

Deputy General Manager
Policy and Development - 2
Corporation Finance Department
rajkd@sebi.gov.in
022-26449253

No.: SEBI/HO/CFD/PoD2/OW/P/2024/3632/1

January 24, 2024

To

Axis Bank Limited

8th Floor, AXIS House,
C2 Wadia International Centre, Pandurang Budhkar Marg,
Mumbai, Maharashtra – 400025.

Sir,

Kind attention: Mr. Sandeep Poddar, Company Secretary

Subject: Request for Informal Guidance by way of an Interpretive Letter received from Axis Bank Limited under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

1. This is in reference to your letter dated October 27, 2023 (“**Application**”) and e-mail dated December 20, 2023 seeking an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (“**Informal Guidance Scheme**”) in relation to Section VI-H of the SEBI Master Circular dated July 11, 2023 on Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Master Circular**”).
2. The following information is gathered from your Application and your e-mail:
 - a. In accordance with SEBI circular dated May 10, 2018 and paragraph 2.1 of section VI-H of the Master Circular, Axis Bank Limited (“**Bank**”) had taken the following actions:
 - i. A board approved policy (“Subsidiary Governance Framework”) had been put in place for oversight and monitoring the governance of its subsidiaries.
 - ii. A Subsidiary Governance Committee had been constituted, which is now chaired by an Executive Director (earlier chaired by Group Executive until July, 2023) and comprises key senior management of the Bank (including the Group Heads of the assurance functions i.e., Risk, Compliance and Audit), as its members.

- iii. A dedicated group governance unit was set-up that holds together the agenda and cadence of the Subsidiary Governance Committee, and helps drive specific items, either directly or via the relevant teams of the Bank and provides a quarterly update to the Board of the Bank on all material matters related to subsidiary governance.
 - iv. A quarterly update is provided to the Board of the Bank on all material matters related to subsidiary governance.
- b. In the recently concluded annual supervisory review by the Reserve Bank of India (RBI), the senior supervisory team of RBI has reviewed Bank's subsidiary governance structure and framework. While they have not made any specific comment on the overall functioning of the governance structure, a query was raised on the constitution of subsidiary governance committee. The query from RBI to the Bank was that the Board had approved an executive level Subsidiary Governance Committee headed by a Group Executive (GE) despite SEBI circular (of May 2018) that required Group Governance Committee to comprise of Board members.
- c. The Bank's understanding was that the Board can decide whether to monitor the governance through a governance unit or have a Governance Committee comprising members of the Board. Based on this understanding, the Board of the Bank had approved monitoring the governance of the subsidiaries through the Subsidiary Governance Framework (SGF).
- d. The framework outlines that the monitoring of governance of subsidiaries will be done via a Subsidiary Governance Committee (SGC), comprising key senior management (currently comprising of Executive Director, Group Heads of the assurance functions (i.e. Chief Compliance Officer, Chief Risk Officer, Chief Audit Executive) and Head Strategy of the Bank). Further, quarterly updates on all material governance matters are provided to the Board of the Bank as well as updates to the ACB and RMC of the Bank for the relevant respective reporting's in light of the SGF. Additionally, a dedicated Subsidiary Governance team is in place that holds together the agenda and cadence of the SGC and helps drive specific items, either directly or via the relevant teams of the Bank.

3. In this background, you have sought clarity on the Bank's understanding of clause 2.1.1 (iii) of the Master Circular as to whether the Board has the discretion to decide on how to monitor subsidiaries i.e., via a subsidiary governance unit or a subsidiary governance committee or a group governance policy; or is it to be interpreted that the Board has no discretion in the matter and the Bank has to necessarily institute a Board Committee to ensure compliance. You have also sought guidance as to whether the actions taken by the Bank are in compliance with the provisions of paragraph 2.1.1 (iii) of Section VI-H of the Master Circular.
4. We have considered the submissions made by you in your Application and the e-mail. We invite your attention to paragraph 8(viii) of the Informal Guidance Scheme wherein SEBI may not respond to those cases where policy concerns require that the Department does not respond.
5. Accordingly, in terms of the aforesaid provisions, SEBI has chosen not to respond to your Application. In terms of paragraph 9, the fee paid for the Application shall be refunded after deducting the processing fee.

Yours faithfully,

-sd/-

Raj Kumar Das