



Financial Services Institution Bureau

For Prelims: Cabinet Appointments Committee, Financial Services Institutions Bureau, Banks Board Bureau (BBB), Public Sector Banks, Financial institutions

For Mains: Issues with Banks Board Bureau (BBB), Financial Services Institutions Bureau, Right to Information Act, 2005

Why in News?

The [Cabinet Appointments Committee \(ACC\)](#) has passed a government resolution to establish the **Financial Services Institutions Bureau (FSIB)** in place of the [Banks Board Bureau \(BBB\)](#).

- The new framework was proposed by the **Department of Financial Service, Ministry of Finance**.

What is the Financial Services Institutions Bureau?

- **About:**
 - The Financial Services Institutions Bureau will **select the chiefs of public sector banks and insurance companies**.
 - The FSIB will have the clear mandate to issue guidelines and select general managers and directors of state-run non-life insurers, general insurers and Financial Institutions.
 - FSIB will be the **single entity** for making **recommendations for appointments of WTD (Whole-time Director) and NEC (Non-executive Chairman) in Public Sector Banks, India Private Limited company and Financial Institutions**.
 - The Department of Financial Services shall first carry out **necessary modifications in the [Nationalised Banks \(Management and Miscellaneous Provisions\) Scheme of 1970/1980](#)** (as amended).
- **Chairman of FSIB:** The ACC has approved the **appointment of Bhanu Pratap Sharma as Initial chairperson of FSIB for two years**. He was the former Chairman of BBB.

What are Public Sector Banks (PSB) ?

- It is a bank in which the **government holds a major portion of the shares**.
 - Example, [State Bank of India](#) is a public sector bank, the government holding in this bank is around 60%.

What is Financial Institution (FI)?

- A [financial institution](#) is an umbrella term for a company dealing with financial and monetary transactions, including loans, deposits, and/or investments.
 - All India Financial Institutions (AIFIs) are **regulated and supervised by the [Reserve Bank of India](#)**.
 - Examples:

- National Bank for Financing Infrastructure and Development (NaBFID)
- **Export-Import Bank of India (EXIM Bank)**
- [National Bank for Agriculture and Rural Development \(NABARD\)](#)
- [National Housing Bank \(NHB\)](#)
- [Small Industries Development Bank of India \(SIDBI\)](#)

What is the Banks Board Bureau (BBB)?

- **Background:**
 - The Banks Board Bureau (BBB) has its genesis in the recommendations of '**The Committee to Review Governance of Boards of Banks in India**, May 2014 (Chairman - P. J. Nayak)'.
- **Formation:**
 - The government, in 2016, approved the constitution of the BBB to make recommendations for appointment of **whole-time directors** as well as **non-executive chairpersons of [Public Sector Banks \(PSBs\)](#) and state-owned [financial institutions](#).**
 - It was an **autonomous recommendation body**.
 - The Banks Board Bureau was a public authority as defined in the [Right to Information Act, 2005](#).
 - The **Ministry of Finance** has the final decision-making authority on the appointments in consultation with the **Prime Minister's Office**.
- **Functions:**
 - Apart from recommending personnel for the PSBs, the Bureau had also been assigned with the task of **recommending personnel for appointment as directors in government-owned [insurance companies](#).**
 - It was also entrusted with the task of engaging with the board of directors of all PSBs to **formulate appropriate strategies for their growth and development.**
- **Issues:**
 - **Delhi High Court had struck down the BBB's power to select directors of [Public Sector Undertaking](#), general insurance companies** and the government has already implemented the verdict by cancelling all the appointments of the then serving directors who were selected by the BBB.
 - Delhi High Court in 2020 ruled that the **BBB couldn't select the general managers and directors of state-run general insurers**, as it was **not a competent body**.
 - **New India Assurance**, the country's largest general insurer, has been **functioning without a regular CMD for almost 100 days.**
 - **The CMD post at [Agriculture Insurance Company](#) also fell vacant.**

UPSC Civil Services Exam, Previous Year Questions

Q. The Chairmen of public sector banks are selected by the (2019)

- (a) Banks Board Bureau
- (b) Reserve Bank of India
- (c) Union Ministry of Finance
- (d) Management of concerned bank

Ans: (a)

[Source: IE](#)

