Strengthening Board Oversight on Governance in Commercial Banks

The Reserve Bank of India had issued Reserve Bank of India (Commercial Banks: Governance) Directions, 2025 (hereinafter referred to as 'the Directions') on November 28, 2025 with the objective of strengthening governance standards and enhance Board oversight in Public Sector Banks (PSBs). The Chapter II of the directions *inter alia* prescribed the Role of the Board of Directors, Board Structure and Governance Practices, applicable on Public Sector Banks (hereinafter collectively referred to as 'PSBs' and individually as a 'PSB'). The Directions had defined the seven broad themes with adequate focus on matters of strategic and financial importance for the Board agenda items, and further required the Board to review action taken status, seek compliance information and take detailed note of proceedings of the previous Board Meetings.

In an endeavour to enable bank Boards to utilize their time effectively and to facilitate a more focused and qualitative engagement on strategy and risk governance, the RBI has undertaken a review to rationalize the extant RBI directions/ circulars on the matters required to be placed before the Board. Consequently, Reserve Bank of India (Commercial Banks – Governance) Amendment Directions, 2026 (hereinafter referred to as 'the Amendment Directions') were issued on July 14, 2026, which shall come into force from October 01, 2026.

The salient features of the amendment directions include the following:-

a. Elimination of routine compliance crowding on board agendas, shift from rigid theme-based reporting to principle-based guidelines, and strengthen direct board oversight on strategic risk and governance.

b. Policies that are required to be placed before the Board for approval and those in respect of which such approval can be delegated.

c. Matters, other than policies, that are required to be placed before the Board for approval / review / information and those that may be delegated at the discretion of the Board.

The seven broad themes of the Directions included Business Strategy, Risk, Financial Reports and their integrity, Compliance, Customer Protection, Financial Inclusion and Human Resources, which ensured comprehensive oversight, however, they also resulted in Board meetings being occupied by operational and compliance-related matters, limiting time for strategic discussions. Therefore, in order to provide the Boards the freedom to formulate their agendas based on specific bank's priorities, the RBI has now introduced principle-based approach for determining the matters to be placed before the Board. The amendment directions specify that the matters to be placed before the Board may be determined based on the following key principles:

(i) The Board has ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, and risk management and compliance obligations. It may, however, delegate certain matters to the Board Committees / Management Committees, along with reporting requirements as may be necessary.

(ii) The Board shall clearly articulate the matters reserved for its approval or to be brought to its notice for information or reporting. The role and responsibilities of the Board prescribed under various statutes or regulations, shall be taken into account in determining such matters. However, the Board shall ensure that sufficient time is dedicated to strategy and risk governance.

(iii) The Chairperson of the Board shall have the primary responsibility for setting the agenda of the meeting.

(iv) The Board shall ensure that it receives sufficient information from the management to discharge its role effectively. It shall specify the nature and frequency of information required from the management. The Board may seek external reports, if needed.

(v) The Board shall periodically review the matters to be placed before it as well as the matters delegated to the Board Committees / Management Committees. The review shall also include the timeliness of circulation of agenda items, adequacy of information captured in the agenda, time allotted for important matters, etc.

The Reserve Bank has mandated through various directions/ circulars issued from time to time, that certain policies and other matters for approval/review/information be placed before the Board. The policies and other matters along with the relevant paragraph reference of directions/circulars have been compiled in Appendix I and Appendix II respectively, of the amendment direction, for ease of reference of banks. The Board may at its discretion, delegate certain aspects of these matters to a Board Committee/ Management Committee, as indicated in the Appendices. The review of policies required to be placed before the Board for approval may be delegated to Board Committees, with the Board approving only material amendments to such policies.

An important reform introduced through the amendment direction is extension of provisions relating to the role of Board of Directors and Board Structure and Governance Practices to Private Sector Banks (PVBs), thereby promoting greater consistency in governance standards across the banking sector.

The revised framework is expected to enhance the effectiveness of Boards across both public and private sector banks, ensuring Boards remain vigilant, accountable, and strategically engaged.

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