



RBI/2016-17/36

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August 11, 2016

All Commercial Banks and
All India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI)

Madam / Sir,

Capacity Building in Banks and AIFIs

The Reserve Bank had constituted a 'Committee on Capacity Building' (July 2014) under the Chairmanship of former Executive Director, Shri G Gopalakrishna, with the objective of implementing non-legislative recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), relating to capacity building in banks and non-banks, streamlining training intervention and suggesting changes thereto in view of ever increasing challenges in banking and non-banking sector.

2. The Committee has made extensive recommendations pertaining to the overall HRM function *per se*, as also specific recommendations relating to particular areas/components of HRM function, viz., recruitment, performance assessment, promotion, placement, job rotation, etc. After examining the recommendations in detail, it is felt that recommendations pertaining to the banks may be implemented by the banks based on their organisational objectives and business strategies, after taking approval from their respective Boards.

3. The Committee has also made a number of recommendations for certification of staff. In this regard, some of the recommendations of the Committee for implementation by banks are as under:

- a. Banks should identify specialised areas for certification of the staff manning key responsibilities. To begin with, the banks should make acquiring of a certificate course mandatory for the following areas:
 - Treasury operations – Dealers, mid-office operations.
 - Risk management – credit risk, market risk, operational risk, enterprise-wide risk, information security, liquidity risk.
 - Accounting – Preparation of financial results, audit function.

- Credit management – credit appraisal, rating, monitoring, credit administration.

Banks are free to require certification for other areas of work also. The employees working in the aforementioned areas should be asked to acquire certifications within a specified period, say, 6 months. This period can be extended depending on the time required for the certification. Banks should have a specific policy in place for this purpose.

- b. To address the issues of mis-selling and to minimise customer complaints, the employees involved in marketing third party retail products and wealth management products must necessarily undergo an appropriate certification process. Where other financial sector regulators have prescribed any certifications, these must be complied with.
- c. The issue of setting up of an accreditation agency for assuring and accrediting learning initiatives within the banking industry, etc., is being examined separately. In the interim, IBA has been requested to identify in consultation with RBI and provide to its members, by end December 2016, a list of institutions and courses that will meet the certification requirements for different work areas mentioned above. For this exercise, IBA may, form an expert group comprising such agencies, institutions at it deems necessary
- d. After the release of the aforesaid list by the IBA, the banks should identify the courses/certifications that are suitable for their operations and put in place a Board approved policy, mandating obtainment of such certifications by its employees working in the respective areas. The banks should ensure that by end-March 2017, the employees in relevant areas have commenced the process of obtaining necessary certifications.
- e. It is expected that, w.e.f. April 1, 2018, staff will have first obtained the requisite certification before being posted in the above mentioned functional areas.
- f. If an employee has already acquired relevant graduate, diploma and certificate courses offered by reputed universities, the same can also be considered as an accreditation/ certification.

4. Banks should also prepare a comprehensive policy on their implementation of the Committee's recommendations, as envisaged in paragraph 3 above, incorporating an implementation path and monitoring plan. This may be done by end-December 2016. The Boards of the banks should provide necessary guidance and monitor the implementation.

Yours faithfully,

(Ajay Kumar Choudhary)
Chief General Manager