



## **Financial Benchmarks India Pvt. Ltd.**

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### **POLICY ON APPOINTMENT OF BOARD OF DIRECTORS**

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## **FINANCIAL BENCHMARKS INDIA PVT LTD**

**24<sup>th</sup> January 2019**

**Version 1**

### **APPOINTMENT OF BOARD OF DIRECTORS**

#### **Background:**

1. Financial Benchmarks India Pvt. Ltd (FBIL) is set up as an independent company jointly promoted by FIMMDA (76% share), FEDAI (14% share) and IBA (10% share) to administer financial benchmarks in India in the area of Rupee interest rates and foreign exchange rates. It was incorporated on 14<sup>th</sup> December 2014 under the Companies Act 2013. FBIL is regulated by Reserve Bank of India, the central bank of the country, for the activities of administering specific benchmarks.

#### **2. Board of Directors**

2.1 The Board of Directors of FBIL shall be the governing body constituted to formulate policies and oversee the development and administration of financial benchmarks and ensure quality and integrity of the benchmark setting process.

2.2 Subject to the provisions of Section 149 of the Companies Act 2013 and until otherwise determined by **Financial Benchmarks India Pvt Ltd** ("the Company") in General Meeting, the number of Directors shall not be less than two and not more than fifteen including the Managing Director.

2.3 In terms of Article 68 of Articles of Association of the Company, Fixed Income Money Markets & Derivatives Association of India ("FIMMDA") shall have the right to have a majority on the Board of the Company at all times. Foreign Exchange Dealers' Association of India ("FEDAI") and Indian Banks' Association ("IBA") shall have the right to nominate one director each to the Board.

2.4 In terms of Article 68, all financial and/or economic decisions or issues having a material impact on the Company are required to be taken/sanctioned, only with a majority vote from directors appointed by FIMMDA present at the Board meeting.

### **3. Criteria for Board Membership**

#### **3.1 Directors:**

Subject to the right of appointment of Directors by the promoters as envisaged under Article 68, the following attributes should be taken into consideration for appointment of a Director of the Company:

- Director must have relevant experience in the field of money markets, treasury, banking and finance, management and/or the other disciplines related to the Company's business.
- Director must possess high integrity, personal & professional ethics, required skills, experience and expertise.
- Director must be willing to devote sufficient time and energy in carrying out his duties and responsibilities.

#### **3.2 Independent Directors:**

The criteria adopted for appointment of Independent Directors shall be as under:

- An Independent Director is a Director who has no direct or indirect material relationship with the Company or any of its officers, other than as a Director.
- Independent Director shall meet all criteria as specified in sub-section (6) of Section 149 of the Companies Act, 2013 and Rules made there under. Further, the Independent Director shall at the first meeting of the Board in which s/he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her status as an Independent Director, give a declaration that s/he meets the criteria of independence as provided in Section 149(6).
- The Company and Independent Directors shall abide by the provisions specified in Schedule IV, an extract whereof, is attached hereto.
- An Independent Director shall possess appropriate skills, experience and knowledge in

one or more fields of money markets, treasury, banking and finance, management and/or other disciplines related to the Company's business

- Director must possess high integrity, personal & professional ethics, required skills, experience and expertise.
- Director must be willing to devote sufficient time and energy in carrying out his duties and responsibilities.

3.2 In terms of Article 82 of Articles of Association of the Company, the Board shall have power to appoint a person as an additional director, provided the number of directors and additional directors together shall not at any time exceed the maximum strength of 15 persons. However, the additional director so appointed shall hold office only up to the date of the next annual general meeting of the Company but shall be eligible for appointment by the Company as a director at that meeting subject to the provisions of the Act and in accordance with the policy as laid down herein.

3.3 The key objective is to have an optimum size of the Board comprising of Directors representing the promoter group and Independent Directors to arrive at a prudent and balanced decision making and assist the Company in implementing the best corporate governance practices at all levels and at all times for achieving its main objectives as enshrined in the Memorandum of Association of the Company, and establish itself as a credible benchmark administrator in India and overseas.

3.4 Keeping in view the principles as hereinabove stated, the Promoters/Company should strike a balance in nominating/appointing the most suitable persons as members of the Board.

#### **4. Quorum**

4.1 Quorum for the Board meeting shall be two (2) directors or 1/3<sup>rd</sup> of the total strength of the Board whichever is higher subject to presence of at least one director nominated by FIMMDA to the Board.

#### **5. Retirement of Directors**

5.1 In terms of Article 73 of Articles of Association of the Company, the Directors shall not retire by rotation

5.2 The Directors nominated by the Promoters shall hold office during the pleasure of the promoters.

5.3 An Independent Director shall hold office for a term up to three consecutive years on the Board of the Company, but shall be eligible for reappointment for a second term of three years on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

## **6. Resignation**

6.1 A Director who desires to resign from the post should give at least one month's notice to the Company.

## **7. Age limit for Directors**

7.1 The upper age limit is fixed at 75 years for appointment of a directors of the Company.

## **8. Conflicts of Interest**

8.1 Each Director of the Board shall be required to furnish in writing a Conflicts of interest declaration to the Chairperson / Board and also comply with the Company's Conflicts of interest policy laid down from time to time.

## **9. Remuneration payable to Directors**

9.1 Remuneration to the Directors for attending the meeting of the Board, or any Committee thereof shall be fixed from time to time with the approval of the members. The Company will further be entitled to pay all the reasonable expenses incurred by the Directors for attending the meeting by way of travelling and other incidental expenses.

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## **Schedule IV**

[See section 149(8)]

### **CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

#### **I. Guidelines of professional conduct:**

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

#### **II. Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties:**

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

#### **IV. Manner of appointment:**

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out:
  - (a) the term of appointment;
  - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) provision for Directors and Officers (D and O) insurance, if any;
  - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

#### **VI. Resignation or removal:**

(1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.

(2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

#### **VII. Separate meetings:**

(1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;

(2) All the independent directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.