

DCB BANK Limited

Policy for “Fit & Proper” criteria for Major Shareholders/ Applicants

BACKGROUND

The Reserve Bank of India (RBI) vide its circular dated January 16, 2023 has issued the Master Directions- RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 (‘Directions’) read along with the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 (‘Guidelines’) with the intent of ensuring that the ultimate ownership and control of banking companies are well diversified and the major shareholders of banking companies are ‘fit and proper’ on a continuous basis.

Pursuant to the Directions and Guidelines, the banking companies are required to put in place a board approved ‘fit and proper’ criteria for major shareholders/ applicants for acquiring major shareholding.

DEFINITIONS

The term and expressions used but not defined herein shall have the same meaning as assigned to those terms and expressions under the Directions and/ or the Guidelines or Banking Regulations Act, 1949 or any other applicable laws/ regulations, as the case may be.

“**Major shareholder**” shall mean a person with “aggregate holding” of five percent or more of the paid-up share capital or voting rights in the Bank.

“**aggregate holding**” means the total holding, directly or indirectly, beneficial or otherwise, of shares or voting rights by a person along with his relatives, associate enterprises and persons acting in concert with him in a banking company. For the purpose of arriving at indirect holding, the same has been defined in the Directions.

OBJECTIVE AND SCOPE

DCB Bank Limited (“the Bank”) has formulated this policy for putting in place the criteria for determining ‘fit and proper’ status of ‘major shareholders’ or also of the applicants for acquisition of ‘major shareholding in the Bank which shall be placed before the Board for approval from time to time’.

The Bank shall continuously monitor that the following persons are ‘fit and proper’ on an ongoing basis:

- (a) its major shareholders who have completed the approved acquisition
- (b) those applicants for whom comments have been provided by the Bank to the Reserve Bank for approval to have major shareholding; and
- (c) those applicants who have been approved by the Reserve Bank to have major shareholding but are yet to complete the approved acquisition

For the purpose of continuous monitoring of ‘fit and proper’ status, the Bank shall also on a quarterly basis obtain confirmation from the aforementioned persons on any change in the information provided in Form A or any other development on their status as defined in Directions/ Guidelines.

CRITERIA FOR DETERMINING THE ‘FIT & PROPER’ STATUS

The Bank shall consider the criteria listed in the Schedule I hereto, while determining the ‘fit and proper’ status of the major shareholder or any applicant for acquiring ‘major shareholding’ as

defined in the Directions and Guidelines and for making or submitting any report to the Reserve Bank of India or any other relevant authorities in this regard.

APPROVAL, LAWS TO TAKE PRECEDENT AND AMENDMENT

In case any of the provision of this policy are/ become inconsistent with the applicable laws (including by reason of any amendments or change to the law, regulations, Directions, Guidelines, etc.), then the provisions of applicable laws shall prevail over this policy to that extent and this policy shall deemed to have amended so as to be read in consonance with the applicable laws. Further, as this policy is pursuant to the applicable laws, if any change to applicable laws or interpretation thereof necessitates any change to the policy, this policy shall be revised so as to accommodate the changes.

The Board of Directors of the Bank shall approve such alterations to this policy from time to time, as and when necessitates or as deemed fit, provided they are not inconsistent with the provision of the applicable laws.

REVIEW

This Policy shall be reviewed once in a year along with the status of compliance of the Directions and/ or Guidelines. The Bank shall submit periodical reports on the continuous monitoring arrangements to the Board of Directors of the Bank, which inter alia, shall include assessment of compliance to sub-section (5) of Section 12B of the B R Act, 1949.

Schedule I

(a) For acquisition of five per cent or more but less than ten per cent of paid up share capital or voting rights in the Bank:

- (i) Not belong to Financial Action Task Force (FATF) non-compliant jurisdictions.
- (ii) Integrity, reputation and track record in financial/non-financial matters and compliance with tax laws,
- (iii) Any proceedings of a serious nature, or has been notified of any such impending proceedings or of any investigation which may lead to such proceedings,
- (iv) Record or evidence of previous business conduct and activities resulting in conviction for an offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice,
- (v) Outcome of due diligence conducted with the relevant regulator, revenue authorities, investigation agencies and credit rating agencies etc., as considered appropriate,
- (vi) Serious financial misconduct, including defaulting on financial obligations or whether the applicant was adjudged to be insolvent,
- (vii) The credibility of source of funds for the acquisition,
- (viii) Where the applicant is a body corporate, track record or reputation for operating in a manner that is consistent with the standards of good corporate governance, financial strength and integrity in addition to the assessment of individuals and other entities associated with the body corporate as enumerated above.
- (ix) Adherence to the Guidelines on acquisition and holding of shares or voting rights in the Bank

(b) For acquisition of ten per cent or more of paid up share capital or voting rights in the Bank:

- (i) All aspects as laid down in (a) above.
- (ii) Details of group entities, in case the applicant belongs to a group.
- (iii) Source and stability of funds for acquisition and the ability to access financial markets as a source of continuing financial support for the Bank.
- (iv) The business record and experience of the applicant including any experience in acquisition of business.
- (v) The extent to which the corporate structure of the applicant will be in consonance with effective supervision and regulation of the Bank.
- (vi) The soundness and feasibility of the plans of the applicant for the future conduct and development of the business of the Bank.
- (vii) Shareholder agreements and their impact on control and management of the Bank.