

# NRB sets 6-month cooling period for CEOs to join another bank

---

## Cooling period aimed to regulate unhealthy practices among BFIs

KATHMANDU, Dec 30: Nepal Rastra Bank (NRB) has fixed a cooling period -- the period between resigning from one and joining another institution -- of six months for chief executive officers of bank and financial institutions (BFIs).

Issuing a circular on Friday, the NRB said that the CEO of a bank or financial institution can join another bank or financial institution only after six months of quitting the previous institution.

With the new rule aiming to improve corporate governance, the central bank has barred CEOs from jumping to another bank or financial institution immediately after leaving previous institution.

Now, a CEO has to wait at least six months after leaving the BFI that he/she was working for, before taking up new job in another BFI. The new rule of the central bank comes in the wake of rapid turnover of chief executives, jumping from one institution to another.

Amid concerns of conflict of interest resulting from senior NRB officials joining BFIs after leaving the central bank's job, the recent amendment on the NRB act has set cooling period for deputy governors and officer-level employee of the central bank. The law bars deputy governor from joining any BFIs for up to three years of quitting or retiring from the central bank, while such cooling period has been set for two years for officer-level employee.

Joining a rival bank at a leadership position without a cooling period weakens corporate governance, as the chief executive holds all business secrets and strategies, according to experts on corporate governance.

A CEO leaving for another institution without taking an appropriate period of break has been a common practice in Nepal's banking industry. Many of the CEOs who are currently leading

## **NRB sets 6-month cooling period for CEOs to join another bank**

---

commercial banks have worked for another institution at the same capacity. Many executives even get offer or make approaches to join another bank even when they are assuming the CEO's post of rival bank and drawing pay and perks, raising ethical question for banking executives.

The central bank, in its circular, said that the cooling period for CEO of BFIs was needed to regulate unhealthy practices and strengthen corporate governance in the BFIs. Similarly, the cooling period will also be in effect for the CEO joining the same bank again irrespective of the reasons of quitting the bank.

The NRB also set a cooling period for board directors of BFIs. With this new rule, even a board director cannot join another bank as board director before six month of leaving the previous BFI. However, professional board director or independent board director will be immune from the cooling period rule, according to the NRB.

### **Anil Shah may have to wait longer to rejoin Nabil Bank**

Anil Keshary Shah was recently appointed the CEO of Nabil Bank Ltd after he left Mega Bank Ltd. It is not sure whether he would be allowed to join before the cooling period is over, as the circular is silent over the appointment made before the circular was issued.

## NRB sets 6-month cooling period for CEOs to join another bank

---



NRB spokesperson Narayan Prasad Paudel said the central bank will make the decision based on the nature of the case.

## **NRB sets 6-month cooling period for CEOs to join another bank**

---

“I have been inquired about this case. However, we will decide on this case only after looking at what stage this appointment is,” said Paudel, who is the chief of Banks and Financial Institutions Regulation Department at the NRB, referring to the case of Shah.

However, Shah seemed to be confident that his appointment would not be affected. Asked about the fate of his appointment, Shah told Republica, “I don’t think so as my appointment was done before.”

Source: MyRepublica, 30<sup>th</sup> December 2017