

Corporate Governance Document

Introduction

The following is the Corporate Governance structure based on provisions of the DICGC Act, 1961, DICGC General Regulations 1962, and on practices that have evolved over time.

2. Board of Directors

The general superintendence, direction and management of the affairs and business of the Corporation vest in a Board of Directors.

(i) Membership and Qualifications

The Board of Directors of the Corporation consists of the following:

- (a) The Governor of the Reserve Bank of India (RBI) or the Deputy Governor nominated by the Central Board of Directors of the RBI becomes the Chairperson of the Board of the Corporation.
- (b) A Deputy Governor or any other officer nominated by the RBI.
- (c) An Officer nominated by the Central Government.
- (d) Five directors nominated by the Central Government, three of whom shall be persons having special knowledge of commercial banking, insurance, commerce, industry or finance and two of whom shall be persons having special knowledge of, or experience in, co-operative banking or co-operative movement.

(Such Directors can not be from among officers of Government / RBI / Corporation as also not being an officer or other employee of a banking company or a co-operative bank or otherwise actively connected with a banking company or a co-operative bank.)

- (e) Four directors, nominated by the Central Government having special knowledge or practical experience in respect of accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law or small scale industry or any other matter, the special knowledge of, and practical experience of use to the Corporation.

(ii) Tenure of Directors

While the directors nominated by the Central Government or the RBI hold office during the pleasure of the nominating authority, other directors for period not exceeding three years, as may be specified by the central government and shall be eligible for re-nomination (not exceeding six years in all).

(iii) Disqualifications

(a) Removal or dismissal from the service of Government or of a local authority or of a corporation or company held by Government; or (b) Adjudication as insolvent or suspension of payment of his debts or compounding with his creditors at any time; or (c) Declaration of being of unsound mind by a competent court (d) Convicted of any offence involving moral turpitude.

(iv) Responsibilities / obligations of directors

(i) The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Corporation and the financial system including depositors. In discharging that obligation, directors may rely on the honesty and integrity of the Corporation's senior officers and its outside advisors and auditors.

(ii) A Director is required to attend the Board meetings regularly and absence without leave of the Board for more than three consecutive meetings render him disqualified as a Director.

(iii) Every director directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the Corporation is required to disclose the nature of his interest at the meeting of the Board and is not entitled to vote in the matter.

(v) Board meeting schedules

The Board ordinarily meets once in a quarter in each year at Mumbai. However, it can meet at any other place if so directed by the Board.

(vi) Board meeting structure and processes.

(a) Ordinarily one clear fortnight's notice is given of each Board meeting and in case of an emergency meeting sufficient notice is given to every director to enable him to attend.

(b) The Agenda items and the background papers for each agenda item are circulated among Directors at least one week in advance.

(c) No business other than that for which the meeting was convened are discussed at a Board meeting, except with the consent of the Chairperson.

(d) Three directors of whom one shall be an external director nominated forms a quorum for the transaction of business.

(e) A copy of the proceedings of each Board meeting is circulated for the information of the Directors.

(vii) Role of Chairperson

The Board meetings are convened by the Chairperson. In absence of the Chairperson, the Director nominated by RBI (viz. a Deputy Governor or any officer) presides over the meetings. The Chairperson / Director acting as Chairperson have the right of second or casting vote in the event of equality of votes.

(vii) Committee Structure

(a) Executive Committee

The Executive Committee of the Corporation can consist of the Chairperson, the director nominated by the RBI and one of the directors nominated under 2(i) (d) or (e) above. The meetings schedules, structures are processes which are similar to that of the Board. Presently, there is no Executive Committee functioning in the Corporation.

(b) Audit Committee

The Audit Committee of the Board consists of the Director who is a qualified Chartered Accountant as the Chairperson and members being the Director nominated by the Central Government and two independent Directors. Two members including Chairperson forms quorum for the meeting. The meetings schedules, structures are processes which are similar to that of the Board.

The major areas over which the Audit Committee exercises its oversight are (i) Annual accounts and reports of the statutory Audit (ii) Audit reports relating to the investment transactions (iii) Reports of inspection and audits conducted by the RBI (iv) Concurrent audit reports (v) Reconciliation of investments with SGL statements

(c) *Ad hoc* Committee

The Board may appoint *ad hoc* Committees to assist the Corporation in the efficient discharge of its functions. The members are required to sign a declaration of fidelity and secrecy as also disclose direct or indirect interest in any contract or arrangement coming up before the committee. The quorum for a meeting of an *ad hoc* Committee is one-third of its strength or two members, whichever is higher.

3. Executive Compensation

All the executives and officers / employees of the Corporation are drawn from the RBI and receive such remuneration / compensation as notified by the latter for its own employees. They do not draw any deputation allowance or any incentive whatsoever for working with the Corporation.

4. Role of Independent Advisors

The Corporation retains the services of independent professional advisors in the matters of taxation, actuarial valuation, and legal cases.

5. Role of External Auditors

- (a) The affairs of the Corporation are subjected to annual statutory audit by a firm of qualified auditors appointed by the Board with the previous approval of the RBI. The accounts are also subjected to half yearly limited review between two statutory audits.
- (b) A firm of Chartered Accountants conduct on-site concurrent audit of the day-to-day transactions of the Corporation and submit monthly reports which are reviewed by the Audit Committee of the Board.
- (c) The Corporation, through the RBI, appoints qualified external audit firms to conduct on-site scrutiny of the deposit insurance claim list prepared by liquidators before payment of the claims.
- (d) The Central Government is empowered to appoint the Comptroller and Auditor General of India at any time to examine the accounts of the Corporation.

6. Information to the Public

- (a) The annual report of the Corporation discloses as much information as possible on the operational activities of the Corporation (viz. deposit insurance and credit guarantee).
- (b) The Corporation adopts all the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India in its accounts.
- (c) The Corporation has designated a Chief Information Officer under The Right to Information Act, 2005 for supplying of any information as per the provisions of the Act.
- (d) The information as is required in the public domain is disseminated on the website of the Corporation viz. www.dicgc.org.in.