Bill Summary

The Regional Rural Banks (Amendment) Bill, 2013

- The Regional Rural Banks (Amendment) Bill, 2013 was introduced in the Lok Sabha on April 22, 2013. It seeks to amend the Regional Rural Banks Act, 1976 which provides for the incorporation, regulation and winding-up of Regional Rural Banks (RRBs). The Bill has been referred to the Standing Committee on Finance (Chairperson: Mr. Yashwant Sinha) on April 22, 2013 for examination. The Standing Committee was due to submit its report by July 22, 2013.
- **Assistance provided by Sponsor Banks:** The Act has a provision for RRBs to be sponsored by Sponsor Banks. Sponsor Banks are duty bound to subscribe to the share capital of RRBs, train their personnel and provide managerial and financial assistance for the first five years. The Bill removes the five year upper limit, thus allowing such assistance to continue beyond this duration.
- **Authorised capital:** The Act specifies the authorised capital of an RRB to be Rs 5 crore, with a provision to change the same subject to a threshold of Rs 25 lakh. The Bill increases the specified amount to Rs 500 crore and changes the threshold amount to Rs 1 crore.
- **Specification of issued capital:** The Act allows the central government to specify the capital issued by an RRB, ranging between Rs 25 lakh and Rs 1 crore. The Bill requires the capital issued to be Rs 1 crore or more.
- **Shareholding pattern:** The Act specifies that of the capital issued by an RRB, 50 percent shall be subscribed to by the central government, 15 percent by the concerned state government and 35 percent by the Sponsor Bank. The central government may change the limit of shareholding of the above three entities in consultation with the state government and the Sponsor Bank. In addition, the Bill permits an RRB to raise capital from other sources, in which case the combined shareholding of the central government and the Sponsor Bank shall not be less than 51 percent. Further, the central government is required to consult the concerned state government if the latter's level of shareholding falls below 15 percent.
- **Composition of Board of Directors:** The Act provides for the appointment of directors by the central government, the concerned state government, the Reserve Bank of India, NABARD and the Sponsor Bank. Further, it provides for the addition of directors nominated by entities not mentioned above in proportion to the share held by such entities.
- **Term of directors:** The Act specifies that the term of a director shall not exceed two years and that he shall be eligible for re-nomination. The Bill removes this specification for directors other than those appointed by the central government. It retains the two year maximum term for directors appointed by the central government. Further, it states that such a director shall be eligible for re-nomination provided that he does not hold office for more than four years.
- **Closure and balancing of books:** As per the Act, the books of an RRB should be closed and balanced as on December 31 every year. The Bill changes the above date to March 31.

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