

# POWERS OF RESERVE BANK OF INDIA (RBI)

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Ministry of Finance

## Powers of Reserve Bank of India (RBI)

Posted On: 08 JAN 2019 5:24PM by PIB Delhi

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*

- i. inspect the bank and its books and accounts (section 35(1) *ibid.*);
- ii. examine on oath any director or other officer of the bank (section 35(3) *ibid.*);
- iii. cause a scrutiny to be made of the affairs of the bank (section 35(1A) *ibid.*);
- iv. give directions to secure the proper management of the bank (section 35A *ibid.*);
- v. call for any information of account details (section 27(2) *ibid.*);
- vi. determine the policy in relation to advances by the bank (section 21 *ibid.*);
- vii. direct special audit of the bank (section 30(1B) *ibid.*); and
- viii. direct the bank to initiate insolvency resolution process in respect of a default, under the provisions of Insolvency and Bankruptcy Code, 2016 (section 35AA *ibid.*).

Further, in respect of nationalised banks and the State Bank of India (SBI), under the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 ("Bank Nationalisation Acts") and the State Bank of India Act, 1955 ("SBI Act") respectively, *inter alia*

1. RBI's nominee Director is a member on—

- i. the nationalised bank's Management Committee of the Board, which exercises the powers of the bank's Board with regard to credit proposals above specified threshold (section 9(3)(c) of the Bank Nationalisation Acts, and paragraph 13 of the Nationalised Banks (Management and Miscellaneous Provisions) Schemes of 1970 and 1980 made by the Government under the Bank Nationalisation Acts), and
- ii. the Executive Committee of the Central Board of SBI, which may deal with any matter within the competence of the Central Board subject to SBI General Regulations, 1955 and Central Board's directions (sections 19(f) and 30 of SBI Act, and regulation 46 of SBI General Regulations, 1955);
- iii. RBI approves the appointment and fixes the remuneration of the bank's auditors (section 10 of the Bank Nationalisation Acts, and section 41 of the SBI Act); and
- iv. RBI can appoint additional Directors on the nationalised banks' Boards and State Bank of India's Central Board (section 9A of the Bank Nationalisation Acts, and section 19B of the SBI Act).

In addition, whole-time Directors of nationalised banks and State Bank of India are appointed in consultation with RBI.

RBI has powers under other laws as well, which include, *inter alia*, the power under section 12 of the Foreign Exchange Management Act, 1999 to inspect for compliance with the Act and rules etc. made there under.

RBI also maintains the Central Repository of Information on Large Credits (CRILC) on aggregate fund-based and non-fund-based exposures of Rs. 5 crore and above of all banks. Further, RBI maintains the Central Fraud Registry and banks report all frauds involving amount above Rs. 1 lakh to RBI. In addition, RBI's Master Directions on Frauds lay out guidelines on categorisation, reporting and review of frauds, along with norms for consequent provisioning.

The powers of RBI are wide-ranging and comprehensive to deal with various situations that may emerge in all banks, including public sector banks. No proposal with regard to change in RBI's powers in respect of public sector banks is presently under consideration/consultation. Improvement in regulatory functioning being an ongoing process, Government engages with stakeholders, including RBI, and discusses issues as they evolve.

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

\*\*\*\*

**DSM/RM/KA**

(Release ID: 1559125) Visitor Counter : 330

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

Crack