

**Bill No. 113 of 2017**

THE BANKING REGULATION (AMENDMENT) BILL, 2017

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*further to amend the Banking Regulation Act, 1949.*

BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—

1. (1) This Act may be called the Banking Regulation (Amendment) Act, 2017.

Short title and commencement.

(2) It shall be deemed to have come into force on the 4th day of May, 2017.

10 of 1949. 5 2. In the Banking Regulation Act, 1949 (hereinafter referred to as the principal Act), after section 35A, the following sections shall be inserted, namely:—

Insertion of new sections 35AA and 35AB.

Power of Central Government to authorise Reserve Bank for issuing directions to banking companies to initiate insolvency resolution process.	<p>35AA. The Central Government may, by order, authorise the Reserve Bank to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016.</p>	31 of 2016.
	<p><i>Explanation.</i>—For the purposes of this section, “default” has the same meaning assigned to it in clause (12) of section 3 of the Insolvency and Bankruptcy Code, 2016.</p>	5 31 of 2016.
Power of Reserve Bank to issue directions in respect of stressed assets.	<p>35AB. (1) Without prejudice to the provisions of section 35A, the Reserve Bank may, from time to time, issue directions to any banking company or banking companies for resolution of stressed assets.</p>	10
	<p>(2) The Reserve Bank may specify one or more authorities or committees with such members as the Reserve Bank may appoint or approve for appointment to advise any banking company or banking companies on resolution of stressed assets.’.</p>	
Amendment of section 51.	<p>3. In section 51 of the principal Act, in sub-section (1), after the figures and letter “35A,”, the figures and letters “35AA, 35AB,” shall be inserted.</p>	15
Repeal and savings.	<p>4. (1) The Banking Regulation (Amendment) Ordinance, 2017 is hereby repealed.</p>	Ord. 1 of 2017.
	<p>(2) Notwithstanding such repeal, anything done or any action taken under the Banking Regulation Act, 1949 as amended by the said Ordinance, shall be deemed to have been done or taken under the corresponding provisions of the said Act, as amended by this Act.</p>	10 of 1949.

## STATEMENT OF OBJECTS AND REASONS

Stressed assets in the banking system, or non-performing assets have reached unacceptably high levels and hence, urgent measures are required for their speedy resolution to improve the financial health of banking companies for proper economic growth of the country. Therefore, it was considered necessary to make provisions in the Banking Regulation Act, 1949 for authorising the Reserve Bank of India to issue directions to any banking company or banking companies to effectively use the provisions of the Insolvency and Bankruptcy Code, 2016 for timely resolution of stressed assets.

2. It was accordingly decided to make amendments to the Banking Regulation Act, 1949. Since Parliament was not in session and immediate action was required to be taken, the Banking Regulation (Amendment) Ordinance, 2017 was promulgated by the President on the 4th May, 2017.

3. The Banking Regulation (Amendment) Bill, 2017 which seeks to replace the Banking Regulation (Amendment) Ordinance, 2017, provides for the following, namely:—

(a) to confer power upon the Central Government for authorising the Reserve Bank to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016;

(b) to confer power upon the Reserve Bank to issue directions to banking companies for resolution of stressed assets and also allow the Reserve Bank to specify one or more authorities or committees to advise banking companies on resolution of stressed assets; and

(c) to amend section 51 of the Act so as to make therein the reference of proposed new sections 35AA and 35AB.

4. The Bill seeks to replace the said Ordinance.

NEW DELHI;

ARUN JAITLEY

*The 14th July, 2017.*

*Memorandum explaining the modifications contained in the Bill to replace the Banking Regulation (Amendment) Ordinance, 2017*

The Banking Regulation (Amendment) Bill, 2017, which seeks to repeal and replace the Banking Regulation (Amendment) Ordinance, 2017, proposes to make the following modifications in the provisions contained in the said Ordinance, namely:—

It is proposed to replace the expression “banking companies” in section 35AB with the expression “any banking company or banking companies” so as to align the same with section 35A; and to insert a new clause to amend section 51 of the Act so as to make therein the reference of proposed new sections 35AA and 35AB. The said modifications are drafting or consequential in nature.

ANNEXURE

EXTRACT FROM THE BANKING REGULATION ACT, 1949

(10 OF 1949)

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23 of 1955.

**51.** (1) Without prejudice to the provisions of the State Bank of India Act, 1955, or any other enactment, the provisions of sections 10, 13 to 15, 17, 19 to 21A, 23 to 28, 29 [excluding sub-section (3)], 29A, sub-sections (1B), (1C) and (2) of section 30, 31, 34, 35, 35A, 36 [excluding clause (d) of sub-section (1)], 45Y to 45ZF, 46 to 48] 50, 52 and 53 shall also apply, so far as may be, to and in relation to the State Bank of India or any corresponding new bank or a Regional Rural Bank or any subsidiary bank as they apply to and in relation to banking companies:

Application on of certain provisions to the State Bank of India and other notified banks.

Provided that—

(a) nothing contained in clause (c) of sub-section (1) of section 10 shall apply to the chairman of the State Bank of India or to a managing director of any subsidiary bank in so far as the said clause precludes him from being a director of, or holding an office in, any institution approved by the Reserve Bank;

(b) nothing contained in sub-clause (iii) of clause (b) of sub-section (1) of section 20 shall apply to any bank referred to in sub-section (1), insofar as the said sub-clause (iii) of clause (b) precludes that bank from entering into any commitment for granting any loan or advance to or on behalf of a company (not being a Government company) in which not less than forty per cent. of the paid-up capital is held (whether singly or taken together) by the Central Government or the Reserve Bank or a corporation owned by that bank; and

(c) nothing contained in section 46 or in section 47A shall apply to,—

(i) an officer of the Central Government or the Reserve Bank, nominated or appointed as director of the State Bank of India or any corresponding new bank or a Regional Rural Bank or any subsidiary bank or a company; or

(ii) an officer of the State Bank of India or a corresponding new bank or a Regional Rural Bank or a subsidiary bank nominated or appointed as director of any of the said banks (not being the bank of which he is an officer) or of a banking company.

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further to amend the Banking Regulation Act, 1949.

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*(Shri Arun Jaitley, Minister of Finance)*