

AS INTRODUCED IN THE RAJYA SABHA  
ON 5TH AUGUST, 2022

**Bill No. XLII of 2022**

THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 2022

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BILL

*further to amend the Reserve Bank of India Act, 1934.*

BE it enacted by the Parliament in the Seventy-third Year of the Republic of India as follows:—

1. (1) This Act may be called the Reserve Bank of India (Amendment) Act, 2022.

Short title and  
commencement.

5 (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2 of 1934.

2. In the Reserve Bank of India Act, 1934, sub-section (3) of section 31, shall be omitted.

Amendment  
of section 31.

## STATEMENT OF OBJECTS AND REASONS

The insertion of sub-section (3) in section 31 of the Reserve Bank of India Act, 1934 through the Finance Act, 2017 introduced a new scheme called the Electoral Bond Scheme, which was notified on January 2, 2018. The Electoral Bond Scheme allows individuals (who are citizens of India) and domestic companies to donate electoral bonds — issued in multiples of Rs. 1,000, Rs. 10,000, Rs. 1 lakh, Rs. 10 lakhs and Rs. 1 crore — to political parties of their choice, which have to redeem them within fifteen days. A person being an individual can buy bonds, either singly or jointly with other individuals. No limit exists on the number of electoral bonds that a person (including corporate entities) can purchase. Only the Political Parties registered under Section 29A of the Representation of the People Act, 1951 (43 of 1951) and which secured not less than one per cent. of the votes polled in the last General Election to the House of the People or the Legislative Assembly of the State, shall be eligible to receive the Electoral Bonds. Under the Electoral Bond Scheme, 2018, the section 29C of The Representation of the People Act, 1951 has been amended to remove the obligation of political parties to keep a record of the identity of donors who give any sum of money through Electoral Bonds or report the same to the Election Commission of India (ECI) annually.

2. The amendment of the Reserve Bank of India Act, 1934 by the insertion of sub-section (3) in section 31 of the said Act, have made changes in our electoral system. First of all, previously, all political parties had to maintain a record of all donations above rupees twenty thousand including the name and address of the donor (Section 13A, Income Tax Act). But, the Electoral Bond Scheme, created as a result of this amendment, is an exception to this for donations greater than rupees twenty thousand which are made through electoral bonds. These are not only tax-exempt, but the political parties don't need to record the details of the donor anymore. Secondly, before the introduction of the amendment, there was a ceiling on the amount of money that a company could donate i.e. 7.5% of its average net profits during the previous three financial years (Section 182(1) of the Companies Act, 2013). This was meant to prevent shell companies from being set up to pump money into political parties. The electoral bond scheme that emerged out of the amendment of the Reserve Bank of India Act, 1934 has removed this ceiling. Thirdly, before the adoption of the electoral bond scheme, companies needed to disclose the amount of money donated and the names of the political parties to which they donated money in their profit and loss accounts (Section 182(3) of the Companies Act, 2013). However this provision for mandatory disclosure is removed now. Fourthly, the Foreign Contribution Regulation Act (FCRA), 2010 has also been amended, to allow foreign companies with subsidiaries in India to fund political parties in India.

3. In the present form, the said amendment in the Reserve Bank of India Act, 1934 and the resultant introduction of the Electoral Bond Scheme is non-transparent. More importantly, it violates the citizen's 'right to know'. The Indian Constitution derives its supreme power and authority from the people. One of the fundamental pillars of popular sovereignty and the democratic process in our country is the process of a free and fair election. The Electoral Bond Scheme seriously erodes the functioning of democracy because it has led to an enormous increase in anonymous donations to political parties. The principle of anonymity in donation leads to unlimited corporate donations to political parties of their choice. Apart from that, Electoral Bond Scheme allows the foreign corporates having subsidiaries in India to fund the election expense of political parties. This will create serious consequences because anonymous foreign funding can expose the democratic process to the whims and fancies of foreign corporate interests and lobbyists. It is against the very spirit of independent and impartial election.

4. Therefore, it is important to discontinue the scheme urgently by repealing the amendment made in the Reserve Bank of India Act, 1934 via the Finance Act, 2017. It should be mandatory for all political parties to declare the amount and source of donations that they receive in the given financial year, along with the details of the donors. There should be a standardised procedure to ensure transparency. Details of all donors should be made available for public scrutiny under the RTI Act.

5. Given the above, the aforesaid amendment in the Reserve Bank of India Act, 1934 by the insertion of sub-section (3) in section 31 is proposed to be repealed.

Hence, this Bill.

SANDOSH KUMAR P.

RAJYA SABHA

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further to amend the Reserve Bank of India Act, 1934.

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*(Shri Sandosh Kumar P., M.P.)*