

Banking Laws (Amendment) Bill, 2024: Major Changes and Parliamentary Debate

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Banking Laws Latest News

- Both the Houses of the Parliament have passed the Banking Laws (Amendment) Bill, 2024, which allows bank account holders to have up to four nominees.

Understanding the Banking Laws (Amendment) Bill, 2024

- The **Banking Laws (Amendment) Bill, 2024** was introduced in the **Lok Sabha on August 9, 2024**, and passed on **December 3, 2024**.
- The Bill amends five major laws governing India's banking sector:
 - Reserve Bank of India Act, 1934
 - Banking Regulation Act, 1949
 - State Bank of India Act, 1955
 - Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980

Key Features of the Bill

- **Four nominees for deposits:**
 - Deposit holders can now appoint up to four nominees, either successively or simultaneously. Previously, only one nominee was allowed.
- **Updated definition of 'fortnight':**
 - For calculating cash reserves, banks will now follow fixed calendar periods—1st to 15th or 16th to month-end—instead of the old Saturday-to-Friday format.
- **Extended director tenure in co-operative banks:**
 - Directors can now serve for **10 consecutive years**, up from the earlier limit of 8 years.
- **Dual directorship allowed in certain co-operative banks:**
 - A director of a central co-operative bank can now serve on the board of a state co-operative bank if they are a member.
- **Increased threshold for 'substantial interest':**
 - The definition now includes shareholdings worth up to ₹2 crore, replacing the outdated ₹5 lakh cap set decades ago.
- **Unclaimed funds broadened:**
 - Unclaimed dividends, shares, and bond payments older than seven years will be transferred to the **Investor Education and Protection Fund (IEPF)**.
- **Bank autonomy in auditor pay:**
 - Banks will now decide the remuneration of their auditors instead of the RBI and Central Government doing so.

News Summary

- The **Rajya Sabha passed the Bill on March 26, 2025**, amid both support and criticism. Over 20 MPs took part in a four-hour discussion, which highlighted different aspects of the banking system's health and governance.
- **Government's Stand:**
 - **Finance Minister Nirmala Sitharaman** defended the Bill, saying it brings necessary reforms. She made the following key points:
 - Public sector banks posted a record **₹1.41 lakh crore profit in FY 2023-24**.

- Non-Performing Assets (NPAs) have significantly reduced.
- Over **912 bank fraud cases** involving wilful defaulters are under probe by the Enforcement Directorate (ED).
- Loan write-offs are accounting practices, not waivers—banks still pursue recovery.
- **Opposition's Concerns:**
 - **Wilful Defaulters & Write-offs**
 - The INC highlighted that ₹87,000 crore owed by 50 wilful defaulters—including names like **Mehul Choksi** and **Rishi Agarwal**—were written off, while poor and small borrowers face harsh actions.
 - **Need for Deeper Scrutiny**
 - Opposition criticised the practice of amending five laws at once without detailed review, calling for a **Joint Parliamentary Committee** to examine the Bill.
 - **Concerns About NPAs**
 - Opposition said Indian banks are burdened with ₹10 lakh crore in NPAs over five years, largely due to a small group of high-profile defaulters.
 - **Issues in Rural and Cooperative Banks**
 - Opposition raised concerns about the rising financial frauds in cooperative banks (over **4,000 cases in five years**) and outdated tech infrastructure.
 - They also questioned the static ₹2 crore cap and suggested linking it to inflation.
- **Government's Counterpoints**
 - The government said the Bill gives new strength to the banking sector and pointed to improvements under the government post-2014, including widespread financial inclusion and direct benefit transfers.

Conclusion

- The Banking Laws (Amendment) Bill, 2024 represents a **major update in India's banking regulation**, addressing everything from customer convenience to board governance.
- While the provisions are largely forward-looking, concerns about oversight, transparency, and the handling of large-scale NPAs remain.

Banking Laws (Amendment) Bill, 2024 FAQs

Q1. What is the Banking Laws (Amendment) Bill, 2024 about?

Ans. It updates five banking laws to improve flexibility, governance, and customer service.

Q2. How many nominees can now be assigned to a bank deposit?

Ans. Up to four nominees can now be appointed for a single account or locker.

Q3. What changes were made to co-operative bank governance?

Ans. Director tenures have been extended to 10 years and dual directorships are now allowed under certain conditions.

Q4. What is the new threshold for 'substantial interest'?

Ans. The cap has been raised from ₹5 lakh to ₹2 crore.

Q5. What concerns did the Opposition raise?

Ans. They flagged issues like massive NPAs, willful defaulter write-offs, and lack of deeper review of the Bill.

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