

INTRODUCTION

The Banking Regulation (Amendment) Bill, 2020 was introduced in

Lok Sabha

on

September 2020						
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The Bill amends the Banking Regulation Act, 1949

EXCLUSIONS

The Act will not apply to:



Primary agricultural credit societies

Co-operative societies whose principal business is long term financing for agricultural development.

Further, these societies must not use the words 'bank', 'banker' or 'banking' in their name or in connection with their business, or act as an entity that clears cheques.

CO-OPERATIVE BANKS

The law seeks to protect the interest of the depositors by bringing co-operative banks under the regulatory framework of Reserve Bank of India (RBI), which is expected to enhance the oversight of the co-operative banking sector which has seen many scandals in the past.

The Bill states that RBI may exempt a cooperative bank or a class of cooperative banks from certain provisions of the Act through notification.

SCHEME OF AMALGAMATION

RBI will be able undertake a scheme of amalgamation of a bank without placing it under moratorium.

Earlier, if a bank was placed under moratorium, it not only limited withdrawals by depositors, but also disrupted a bank's lending operations.

RAISING MONEY BY CO-OPERATIVE BANKS

A co-operative bank may issue equity, preference, or special shares via public issue and private placement.

Further, it may issue unsecured debentures or bonds or similar securities with maturity of 10 or more years to such persons.

Such issuance will be subject to the prior approval of the RBI, and any other conditions as may be specified by RBI.

QUALIFICATION FOR MANAGEMENT

Co-operative banks cannot employ as Chairman, someone who is insolvent or has been convicted of a crime involving moral turpitude.

RBI may direct a bank to reconstitute its Board if it does not conform to the requirements, or may remove/replace individual directors.

In case of a co-operative bank registered with the Registrar of Co-operative Societies of a state, RBI may supersede the Board of Directors after consultation with the concerned state government.

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