

an>

Title: Motion for consideration of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 (Motion Adopted and Bill Passed).

MR. DEPUTY-SPEAKER: Now, the House shall now take up clause-by-clause consideration of the Bill further to amend the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005.

The question is:

"That clause 2 stand part of the Bill."

*The motion was negatived.*

## **Motion Re: Suspension of Rule 80(i)**

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): I beg to move :

"That this House do suspend clause (i) of rule 80 of Rules of Procedure and Conduct of Business in the Lok Sabha in so far as it requires that an amendment shall be within the scope of the Bill and relevant to the subject matter of the clause to which it relates, in its application to the Government amendment No. 3\* to the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 and that this amendment may be allowed to be moved."

MR. DEPUTY-SPEAKER: The question is:

"That this House do suspend clause (i) of rule 80 of Rules of Procedure and Conduct of Business in the Lok Sabha in so far as it requires that an amendment shall be within the scope of the Bill and relevant to the subject matter of the clause to which it relates, in its application to the Government amendment No. 3\* to the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 and that this amendment may be allowed to be moved."

*The motion was adopted.*

### **New Clause 2A – Amendment of Section 3**

*Amendment made :*

Page 2, *after* line 12, *insert*€"

Page 2, *after* line 12, *insert*Â

"  
'Amendment of 2A. In section 3 of the Bank  
Nationalisation

section 3. Act,-

(a) in sub-section (2B), *for* clause (c), the following  
clause shall

be *substituted*, namely:- ..

"(c) such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise whether by public issue or preferential allotment or private placement, of equity shares or preference shares in accordance with the procedure as may be prescribed, so, however that the Central Government shall, at all times hold not less than fifty-one percent. of the paid-up capital consisting of equity shares of each corresponding new bank: .

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank

specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued.;

(b) in sub-sections (2BB) and (2BBA), for the words "raised by public issue", the words "raised by public issue or preferential

allotment or private placement" shall be *substituted*;

(c) in sub-section (2C), for the words "raised by public issue", the words "raised from public by public issue or preferential allotment or private placement" shall be *substituted*;

(d) in sub-section (2E), the following provisos shall be *inserted*,

namely:—

"Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects

the rights attached to his preference shares:—

—

—

Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent. of the total voting rights of all the shareholders holding preference share

capital only. " (3).

(Shri P. Chidambram)

MR. DEPUTY-SPEAKER: The question is:

"That new clause 2A be added to the Bill."

*The motion was adopted.*

*New clause 2A was added to the Bill.*

**Clause 3- Amendment of Section 9**

*Amendments made:*

Page 2, for line 21, *substitute*--

'(ii) for clause (c), the following clause shall be *substituted*, namely:--

"(c) one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, to be nominated by the Central Government on the recommendation of the Reserve Bank of India;"

(iii) clause (d) shall be omitted;'. (4)

Page 2, line 22, for "(iii)", *substitute* "(iv)". (5)

Page 2, line 39, for "2005", *substitute* "2006". (6)

Page 2, after line 44, *insert*--

'(c) after sub-section (3A), the following sub-sections shall be *inserted*, namely:--

"(3AA) Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or in any law for the time being in force, no person shall be eligible to be elected as Director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

(3AB) The Reserve Bank may also specify in the notification issued under sub-section (3AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

(d) in sub-section (3B), for the word, brackets, figure and letter "sub-section (3A)" at both the places where they occur, the words, brackets, figures and letters "sub-section (3A) and (3AA)" shall be *substituted*."

(7)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 3, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 3, as amended, was added to the Bill.*

*Clause 4 was added to the Bill.*

#### **Clause 5- Amendment of Section 10A**

*Amendment made:*

Page 3, line 20, for "Financial Restructuring Authority may, if it considers", *substitute* "Administrator may, if he considers". (8)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 5, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 5, as amended, was added to the Bill.*

#### **Clause 6 – Insertion of New Section 10 B**

*Amendments made:*

Page 3, for lines 24 to 50, *substitute*--

"Insertion of  
new  
section  
10B.

6. After section 10A of the Bank nationalisation Act, the following section shall be *inserted*, namely:-  
\_"

(9)

Page 4, *omit* lines 1 to 51. (10)

Page 5, *omit* lines 1 to 13. (11)

Page 5, line 14, for "10C", *substitute* "10B" (12)

Page 5, line 15, for "2005", substitute "2006" (13)

Page 5, line 17, for "forty-two days", substitute "thirty days". (14)

Page 5, line 19, for "forty-two days", substitute "thirty days". (15)

Page 5, line 21, for "forty-two days", substitute "thirty days". (16)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 6, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 6, as amended, was added to the Bill.*

Clause 7- Insertion of New Section 18A supersession of Board in certain cases.

*Amendments made:*

Page 5, for lines 40 to 52, substitute,--

Insertion  
of new  
section  
18A

7. After section 18 of the Bank Nationalisation Act, the following section shall be *inserted*, namely:--

Supersession  
of Board in  
certain cases.

18A. (1) Where the Central Government, on the recommendation of the Reserve Bank is satisfied that in the public interest or for preventing the affairs of any corresponding new bank being conducted in a manner detrimental to the interest of the depositors or the corresponding new bank or for securing the proper management of any corresponding new bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the Board of Directors of such corresponding new bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be extended from time to time, so however, that the total period shall not exceed twelve months.

(2) The Central Government may, on supersession of the Board of Directors of the corresponding new bank under sub-section (1), appoint, in consultation with the Reserve Bank, for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.

(3) The Central Government may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the corresponding new bank, notwithstanding anything contained in this Act,--

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such corresponding new bank, or by a resolution passed in general meeting of

such corresponding new bank, shall until the Board of Directors of such corresponding new bank is reconstituted, be exercised and discharged by the Administrator appointed by the Central Government under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the corresponding new bank.

(5) The Central Government may constitute, in consultation with the Reserve Bank, a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties.

(6) The Committee shall meet at such times and places and observe such rules of procedure as may be specified by the Central Government.

(7) The salary and allowances payable to the Administrator and the members of the committee constituted under sub-section (5) by the Central Government shall be such as may be specified by the Central Government and be payable by the concerned corresponding new bank.

(8) On and before the expiration of two months before expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the corresponding new bank, shall call the general meeting of the corresponding new bank to elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of the corresponding new bank has been reconstituted." ' . (17)

Page 6, *omit* lines 1 to 53. (18)

Page 7, *omit* lines 1 to 53. (19)

Page 8, *omit* lines 1 to 13. (20)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 7, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 7, as amended, was added to the Bill.*

### **Clause 8- Amendment of Section 3**

SHRI P. CHIDAMBARAM: Clause 8, we are voting negatively because the subsequent amendment based on the recommendation of the Committee has superseded clause 8. Clause 8, we are voting negatively. Please put it to the vote of the House.

MR. DEPUTY-SPEAKER: The question is:

"That clause 8 stand part of the Bill."

*The motion was negatived.*

### **Motion Re: Suspension of Rule 80 (i)**

SHRI P. CHIDAMBARAM : Sir, I beg to move:

"That this House do suspend clause (i) of rule 80 of Rules of Procedure and Conduct of Business in Lok Sabha in so far as it requires that an amendment shall be within the scope of the Bill and relevant to the subject matter of the clause to which it relates, in its application to the Government amendment No. 21 to the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 and that this amendment may be allowed to be moved."

MR. DEPUTY-SPEAKER: The question is:

"That this House do suspend clause (i) of rule 80 of Rules of Procedure and Conduct of Business in Lok Sabha in so far as it requires that an amendment shall be within the scope of the Bill and relevant to the subject matter of the clause to which it relates, in its application to the Government amendment No. 21 to the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005 and that this amendment may be allowed to be moved."

*The motion was adopted.*

### **New Clause 8A- Amendment of Section 3**

*Amendment made:*

Page 8, *after* line 25, *insert*--

'Amendment  
of section 3.

8A. In section 3 of the Bank (second) Nationalisation Act,--

(a) in sub-section (2B), for clause (c), the following clause shall be substituted, namely:--

"(c) Such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise whether by public issue or preferential allotment or private placement, of equity of preference shares in accordance with the procedure as may be prescribed, so, however that the Central Government shall, at all times hold not less than fifty-one per cent of the paid-up capital consisting of equity shares of each corresponding new bank:

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued.";

(b) in sub-sections (2BB) and (2BBA), *for* the words, "raised by public issue" the words "raised by public issue or preferential allotment or private placement" shall be *substituted*;

(c) in sub-section (2C) *for*, the words "raised by public issue", the words "raised from public by public issue or preferential allotment or private placement" shall be *substituted*;

(d) in sub-section (2E), the following provisos shall be *inserted*, namely:--

"Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares:

Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent of the total voting rights of all the shareholders holding preference share capital only.".' (21)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 8A be added to the Bill."

*The motion was adopted.*

*Clause 8A was added to the Bill.*

## **Clause 9- Amendment of Section 9**

*Amendments made:*

Page 8, *for* line 34, *substitute*, -

'(ii) for clause (c), the following clause shall be substituted, namely:-

"(c) one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, to be nominated by the Central Government on the recommendation of the Reserve Bank of India;"

(iii) clause (d) shall be *omitted*;' (22)

Page 8, line 35, *for* "(iii)", *substitute* "(iv)" (23)

Page 9, line 7, *for* "2005", *substitute* "2006". (24)

Page 9, *after* line 12, *insert*,--

'(c) after sub-section (3A), the following sub-sections shall be inserted, namely:--

"(3AA) Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or in any law for the time being in force, no person shall be eligible to be elected as Director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other



criteria as the Reserve Bank may notify from time to time in this regard.

(3AB) The Reserve Bank may also specify in the notification issued under sub-section (3AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

(d) in sub-section (3B), for the word, brackets, figure and letter "sub-section (3A)" at both the places where they occur, the words, brackets, figures and letters "sub-section (3A) and sub-section (3AA)" shall be *substituted*." (25)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 9, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 9, as amended, was added to the Bill.*

*Clause 10 was added to the Bill.*

#### **Clause 11- Amendment of Section 10A**

*Amendment made:*

Page 9, line 39, for "Financial Restructuring Authority may, if it considers", *substitute* "Administrator may, if he considers". (26)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 11, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 11, as amended, was added to the Bill.*

## **Clause 12- Insertion of New Section 10B Transfer of unpaid or unclaimed Dividend to unpaid Dividend Accounts.**

*Amendments made:*

Page 9, for lines 43 to 50 *substitute*,--

12. A "Insertion of 10A of the Bank (Second) Nationalisation Act, the following section shall be *inserted*, namely:--" (27)

New section

Page 10, *omit* lines 1 to 50. (28)

Page 11, *omit* lines 1 to 33. (29)

Page 11, line 34, for "10C", *substitute* "10B". (30)

Page 11, line 36, for "2005", substitute "2006". (31)

Page 11, line 37, for "forty-two days", substitute "thirty days". (32)

Page 11, line 40, for "forty-two days", substitute "thirty days". (33)

Page 11, line 41, for "forty-two days", substitute "thirty days". (34)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 12, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 12, as amended, was added to the Bill.*

## Clause 13 – Insertion of New Section 18 A

**Clause 13** – Insertion of New Section 18 A

*Amendments*

*made:*

Page 12, for lines 9 to 51

*substitute,*

'Insertion of 13. After section 18 of the Bank (Second)

new section Nationalisation Act, the following section shall

18A:

b  
d  
l

18A. (l) Where the Central Government, on the l

recommenQation of the Reserve Bank is satisfied that in the public interest or for preventing the

affairs of any corresponding new bank being conducted in a manner detrimental to the interest of the depositors or the corresponding new bank or for securing the proper management of any corresponding new bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing by order, supersede the Board of Directors of such corresponding new bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) The Central Government may, on supersession of the Board of Directors of the corresponding new bank under sub-section (1) appoint, in consultation with the Reserve Bank, for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.

(3) The Central Government may issue such directions to the Administrator as it may deem appropriate and the Administrator

shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the corresponding new bank, notwithstanding anything contained in this Act,

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

"Supersession of Board in certain cases.

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such corresponding new bank, or by a resolution passed in general meeting of such corresponding new bank, shall until the Board of Directors of such corresponding new bank is reconstituted, be exercised and discharged by the Administrator appointed by the Central Government under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the corresponding new bank.

(5) The Central Government may constitute, in consultation with the Reserve Bank, a committee of three or more persons who have experience in law, finance, banking, economics or

accountancy to assist the Administrator in the discharge of his

duties.

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Central Government.

fi -

(7) The salary and allowances payable to the Administrator and the members of the committee constituted under sub-section (5) by the Central Government shall be such as may be specified by the Central Government and be payable by the concerned corresponding new bank.

(8) On and before the expiration of two months before expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the corresponding new bank, shall call the general meeting of the corresponding new bank to elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss

..or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of the

corresponding new bank has been reconstituted." (3.5

)

~

/I

)~  
Â

ti' -

~

/I

)~  
Â

Page 13, *omit* lines 1 to 50. (36)

Page 14, *omit* lines 1 to 40. (37)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 13, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 13, as amended, was added to the Bill.*

*Clauses 14 to 19 were added to the Bill.*

## Clause 1 – Short Title and Commencement

*Amendment made:*

Page 1, line 5, *for* "2005", *substitute* "2006". (2)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That clause 1, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 1, as amended, was added to the Bill.*

### Enacting Formula

*Amendment made:*

Page 1, line 1, *for* "Fifty-sixth", *substitute* "Fifty-seventh". (1)

(Shri P. Chidambaram)

MR. DEPUTY-SPEAKER: The question is:

"That Enacting Formula, as amended, stand part of the Bill."

*The motion was adopted.*

*The Enacting Formula, as amended, was added to the Bill.*

*The Long Title was added to the Bill.*

SHRI P. CHIDAMBARAM: I beg to move:

"That the Bill, as amended, be passed."

MR. DEPUTY-SPEAKER: The question is:

"That the Bill, as amended, be passed."

*The motion was adopted.*

SHRI P. CHIDAMBARAM: Sir, once again I wish to express my regret to the House for the mistake yesterday. The mistake was not on the part of the Table Office. The mistake was on the part of the Government. I am sorry for the mistake.

---