

**No.3/2/2012-FSLRC**  
**Government of India**  
**Ministry of Finance**  
**Financial Sector Legislative Reforms Commission**

**New Delhi,**  
**Dated 2.3.2012**

**ORDER**

**Subject: - Working Group on Banking**

Vide Resolution No.18/1/2011-RE dated 24<sup>th</sup> March, 2011, Ministry of Finance, Department of Economic Affairs constituted the Financial Sector Legislative Reforms Commission (FSLRC) with a view to review and rewrite the financial sector laws to bring them in tune with the current requirements. As per para 3 of the Resolution, the Commission has been authorised to devise its own procedure and to appoint consultants, advisors and experts and outsource research work to institutions of repute and expertise in the relevant area for the purpose for which the Commission has been set up.

2. The Commission has decided to constitute Working Groups to study different sectors/aspects of the financial sector in detail. Accordingly, with the approval of the competent authority, it has been decided to set up a Working Group on Banking with the following composition:-

i.	Smt. K. J. Udeshi	Chairperson
ii.	Shri YH Malegam	Member
iii.	Shri Janmajeya Sinha	-do-
iv.	Shri Aditya Puri,	-do-
v.	Ms Naina Lal Kidwai,	-do-
vi.	Shri Rajiv Lall,	-do-
vii.	Shri Harsh Vardhan	-do-
viii.	Shri. M. G. Bhide	-do-

The Working Group may co-opt other experts as special invitees.

3. The Terms of Reference of the Working Group will be as per Annexure 'A'. The Working Group will follow the broad principles and processes as approved by the Commission, while making their recommendations.

4. The Working Group will submit a draft report to the Commission by the end of July, 2012. The Working Group may also make interim presentations before the Commission for keeping the Commission informed as well as for seeking its advice.

5. The Working Group will be supported by the Headquarter Research Team of the Commission.

6. Desiring Members of the Working Group will be provided air tickets, as per their institutional entitlement/economy air fare, for air travel between their headquarters and the place of the Working Group meetings for attending meetings.

  
(A.K. Sinha)

**Deputy Secretary, FSLRC**

1. Chairman, FSLRC
2. Member Convenor, FSLRC
3. Secretary, FSLRC
4. All members of the Working Group on Banking.
5. Secretary, NIPFP.

Copy to Research Team, FSLRC

# Annexure ‘A’

## Terms of Reference of the Working Group on Banking

The working group on banking will work on all entities which accept deposits for the purpose of lending or investments, of deposits of money from the public, repayable on demand or otherwise. The Terms of Reference of the Working Group shall be as follows:

1. To review the legal framework of the financial firms that are engaged in banking, such as commercial banks, public sector banks, cooperative banks, SBI and its subsidiaries and regional rural banks in India. An illustrative list of Acts governing the banking sector is given in Appendix A.
2. Unification and harmonisation of the legal and regulatory treatment of these entities.
3. To identify legal mechanisms for obtaining equal treatment, regardless of ownership and nationality on questions of competition policy, mergers, take overs, and governance.
4. The field of creditors rights and debt recovery should ideally be a feature of company law and debt in general. Yet, finance policy makers have embarked on initiatives such as SARFAESI. What is the appropriate balance that FSLRC should adopt?
5. To review expert committee recommendations, and identify the legal changes which would implement existing recommendations. An illustrative list of expert committees is given in Appendix B.

6. To review the legal framework through which the regulatory agency would write subordinate legislation on issues of ownership, governance, and compensation of banks.
7. Addressing consumer protection, resolution, systemic risk and prudential regulation in banking.
8. Any other relevant issue.

## **A List of Acts governing the Indian banking sector**

- Banking Regulation Act, 1949
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (applicable to banks nationalised in 1970)
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (applicable to banks nationalised in 1980)
- Companies Act, 1956 (to a limited extent)
- Reserve Bank of India Act, 1934, rules, guidelines, master circulars, and regulations made thereunder
- Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- Recovery of Debts Due to Banks and Financial Institutions Act, 1993
- FEMA Act, 1999 (for foreign currency dealings), guidelines, rules, regulations and master circulars made thereunder
- Banking Ombudsman Scheme, 2006 (not an Act, but governs resolution of consumer disputes)
- Payment and Settlement Systems Act, 2007
- Regional Rural Banks Act, 1976 (for rural banks)
- Deposit Insurance and Credit Guarantee Corporation Act, 1961
- Banking Laws (Amendment) Bill, 2011
- State Co-operative Societies Acts (for each state)
- Multi State Co-operative Societies Act, 2002
- Banking Regulation Act, 1949 (Part V)
- State Bank of India Act, 1955
- State Bank of India (Subsidiary Banks) Act, 1959
- Competition Act, 2002

## **B List of Committees Reports on Indian banking sector**

- Narsimham Committee I and II
- Percy Mistry Committee
- Raghuram Rajan Committee
- Leeladhar report: Consolidation of Banking Industry in India
- Umarji Report: Review of the Banking Regulation Act
- A Ghosh Committee: Frauds and Malpractices in Banks
- Adhyarjuna Committee :Changes in NI Act and Stamp Act
- B Eradi Committee: Insolvency and winding up
- Bhide committee: Coordination between commercial banks and SFC's
- James Raj Committee: Functioning of PSBs
- K Madhav Das Committee: Urban Co-operative Banks
- Marathe Committee: Licensing of New Banks
- ML Dantwala Committee: Regional Rural Banks
- Thingalaya Committee : Restructuring of RRBs
- SS Nadkarni Committee: Trading in PSBs
- SS Kohli: Rationalising Staff Strength in Banks
- S Padmanabhan Committee: Inspection of Banks
- S Padmanabhan Committee: Onsite supervision function of Banks
- RN Midgra Committee: Cooperative societies
- Rajamannar Committee: Changes in banking laws and bouncing of cheques
- Raghavan Committee: Competition Law
- R Jilani: Inspection system of banks

- Pillai Committee: Pay scales of bank officers
- Pendarkar committee: Review of the system of inspection of commercial, RRB and urban co-operative banks