Department of Banking Regulation

Discussion Paper on proposed Guidelines for Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff, etc.

1. Introduction

1.1 The compensation practices, especially of large financial institutions, were one of the important factors which contributed to the global financial crisis in 2008. Employees were too often rewarded for increasing the short-term profit without adequate recognition of the risks and long-term consequences that their activities posed to the organizations. These perverse incentives amplified the excessive risk taking that severely threatened the global financial system. The compensation issue has, therefore, been at the centre stage of the regulatory reforms.

1.2 It may be recalled that, in the wake of the financial crisis, in order to address the issues in a coordinated manner across jurisdictions, the Financial Stability Forum (later the Financial Stability Board) in 2009 brought out a set of Principles (FSF Principles for Sound Compensation Practices dated April 02, 2009) and Implementation Standards (FSB Principles for Sound Compensation - Practices Implementation Standards dated September 25,2009) on sound compensation practices.

1.3 The Principles are intended to reduce incentives towards excessive risk taking that may arise from the structure of compensation schemes. The Principles call for effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement. The Principles have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision (BCBS). The Implementation Standards are specific norms, prioritizing areas that should be addressed by firms and supervisors to achieve effective global implementation of the Principles.

1.4 The BCBS published in May 2011 the final report on 'Range of Methodologies for Risk and Performance Alignment of Remuneration'. The main objectives of the report are to present certain remuneration practices and methodologies that support sound incentives and also the elements influencing the effectiveness of risk alignment that should be considered by banks when developing their methodologies and by supervisors, when reviewing and assessing banks' practices. In July 2011, the BCBS in consultation with the FSB has also published Pillar 3 disclosure requirements for remuneration.

1.5 Taking into account the stipulations in these documents, Reserve Bank had issued the compensation guidelines vide Circular DBOD No.BC.72/29.67.001/2011-12 dated January 13, 2012, applicable to Whole Time Directors / Chief Executive Officers / Other Risk Takers and Control Function Staff, etc. for implementation by private sector and foreign banks from the financial year 2012-13. Salient features include formulation of suitable Compensation Policy by banks, constitution of a Remuneration Committee, alignment of compensation with prudent risk taking, capping of variable compensation as a percentage of Fixed Pay, deferral of part of variable compensation, incorporation of malus/clawback clause, adequate disclosure norms and supervisory oversight.

1.6 Private sector banks, foreign banks operating under the Wholly Owned Subsidiary Model (WOS), and foreign banks operating in India are required to obtain regulatory approval for grant of remuneration to WTDs/ CEOs in terms of Section 35B of the Banking Regulation Act, 1949 (B.R. Act, 1949). The approval process involves, inter alia, an assessment of whether the bank's compensation policies and practices are in accordance with the extant Guidelines.

1.7 These Guidelines are being reviewed, with an objective to better align with FSB Principles and Implementation Standards, based on experience and evolving international best practices.

1.8 The notable proposed changes from the extant Guidelines are as follows:

(1) Substantial portion of compensation i.e. at least 50%, should be variable (*Earlier no threshold was prescribed*)

(2) ESOPs to be included as a component of Variable Pay. *(Earlier excluded)*

(3) Variable Pay is to be capped at 200 % of Fixed Pay (*Earlier Variable Pay was capped at 70% of Fixed Pay but did not include ESOPs)*.

(4) Minimum 50% of Variable Pay is to be via non-cash component. (Earlier no specific proportion was prescribed).

(5) Mandating a compulsory deferral mechanism for Variable Pay, regardless of quantum of variable pay (*Earlier it was mandated only beyond a specified threshold*).

(6) Mandating imposition of malus in case of divergence in NPA/provisioning beyond RBI prescribed threshold for public disclosure. *(New addition)*

(7) Quantitative and Qualitative criteria is being prescribed for identification of Material Risk Takers.

1.9 The proposed Guidelines are detailed in the **Annex.** The Guidelines are proposed to be effective from the ensuing financial year, post issue of the final Guidelines.

1.10 Comments on the proposed Guidelines are invited from banks and other interested parties by March 31, 2019. Feedback on the proposed Guidelines may be sent by email or on following address with subject line “Feedback on proposed Compensation Guidelines”:

The Chief General Manager,
Department of Banking Regulation
Reserve Bank of India
13th Floor, NCOB
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400001

Annex

Proposed Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function staff

A. The Financial Stability Board (FSB) Principles for Sound Compensation Practices

1. The Principles for Sound Compensation Practices issued by the FSB in April 2009 aim to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The Principles in brief are as under:

(i) Effective governance of compensation

- The firm's board of directors must actively oversee the compensation system's design and operation.
- The firm's board of directors must monitor and review the compensation system to ensure the system operates as intended.
- Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm.

(ii) Effective alignment of compensation with prudent risk taking

- Compensation must be adjusted for all types of risk.
- Compensation outcomes must be symmetric with risk outcomes.
- Compensation payout schedules must be sensitive to the time horizon of risks.
- The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

(iii) Effective supervisory oversight and engagement by stakeholders

- Supervisory review of compensation practices must be rigorous and sustained, and deficiencies must be addressed promptly with supervisory action.
- Firms must disclose clear, comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders.

2. The Guidelines delineated below are based on the above mentioned Principles and Implementation Standards of the FSB, evolving international standards, in particular the European Banking Authority (EBA) Guidelines of December 2015, as well as current statutory and regulatory framework in India. Banks are required to take steps immediately to implement the Guidelines by putting in place necessary policy/ infrastructure.

B. Compensation Guidelines for Private Sector Banks including foreign banks

I. Applicability and Scope:

a) The Guidelines as laid out below are applicable to private sector banks, including Local Area Banks, Small Finance Banks and Payments Banks.

b) Foreign banks operating in India by way of branch mode would be required to continue to submit a declaration to Reserve Bank annually from their Head Offices to the effect that their compensation structure in India, including that of CEO's, is in conformity with the FSB principles and standards. RBI would take this into account while according approval of CEOs' compensation. The compensation proposals for CEOs and other staff of foreign banks operating in India which have not adopted the FSB principles in their home country are required to implement the compensation Guidelines as prescribed for private sector banks in India, to the extent applicable to them.[1]

c) For the foreign banks operating in India by way of Wholly Owned Subsidiary (WOS) structure, the Guidelines as applicable for private sector banks in India will be applicable.

II. Guidelines:

1. <u>Effective governance of compensation</u>

1.1 Guideline 1: Compensation Policy

Banks should continue to formulate and adopt a comprehensive compensation policy covering all their employees and conduct annual review thereof. The policy should

[1] Ref: C. Compensation Guidelines to Foreign Banks in DBOD No.BC.72/29.67.001/2011-12 dated January 13, 2012; status left unchanged

cover all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, Employee Stock Option Plan (ESOP)/ Employee Stock Option Scheme, stock linked instruments, pension plan, gratuity, etc., taking into account these Guidelines.

1.2 Guideline 2: Nomination and Remuneration Committee (NRC)

The Board of directors of banks should constitute a 'Nomination and Remuneration Committee' (NRC) of the Board to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board. The NRC should have a minimum of three members and should include at least one member from Risk Management Committee of the Board, and the others should be independent non-executive directors. The NRC should work in close coordination with Risk Management Committee of the bank, in order to achieve effective alignment between compensation and risks. The NRC should also ensure that the cost/income ratio of the bank supports the compensation package consistent with maintenance of sound capital adequacy ratio.

2. Effective alignment of compensation with prudent risk taking

2.1 Guideline 3: For Whole Time Directors / Chief Executive Officers / Material Risk Takers (MRTs)

Banks should ensure that for the WTDs / CEOs / MRTs:

(a) compensation is adjusted for all types of risk,
(b) compensation outcomes are symmetric with risk outcomes, and
(c) compensation payouts are sensitive to the time horizon of the risk.
(d) The mix of cash, equity and other forms of compensation are consistent with risk alignment.

A wide variety of measures of credit, market and liquidity risks may be used by banks in implementation of risk adjustment. The risk adjustment methods should preferably have both quantitative and judgmental elements.

The compensation should be in adherence with all statutory requirements. Further, in accordance with FSB Implementation Standards, a substantial proportion of compensation i.e. at least 50%, should be variable[2], and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance except in cases mentioned in paragraph 2.1.2(b)(ii) of these Guidelines.

The compensation structure for the WTDs/CEOs/MRTs of the bank shall be as under:

2.1.1 Fixed pay (FP) and Perquisites

Banks are required to ensure that the fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

For the purpose of computing FP, all the fixed items of compensation, excluding the perquisites (as defined below), will be treated as part of FP.

Perquisites: Payments related to following items only shall be treated as perquisites

(a) house and its maintenance,

(b) car and its running expenses/driver salaries,

(c) club memberships

(d) reimbursement of medical expenses

(e) any other non-monetary benefits.

All other items of compensation, including contribution towards superannuation benefits, be treated as part of FP. The banks are required to furnish the monetary value of all components of pay, including perquisites, to the nearest rupee value. The amended Form D (which is required to be submitted at the time of seeking approval of RBI for fixing compensation to be paid to WTDs), has been appended as **Appendix III**.

2.1.2 Variable pay (VP)

(a) Composition of Variable Pay: The variable pay can be in cash, or stock linked instruments or a mix of both. There should be proper balance between the cash and

[2] **As per 'Implementation Standard' (IS) 6**: '*For senior executives as well as other employees whose actions have a material impact on the risk exposure of the firm: a substantial proportion of compensation should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance;*'. It is considered that a higher proportion of variable pay in total compensation ensures that the total compensation is better aligned to risk i.e. subject to expansion or contraction based on performance.

stock/ share linked components in the variable pay. Except where compensation by way of share linked instruments is not permitted by law/regulations, a minimum of 50% of the variable pay should be via non-cash compensation, such as Employees Stock Option Plans (ESOPs) or share linked instruments, etc.[3]

(b) Limit on Variable Pay:

(i) It should be ensured that there is a proper balance between fixed pay and variable pay. The total Variable Pay shall be limited to a maximum of 200% of the Fixed Pay (for the relative period). Within this ceiling, at higher levels of responsibility, the proportion of variable pay should be higher. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation paid.

(ii) In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her Variable Pay will be capped at 100% of the Fixed Pay, but shall not be less than 50% of the Fixed Pay.

(c) Deferral of Variable Pay: For senior executives, including WTDs, and other employees who are Material Risk Takers (MRTs) (see para. 2.4 below), in adherence to FSB implementation standards, deferral arrangements must invariably exist for the Variable Pay, regardless of the quantum of pay. For such executives of the bank, in adherence to FSB Implementation Standards, a minimum of 60% of the total Variable Pay must invariably be under deferral arrangements. Of this, at least 50% of the cash component should also be deferred.

[3] **As per 'Implementation Standard' 8:** *'A substantial proportion, such as more than 50 percent, of variable compensation should be awarded in shares or share-linked instruments (or, where appropriate, other non-cash instruments), as long as these instruments create incentives aligned with long-term value creation and the time horizons of risk.'* It is considered that incorporation of share-linked instruments better aligns the executive's variable pay with bank's performance.

(d) Period of Deferral Arrangement: The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash portions of the Variable Pay.[4]

(e) Vesting: Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period. The vesting should be no faster than on a pro rata basis. Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments[5].

(f) ESOP/Stock Linked Instruments: Such instruments shall be included as a component of Variable Pay.[6] Norms for grant of ESOPs should be framed by banks in conformity with relevant statutory provisions and SEBI guidelines, and should form part of the bank's compensation policy. The details of ESOPs granted should also be disclosed in terms of the disclosure requirements stipulated in this circular. ESOPs/share-linked instruments, whenever granted, should invariably be fair valued, using Black-Scholes model, at the time of grant.

[4] **'Implementation Standard' 7**: The deferral period described above (in IS 6) should not be less than three years, provided that the period is correctly aligned with the nature of the business, its risks and the activities of the employee in question.

[5] As per international practices prevalent in major jurisdictions.

[6] Inclusion of ESOPs specifically and/or stock-linked instruments generally under Variable Pay fulfils twin objectives – ensuring adherence to FSB IS 8 wherein a substantial portion of variable pay must be by way of share-linked instruments, as well as directly correlating bank performance with reward/compensation. It may also be noted that stock-linked instruments are routinely included as a part of compensation in a number of jurisdictions. Stock-linked instruments are also usually liable to both malus/clawback clauses.

2.1.3 Malus / Clawback

(a) The deferred compensation should be subject to malus[7]/clawback[8] arrangements in the event of negative contributions of the bank and/or the relevant line of business in any year.

(b) Banks are required to put in place appropriate modalities to incorporate malus / clawback mechanism in respect of variable pay, taking into account relevant statutory and regulatory stipulations as applicable. The banks shall identify a representative set of situations, in their Compensation Policies, which require them to invoke the malus and clawback clauses which may be applicable on entire Variable Pay. When setting criteria for the application of malus and clawback, banks should also set a period during which malus or clawback can be applied, covering at least deferral and retention periods[9].

(c) Wherever the assessed divergence in bank's asset classification or provisioning from the RBI norms exceeds the prescribed threshold for public disclosure, the bank shall not pay the unvested portion of the variable compensation for the assessment year under 'malus' clause. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained.

2.1.4 Guaranteed Bonus

Guaranteed bonuses are not consistent with sound risk management or the 'pay for performance' principles and should not be part of compensation plan. Therefore, joining / sign-on bonus should only occur in the context of hiring new staff and be limited to the first year. Further, joining / sign-on bonus should be in the form of ESOPs only, since payments in cash upfront would create perverse incentives. Further, banks should not

[7] A malus arrangement permits the bank to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.

[8] A clawback, on the other hand, is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances.

[9] **Retention period:** a period of time after the vesting of instruments which have been awarded as VP during which they cannot be sold or accessed

grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory under any statute.

2.1.5 Hedging

Banks shall not permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement. To enforce the same, banks should establish appropriate compliance arrangements.[10]

2.2 Guideline 4: For risk control and compliance staff

2.2.1 Members of staff engaged in financial and risk control should be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. Back office and risk control employees play a key role in ensuring the integrity of risk measures. If their own compensation is significantly affected by short-term measures, their independence will be compromised. If their compensation is too low, the quality of such employees may be insufficient for their tasks and their authority may be undermined. The mix of fixed and variable compensation for control function personnel should be weighted in favour of fixed compensation.

2.2.2 Subject to the above, in devising compensation structure, banks may adopt principles similar to principles enunciated for WTD/CEO, as appropriate.

2.3 Guideline 5: For other categories of staff

For the other categories of staff, banks may devise appropriate compensation structure. However, in doing so, banks may adopt principles similar to the principles enunciated for WTD/CEO as appropriate.

[10] In line with 'Implementation Standard' 14: 'Significant financial institutions should demand from their employees that they commit themselves not to use personal hedging strategies or compensation- and liability-related insurance to undermine the risk alignment effects embedded in their compensation arrangements. '

2.4 Guideline 6: Identification of Material Risk Takers of the bank

2.4.1 The banks are expected to identify their Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank, and who satisfy both the qualitative and quantitative criteria given below[11]:

Standard Qualitative criteria

- Relate to the role and decision-making power of staff members (e.g. Senior manager, member of management body) having, jointly or individually, the authority to commit significantly to risk exposures, etc.

Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold; the determination of which may be done prudently by the bank.
- They are included among the 0.3% of staff with the highest remuneration in the bank, or
- Their remuneration is equal or greater than the lowest total remuneration of senior management or other risk-takers.

2.4.2 Banks are advised to refer to the BCBS report entitled *Range of Methodologies for Risk and Performance Alignment of Remuneration* published in May 2011 for guidance. A gist of the methodologies is furnished at the **Appendix 1**. The report intends to enhance the banks' and supervisors' understanding of risk-adjusted remuneration. This report, by providing some clarification on design of risk-adjusted remuneration schemes, supports and facilitates greater adoption of sound practices in the banking sector.

[11] Identification of MRTs is a key pillar of Principals and Standards, prescribed by FSB. *"Identifying MRTs helps banking organisations and supervisors to understand which employees have the potential to expose the firm to significant risk and consider the extent to which the structure of their compensation is effectively risk aligned."* (Ref: Para 3 of 'Implementing the FSB Principles for Sound Compensation Practices and their Implementation Standards' - Fifth Progress Report dated July 4, 2017). It may be noted that India currently does not have any set criteria for identification of Material Risk Takers for banks.

3. Disclosure and engagement by stakeholders

3.1 Guideline 7: Disclosure

Banks are required to make disclosure on remuneration of WTDs/CEOs/MRTs on an annual basis at the minimum, in their Annual Financial Statements.

3.2 To improve clarity on disclosure, banks may make the disclosures in table or chart format and make disclosures for previous as well as the current reporting year (previous year's disclosure need not be made when the disclosures are made for the first time). The key disclosures required to be made by banks have been given in the **Appendix 2** to these Guidelines.

C. Regulatory and Supervisory Approval / Oversight

1. As banks are aware, in terms of the Section 10(1)(b)(iii) of the Banking Regulation Act, 1949 (B.R. Act, 1949), no banking company shall employ or continue the employment of any person whose remuneration is, in the opinion of the Reserve Bank, excessive.

2. Private sector and foreign banks operating in India are required to obtain regulatory approval for grant of remuneration to WTDs/ CEOs in terms of Section 35B of the B.R. Act, 1949. The approval process will involve an assessment whether the bank's compensation policies and practices are in accordance with these Guidelines, in particular with the FSB Principles and BCBS Methodologies, including, inter alia, whether there is appropriate balance between fixed and variable pay, and whether adequate deferrals are built into the variable component.

3. Banks' compensation policies will also be subject to supervisory oversight including review under Basel framework. Deficiencies observed in this regard would have the effect of increasing the risk profile of the bank with attendant consequences, including a requirement of additional capital if the deficiencies are very significant.

Appendix I

Methodologies for risk and performance alignment of remuneration

The Basel Committee on Banking Supervision (BCBS) in consultation with the FSB has published a report in May 2011 entitled *Range of Methodologies for Risk and Performance Alignment of Remuneration*. The main objectives of the report are to present (i) some remuneration practices and methodologies that support sound incentives and (ii) the challenges or elements influencing the effectiveness of risk alignment that should be considered by banks when developing their methodologies and by supervisors, when reviewing and assessing banks' practices.

Some of the key stipulations of the report are as under:

- In order for incentive-based remuneration to work, the variable part of remuneration should be truly and effectively variable and can even be reduced to zero in line with the symmetry principle defined by the FSB. A key element that supervisors expect is the ability for banks to demonstrate that the methodologies they developed to adjust variable remuneration to risk and performance are appropriate to their specific circumstances.
- The methodologies for adjusting remuneration to risk and performance should also be consistent with the general risk management and corporate governance framework.
- Performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentives mechanism. The usual annual determination of bonuses should be based on rules, processes and objectives known in advance, recognizing that some discretion will always be needed.
- Banks should use a combination of financial and non-financial measures to assess employee performance and adapt the measurement to each employee's specific situation. Qualitative factors (like knowledge, skills or abilities), might

play an important role when it comes to judging and rewarding some activities- particularly when these serve to reinforce the bank's risk management goals.

- The nature and extent to which risk adjustments are needed depends first on the extent to which performance measures capture risks, but in all cases, some form of risk adjustment is needed as remuneration is often awarded before the final outcome of an activity is known. Risks taken need to be estimated (ex ante), risk outcomes observed (ex post) and both ex ante estimates and ex post outcomes should affect payoffs.
- Risk adjustments need to take into account the nature of the risks involved and the time horizons over which they could emerge. The impact of remuneration adjustments should be linked to actions taken by employees and / or business units, and their impact on the level of risk taken on by the bank.
- The nature of the award process, which links the variable remuneration of each individual employee with bonus pools and the total amount of variable remuneration at a bank's level, is also an area that should be carefully considered by banks and supervisors, as it directly influences how and when performance and risk adjustment are or can be used.

Appendix II

Disclosure requirements for remuneration		
Qualitative disclosures	(a)	Information relating to the composition and mandate of the Nomination and Remuneration Committee.
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
	(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.
Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors/Chief Executive Officer/ Material Risk Takers)	(g)	• Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.
	(h)	• Number of employees having received a variable remuneration award during the financial year. • Number and total amount of sign-on awards made during the financial year. • Details of guaranteed bonus, if any, paid as joining / sign-on bonus. • Details of severance pay, in addition to accrued benefits, if any.

	(i)	• Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year.
	(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.
	(k)	•Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. • Total amount of reductions during the financial year due to ex- post explicit adjustments. • Total amount of reductions during the financial year due to ex- post implicit adjustments.
General Quantitative Disclosure	(l)	• The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of its WTDs from the mean pay.

Appendix III

Form - D

Details of Remuneration/Compensation of the Chief Executive Officer

Particulars	Existing (Rs.)	Proposed (Rs.)	Reasons for change
(1)	(2)	(3)	(4)
PART-A **Fixed Pay and perquisites:** **w.e.f. …. ………up to ……….**			
Fixed Pay 1. Salary 2. Dearness allowance 3. Provident Fund/ Gratuity/ Pension/ superannuation benefits 4. Leave Fare Concession/Allowance 5. Other fixed allowances, if any (please specify)* *Consolidated allowance, if any, to be given with heads it subsumes			
Total Fixed Pay:			
Perquisites: **1.** Free Furnished House and its maintenance/House Rent Allowance **2.** Conveyance Allowance/Free use of bank's car for (i) Official purposes (ii) Private purposes 3. Driver(s)' salary 4. Club Membership(s) 5. Reimbursement of medical			

expenses 6. Any other perquisite (please specify)			
Total Perquisites			
Total Fixed pay and Perquisites			

Note:

(i) The remuneration proposals have to be submitted in this format only.

(ii) If any of the benefits is of a non-monetary nature, e.g. free furnished house, its monetary equivalent as best as it is possible to determine, should invariably be given. In case the person to be appointed is already associated with the applicant bank, particulars of his existing compensation, etc. should be furnished.

(iii) If the bank proposes to increase the emoluments and/or other benefits/perquisites, the reasons therefore may be explained suitably under column No. (4).

(iv) In case the bank proposes to give any sign-on/ joining bonus (limited to the first year), which should be in the form of ESOPs, its details (such as number of shares, grant date and price, monetary value, vesting schedule, may be furnished separately.

Particulars	**Existing (Rs.)**	**Proposed (Rs.)**	**Reasons for change**
(1)	(2)	(3)	(4)
PART-B **Variable Pay:**			
For FY……………			
(a) Cash component • Upfront payment • Deferred payment			
Total cash component			
Vesting period (in years)			
Deferral arrangement (i) First Year (ii) Second Year (iii) Third Year (iv) ……… (v) ……… ………			

(b) Non-cash Components (Stock linked instruments):			
1. ESOP/ESOS (i) Number of share/ share-linked instruments (ii) Monetary value (iii) Deferral (with %) (iv) Vesting schedule details			
2. …………..(Any other share-linked instruments) (i) Number of share/ share-linked instruments (ii) Monetary value (iii) Deferral (with %) (iv) Vesting schedule details			
3. Any other non-cash component (please specify) and mention its monetary value, deferral, vesting schedule, etc.			
Total monetary value of non-cash component(s)			
Total monetary value of Variable Pay (Cash and non-cash components)			
% of Cash Component in Total Variable Pay			
% of Non-cash component in Total Variable Pay			
% of Variable Pay to Fixed Pay (for the same FY)			
Note: The variable pay, along with various sub-components, deferral and vesting period, etc., should be submitted in PART-B of the form, whenever applicable.			