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Program for Non-Executive Directors on the Boards of Commercial Banks was held on May 29-30, 2017, Goa

Takeaways from the Program for Non-Executive Directors on the Boards of Commercial Banks

- ✓ Boards must concentrate on long term vision rather than short term agenda.
- ✓ Banks must embrace Fintech challenge - collaborate with Fintech companies and move forward.
- ✓ Banks must be aware of the emerging competitions from NBFCs, SFBs, Payment Banks, P2P, TReDS. Some banks are considering revitalising RRBs to overcome such challenges.
- ✓ With the current trend of society moving towards less cash environment, Boards must have a clear strategy regarding future of branches/ ATMs. Banks may consider not having their own ATM counters and outsourcing white label ATMs.
- ✓ IT budget should get adequate focus as Information Technology is now an inseparable part of the business and to offer effective services to the customer continuous upgradation is unavoidable.
- ✓ Data analytics should be utilized for business growth viz. tailored products; credit scoring.
- ✓ Banks may consider re-orienting their incentive structure - shift from product push incentives to what is beneficial for the customer to achieve better customer satisfaction.
- ✓ Overall responsibility to monitor and manage enterprise wide risk lies on the boards of banks. Boards must approve what should be the risk appetite of the banks. Boards must ensure that a proper risk culture is practiced in the bank. All policies must be mapped to processes. Risk management practices must go beyond regulatory requirement.
- ✓ Independent Directors must bring in medium and long term perspectives to the business proposals by asking questions regarding the strategies of different business units over medium and long term. Boards must help the Management see the blind spots in high value credit proposals.
- ✓ Risk models must be validated and internalized in the bank rather than depending on the models sourced from vendors blindly.
- ✓ Periodic Stress tests must be carried out to identify the vulnerable sectors and action plans put in place.
- ✓ Compliance should not be viewed as “compliance” the regulators want the banks to do but it should be a culture in the organization. Independent Directors must focus on the Compliance very diligently as the breach of any procedure may attract huge penalties and result in reputational risk.

- ✓ Today, all information regarding how an account has gone bad are available from various sources viz inspection report or concurrent audit or legal audit or statutory audit or forensic audit, etc. Technology may be used effectively so that all the reports are easily available at one place so as to have quick redressal and moving forward.
- ✓ There is a need for the government to create a professional body who can create banking professionals with requisite skillsets and thereby develop an eco-system so that banking sector gets specially trained experts in all the fields.
- ✓ There is a need to change the composition of bank boards. As of now it is not mandatory to have IT professionals on the board. With the increase of cyber-crime it should be made mandatory to have an IT professional on the board.
- ✓ Boards should strategise capital planning to meet higher capital needs under Basel III, especially considering the conversion and write down prescriptions for non CET instruments.
- ✓ The large exposure framework reducing the prudential exposure norms as also the prescription about ASCL attracting higher provision and risk weights on incremental financing, requires boards to study the likely implications.

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