

Title: Motion for consideration of the Banking Regulation (Amendment) Bill, 2007 (Motion Adopted and Bill Passed, Statutory Resolution, not moved).

MR. CHAIRMAN : Shri Prabodh Panda, are you moving the Statutory Resolution?

SHRI PRABODH PANDA (MIDNAPORE): Sir, I am not moving....(*Interruptions*)

MR. CHAIRMAN: Prof. Rasa Singh Rawat, Shri Bachi Singh Rawat, Prof. Vijay Kumar Malhotra, Shri Santosh Gangwar, Shri Mohan Singh, Shri Girdhari Lal Bhargava, Shrimati Sumitra Mahajan and Shri Suresh Prabhu – not moving.

...(*Interruptions*)

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

"That the Bill further to amend the Banking Regulation Act, 1949, be taken into consideration."

In order to give greater operational flexibility in the conduct of monetary policy, the Central Government had promulgated an Ordinance on 23<sup>rd</sup> January 2007. To replace the Ordinance, the Government has brought this Amendment Bill which *inter alia* provides for amendment to Section 24 in order to empower RBI to specify a statutory liquidity ratio without any floor. In the context of the developments in the banking and finance sector and soaring demand for credit, it is no longer necessary to continue the existing floor of 25 per cent in the statute itself as the regulator needs to have flexibility in this regard for managing liquidity in the system. It is necessary that RBI as the regulator and the authority vested with the powers to conduct monetary policy, has the necessary flexibility regarding stipulation of holding of liquid instruments by banks. As such, the existing floor of 25 per cent has to be removed keeping intact the ceiling of 40 per cent as the guidance from RBI. The proposal of the Government to remove the floor limit on SLR had received unanimous recommendation of the Standing Committee on Finance and will give operational flexibility to RBI in the conduct of monetary policy.[\[R3\]](#)

Another amendment relates to amendment to Section 53 of the Banking Regulation Act as amended by Special Economic Zones Act, 2005. Section 53 of the Banking Regulation Act, 1949 empowers the Central Government on the recommendation of Reserve Bank to exempt applicability of any or all the provisions of the Act to any banking company including all the public sector banks either generally or for a certain period through notification in the Official Gazette. In the recent past, banks have been granted exemptions from the application of certain sections of the Act. It has, therefore, now been proposed that sub-section 2 of Section 53 as amended by the Special Economic Zones Act, 2005 be amended to provide that this requirement shall apply in cases of exemptions being granted to institutions/banks/branches located in Special Economic Zones.

...(*Interruptions*)

It had become necessary to carry out urgently, the required amendments in the Banking Regulation Act, 1949. If these amendments have not been made immediately, there was a fear of adverse impact on the smooth functioning of the banking system in the present changing scenario.

I now recommend that the Bill be taken up for consideration and passing by the august House.

MR. CHAIRMAN : The question is:

"That the Bill further to amend the Banking Regulation Act, 1949, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN: The House will now take up clause-by-clause consideration of the Bill.

The question is:

"That clauses 2 to 4 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 4 were added to the Bill.*

*Clause 1, the Enacting Formula, the Long Title were added to the Bill.*

SHRI P. CHIDAMBARAM: I beg to move:

"That the Bill be passed."

MR. CHAIRMAN: The question is:

"That the Bill be passed."

*The motion was adopted.*

-----