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Topic- What is a Board of Directors? What are the power and function of Board of Director of Bank. What are their qualification and disqualification.

What is a Board of Directors?

A board of directors is essentially a panel of people who are elected to represent shareholders. Every public company is legally required to install a board of directors; nonprofit organizations and many private companies – while not required to – also name a board of directors.

The board is responsible for protecting shareholders' interests, establishing policies for management, oversight of the corporation or organization, and making decisions about important issues a company or organization faces.

Powers of Board of Directors

(*1*) The Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do:

Provided that in exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in that behalf in this Act, or in the memorandum or articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting:

Provided further that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.

(*2*) No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

(*3*) The Board of Directors of a company shall exercise the following powers on behalf of the company by means of resolutions passed at meetings of the Board, namely:—

(*a*) to make calls on shareholders in respect of money unpaid on their shares;
(*b*) to authorise buy-back of securities under section 68;
(*c*) to issue securities, including debentures, whether in or outside India;
(*d*) to borrow monies;
(*e*) to invest the funds of the company;
(*f*) to grant loans or give guarantee or provide security in respect of loans;
(*g*) to approve financial statement and the Board's report;
(*h*) to diversify the business of the company;
(*i*) to approve amalgamation, merger or reconstruction;
(*j*) to take over a company or acquire a controlling or substantial stake in another company;
(*k*) any other matter which may be prescribed:

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in clauses (*d*) to (*f*) on such conditions as it may specify:

Provided further that the acceptance by a banking company in the ordinary course of its business of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or the placing of monies on deposit by a banking company with another banking company on such conditions as the Board may prescribe, shall not be deemed to be a borrowing of monies or, as the case may be, a making of loans by a banking company within the meaning of this section.

Functions of a Board of Directors

In a broad sense, a corporate board of directors acts as a fiduciary for shareholders. The board is also tasked with a number of other responsibilities, including the following:

- Creating dividend policies
- Creating options policies
- Hiring and firing of senior of executives (especially the CEO)
- Establishing compensation for executives
- Supporting executives and their teams
- Maintaining company resources
- Setting general company goals
- Making sure that the company is equipped with the tools it needs to be managed well

Qualifications of Directors

Class A By statute, Class A directors are nominated and elected by the member banks in each Federal Reserve district to represent the stockholding banks. There are few statutory or policy restrictions on eligibility for nomination to Class A beyond the general requirements discussed above. Class A directors may, for foot note 1. The qualifications for members of the audit committee are described in FRAM 1-007 . end of foot note. foot note 2. Members of the audit committee are considered to be independent if they have no relationship with the Reserve Bank that might interfere with the exercise of their independence from management of the Bank. end of foot note. example, be officers or directors of a member or non-member commercial bank. page 2. If the nominee is an officer or director of a bank, he or she may serve as a Class A director only if nominated and elected by member banks in the same classification group as such person's bank (as discussed in FRAM 1-064, Procedure for Elections of Class A and Class B Directors). An officer or director of more than one bank is considered to be affiliated with the largest bank of these banks for purposes of this provision. Class B Class B directors also are nominated and elected by the member banks in each Federal Reserve district. Class B directors represent the public and "shall be elected . . . with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers." foot note 3. By statute, no Class B director may be an officer, director, or employee of any bank. In order to give full and meaningful effect to this requirement, as well as the requirement that Class B directors be elected with consideration for sectors of the economy beyond banking, it is the Board's policy that a Class B director may not be an officer, director (including advisory director), or employee. foot note 4. of a financial affiliation company, except in the limited circumstances described below. For purposes of this policy, a financial affiliation company is defined as any bank, foot note 5. bank holding company, branch or agency of a foreign bank, Edge Act or agreement corporation, thrift institution, credit union, designated financial market utility ("DFMU"), systemically important financial institution ("SIFI") or subsidiary of any such company or entity.

Disqualifications of Directors

Under company law, a director can be disqualified for any of the following reason:

1. He is of an unsound mind and is declared so by the court.
2. He is insolvent.
3. He is in the process of declaring insolvency and his application is pending.
4. He has been convicted by a court of any offence (whether or not involving moral turpitude) and has been imprisoned for at least six months. However, if a person has been convicted of any offence and has served a period of seven years or more, he shall not be eligible to be appointed as a director in any company.
5. If an order has been passed disqualifying him of being appointed as a director by a court or Tribunal.

6. He has not paid any calls with respect to any shares of the company held by him, whether alone or jointly with others, and a period of six months has elapsed from the last day fixed for the payment of the call.
7. He has been convicted of offences dealing with related party transactions at any time during the last preceding five years.
8. He has failed to acquire a Director Identification Number.

The End