From: **Chakradhar Kale** chakradharkale100@gmail.com
Subject: Connect2Regulate error/ Comments on Draft RBI (Small Finance Banks / Commercial Banks - Governance) Second Amendment Directions, 2026
Date: 7 July 2026 at 9:57 PM
To: feedbackgovbanksdor@rbi.org.in, helpdoc@rbi.org.in

Madam/ Dear Sir,

This is with respect to the submission of comments on the Draft Reserve Bank of India (Small Finance Banks - Governance) Second Amendment Directions, 2026, open until July 9, 2026.

In this regard, I wish to inform you that I faced some technical errors while submitting comments using the Connect2Regulate Portal for para-wise submissions.

My comments on the Commercial Banks - Governance Directions (C2R/2026-27/476) were submitted successfully. This email pertains to the Small Finance Banks - Governance Directions (C2R/2026-27/477), where the portal's error caused doubt regarding successful submission.

The portal notified error upon clicking submit, and upon trying again, it was displayed that my response was already submitted [Phone number entered was 7020156154 & Email ID was chakradharkale100@gmail.com]. Therefore, I proceeded to submit my responses for the Draft Directions - (Commercial Banks - Governance) Second Amendment Directions, 2026, which was successful. *(Screenshot attached)*

Owing to the uncertainty around whether my original submission for the Small Finance Banks - Governance Directions was successfully recorded, I am reproducing my comments below for your records. Request you to confirm receipt of the same.

I express my gratitude for the opportunity for submission of comments.

Comments on Draft RBI (Small Finance Banks / Commercial Banks - Governance) Second Amendment Directions, 2026

Note: Para number is taken as shown on Connect2Regulate's para-wise submission format.

Para No.	Extant/Verbatim Provision	Suggested Verbiage / Comment	Rationale
12	'Compliance' means the state of being in accordance with the applicable laws, regulations, rules, directions issued by the Reserve Bank, self-regulatory organisation standards, codes of conduct applicable to a bank's activities and with the internal control systems laid down to comply with the foregoing.	Compliance means the state of being ***categorically consistent*** in accordance with the applicable laws, regulations, rules, directions issued by the Reserve Bank, self-regulatory organisation standards, codes of conduct applicable to a bank's activities and with the internal control systems laid down to comply with the foregoing.	Entities may remain in accordance with the applicable rules in varying qualitative consistencies. Ex: Giving a faulty KFS to customer is still compliance as it checks the box. The wording may be made more consistent by inserting the phrase categorically consistent to ensure that compliance is done unequivocally and unambiguously.
13	'Compliance Culture' means the set of values,	Compliance Culture means the set of values, attitudes, and	What may be promoted and demonstrated should

	attitudes, and behaviours that are promoted and demonstrated throughout the organisation ensuring that adherence to laws, regulations, internal standards, and ethical norms is routinely prioritised and embedded throughout the organisation's operations and decision-making.	behaviours that are promoted, demonstrated, ***and inculcated*** throughout the organisation ensuring that adherence to laws, regulations, internal standards, and ethical norms is prioritised (word "routinely" omitted) and embedded throughout the organisation's operations and decision-making.	also be actively inculcated. Therefore, the word inculcated may be inserted in conjunction with the extant words. Moreover, routinely prioritised still leaves scope for not prioritising adherence. The word routinely may be omitted.
14	'Compliance Function' means policies, processes, procedures, systems and personnel dedicated for Compliance.	Compliance Function means policies, processes, procedures, systems and personnel, ***including any other internal resource***, dedicated for Compliance.	There is possibility for other resources not mentioned herein to be deployed for compliance forming part of compliance function (barring only externals). Therefore, including any other internal resources may be added.
15	'Compliance Risk' means the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws of the land, regulations, rules, directions given by Reserve Bank, related self-regulatory organization standards, and codes of conduct applicable to its activities.	...directions given by Reserve Bank ***(including any other such organisation-specific conditions or directions as may have been additionally imposed by the RBI (licencing conditions, business restrictions, etc.))***, related self-regulatory organization standards...	Inclusion of other resources employed.
16	'Control Functions' mean those functions that have a responsibility independent from business functions to provide objective assessment, reporting and/or assurance. This includes Risk Management Function, Compliance Function and Internal	...This includes Risk Management Function, Compliance Function and Internal Audit Function, ***but excludes any outsourced arrangement employed for this purpose*.**	Exclusion of outsourced resources.

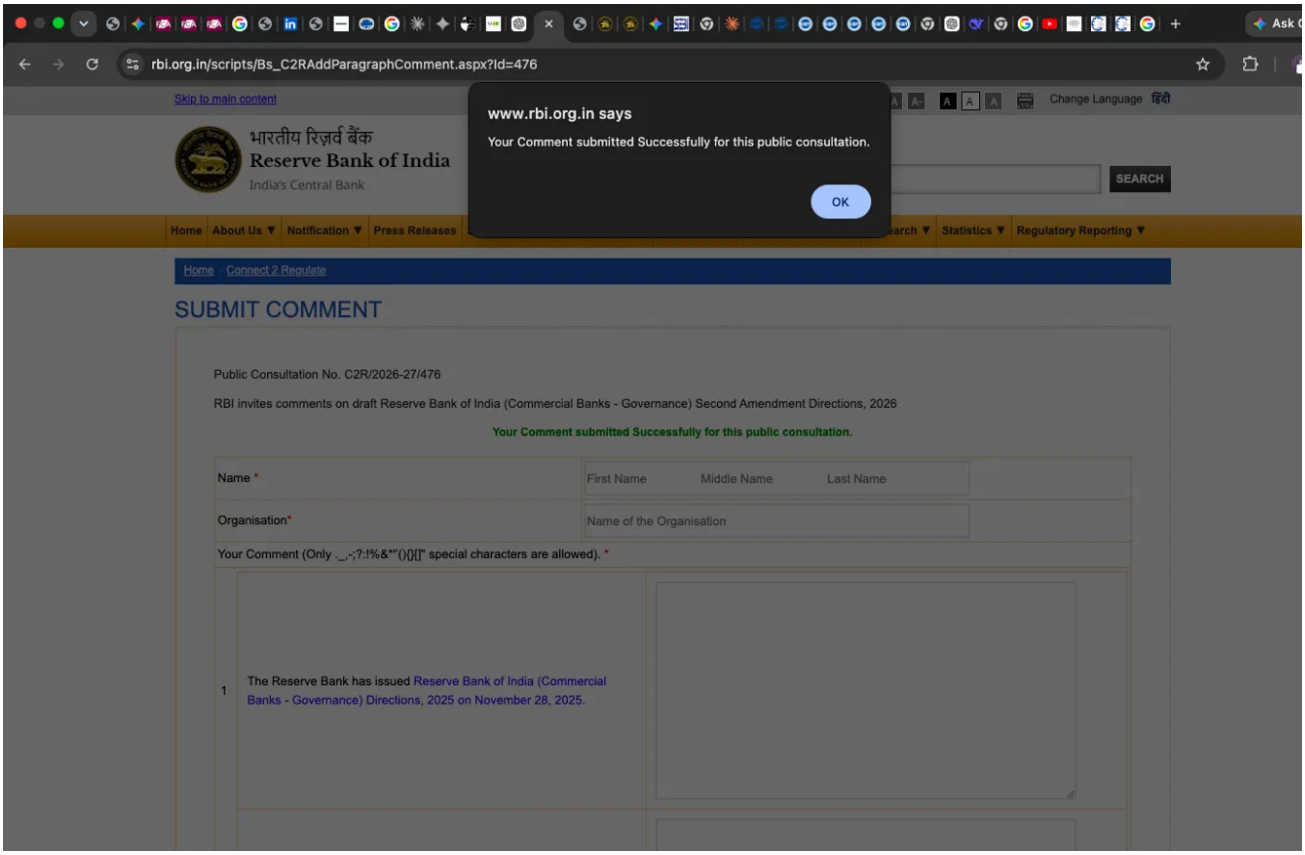
	Audit Function.		
17	'Internal Audit Function' means an activity that provides independent assurance to the Board or its committees on the quality and effectiveness of bank's internal control, risk management and governance systems and processes.	Internal Audit Function means ***policies, processes, procedures, systems and personnel and any other internal resource dedicated*** to provide independent assurance to the Board or its committees on the quality and effectiveness of bank's internal control, risk management and governance systems and processes.	Suitable definition.
18	'Internal Audit Plan' means the document that defines the scope, coverage, areas, frequency, etc. of **the** internal audit.	Internal Audit Plan means the document that defines the scope, coverage, areas, frequency, etc. of internal audit. (word "the" removed — Internal Audit is a cluster of audits, not one audit)	The word the may be removed as Internal Audit is not one audit but a cluster of audits.
20	'Risk Appetite' means the aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan.	Risk Appetite means the aggregate ***levels of kinds*** of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its objectives and business plan.	Types or kinds of risks may not reflect risk appetite. Also, risk appetite may be non-strategic reasons as well. Ex: Bank venturing into a tribal district to offer services to extend access and not purely for strategic reasons but for social welfare reasons.
21	'Risk Limits' means specific **quantitative** measures or limits that allocate the aggregate risk appetite across business functions, legal entities, specific risk categories, concentrations and other measures.	Risk Limits means specific measures or limits that allocate the aggregate risk appetite across business functions, legal entities, specific risk categories, concentrations and other measures. *(word "quantitative" removed be risk limits may include qualitative checkpoints)*	Risk limits might include qualitative checkpoints as well. Ex: Bank halting opening more customer service and grievance touchpoints unless more complaints from different geographies justify the need. Here the bank is risking an inflow of complaints for as a limit to continuing the expansion halt.
22	'Risk Management' means	Risk Management means the	Risk management may be

22	Risk Management means the **processes** established to ensure that all risks and associated risk concentrations are identified, measured, analysed, managed, mitigated, monitored and reported on a timely as well as comprehensive basis.	Risk Management means the ***activities*** established to ensure that all risks and associated risk concentrations are identified, measured, analysed, managed, mitigated, monitored and reported on a timely as well as comprehensive basis.	Risk management may be suitably defined as an activity instead of a process.
23	'Risk Management Function' means policies, processes, procedures, systems and personnel dedicated for Risk Management.	Risk Management Function means policies, processes, procedures, systems, personnel ***and any other internal resource*** dedicated for Risk Management.	There is possibility of any other internal resource to be employed for this.
30	51A. A bank shall establish Risk Management, Compliance and Internal Audit functions, **commensurate** with its size, complexity and risk / business profile...	A bank shall establish Risk Management, Compliance and Internal Audit functions, ***commensurate or more than commensurate*** with its size, complexity and risk business profile... (banks may be allowed to establish functions exceeding the complexity requirement)	Banks may be allowed to establish functions that are more than commensurate to the complexity on a baseline or better basis.
42	(2) Knowledge / Experience: CRO, CCO, and HIA shall possess adequate domain knowledge and relevant experience in the respective fields, **commensurate** with the size, complexity, and risk profile of the bank.	...commensurate ***or more than commensurate*** with the size, complexity, and risk profile of the bank.	Same ratio as above.
55	(1) The CRO shall... ensure that the bank's risk management capabilities are effective, to fully support its **strategic objectives and risk-taking activities**.	...to fully support its ***operations***. (narrower phrase replaced — scope should not be limited to strategic objectives and risk-taking activities alone)	The words 'strategic objectives and risk-taking activities' narrow down the scope which should be 'operations'.
64	(5) enhance the capability of business line managers to identify and assess the risks critically rather than relying on the surveillance conducted by it.	...rather than ***'solely'*** relying on the surveillance conducted by it. (without "solely," clause risks being misread as discouraging reliance on CRO's directions/corrective measures)	The term 'solely' may be added for the intended meaning. Moreover, with the extant verbiage it might be misinterpreted to mean to

		measures)	misinterpreted to mean to not follow the directions or suggested corrective measures from the CRO as well.
67	51K. ...Reviews and reporting should be regular and meaningful, with frequency based on the risk profile of the bank.	...***Reporting*** should be regular and meaningful, with frequency based on the risk profile of the bank. (word "Reviews and" removed — additional reviews beyond the ACB-approved calendar add bandwidth burden and may require prior Board approval)	The frequency of compliance reviews may not be tied to the risk profile which might fluctuate throughout the year. Compliance has a programme or calendar approved by the ACB. Any additional review is additional burden on bandwidth and accommodating the same might require board approvals before hand. Therefore, reviews may be deleted from the last sentence retaining only reportings.
70	(1) ensure adherence to statutory and regulatory requirements, **fair customer treatment**, and sound market conduct. The CCO shall be the nodal point of contact between the bank and RBI.	Comment: the phrase "fair customer treatment" may conflict with the functions of the Customer Service Department / Internal Ombudsman.	Banks have a dedicated customer service team.
71	(2) proactively identify, assess, and manage compliance risks... and remediation of breaches, **to be in state of compliance** and for the improvement in compliance culture.	...and remediation of breaches, ***to ensure categorical compliance*** and for the improvement in compliance culture.	Improved word flow.
72	(3) vet internal policies and communications, act as a reference point for regulatory interpretation, and coordinate with other control/assurance functions such as Risk Management and Internal Audit, while maintaining its independence.	Comment: in the event Internal Audit raises an adverse observation against Compliance, whose interpretation of the regulations shall prevail is a conflicting question, potentially causing issues with the distinction of responsibility given in 51Q(2).	Possible conflict.
79	(2) coordinate with risk	Comment: as noted at 51M(3),	Same as above.

	management, compliance, and external auditors while retaining independent judgment, ensuring clear distinction of responsibilities.	there remains a question as to whose interpretation shall prevail in case of conflict between IAD and Compliance.	
88	Annex VII, Clause 11: RBIA activities should be periodically reviewed against the approved audit plan, with a focus on the effectiveness of the function in addressing key risks.	Comment: performance evaluation of RBIA should not be carried out by IAD on its own work. This may instead be done by an external party or by Compliance.	Owner department may not review themselves even though the department itself is independent.

Regards,
Chakradhar Kale,
The Finvocates.



SUBMIT COMMENT

Public Consultation No. C2R/2026-27/477

RBI invites comments on draft Reserve Bank of India (Small Finance Banks - Governance) Second Amendment Directions, 2026

Name *		Chakradhar Kale
Organisation*		The Finvocates
Your Comment (Only ._-;?:!%&*''(){}[]" special characters are allowed). *		
1	The Reserve Bank has issued Reserve Bank of India (Small Finance Banks - Governance) Directions, 2025 on November 28, 2025.	No comments
2	At present, the regulatory instructions with respect to control / assurance functions viz. risk management, compliance and internal audit are contained in various directions / circulars. With a view to strengthening the governance framework for these functions and to ensure greater clarity, consistency and harmonisation in the instructions pertaining to these functions, it has been decided to review, and consolidate them under these Directions.	No comments
3	Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Directions hereinafter specified.	No comments
4	(1) These Directions shall be called the Reserve Bank of India (Small Finance Banks - Governance) Second Amendment Directions, 2026.	No comments

5	(2) These Directions shall come into effect from January 1, 2027.	No comments
6	(3) These Directions shall modify the Reserve Bank of India (Small Finance Banks - Governance) Directions, 2025 in the manner as specified hereinafter.	No comments
7	(1) In Paragraph 5 of 'Chapter I - Preliminary' of the Directions, the following definition shall be deleted:	No comments
8	(1) **'Chairperson'** means the Part-time Chairman of the Board of Directors of a bank.	No comments
9	(2) In Paragraph 5 of 'Chapter I - Preliminary' of the Directions, the following definitions shall be inserted:	No comments
10	(1a) **'Assurance'** means those activities which provide independent confirmation and confidence to the Board or its committees on the compliance of business functions with the internal control environment, as well as the applicable laws, rules and regulations.	No comments

11	(1b) **'Chairperson'** means the Part-time Chairman of the Board of Directors of a bank.	No comments
12	(2a) **'Compliance'** means the state of being in accordance with the applicable laws, regulations, rules, directions issued by the Reserve Bank, self-regulatory organisation standards, codes of conduct applicable to a bank's activities and with the internal control systems laid down to comply with the foregoing.	Entities may remain in accordance with the applicable rules in varying qualitative consistencies. Ex: Giving a faulty KFS to customer is still compliance as it checks the box. The wording may be made more consistent by inserting the phrase categorically consistent to ensure that compliance is done unequivocally and unambiguously. Suggested verbiage: Compliance means the state of being categorically consistent in accordance with the applicable laws, regulations, rules, directions issued by the Reserve Bank, self-regulatory organisation standards, codes of conduct applicable to a banks activities and with the internal control systems laid down to comply with the foregoing.
13	(2b) **'Compliance Culture'** means the set of values, attitudes, and behaviours that are promoted and demonstrated throughout the organisation ensuring that adherence to laws, regulations, internal standards, and ethical norms is routinely prioritised and embedded throughout the organisation's operations and decision-making.	What may be promoted and demonstrated should also be actively inculcated. Therefore, the word inculcated may be inserted in conjunction with the extant words. Moreover, routinely prioritised still leaves scope for not prioritising adherence. The word routinely may be omitted. Suggested verbiage: Compliance Culture means the set of values, attitudes, and behaviours that are promoted, demonstrated, and inculcated throughout the organisation ensuring that adherence to laws, regulations, internal standards, and ethical norms is prioritised and embedded throughout the organisation's operations and decision- making.
14	(2c) **'Compliance Function'** means policies, processes, procedures, systems and personnel dedicated for Compliance.	There is possibility for other resources not mentioned herein to be deployed for compliance forming part of compliance function (barring only externals). Therefore, including any other internal resources may be added. Suggested verbiage: Compliance Function means policies, processes, procedures, systems and personnel, including any other internal resource dedicated for Compliance.
15	(2d) **'Compliance Risk'** means the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws of the land, regulations, rules, directions given by Reserve Bank, related self-regulatory organization standards, and codes of conduct applicable to its activities.	Verbiage may be edited to include the following: including any other such organisation-specific conditions or directions as may have been additionally imposed by the RBI (licencing conditions, business restrictions, etc.) Suggested verbiage: Compliance Risk means the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws of the land, regulations, rules, directions given by Reserve Bank (including any other such organisation-specific conditions or directions as may have been additionally imposed by the RBI (licencing conditions, business restrictions, etc.)), related self-regulatory organization standards, and codes of conduct applicable to its activities.
16	(2e) **'Control Functions'** mean those functions that have a responsibility independent from business functions to provide objective assessment, reporting and/or assurance. This includes Risk Management Function, Compliance Function and Internal Audit Function.	The following may be inserted: but excludes any outsourced arrangement employed for this purpose. Suggested verbiage: Control Functions mean those functions that have a responsibility independent from business functions to provide objective assessment, reporting and or assurance. This includes Risk Management Function, Compliance Function and Internal Audit Function, but excludes any outsourced arrangement employed for this purpose.

17	(4a) **'Internal Audit Function'** means an activity that provides independent assurance to the Board or its committees on the quality and effectiveness of bank's internal control, risk management and governance systems and processes.	Internal Audit Function may not be called an activity. The following set of words defines the function suitably. policies, processes, procedures, systems and personnel and any other internal resource dedicated Suggested verbiage: Internal Audit Function means policies, processes, procedures, systems and personnel and any other internal resource dedicated to provide independent assurance to the Board or its committees on the quality and effectiveness of bank's internal control, risk management and governance systems and processes.
18	(4b) '**Internal Audit Plan**' means the document that defines the scope, coverage, areas, frequency, etc. of the internal audit.	The word the may be removed as Internal Audit is not one audit but a cluster of audits. Suggested verbiage: Internal Audit Plan means the document that defines the scope, coverage, areas, frequency, etc. of internal audit.
19	(4c) **'Internal Controls'** means a set of rules and controls governing a bank's organisational/ operational structure, including reporting processes and functions.	No comments
20	(8a) **'Risk Appetite'** means the aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan.	Types or kinds of risks may not reflect risk appetite. Also, risk appetite may be non-strategic reasons as well. Ex: Bank venturing into a tribal district to offer services to extend access and not purely for strategic reasons but for social welfare reasons. Following verbiage may be considered. Risk Appetite means the aggregate levels of kinds of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its objectives and business plan.
21	(8b) **'Risk Limits'** means specific quantitative measures or limits that allocate the aggregate risk appetite across business functions, legal entities, specific risk categories, concentrations and other measures.	Risk limits might include qualitative checkpoints as well. Ex: Bank halting opening more customer service and grievance touchpoints unless more complaints from different geographies justify the need. Here the bank is risking an inflow of complaints for as a limit to continuing the expansion halt. Suggested verbiage: Risk Limits means specific measures or limits that allocate the aggregate risk appetite across business functions, legal entities, specific risk categories, concentrations and other measures.
22	(8c) **'Risk Management'** means the processes established to ensure that all risks and associated risk concentrations are identified, measured, analysed, managed, mitigated, monitored and reported on a timely as well as comprehensive basis.	Risk management may be suitably defined as an activity instead of a process. Suggested verbiage: Risk Management means the activities established to ensure that all risks and associated risk concentrations are identified, measured, analysed, managed, mitigated, monitored and reported on a timely as well as comprehensive basis.

23	(8d) **'Risk Management Function'** means policies, processes, procedures, systems and personnel dedicated for Risk Management.	There is possibility of any other internal resource to be employed for this. Suggested verbiage: Risk Management Function means policies, processes, procedures, systems, personnel and any other internal resource dedicated for Risk Management.
24	(3) The proviso to Paragraph 3 in respect of 'Appointment of Chief Risk Officer' in non-scheduled commercial banks shall be deleted.	No comments
25	(4) The sentence "The bank shall also refer to 'Guidance Note on Management of Credit Risk'." in Paragraph 40 stands deleted.	No comments
26	(5) Title of Chapter-VII of the Directions, 'Appointment of Chief Risk Officer' stands modified to 'Control Functions: Risk Management, Compliance and Internal Audit'	No comments
27	(6) Paragraph 47-51 of the Directions stand deleted and instead, the following shall be inserted before Paragraph 52:	No comments
28	**A. Control Functions: Risk Management, Compliance and Internal Audit**	No comments

29	**A1. General**	No comments
30	51A. A bank shall establish Risk Management, Compliance and Internal Audit functions, commensurate with its size, complexity and risk / business profile, headed by a Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and Head of Internal Audit (HIA), respectively. Further, in banks which are a part of a group consisting of more than one financial entity, there may be a Group Chief Compliance Officer (GCCO), responsible for group level compliance and coordination.	Banks may be allowed to establish functions that are more than commensurate to the complexity Suggested verbiage: A bank shall establish Risk Management, Compliance and Internal Audit functions, commensurate or more than commensurate with its size, complexity and risk business profile, headed by a Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and Head of Internal Audit (HIA), respectively. Further, in banks which are a part of a group consisting of more than one financial entity, there may be a Group Chief Compliance Officer (GCCO), responsible for group level compliance and coordination.
31	51B. The bank shall have policies for each of the three control functions, viz., Risk Management, Compliance and Internal Audit, clearly articulating the objectives, roles and responsibilities of each function. The said policies shall be approved by the Board and reviewed periodically.	No comments
32	51C. The above functions shall:	No comments
33	(1) have the necessary authority and autonomy to discharge their responsibilities effectively.	No comments
34	(2) be independent of the business lines, free from conflicts of interest and business targets. Accordingly, they shall neither be involved in revenue generation nor have the remuneration of their staff linked to the business area being overseen.	No comments

35	(3) have unrestricted access to all business areas and records.	No comments
36	(4) not be outsourced, being core activities. However, external experts may be engaged under the oversight of CRO/CCO/HIA for specialised tasks without diluting the accountability of the functions.	No comments
37	51D. As part of the overall corporate governance framework, the Board is responsible for overseeing the control functions. The Board must set the 'tone at the top' and ensure that these functions are adequately resourced and maintain their independence. Further, the Board or RMCB/ACB, as applicable, shall review control functions on an ongoing basis to ensure their continued relevance and effectiveness.	No comments
38	51E. The Risk Management and the Compliance Functions shall be subject to regular internal audit. Further, banks shall develop and maintain a Quality Assurance and Improvement Program (QAIP) covering all aspects of the Compliance and Internal Audit Functions. Banks shall subject the Risk Management Function as also the QAIP of Compliance and Internal Audit Functions to periodic external review, to benchmark the practices and strengthen the effectiveness of the functions.	No comments
39	**A2. Terms of appointment of the CRO / CCO / HIA**	No comments
40	51F. The terms of appointment of the CRO / CCO / HIA would be as follows:	No comments

41	(1) **Appointing Authority and Rank:** A bank shall appoint / designate suitably senior employees, not more than two levels below the MD&CEO, as CRO, CCO and HIA with the approval of the Board.	No comments
42	(2) **Knowledge / Experience:** CRO, CCO, and HIA shall possess adequate domain knowledge and relevant experience in the respective fields, commensurate with the size, complexity, and risk profile of the bank.	Suggested verbiage: Knowledge Experience: CRO, CCO, and HIA shall possess adequate domain knowledge and relevant experience in the respective fields, commensurate or more than commensurate with the size, complexity, and risk profile of the bank.
43	(3) **Age:** The age limits for CRO, CCO and HIA to hold office may be prescribed by a bank as part of its internal policy.	No comments
44	(4) **Tenure:** CRO, CCO and HIA shall ordinarily be appointed for a fixed tenure of not less than three years.	No comments
45	(5) **Premature transfer / removal:** Any transfer or removal of CRO, CCO and HIA prior to the completion of the stipulated tenure shall be subject to the approval of the Board.	No comments
46	(6) **External Hiring:** If considered necessary, suitably experienced and competent external candidates may be hired as CRO, CCO or HIA. However, consultants, advisors, part time auditors or individuals who are neither on the rolls of the bank/group entity nor have any contractual employer-employee relationship with the bank/group entity shall not be appointed/designated as CRO, CCO or HIA or Group CCO.	No comments

47	**A3. Independence of the CRO, CCO and HIA**	No comments
48	51G. CRO, CCO and HIA shall function with independence, objectivity and free from conflict of interest. In particular, CRO, CCO and HIA shall:	No comments
49	(1) functionally report to the Board or the respective Board Committee and administratively report to MD&CEO.	No comments
50	(2) not be assigned business targets or have their remuneration linked to the performance of any business line.	No comments
51	(3) meet the Board or the respective Board Committee at least once in a quarter, without the presence of the Senior Management (including the MD&CEO / WTD). Even otherwise, they shall have direct and unrestricted access to the Board or the respective Board Committee to enable them to communicate concerns without any management interference.	No comments
52	(4) have their final performance review carried out by the Board or the respective Board Committee.	No comments

53	**A4. Risk Management Function**	No comments
54	51H. The Board shall ensure an effective oversight over the bank's risk management function. The Board / RMCB shall clearly define the role and responsibilities of the CRO, subject to the following:	No comments
55	(1) The CRO shall be primarily responsible for overseeing the development and implementation of the bank's Risk Management Function. This shall include enhancements to risk management systems, policies, processes, quantitative models, reports, etc. to ensure that the bank's risk management capabilities are effective, to fully support its strategic objectives and risk-taking activities.	The words 'strategic objectives and risk-taking activities' narrow down the scope which should be 'operations'. Suggested verbiage: The CRO shall be primarily responsible for overseeing the development and implementation of the bank's Risk Management Function. This shall include enhancements to risk management systems, policies, processes, quantitative models, reports, etc. to ensure that the bank's risk management capabilities are effective, to fully support its operations.
56	(2) The CRO shall be an adviser to the authority to whom powers have been delegated to assume risk, e.g. sanctioning credit, making investments, etc. The advice of the CRO shall be supported with proper rationale.	No comments
57	(3) The CRO shall be an invitee to the meetings of the credit sanction / approval committee, without any voting rights in the proceedings thereof.	No comments
58	(4) Assumption of any risk / exposure, contrary to the advice of the CRO, without incorporating adequate risk mitigation measures, shall rest with the next higher authority in the delegation matrix, except where the risk assuming authority is the Board. All such cases shall be reported to the Board / RMCB.	No comments

59	51I. The Risk Management Function shall:	No comments
60	(1) be responsible for overseeing that the bank operates within its risk appetite and for assessing risks and related issues, independent of the business lines.	No comments
61	(2) implement a bank-wide risk strategy aligned with the Board-approved risk appetite, including clear risk limits and structured allocation of risk parameters to business units and risk takers.	No comments
62	(3) ensure robust information infrastructure to support accurate capital and liquidity assessments, granular risk monitoring at business-unit levels, and consolidated reporting across the bank to enable strategic planning and compliance with risk tolerance thresholds.	No comments
63	(4) continuously evaluate risk exposures against defined limits, challenge decisions proposed / taken by the business functions and promptly escalate critical issues to senior management and the Board / RMCB, ensuring timely adjustments to maintain alignment with risk appetite.	No comments
64	(5) enhance the capability of business line managers to identify and assess the risks critically rather than relying on the surveillance conducted by it.	The term 'solely' may be added for the intended meaning. Moreover, with the extant verbiage it might be misinterpreted to mean to not follow the directions or suggested corrective measures from the CRO as well. Suggested verbiage: enhance the capability of business line managers to identify and assess the risks critically rather than 'solely' relying on the surveillance conducted by it.

65	**A5. Compliance Function**	No comments
66	51J. The Board shall ensure an effective oversight over the bank's compliance risk.	No comments
67	51K. The Senior Management shall be responsible for effective management of the bank's compliance risk, including communication of the compliance policy throughout the bank and ensuring that it is observed in letter and spirit. Further, Senior Management shall be responsible for embedding compliance in the business strategy while ensuring risk of non-compliance are identified and mitigated, and for promoting compliance culture. Reviews and reporting should be regular and meaningful, with frequency based on the risk profile of the bank.	or calendar approved by the ACB. Any additional review is additional burden on bandwidth and accommodating the same might require board approvals before hand. Therefore, reviews may be deleted from the last sentence retaining only reportings. Suggested verbiage: The Senior Management shall be responsible for effective management of the bank's compliance risk, including communication of the compliance policy throughout the bank and ensuring that it is observed in letter and spirit. Further, Senior Management shall be responsible for embedding compliance in the business strategy while ensuring risk of non-compliance are identified and mitigated, and for promoting compliance culture. Reporting should be regular and meaningful, with frequency based on the risk profile of the bank.
68	51L. A bank shall maintain a compliance programme supported by an annual compliance risk assessment placed before the Board or the ACB. The Compliance Function shall monitor and test compliance by inter-alia performing sufficient and representative compliance testing	No comments
69	51M. The Compliance Function shall:	No comments
70	(1) ensure adherence to statutory and regulatory requirements, fair customer treatment, and sound market conduct. The CCO shall be the nodal point of contact between the bank and RBI.	The words fair customer treatment might conflict with the functions of the customer service department/ Internal ombudsman.

71	(2) proactively identify, assess, and manage compliance risks, and provide independent assurance to the Board or ACB on the effectiveness of compliance policies, controls, and remediation of breaches, to be in state of compliance and for the improvement in compliance culture.	The last sentence may be improved or better flow. Suggested verbiage: and remediation of breaches, to ensure categorical compliance and for the improvement in compliance culture.
72	(3) vet internal policies and communications, act as a reference point for regulatory interpretation, and coordinate with other control/assurance functions such as Risk Management and Internal Audit, while maintaining its independence.	In event there is an adverse observation the Internal Audit department would like to raise on the compliance department, whether compliances or internal audit's interpretation of the regulations shall prevail, will be a conflicting question, potentially causing issue with distinction of responsibility as given in 51Q (2) of these draft guidelines.
73	**A6. Internal Audit Function**	No comments
74	51N. The Board shall ensure an effective internal audit framework, proportionate to the bank's risk profile with adequate resources and independence. Staff posted to the Internal Audit Function should ordinarily have a tenure of at least three years.	No comments
75	51O. The Senior Management shall be responsible for ensuring effectiveness of the Internal Audit Function. It must facilitate the independence of audit, provide full access and act promptly on audit findings. The Senior Management shall ensure that internal auditors have sufficient knowledge and training appropriate to the entity's risks.	No comments
76	51P. The Internal Audit Function shall provide independent evaluation of governance, risk management, compliance, internal controls, business lines, support functions, outsourced activities, etc., ensuring assurance across the entire organisation. All significant activities shall be audited over a defined cycle (ordinarily not exceeding three years), with high-risk areas reviewed more frequently.	No comments

77	51Q. The Internal Audit Function shall:	No comments
78	(1) follow systematic methodologies aligned with professional standards, using tools such as data analytics, thematic reviews, and automated monitoring, with proper documentation.	No comments
79	(2) coordinate with risk management, compliance, and external auditors while retaining independent judgment, ensuring clear distinction of responsibilities.	As given in the comment on 51M (3). there remains a question, as to whose interpretation shall prevail in case of conflict between IAD and Compliance.
80	51R. Banks shall adopt a Risk-based Internal Audit (RBIA) approach, focusing on areas of higher risk, materiality, systemic relevance, and supervisory concerns as given in the Annex VII.	No comments
81	**A7. Intimation to the Reserve Bank**	No comments
82	51S. A bank shall ensure compliance with the following requirements:	No comments

83	(1) CRO: Any appointment (including interim appointment and re-appointment), premature transfer, removal or exit of the CRO, along with the reasons thereof, shall be reported to the Department of Supervision, Reserve Bank of India, within five working days. Intimation of appointment (including interim appointment and re-appointment) shall be accompanied with the CRO's profile.	No comments
84	(2) **CCO and HIA:**	No comments
85	(i) In case of any appointment, re-appointment, interim appointment, premature exit, or change in tenure of the CCO or HIA, prior intimation of at least five working days shall be provided to the Department of Supervision.	No comments
86	(ii) Such intimation shall be accompanied by the candidate's profile and a confirmation from the competent authority stating that the candidate is fit-and-proper.	No comments
87	(iii) The appointment may be communicated to the candidate by the bank only after the lapse of five working days from the date of receipt of intimation, by the Department of Supervision, provided no communication to the contrary is received from the Department of Supervision.	No comments
88	ANNEX VII - Guidance on Risk Based Internal Audit	11. RBIA activities should be periodically reviewed against the approved audit plan, with a focus on the effectiveness of the function in addressing key risks. On clause 11 of the Annex, the performance evaluation may not be carried out for their own work by IAD themselves. This may be done by an external or perhaps by compliance.

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