

Banking Regulatory Powers in India

Ministry of Finance

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The Reserve Bank of India (RBI) regulates and supervises Public Sector and Private Sector Banks. Under the Provisions of the Banking Regulation Act, 1949, it can, *Inter Alia*,

- inspect the bank and its books and accounts (section 35(1));
- examine on oath any director or other officer of the bank (section 35(3));
- cause a scrutiny to be made of the affairs of the bank (section 35(1A));
- give directions (a) in public interest (b) in interest of banking policy (c) in the interest of the depositors (d) in the interest of the bank and (e) to secure proper management of the bank (section 35A);
- call for any information of account details (section 27(2));
- determine the policy in relation to advances by the bank (section 21);
- direct special audit of the bank (section 30(1B));
- direct the bank to initiate insolvency resolution process in respect of a default, under the provisions of Insolvency and Bankruptcy Code, 2016(section 35AA);
- issue directions to banks for resolution of stressed assets (section 35 AB);
- direct changes in management of the bank (section 36(1d)(v));
- caution or prohibit banks in particular against entering into any particular transaction or class of transactions, and generally give advice to any bank (section 36(1a));
- give assistance to any bank by means of the grant of a loan or advance (section 36(1c));
- direct banks to call a meeting of its directors for the purpose of considering any matter relating to or arising out of the affairs of the bank; or require an officer of the bank to discuss any such matter with an officer of the RBI (section 36(1d)(i)); and
- appoint one or more of its officers to observe the manner in which the affairs of the bank or of its offices or branches are being conducted and make a report thereon (section 36(1d)(iv))

The powers of RBI are wide-ranging and comprehensive to deal with various situations that may emerge in all banks, irrespective of ownership i.e. the Public Sector and the Private Sector owned Banks.

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in written reply to a question in Rajya Sabha.

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