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LIC of India Staff Co-operative Urban Bank Ltd.

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STAFF ACCOUNTABILITY POLICY

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1. INTRODUCTION

Banking is a very risky area to operate upon .Identification of good potential reliable customers to give advances, to monitor the revenue and the principal collection is the main area of concentration of any Bank. In addition to this generation of required fund by way of demand and term deposits and to protect the interest of the Depositors is also another main area of concentration. So in order to function smoothly a very balancing monitoring and supervision in these areas is a must. Here is the importance of staff accountability policy in a bank.

The management of the bank is relaying on the staff from the collection of application for advances, its processing, sanctioning, monitoring of repayments and valuation of securities offered, collection of operational statements etc. So any lapses or missing in these areas affects the bank adversely and the profitability of the bank may take a hit. So it is very important to have a STAFF ACCOUNTABILITY POLICY to fix the responsibilities or to take actions.

2. ACCOUNTABILITY STAFF

The Board of directors shall formulate an accountability policy for various levels of the staff by forming an internal advisory committee (IAC) /Risk Management Committee(RMC) for giving guidelines for reporting, improved credit related decision making, and the issue of charge sheets and its follow up.

3. OBJECTIVES OF POLICY

1. The very objective of the Accountability policy is to specifically document each and every step involved in the process whether it is credit or non credit areas and attempt to specify the responsibility of every individual involved in the process and to fix the accountability in case of slip of such individual.
2. Flaw free banking/fraud free bank is the main objective of staff accountability policy. The employee will be more vigilant in procedural as well as financial aspects.
3. Prevention of financial discrepancies & procedural lapses.
4. The effective enforcement of the policy have the potential not only to significantly reduce fraudulent activity but also to send a signal to both internal and external constituencies that the bank exercises good corporate governance.

4. INTERNAL ADVISORY COMMITTEE/RISK MANAGEMENT COMMITTEE

An internal advisory committee/Risk Management Committee shall be formed for taking up and monitoring the following area

1. Delay in detection /Classification of NPA
2. Non monitoring of such delay in an effective manner
3. Cut off amount below which no such accountability is fixed/examined
4. Effective mechanism not only to examine the accountability but also to promptly monitor/examine accountability
5. Fixing a limit keeping in mind that even if the individual loan liability may be small but collectively much higher
6. Initiation of disciplinary actions like Charge sheet issue and its follow up
7. Rotation of staff and its compulsory follow up
8. Improved credit related decision making
9. Development of rigorous Standard Operating Procedures & Protocols (SOP&PS) for risk assessment and credit approvals
10. Introduction of committee based systems in place of individual based systems for credit

approval-for greater value addition

11. Fostering an environment for preventive controls and improved oversight in respect of genuine errors of judgement.

5. DECISION MAKING IN SPECIFIC NATURE OF BANKING BUSINESS AND RISKS INVOLVED

1. Business of Banking involves risk taking, and risks of varying degrees present themselves with possibilities of commensurate rewards
2. Actual outcomes of loans and investments decisions are different from expected at the time of approval and in some cases the differences can be significant.
3. Fault tolerance has to be given greater credence in banking and credit operations, in order to avoid adverse impacts on staff morale
4. Due diligence in risk assessment and credit approvals
5. Most of the existing guidelines aim to address the issue of accountability only once the act of commission/omission has taken place, rather than seek to prevent such acts occurring in the first instance
6. Documentation to be tendered by an applicant –without the need for repeated interactions with the approving authority
7. Separate agencies internal/external to make assessment of risk, legal issues, market situations, and cost benefit analysis
8. Disclosure and mitigation of possible conflicts of interest by various assessing and approving authorities
9. Fix various levels for such sanction and related approval/assessment
10. Fixing margin of deviation and regularization time limit
11. Credit applications will be decided at the level where the necessary administrative and financial authority has been assigned and not by any other
12. Sanctions are not granted within time shall be scrutinized at higher levels for resolution of problems if any and responsibility shall be fixed for inaction/delays
13. Agreement signing in front of authorized official and the photograph to be attached along with the agreement
14. Instilling sound commercial principles and bona fide presumptions at the stage of credit approval itself
15. To frame Board approval Policy on Accountability which would infuse confidence in the minds of officials and executives of the bank and improve the business in general and credit off take in particular.

6. IMPROVING THE PERFORMANCE AND MORALE OF THE STAFF

1. The business of banking is dynamic and the employees make the decisions from most routine to more complex matters based on the set of prevailing circumstances and much of the credit function is also based on evaluation of futuristic factors
2. It is to be kept in mind that the decisions taken by the bankers are mostly judged with the benefit of hindsight .However it is to be borne in mind that functioning of the bank is unique as they operate in a special environment
3. Credit dispensation is inherently risky
4. There is a need to instill confidence in the staff to take credit decision.
5. Credit decisions call for skill, wisdom and judgment of the risk potential by the decision make

6. It is necessary that the Bank functionaries who exercise lending powers do not become risk averse and develop the skills required for a shrewd and judicious assessment of credit risks.
7. Since risk assessment skills are developed by repeated exercise of credit judgement, it is essential that the functionaries exercising credit sanctioning powers are given the necessary confidence that their bona fide decisions will not be called into question.
8. Training, periodic meetings, sessions and interactions to be organized within the bank
10. While fixing accountability a line should be drawn to separate
decisions from the normal bonafide credit decisions in order to keep the morale of the staff
11. While accountability encompasses all the transactions and administrative actions, its predominance is more visible in credit management. Lending is a primary function of a banker involving optimization of risk-return trade off

7. FORMATION OF INTERNAL ADVISORY COMMITTEE/RISK MANAGEMENT COMMITTEE.

For overseeing the effective implementation of this policy, the Bank has constituted "Internal Advisory Committee/Risk Management Committee" which is a sub-committee of the Board with following members:
1) Chairman

2) Secretary

3) Three Directors

CEO and AGM are mandatory in this committee.

Quorum of the meeting is three

The committee will meet regularly to review the progress and implementation of this policy and to discuss other matters related to this policy.

8. LOAN FAILURES AND ACCOUNTABILITY

1. When loan failure occur as they at times do, it becomes necessary for the Bank to examine the Causes for the failure and record them in its institutional memory so that such failures can be avoided in future.
2. Only if such failures are the result of Direct Acts or omissions on the part of the staff the accountability aspects have to be examined.
3. Mere presence of procedural lapses should not be a cause for proceeding against the employee concerned in a failed loan account ,where adequate realizable securities are available/or accounts which are closed/fully recovered/standard unless evidence of fraud/malafide emerges
4. While imposing punishment, the disciplinary authority shall ensure that the punishment imposed is commensurate with the gravity of misconduct proved against the employee and also his track record
5. Avoidance in decision taking/delay in decision making under the notion that no work no accountability, non fulfillment/non chivement of expected business parameters and also avoiding of taking bonafide business decisions without justifiable reasons shall fall under the ambit of

accountability.

9. INSTANCES OF VARIOUS LEVELS OF ACTIONS/ACTS WHERE ACCOUNTABILITY TO BE TRIGGERED

1. Acts that are unethical /illegal
2. Actions that would amount to serious improper conduct
3. Actions that may lead to financial frauds/incorrect/misleading financial information
4. Actions that are in contravention of various policies/rules framed by regulators/the bank from time to time
5. Non collection of details for account opening & KYC compliance
6. Non filling of various application forms, incompleteness of loan application forms
7. Non collection of basic financial details of a credit applicant, non collection of periodic financials/income proof /Valuation, stock reports
8. Non recording of net worth of a loan applicant.
9. Non reporting of potential/Probable defaulters, follow up of potential NPA accounts
10. Non collection of field report/information of a customer.
11. Sanctioning/recommending/Disbursing credit facilities without completing all the required formalities.
12. Non achievement of Advance/deposit/accounts targets etc.
13. Non compliance of TDS provisions, failure of timely deductions and filing returns as per the various TDS provisions of the Income Tax Act by the staff in charge .The staff in charge shall be accountable for any loss or damage to the bank in this due to their negligence.
14. Failure in uploading of credit related data of customers and its updating in CIBIL etc by the staff in charge of that.
15. Non reporting of improper acts/documentations of other staff, either superior/inferior to him /her within the bank ,even after having knowledge of such acts or deeds are done deviating from the guidelines issued by the management and it will cause damage or loss to the bank.
16. Strict adherence to AML guidelines.

10. CONCLUSION

Thus the management of the bank has made an exhaustive coverage of various areas of the performance to fix the responsibility and accountability of various levels of employees with an objective of flawless and fraud free banking

11.REVIEW OF STAFF ACCOUNTABILITY POLICY

This policy was placed before the Meeting of Board of Directors held on 19.11.2022 as was approved wide Resolution Number XV. This shall be valid till 31.03.2025 and shall be extended for a further period after thorough review.