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# Cabinet okays amendment to bank laws

## Aims to strengthen co-op banks

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NEW DELHI, PTI

In order to protect the interest of depositors, the Union Cabinet on Wednesday approved an amendment to the Banking Regulation Act to strengthen co-operative banks and avoid PMC Bank like a crisis.

There are 1,540 cooperative banks with a depositor base of 8.60 crore having total savings of about Rs 5 lakh crore.

The proposed law seeks to enforce banking regulation guidelines of the RBI in cooperative banks, while administrative issues will still be guided by Registrar of Cooperative, Information, and Broadcasting Minister Prakash Javadekar said while briefing media about the Cabinet decisions.

Observing that the changes will help strengthen financial stability, he said qualifications would be set for appointing CEO of cooperative banks and the RBI permission would be sought before appointment as followed in case of commercial banks. The audit would be as per the RBI guidelines and the central bank can also supersede the board if any cooperative



bank is under stress, he said.

The cooperative bank will be given time to comply with the RBI guidelines in a phased manner, he added. The cabinet approval is in line with the Budget announcement made by Finance Minister Nirmala Sitharaman on Saturday.

"To strengthen the Cooperative Banks, amendments to the Banking Regulation Act are proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI," she had said in the Budget 2020-21.

The decision assumes significance in the wake of a scam in the Punjab and Maharashtra Cooperative (PMC) Bank affecting lakhs of customers who are facing difficulties in withdrawing their money due to restrictions imposed by the Reserve Bank of India.

Javadekar further said this is the second important measure taken by the government to protect the interest of depositors within a week.

Sitharaman proposed in the Budget to raise the insurance cover on saving deposits five times to Rs 5 lakh. "I wish to inform this august House that robust mechanism is in place to monitor the health of all Scheduled Commercial Banks and that depositors' money is safe.

"Further, the Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs 1 lakh to Rs 5 lakh per depositor," she said in Budget 2020-21.

At present, bank depositors get an insurance cover of Rs 1 lakh on their amount by the Deposit Insurance and Credit Guarantee Corporation if a bank fails.