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A Succession at India's Largest Private Bank, and Why the RBI Decides It

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CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

A Succession at India's Largest Private Bank, and Why the RBI Decides It

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> **HDFC Bank** *announced on* **August 29, 2026** *that Managing Director and Chief Executive Officer* **Sashidhar Jagdishan** *will* **not seek reappointment** *and will* **retire on October 26, 2026**. *The board said it would fast-track the selection of a successor. The appointment requires* **prior approval of the Reserve Bank of India**.

> *HDFC Bank is a* **Domestic Systemically Important Bank**. *Who runs it is a decision the banking regulator co-owns by statute. The mechanism by which a private company's chief executive requires a central bank's permission is the actual syllabus content here, and it is more examinable than any name on a shortlist.*

WHAT WAS ANNOUNCED

ITEM	DETAIL
Announcement	August 29, 2026
Retirement date	**October 26, 2026**
Reason	Chose **not to seek reappointment**
Board's stated intent	Fast-track selection, complete "well within time"
Internal candidate reported	Deputy Managing Director **Kaizad Bharucha**
External candidates	Also being considered
Regulatory step	**RBI approval** required before appointment

Jagdishan became MD and CEO in **October 2020**, succeeding **Aditya Puri**, who had led the bank since its founding in 1994. As of the end of August 2026, **no successor had been approved by the RBI**, and reporting indicated the bank would place a list of candidates before the regulator.

THE STATUTORY MECHANISM

This is the part worth memorising.

Section 35B of the Banking Regulation Act, 1949 requires the **prior approval of the Reserve Bank of India** for the appointment, reappointment or termination of appointment of a chairman, managing director or chief executive officer of a banking company, and for any amendment to the terms of such an appointment.

The practical consequence is that a private bank's board **proposes** and the **RBI disposes**. A board resolution alone does not create a bank chief executive.

The tenure and age ceilings

As background, the RBI's corporate governance circular for banks, in force since 2021 and issued on April 26 of that year, set the outer limits that shape every private bank succession:

RULE	LIMIT
MD and CEO or whole-time director, not a promoter or major shareholder	Maximum **15 consecutive years**
MD and CEO or WTD who is a promoter or major shareholder	Maximum **12 years**, extendable to **15** at the RBI's sole discretion in extraordinary circumstances
Re-appointment after the ceiling	Possible after a **minimum gap of three years**
Upper age limit	**70 years**
Compliance deadline for banks	**October 1, 2021**

The point an aspirant should extract. These ceilings exist because long-tenured, founder-like bank chief executives concentrate both institutional knowledge and institutional risk. The regulator's answer was to make succession compulsory rather than optional. HDFC Bank's own history, a single chief executive from 1994 to 2020, is the case study that framework was written against.

WHY THIS BANK IN PARTICULAR

HDFC Bank is a Domestic Systemically Important Bank. In the RBI's 2025 D-SIB list, which uses balance-sheet data as of 2025, the designated banks were:

BANK	BUCKET	ADDITIONAL COMMON EQUITY TIER 1 REQUIREMENT
State Bank of India	**4**	**0.80 per cent** of risk-weighted assets
HDFC Bank	**2**	**0.40 per cent**
ICICI Bank	**1**	**0.20 per cent**

The bucketing was unchanged from the 2024 list, and the capital requirements take effect from **April 1, 2027**.

What D-SIB status actually means. The framework was introduced in **2014** and updated in **2023**. A D-SIB is a bank whose failure would cause significant disruption to essential services and to the wider economy, the "too big to fail" category in regulatory language. Designated banks must hold an **additional Common Equity Tier 1 buffer** on top of the normal capital conservation buffer, scaled by the bucket they fall in. The buffer is the price of the implicit expectation of support.

The distinction to keep straight. D-SIBs are identified by the **RBI** for the domestic system. **G-SIBs**, globally systemically important banks, are identified by the **Financial Stability Board**. No Indian bank is currently on the G-SIB list, and conflating the two is a standard error.

THE INHERITANCE

The successor takes over an institution shaped by three things at once.

The merger, as background. HDFC Limited merged into HDFC Bank with effect from July 1, 2023, folding India's largest housing finance company into its own banking subsidiary. The reverse-merger structure left the bank with a materially changed balance sheet, a large book of long-tenure mortgages funded by deposits rather than by wholesale borrowing, and a deposit-mobilisation task that has driven strategy since.

The regulatory record. Reporting on Jagdishan's six-year tenure has noted regulatory setbacks alongside the merger's execution, and scrutiny of the bank's overseas operations.

UPSC RELEVANCE

Private-bank succession in India is not purely a corporate governance matter, because the regulator holds a veto. The interesting question is normative: does regulatory approval of chief executives strengthen financial stability by screening for fitness and propriety, or does it blur accountability by giving the supervisor a stake in the appointment it must later supervise? Both readings have serious backers. Present both.

UPSC RELEVANCE

GS Paper 3: Indian economy, banking, and mobilisation of resources; and the role of regulatory bodies. The Banking Regulation Act, the RBI's supervisory powers over private banks and the D-SIB framework are all core GS3.

GS Paper 2: Statutory, regulatory and quasi-judicial bodies. The RBI's approval power under Section 35B is a clean example of a regulator's statutory grip on a private entity's internal governance.

A Mains question this prepares. "The Reserve Bank's powers over the governance of private banks have expanded substantially since 2021. Examine the rationale and the trade-offs. (250 words)" Structure: the pre-2021 position, the April 2021 tenure and age ceilings, Section 35B, the systemic-risk rationale, the accountability objection, and a balanced close.

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THE ANNOUNCEMENT:

HDFC Bank said on August 29, 2026 that MD and CEO Sashidhar Jagdishan will not seek reappointment.

Jagdishan retires on October 26, 2026; the board said it would fast-track the succession.

Deputy Managing Director Kaizad Bharucha is among the internal candidates reported.

No successor had been approved by the RBI as of end-August 2026.

Jagdishan became MD and CEO in October 2020, succeeding Aditya Puri.

THE STATUTORY FRAMEWORK:

Section 35B of the Banking Regulation Act, 1949 requires RBI approval for a bank MD or CEO appointment.

The RBI circular of April 26, 2021 caps a non-promoter bank MD and CEO tenure at 15 consecutive years.

A promoter or major-shareholder MD and CEO is capped at 12 years, extendable to 15 at RBI discretion.

Re-appointment after the tenure ceiling requires a minimum gap of three years.

The upper age limit for a private bank MD and CEO is 70 years.

Banks had until October 1, 2021 to comply with the 2021 governance circular.

THE D-SIB FRAMEWORK:

The RBI's D-SIB framework was introduced in 2014 and updated in 2023.

The 2025 D-SIB list names State Bank of India, HDFC Bank and ICICI Bank.

SBI is in bucket 4 with an additional CET1 requirement of 0.80 per cent of risk-weighted assets.

HDFC Bank is in bucket 2 at 0.40 per cent; ICICI Bank is in bucket 1 at 0.20 per cent.

The 2025 D-SIB list is based on data as of March 31, 2025; requirements apply from April 1, 2027.

Globally systemically important banks are identified by the Financial Stability Board, not the RBI.

OTHER RELEVANT FACTS:

HDFC Limited merged into HDFC Bank with effect from July 1, 2023.

Sources: Business Standard, Business Today, RBI

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Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

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