



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

HDFC Bank Governance Crisis — Why Transparency at D-SIBs Matters

 **BUSINESS STANDARD**

23 March 2026

SUBJECTS COVERED**ECONOMY****GS PAPERS****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

UPSC Educator & Content Creator •

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Free UPSC & State PCS Resources

ujjyari.com

HDFC Bank Governance Crisis — Why Transparency at D-SIBs Matters

 **Business Standard**

23 March 2026

GS3
BS
Business Standard

MAINS RELEVANCE:

GS Paper 3


INTERVIEW ANGLE

"When the chairman of a systemically important bank resigns citing ethical disagreements but offers no details, how should the regulator balance depositor confidence against board autonomy?"

WHY IN NEWS

Business Standard published an editorial demanding greater transparency at HDFC Bank following the abrupt resignation of Chairman Atanu Chakraborty, who cited “ethical disagreements” without elaborating, followed by three senior officials being asked to leave in connection with an AT1 bond mis-selling probe.

The Governance Crisis

HDFC Bank — India’s largest private sector bank by market capitalisation and a **Domestic Systemically Important Bank (D-SIB)** — faces a governance crisis that has unfolded rapidly:

EVENT	DETAIL
Chairman resignation	Atanu Chakraborty resigned citing “ethical disagreements”
Reason given	No specifics disclosed publicly
Interim replacement	Keki Mistry appointed interim chairman
Senior exits	Three senior officials asked to leave
Linked to	AT1 bond mis-selling probe

Why D-SIB Governance Matters

HDFC Bank is classified as a **Domestic Systemically Important Bank** by the Reserve Bank of India. D-SIBs are banks whose failure would cause significant disruption to the financial system and the broader economy — they are “too big to fail.”

D-SIB PARAMETER	HDFC BANK
Total assets	~Rs 30 lakh crore
Depositor base	~8 crore accounts
Market cap	~Rs 12 lakh crore
Branch network	~8,000+ branches
D-SIB classification	Bucket 3 (highest among private banks)

When governance opacity exists at such an institution, it carries direct risks to depositor confidence, market stability, and credit flow to the economy.

The AT1 Bond Controversy

Additional Tier 1 (AT1) bonds are perpetual bonds that banks issue to shore up their capital base. The mis-selling controversy relates to whether HDFC Bank adequately disclosed the risks of AT1 bonds to retail investors:

- AT1 bonds can be written down entirely if the bank’s capital falls below a threshold
- They have no maturity date (perpetual) — investors cannot demand repayment
- The 2020 YES Bank crisis saw AT1 bondholders lose Rs 8,415 crore when their bonds were written off
- SEBI subsequently tightened AT1 bond regulations, mandating minimum lot size of Rs 1 crore (to restrict retail participation)

The Editorial’s Core Demand

The editorial argues that:

- 1 The public has a right to know what “ethical disagreements” prompted the chairman’s exit
- 2 The RBI must examine the sequence of events and disclose findings
- 3 Stronger board-level disclosure norms are needed for D-SIBs
- 4 Self-regulation by bank boards is insufficient — regulatory intervention is required

Corporate Governance in Banking — Key Framework

REGULATION	PURPOSE
Banking Regulation Act 1949	Primary law governing banking companies
RBI circular on governance (2021)	Strengthened board composition, risk management for banks
SEBI LODR (Listing Obligations)	Disclosure requirements for listed entities
Companies Act 2013 (Section 166)	Director duties — fiduciary obligation to stakeholders
Basel III norms	Capital adequacy including AT1 capital instruments

RBI's Oversight Role

The Reserve Bank of India has multiple tools for bank governance oversight:

- **Section 36AB** of BR Act: Power to remove directors/officers of banking companies
- **Prompt Corrective Action (PCA)**: Framework for banks with weak financials
- **Risk-Based Supervision**: Continuous monitoring of D-SIBs
- **Annual Financial Inspection (AFI)**: Detailed examination of bank operations

UPSC RELEVANCE

D-SIB classification, AT1 bonds, Banking Regulation Act 1949, Basel III norms.

MAINS GS-3:

Banking sector governance; role of RBI in ensuring transparency; D-SIB framework; corporate governance challenges in Indian financial institutions.

★ FACTS CORNER — KNOWLEDGEPEDIA

HDFC BANK:

Founded: 1994

Merged with HDFC Ltd: July 2023 (largest merger in Indian corporate history)

D-SIB classification: Bucket 3

Chairman who resigned: Atanu Chakraborty

Interim chairman: Keki Mistry

D-SIB FRAMEWORK (RBI):

D-SIBs identified annually by RBI since 2015

Current D-SIBs: SBI (Bucket 3), HDFC Bank (Bucket 3), ICICI Bank (Bucket 1)

D-SIBs face additional capital surcharges (0.2-0.8% of RWAs)

Methodology: Based on size, interconnectedness, substitutability, complexity

AT1 BONDS:

Type: Perpetual bonds (no maturity date)

Purpose: Tier 1 capital for banks

Risk: Can be written down if bank's capital falls below threshold

YES Bank AT1 write-off (2020): Rs 8,415 crore wiped out

SEBI rule: Minimum lot size Rs 1 crore (to restrict retail investors)

BANKING REGULATION:

Banking Regulation Act: 1949

RBI governance circular: 2021

Basel III implementation in India: phased since 2013

Prompt Corrective Action: threshold-based intervention framework

OTHER RELEVANT FACTS:

India has 12 public sector banks, 21 private sector banks, and 44 foreign banks

Deposit Insurance (DICGC): covers up to Rs 5 lakh per depositor per bank

RBI Section 36AB: power to remove bank directors/officers

Sources: [Business Standard](#)

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

 [Read Full Article on Ujjari](#) →

<https://ujjari.com/editorials/2026/03/hdfc-bank-governance-transparency/>

Free UPSC & State PCS Current Affairs · ujjari.com