

Bill No. XXVIII of 2021

THE DEPOSIT INSURANCE AND CREDIT GUARANTEE
CORPORATION (AMENDMENT) BILL, 2021

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BILL

further to amend the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

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

1. (1) This Act may be called the Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2021. Short title and commencement.

5 (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment of section 2. **2.** In section 2 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (hereinafter referred to as the principal Act),— 47 of 1961.

(i) in clause (f),—

(a) in sub-clause (viii), for the words "competent Court", the words "competent Court; or" shall be substituted; 5

(b) after sub-clause (viii), the following sub-clause shall be inserted, namely:—

"(ix) in respect of which any direction, prohibition, order or scheme referred to in sub-section (I) of section 18A is issued or made;"

(ii) in clause (ff),— 10

(a) in sub-clause (viii), for the words "in a State.", the words "in a State; or" shall be substituted;

(b) after sub-clause (viii), the following sub-clause shall be inserted, namely:—

"(ix) in respect of which any direction, prohibition, order or scheme referred to in sub-section (I) of section 18A is issued or made;" 15

Amendment of section 15. **3.** In section 15 of the principal Act, in sub-section (I), in second proviso, for the words "Provided further that", the following words shall be substituted, namely:—

"Provided further that the Corporation may, having regard to its financial position and to the interests of the banking system of the country as a whole, and with previous approval of the Reserve Bank of India, from time to time, raise the aforesaid limit of fifteen paise per annum for every hundred rupees of the total amount of the deposits in that bank: 20

Provided also that".

Insertion of new section 18A. **4.** After section 18 of the principal Act, the following section shall be inserted, namely:— 25

"18A.(I) Where, in respect of an insured bank,—

(i) any direction is issued or any prohibition or order or scheme is made under any of the provisions of the Banking Regulation Act, 1949; and 10 of 1949.

(ii) such direction, prohibition, order or scheme provides for restrictions on depositors of such bank from accessing their deposits, 30

then, without prejudice to the provisions of sections 16 to 18, the Corporation shall, on the date on which such direction, prohibition, order or scheme takes effect, become liable to pay to every such depositor an amount equivalent to the amount payable by the Corporation to the depositor under section 16. 35

(2) A list showing the outstanding deposits of each depositor of the insured bank, as on the date on which the direction, prohibition, order or scheme referred to in sub-section (I) takes effect, shall be furnished by such insured bank within forty-five days of such date of effect, in such form and manner as may be specified by the Corporation and certified to be correct by the chief executive officer of the insured bank. 40

(3) The Corporation shall, within thirty days of the date of receipt of the list under sub-section (2), verify, through an online platform, to the extent possible, or in accordance with such procedure, as may be prescribed, the genuineness and authenticity of the claims made therein, and ascertain the willingness of each depositor to receive the amount due to him out of his deposit in the insured bank. 45

Liability of Corporation to make interim payment to depositors of insured bank.

(4) Subject to the provisions of sub-section (7), the Corporation shall, before the expiry of fifteen days from the date of completion of the verification under sub-section (3), pay to the depositors who have affirmed their willingness thereunder, the amount payable under sub-section (1) either directly, or get it credited in the account of the depositors through the insured bank:

Provided that the total period of time between the date when the Corporation becomes liable to pay to the depositor and the date of payment to the depositor shall not, subject to the provisions of sub-section (7), exceed ninety days:

Provided further that any amount paid by the insured bank to the depositor during the period between the date on which the direction, prohibition, order or scheme referred to in sub-section (1) takes effect and the date of payment to the depositor, shall be appropriately reckoned by the insured bank before crediting such amount in depositor's account.

(5) Any amount paid by the Corporation under sub-section (4) in respect of a deposit shall, to the extent of the amount so paid, discharge the insured bank from its liability to the depositor in respect of that deposit, but the insured bank shall become liable to the Corporation in respect of the amount paid by the Corporation.

(6) Where, in respect of an insured bank,—

(i) any direction, prohibition, order or scheme under any of the provisions of the Banking Regulation Act, 1949 providing for suspension of business of the insured bank is already in force as on the date of commencement of the Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2021; and

(ii) such direction, prohibition, order or scheme provides for restrictions on the amounts to be paid by the insured bank to each of its depositors,

then, notwithstanding anything contained in any other law for the time being in force, the Corporation shall, on and from the date of commencement of the Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2021, become liable to pay to each depositor of such insured bank, an amount equivalent to the amount payable by the Corporation to the depositor under sub-section (1) of section 16, and the time limit specified in sub-sections (2) to (4) herein for such payment shall be computed from that date.

(7) Notwithstanding anything contained in sub-sections (1) to (6), in cases where,—

(a) the Reserve Bank finds it expedient in the interest of finalising a scheme of amalgamation of the insured bank with other banking institution or a scheme of compromise or arrangement or of reconstruction in respect of such insured bank, and communicates to the Corporation accordingly, the date on which the Corporation shall become liable to pay every depositor of such insured bank may further be extended by a period not exceeding ninety days;

(b) the restrictions on payment to depositors are removed by the Reserve Bank at any time before payment to depositors by the Corporation under sub-section (4), and the insured bank or the transferee bank is in a position to make payments to its depositors on demand without any restrictions, the Corporation shall not be liable to make payment to the depositors of such insured bank.

5. In section 19 of the principal Act, after the word and figures "section 18", the words, figures and letter "or section 18A" shall be inserted.

Amendment of section 19.

6. In section 20 of the principal Act, after the word and figures "section 18", the words, figures and letter "or section 18A" shall be inserted.

Amendment of section 20.

7. In section 21 of the principal Act,—

Amendment of section 21.

(i) in sub-section (1), after the word and figures "section 18", the words, figures and letter "or section 18A" shall be inserted;

(ii) in sub-section (2), in clause (b), after the words and figures "the scheme referred to in section 18", the words, figures and letter "or the direction, prohibition, order or scheme referred to in section 18A" shall be inserted;

(iii) after sub-section (2), the following sub-sections shall be inserted, namely:—

"(3) The Corporation may defer or vary the time limit for receipt of repayments due to it from the insured bank or the transferee bank, as the case may be, for such period and upon such terms, as may be decided by the Board in accordance with the regulations made in this behalf: 5

Provided that such regulations shall also provide for prudential principles to assess the capability of the bank to make repayment to the Corporation and for prohibition of specified other classes of liabilities from being discharged by the insured bank or the transferee bank till such time as repayment is made to the Corporation. 10

(4) In case of any delay in repayment to the Corporation beyond the time period prescribed under sub-section (2) or extended under sub-section (3), the Corporation may charge penal interest at a maximum rate of two per cent. above the repo rate per annum for the amount to be repaid to the Corporation and such penal interest shall rank equally for priority with the amount to be repaid under sub-section (2)". 15

STATEMENT OF OBJECTS AND REASONS

The Deposit Insurance and Credit Guarantee Corporation Act, 1961 was enacted to provide for the establishment of a corporation for the purpose of insurance of deposits and guaranteeing of credit facilities and for other matters connected therewith or incidental thereto.

2. The Deposit Insurance and Credit Guarantee Corporation (hereinafter referred to as the Corporation) insures all bank deposits, including savings, fixed, current and recurring deposits of all banks in India. Pursuant to the announcement in the Budget Speech of 2020, the Corporation was permitted to increase deposit insurance coverage for a depositor from rupees one lakh to rupees five lakhs per depositor per bank, to provide a greater measure of protection to depositors in banks.

3. The Banking Regulation Act, 1949 was amended *vide* the Banking Regulation (Amendment) Act, 2020 (39 of 2020) to further strengthen proper regulation and supervision of all banks by the Reserve Bank of India. Though the Reserve Bank of India and the Central Government keep monitoring the health of all banks, yet, there have been numerous recent cases of banks, especially cooperative banks, being unable to fulfil their obligations towards their depositors because of imposition of moratorium by the Reserve Bank of India. The cause of continuing concern is that when various restrictions, including moratorium, are imposed on a bank by the Reserve Bank of India, genuine depositors continue to face serious difficulties in accessing their deposits, despite deposit insurance being in place, and this may continue for extended periods of time.

4. Therefore, there is a need to amend the Deposit Insurance and Credit Guarantee Corporation Act, 1961 to enable easy and time-bound access by depositors to their own money, even when there are restrictions on banks. It is proposed to provide that even if a bank is temporarily unable to fulfil its obligations due to restrictions such as moratorium imposed on it, depositors can access their deposits to the extent of deposit insurance cover through interim payments by the Corporation.

5. The Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021 *inter alia* seeks to provide for—

(a) amendment of section 15 to enable the Corporation to raise the ceiling on the amount of premium with previous approval of the Reserve Bank of India;

(b) insertion of a new section 18A to enable interim payment to be made by the Corporation to depositors in those banks for whom any direction or prohibition or order or scheme under any of the provisions of the Banking Regulation Act, 1949 has been issued, imposing restrictions on depositors in the banks from accessing their deposits;

(c) amendment of section 21 by inserting new sub-sections (3) and (4) therein, to provide that the Corporation may defer or vary the receipt of repayments due to it from the insured bank and to empower the Corporation to charge penal interest in case of delay in repayment by the banks to the Corporation.

6. The Bill seeks to achieve the above objects.

NEW DELHI;
The 28 July, 2021.

NIRMALA SITHARAMAN.

FINANCIAL MEMORANDUM

The provisions of the Bill do not involve any expenditure of recurring or non-recurring nature from the Consolidated Fund of India.

MEMORDANDUM REGARDING DELEGATED LEGISLATION

Clause 7 of the Bill seeks to insert a new sub-section (3) in section 21 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 so as to empower the Board to make regulations in respect of matters relating to (i) the period for which and the terms upon which the time limit for receipt of repayment due to Corporation may be deferred or varied; and (ii) the prudential principles to assess the capability of an insured bank to make repayment to the Corporation and for prohibition of specified other classes of liabilities from being discharged by the insured bank or the transferee bank till such time as repayment is made to the Corporation.

The matters in respect of which regulations may be made are matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

ANNEXURE

EXTRACTS FROM THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961

(47 OF 1961)

*	*	*	*	*
Definitions.	2. In this Act, unless the context otherwise requires,—			
*	*	*	*	*
	(f) "defunct banking company" means a banking company—			
*	*	*	*	*
	(viii) in respect of which an application for the winding up of its affairs is pending in a competent Court;			
*	*	*	*	*
	(ff) "defunct co-operative bank" means a co-operative bank—			
*	*	*	*	*
	(viii) in respect of which an application for winding up is pending before the Registrar of Co-operative Societies or other competent authority under any law relating to co-operative societies for the time being in force in a State.			
*	*	*	*	*
Premium.	15. (I) Every insured bank shall, so long as it continues to be registered, be liable to pay a premium to the Corporation on its deposits at such rate or rates as may with the previous approval of the Reserve Bank, be notified by the Corporation, from time to time, to the insured banks and different rates may be notified for different categories of insured banks:			
	Provided that the premium payable by any insured bank for any period shall not exceed fifteen paise per annum for every hundred rupees of the total amount of the deposits in that bank at the end of that period or, where its registration has been cancelled during that period, on the date of its cancellation:			
	Provided further that where the registration of any insured bank is cancelled under section 13 or under section 13C such cancellation shall not affect the liability of that bank for payment of premium for the period before such cancellation and of any interest due under the provisions of this section.			
*	*	*	*	*
Discharge of the liability of Corporation.	19. Any amount paid by the Corporation under section 17 or section 18 in respect of a deposit shall, to the extent of the amount paid, discharge the Corporation from its liability in respect of that deposit.			
Provision for unpaid amounts.	20. Where any depositor to whom any payment is to be made in accordance with the provisions of section 17 or section 18 cannot be found or is not readily traceable, adequate provision shall be made by the Corporation for such payment and the amount of such provision shall be accounted for separately in its books.			
*	*	*	*	*
Repayment of the amount to Corporation.	21. (I) Where any amount has been paid under section 17 or section 18 or any provision therefore has been made under section 20, the Corporation shall furnish to the liquidator or			

the insured bank or to the transferee bank, as the case may be, information as regards the amount so paid or provided for.

(2) On receipt of the information under sub-section (1), notwithstanding anything to the contrary contained in any other law for the time being in force,—

* * * * *

(b) the insured bank or as the case may be, the transferee bank shall, within such time and in such manner as may be prescribed, repay to the Corporation out of the amount, if any, to be paid or credited in respect of any deposit after the date of the coming into force of the scheme referred to in section 18, such sum or sums as make up the amount paid or provided for by the Corporation in respect of that deposit.

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RAJYA SABHA

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further to amend the Deposit Insurance and Credit Guarantee Corporation
Act, 1961.

(Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs)