- 30/10/15
To,

The Assistant Auditor General,
Cooperative Societies of Orissa.

Sub:- Circular on Role of Directors of
OSCB and DCCBs.

Madam/ Sir,

Enclosed please find herewith the copy of the
NABARD Circular No. 187/IDD/09/2010 on Role of the Board of
Directors of SCB and DCCBs (DO's and Don'ts).

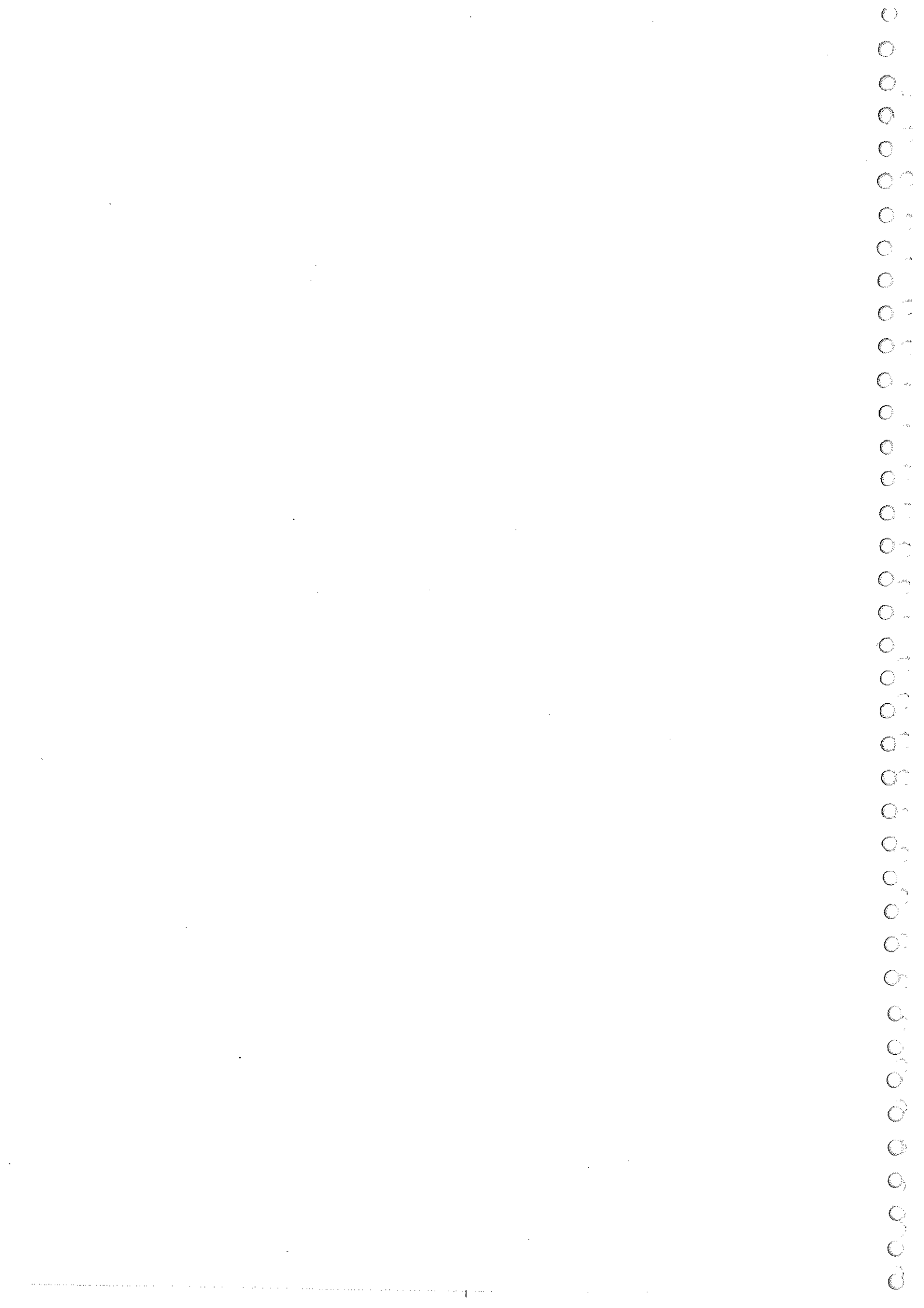
You are requested to circulate the above guidelines
amongst the auditors under your administrative Control including
the concurrent auditors for their guidance ⁱⁿ audit of Central
Cooperative banks.

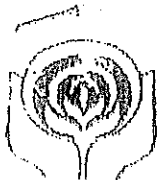
Yours faithfully,
[Signature]
23/11/2015
Auditor General,
Cooperative Societies, Odisha

Enclosures:- As above.

Copy to Audit -1/2 sent
5 S.O.

S.D. *[Signature]*





राष्ट्रीय कृषि और ग्रामीण विकास बैंक
NATIONAL BANK FOR AGRICULTURE
AND RURAL DEVELOPMENT

NABARD संस्थागत विकास विभाग
Institutional Development Department

मुख्यालय
प्लॉट: सी-24/ 'G'
बान्द्रा-कुर्ला कॉम्प्लेक्स
पोस्ट बॉक्स: 8121
बान्द्रा (पूर्व)
मुंबई - 400 051
दूरभाष / टेलीफोन: 022 - 2652 4843
फैक्स / फोन: 022 - 2653 0039
ई-मेल: idd@nabard.org

Ref. No. NB.IDD.COOP.ST / / V.20 / 2010-11

21 September 2010

Circular No. 187 / IDD / 09 / 2010

The Managing Director / CEO
All State Cooperative Banks/District Central Cooperative Banks

Dear Sir

**Role of the Directors on the Board of Directors of
SCBs / CCDs - Code of Conduct (Do's and Don'ts)**

Please refer to our circular No. 194 / IDD - 21 / 2006 (Ref. No. NB.IDD.COOP.ST / 188 / V.20 / 2006) dated 16 November 2006 on the captioned subject advising that the Boards of Directors of Cooperative Banks have the responsibility of overseeing the performance of the respective bank's operations and ensure that they function in accordance with the guidelines issued by the RBI/NABARD/GoI/State Government and achieve the objectives of good governance and deal with issues of viability and sustainability. The various Cooperative Societies Acts, the Bye-laws framed there under and model Bye-laws spell out the duties, functions and obligations of directors of these banks. However, in the post implementation of the GoI Revival Package for Short Term Cooperative Credit Structures (STCCS) and 'Agricultural Debt Waiver & Debt Relief scheme 2008, the Cooperative Banks need to further strengthen their Board of Directors in order to discharge their duties effectively. In view of this the Code of Conduct (Do's & Don'ts) for the Board of Directors has been reviewed and the same is given in the Annexure.

2. Constitution of Board of Directors - Eligibility of Directors :

The Fit and Proper Criteria as prescribed by RBI should be followed in the constitution of Board of Directors of the Bank. 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). The Board of Directors (BODs) is primarily concerned with the formulation of policies keeping in view the guidelines issued by RBI, NABARD and State/Central Government. The Board should also 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.

management of the affairs of the bank. This calls for a certain degree of professionalism in the Board of Directors. To ensure professionalism in the Board, the banks should adhere to the criteria prescribed by RBI in this regard under "Fit and proper criteria". The banks should also have a suitable provision in their Bye-laws to ensure this.

4. Role of Board of Directors - Code of Conduct (Do's and Don'ts)

Board of Directors of the Cooperative Bank should ensure that proper loan policies are adopted and followed. It should be ensured that all circulars and other material relating to policies issued by RBI/NABARD/Gol/State Government are seen by every member of the Board and also placed before the Board for suitable action. Do's and Don'ts issued by us vide our above referred circular have been reviewed and an illustrative Code of Conduct which includes the Do's and Don'ts for guidance of the directors of Cooperative Banks is given in the Annexure. In order to ensure adherence to the code of conduct we expect that, once the standards are formulated the same should be signed by the Directors in witness of RCS and NABARD. The list 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.

5. A copy of this circular may be placed in the ensuing Board meeting.

6. Please acknowledge receipt of this circular to the concerned RO of NABARD.

Yours faithfully

Sd/-

(Suraj Bhan)

Chief General Manager

Encl: Annexure

Note: SCB is requested to circulate copies of circular along with enclosures among DCCBs in the State.

(586)

ANNEXURE

CODE OF CONDUCT for the Directors of the Bank's Board of Directors approved by the Board

I. NEED AND OBJECTIVE OF THE CODE :

As part of Corporate Governance, a Code of Conduct for Directors on the Board of an entity and its Senior Management needs to be laid down. Senior Management has been defined to include personnel who are members of its Core Management (top Executives at the level of General Managers) and functional heads excluding the Board of Directors. Accordingly the Bank has laid down this Code for its Directors on the Board and its Core Management.

II. BANK'S BELIEF SYSTEM :

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 recognises 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 acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behaviour. The Bank shall be committed in all its actions to the interest of the countries in which it operates. The Bank is conscious of the reputation it carries amongst its customers and public at large and shall endeavour to do all it can to sustain and improve upon the same in its discharge of obligations. The Bank shall continue to initiate policies, which are customer centric and which promote financial prudence.

III. PHILOSOPHY OF THE CODE:

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 which are as follows:-

Do's

(a) Corporate Governance :

The Directors should :

- i. equip with Cooperative Societies Act, Bye-laws & Rules.
- ii. attend the Board meeting regularly, participate effectively and work in a spirit of "Cooperation must succeed".
- iii. receive agenda notes in advance and study as regards to quality of content and coverage.
- iv. involve in formulation of general policy and its implementation by monitoring performance of the bank at regular intervals.
- v. ensure that selection of CEO as per "Fit and Proper Criteria" prescribed by RBI.
- vi. ensure adoption of a proper HR policy in relation to recruitment, placement, promotion, transfer and training.
- vii. strengthen internal check and control mechanism as regards to segregation of duties and responsibilities and fixing accountability.
- viii. strengthen internal audit system & vigilance mechanism and its timely reporting and follow up action thereon.
- ix. carefully peruse audit report & NABARD inspection Report and ensure timely compliance.
- x. review of frauds committed.
- xi. timely reporting and action taken.

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

(h) Business Development Role :

- i. framing and adoption of Loan policy and Manual.
- ii. review of demand based diversified loan portfolio to have better income.
- iii. review of deposits with reference to high & low cost.
- iv. efficient management of funds and improving profitability.
- v. review of investment management and form a Committee to manage it.
- vi. budgeting of income & expenditure, performance & profitability review.
- vii. spotting new business activities inclusive of non fund business.
- viii. review of branches especially loss making branches.
- ix. loans sanctioned by CEO/GM to be put up to the Board.
- x. create effective follow up and monitoring system for prompt and timely recovery and reduce level of NPAs and overdues.
- xi. to 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.
- xii. review of Arbitration cases cases.

(c) Development aspects :

The directors should bestow attention on the following aspects of the bank's workings and functions

- i. preparation of Development Action Plans for successive financial year (Example - for 2011-12, it should be prepared and approved by Board in March 2011.)
- ii. implementation of plan should be monitored at quarterly intervals.
- iii. involvement in Govt. sponsored/National priority programmes also promoting SHGs, JLGs, Farmers Clubs etc. for greater financial inclusion.
- iv. create environment for effective coordination with higher and lower tiers.
- v. establishment of proper MIS and intensifying computerisation process.
- vi. monitoring of key risk areas.
- vii. steps for financial literacy and credit counseling.

Don'ts

(a) Non-Interference :

The directors should not :

- i. interfere in the day-to-day functioning of the bank.
- ii. involve themselves in the routine or every day business and in the management functions.
- iii. send instructions / directions to any individual officer/ employee of the bank in any manner.

(b) No Sponsorship :

The directors should not

- i. sponsor any loan proposal, buildings and sites of bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc.
- ii. approach or influence for sanction of any kind of facility.

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- iii. participate in the 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 Chief Executive Officer and the Board.
- iv. sponsor any candidate for recruitment or promotion or interfere in the process of selection/ appointment or in transfers of staff.
- v. do anything which will interfere with an / or be subversive of maintenance of discipline, good conduct and integrity of the staff.
- vi. involve themselves in any matter relating to personnel administration - whether it is appointment, transfer, posting or a promotion or a redressal of individual grievances of any employee.
- vii. encourage the individual officer/ employee or unions approaching them in any matter.
- viii. As a general rule, the Directors should avoid conducting 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.
- ix. 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.

(c) Confidentiality

- i. 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.
- ii. 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.
- iii. the directors should not directly 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.
- iv. a director may indicate his directorship of the bank on his visiting card or letter head, but the logos of distinctive design of the bank should not be displayed on the visiting card/ letter head.
- v. the directors should ensure that the bank's funds are utilised in a proper and judicious manner for the benefit of general members.

Any waiver of any provision of this Code of Conduct for a member of the Bank's Board of Directors must be approved in writing by the Board of Directors of the Bank. The matters covered in this Code of Conduct are of the utmost importance to the Bank, its stakeholders and its business partners, and are essential to the Bank's ability to conduct its business in accordance with its value system.

I have received and read the Bank's Code of Conduct and agree to comply with the same.

Signature : _____
Name : _____
Designation : _____
Date : _____, 2010
Place : _____

Note: The Code of Conduct (list of Do's and Don't's) is only illustrative.

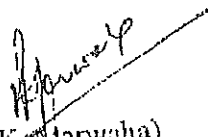
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Endt. No. NB. IDD. COOP. ST / 1335 / V-20 / 2010-11 of date

Copy forwarded for information to

1. The Registrar, Cooperative Societies, Cooperation Department, All States
2. The Chief General Managers / Officer-in-Charges of all ROs / SO.
3. The Chief General Manager, All Departments, NABARD, Head Office.
4. All Training Establishments of NABARD, BIRD, CAB, Pune and ACS IIs.
5. EAs to Chairman, Managing Director and Executive Directors.
6. The Managing Director, NAFSCOB, Navi Mumbai.


(R.K. Narwaha)
Deputy General Manager

- 1592
3
- 3 -
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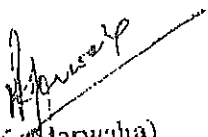
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(R.K. Marwaha)
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