

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:613
ANSWERED ON:18.05.2012
REVIEW OF BANKING LAWS
Kanubhai Patel Jayshreeben

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has undertaken any review of various statutes governing banking;
- (b) if so, the details thereof;
- (c) whether there is any proposal to review and amend the banking laws including the Banking Regulation Act, 1949 so as to adapt to the present day banking needs and to check unequal competition;
- (d) if so, the details thereof and the reaction of the Government thereto; and
- (e) the action taken by the Government/ Reserve Bank of India (RBI) in this regard?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 613 FOR 18TH MAY, 2012 TABLED BY SHRIMATI JAYSHREEBEN PATEL REGARDING REVIEW OF BANKING LAWS.

(a) and (b): Yes, Sir. The Government has constituted the Financial Sector Legislation Reforms Commission (FSLRC) to review and rewrite the financial sector laws including the banking sector laws. Further, the banking sector laws are constantly reviewed, amendments made and new laws are being enacted based on the requirement of the banking sector and after careful examination by the Government in consultation with the stakeholders.

(c) to (e): In order to strengthen the regulatory powers of the Reserve Bank of India (RBI) and to further develop the Indian banking sector, the Banking Laws (Amendment) Bill, 2011 was introduced in the Lok Sabha on 22nd March, 2011 seeking to amend the Banking Regulation Act, 1949 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980. The main provisions of the Bill, inter-alia, include:

- (i) enabling the nationalised banks to increase or decrease the authorised capital;
- (ii) empowerment of RBI to supersede the Board of Directors of a banking company;
- (iii) empowerment of RBI to impose such conditions as it deems necessary while granting approvals for acquisitions of five percent or more of share capital of a banking company;
- (iv) establishment of a "Depositor Education and Awareness Fund" to take over in operative deposit accounts which have not been claimed or operated for a period of ten years or more;
- (v) increase in the quantum of the penalties and fine for some violations of the Banking Regulation Act, 1949; and
- (vi) removal of the existing restriction on voting rights.

The Standing Committee on Finance (SCF) has examined the Banking Laws (Amendment) Bill, 2011 and submitted its report on 13th December 2011. Based on the report of the SCF, Government has given a Notice on 14.05.2012 to move the Official Amendments to this Bill in the Lok Sabha.