

CAIIB

Banking Regulations & Business Laws

Chairman of Banking Company



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Chairman of Banking Company



- Whole-time or part-time chairman, appointed from among its directors.
- **WTC**- management of the entire affairs of the bank
- **Part-Time Chairman**: prior approval RBI
- In the absence of a chairman, management of affair: MD
- Their term is limited to five years, with the option for re-election or reappointment
- Chairman may be a director of a subsidiary of the bank or of a company registered under Section 25 CA,1956 (corresponding Section 8 CA,2013)
- RBI may permit the chairman or managing director to engage in part-time honorary work that does not interfere with their primary duties.
- At the end of their term, the chairman or MD can continue until a successor assumes office, subject to the approval of RBI



Chairman of Banking Company



- A person is **disqualified** from being a Chairman on a whole-time basis or a Managing Director if they:
 - Serve as a Director in any company other than the specified types.
 - Act as a partner in any firm involved in trade, business, or industry.
 - Hold substantial interest in another company or firm.
 - Serve as a Director, manager, managing agent, partner, or proprietor in a trading, commercial, or industrial concern.
 - Engage in any other business or vocation.





Removal of WTD/MD

- **RBI opinion:** not a fit and proper person to hold such office
- Reasonable opportunity of being heard
- If the banking company doesn't comply within 2 months, RBI can remove the person and appoint someone else to serve the remaining term.
- The affected party or the banking company can appeal to the Central Government within thirty days
- **Temporary vacancies:** Temporary arrangements can be made for the chairman or managing director's duties for up to four months in cases of death, resignation, or illness. Approval from the Reserve Bank is required.



Power of RBI to Appoint Chairman



- If the whole-time chairman or managing director's position is vacant, and the bank doesn't fill it promptly, RBI can appoint an eligible person to fill the vacancy.
- The appointed person, if not already a director, is deemed to be one. The appointment can last up to 3 years, with a provision for reappointment.
- Removal can only be done by RBI, and pay is determined by RBI



Appointment Of Additional Directors



- RBI can appoint additional Directors for a banking company if it deems it necessary for monetary policy, public interest, or the well-being of the bank and its depositors.
- Holds office at the discretion of RBI, initially for **up to 3 years**.
- Is not personally responsible for actions taken in good faith in the execution of duties as a Director.
- Is exempt from the obligation to hold qualification shares in the banking company.
- Is not counted when determining the proportion of total Directors in the banking company.



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Q. 1

The tenure of MD/ WTD shall not be for a period more than ____ years at a time subject to a minimum period of three years at the time of first appointment, unless terminated or removed earlier, and shall be eligible for re-appointment.

- A. 3
- B. 4
- C. 5
- D. 6

Answer: Option C



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Q. 2

The post of the MD or WTD cannot be held by the same incumbent for more than _____ years.

- A. 15
- B. 10
- C. 5
- D. 20

Answer: Option A

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Q. 3

A person is not disqualified from being a Chairman on a whole-time basis if he/she

- A. serves as a Director in section 8 company (companies act, 2013).
- B. acts as a partner in any firm involved in trade, business, or industry.
- C. hold substantial interest in another company or firm.
- D. None of the above

Answer: Option A

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Q. 4

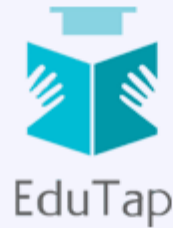
RBI can appoint additional Directors for a banking company if it deems it necessary for _____.

- A. monetary policy
- B. public interest
- C. well-being of the bank
- D. All of the above

Answer: Option D

*Thank
You!*

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