# Financial Services Institutions Bureau

## Why in news?

The Financial Services Institutions Bureau (FSIB), which will replace the Banks Board Bureau (BBB), will be more than a headhunter to fill in critical posts at state-run banks, insurers, and other financial institutions (FIs).

## What is Financial Services Institutions Bureau (FSIB)?

- It's a government body set up under the Department of Financial Services.
- The board will be entrusted with making recommendations for the appointment of full-time directors and non-executive chairman of state-run financial services institutions.
- It would also issue guidelines for selecting general managers and directors of public sector general insurance companies.
- While its main task is to play the role of head-hunter for the state-owned financial services entities, the board will also be involved in formulating and developing business strategies for state-run banks and help them in their fund-raising plans.

## Why has it replaced Banks Board Bureau (BBB)?

- The BBB was declared an incompetent authority last year by the Delhi High Court.
- A general manager at state-owned National Insurance Company challenged the appointment of a person junior to him for the Director's position by the BBB.
- Consequent to the order, 10–11 directors appointed by the BBB had to vacate office.
- To end this logjam, the BBB had to be struck down and a new body, namely, FSIB had to be put in place vide approval from the Appointments Committee of the Cabinet, headed by the prime minister.

## What is FSIB's mandate?

- The primary role of FSIB is to identify manpower capabilities and ensure the proper selection of talent for senior positions at financial institutions owned by the government.

- However, when BBB was brought into force in April 2016, it was envisaged as a body that would efficiently corporatize and make government entities function like private players, but it didn't make much headway on that front.
- It would also monitor and assess the performance of public sector banks, government-owned financial institutions, and insurance companies.

## How were senior bank officials appointed before BBB?

- Promotions and recruitments happened at the will and mercy of the government.

## How critical is the role of FSIB?

- When BBB was brought into action, there was consolidation within public sector banks, first with Bank of Baroda in 2018 and then a year later with 10 PSU banks.
- Again, there could be another round of bank mergers and privatization of both banks and insurance companies.
- The criticism often surfacing is whether PSU entities are ready to withstand the test of privatization from an operations and management perspective, which has a deep nexus with the efficiencies of the workforce at all layers.

## Who heads the new entity, and who are its members?

- FSIB would be headed by a chairman, a central government nominee.
- The board would comprise the Secretaries of the DFS, the chairman of IRDAI, and a deputy governor of the RBI.
- Additionally, it will have three part-time members who are experts in banking and three more from the insurance sector.

## What is the way forward?

- With FSIB, the intent is to go beyond the man-manager role and assist the government in formulating a code of conduct and ethics for whole-time directors in these entities.
- The FSIB aims to prevent red tape and promote people based on merit.
- The silent mandate of FSIB would be to ready banks and insurance companies for the privatization process and undertake the necessary clean-up/HR upliftment practices.

## Reference


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