

भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

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May 09, 2022

**CONFIDENTIAL**

The Chairman / Managing Director / Chief Executive Officer

All Scheduled Commercial Banks (Excluding RRBs)

All Local Area Banks

All Small Finance Banks

All Payments Banks

All Primary (Urban) Co-operative Banks (UCBs) with asset size of ₹1000 crore and above

All-India Term Lending and Refinancing Institutions

All Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs) in Upper Layer (UL) and Middle Layer (ML)

[Regulated Entities (REs)]

Madam / Sir,

**Senior Management Personnel (SMP) and/or Non-Executive Directors (NEDs) – Reporting of Exit and Succession Planning**

Recently, the Reserve Bank has observed increasing instances of resignation of Senior Management Personnel (SMP) and/or Non-Executive Directors (NEDs) in a few Supervised Entities (SEs). However, the circumstances under which such resignations were tendered did not always appear to be routine or personal in nature. Such reasons may include difference of opinion, misalignment with organisational culture, governance related issues, anticipation of highly adverse developments/financial results, etc. These concerns have necessitated putting in place a framework for immediate reporting of exit of SMP/NED and succession plan.

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बैंक हिन्दी में पत्राचार का स्वागत करता है।

2. For applicability of this Circular, 'Senior Management Personnel' (SMP)<sup>1</sup>, shall be those functionaries, who are members of the bank's core management team, vested with managerial responsibilities and include Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), Whole Time Directors (WTDs) and those reporting to the Committee of the Board / Board, including those who are heads of Control, Assurance and Vigilance functions. Non-Executive Director would mean Director other than a Whole Time Director, including Part-time Chairman.

3. The REs shall report to the Reserve Bank or National Housing Bank (NHB), as the case may be<sup>2</sup>, on the exit of any SMP and/or an NED by way of resignation / removal / early retirement (such as tendering of resignation letter, management decision to terminate the services of any SMP, etc.) within two working days of such an occurrence.

3.1 The following information shall be included in the reporting to the Reserve Bank:

- a) Name and contact details of the SMP/ NED
- b) Designation of SMP
- c) Manner of exit (Resignation/ Removal/ Early Retirement etc.) and effective date of exit
- d) Reasons cited by the SMP/ NED for resignation or those recorded by the entity for initiating the process of exit
- e) Tenure of the SMP/ NED in the last-held position
- f) Portfolios handled by the SMP for three years prior to exit
- g) Time period of association of the SMP/ NED with the entity, including the tenure in the last-held position

4. Further, the REs need to ensure implementation of a non-disruptive and seamless succession plan in these cases as part of business continuity within a period of three months from such occurrence.

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<sup>1</sup> SMP shall necessarily include Key Managerial Personnel as defined under the Companies Act, 2013, which states that *key managerial personnel, in relation to a company, means - (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed.*

<sup>2</sup> For the purpose of reporting, HFCs shall report to the NHB.

5. The instructions contained herein come into effect from the date of this Circular.

6. This Circular is issued under Section 35A, Section 35A read with Section 56 of the Banking Regulation Act, 1949 and Section 45L of the Reserve Bank of India Act, 1934.

Yours faithfully,



(Tarun Kumar Singh)  
Chief General Manager