

Bill No. LXIII of 2019

THE DEPOSIT INSURANCE AND CREDIT GUARANTEE
CORPORATION (AMENDMENT) BILL, 2019

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BILL

*further to amend the Deposit Insurance and Credit Guarantee
Corporation Act, 1961.*

BE it enacted by Parliament in the Seventieth year of the Republic of India as follows:—

1. (1) This Act may be called The Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2019. 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.

47 of 1961. 2. In the Deposit Insurance and Credit Guarantee Corporation Act, 1961, (hereinafter referred to as principal Act), in section 4 for sub-section (1)] the following sub-section shall be substituted, namely:— Amendment of Section 4.

"(1) The authorised capital of the Corporation shall be determined by the Central Government, in consultation with the Reserve Bank, which may be increased from time to time."

Amendment
of Section 16.

3. In section 16 of the principal Act,—

(a) In sub-section (1),

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(i) for the second proviso the following shall be substituted, namely:—

"Provided that the total amount payable by the Corporation to any one depositor in respect of his or her deposit in that bank, in the same capacity, and in the same right shall extend to the entire amount of the deposit, including both principal and interest amount held by the depositor as on the date of liquidation or cancellation of the bank's license, or the date on which the scheme of amalgamation, merger or reconstruction comes into force."

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(ii) the third proviso shall be omitted.

(b) In clause (b) of sub-section (4), for the words "one thousand and five hundred rupees, or as the case may be, the amount fixed by the Corporation under the third proviso", the words "amount fixed under the second proviso" shall be substituted.

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STATEMENT OF OBJECTS AND REASONS

The Deposit Insurance and Credit Guarantee Corporation (DICGC) was set up to insure bank deposits that are payable in India in the event of a bank failure.

Under the present Act, a depositor's hard earned money stored in a bank is only insured till the upper limit of Rs. 1,00,000 by the Corporation for the amount held by the depositor in the same capacity and same right as on the date of liquidation or cancellation of bank's license or the date on which the scheme of amalgamation, merger, or reconstruction comes into force. This amount has not been revised since 1993 by the Corporation.

This does not provide the depositor with adequate safeguards in case of a bank failure. Poor regulation and management of banks, and fraudulent lending practices therefore leave the depositors as the primary victims of bank's failure. They have little immediate recourse for the recovery of their hard earned money.

This Bill intends to increase the liability of the Corporation to the entire amount lost by the innocent depositor on account of the failure of a bank. Additionally, it aims to improve the financial accountability of India's banking regulatory infrastructure by indirectly increasing the responsibility and liability of the Reserve Bank of India, which is subscribed to the entire share capital of the Corporation.

The Bill seeks to achieve the above objective.

DR. AMAR PATNAIK

ANNEXURE

EXTRACTS FROM THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961

(47 OF 1961)

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4. (1) The authorised capital of the Corporation shall be one crore of rupees but the Central Government may, in consultation with the Reserve Bank, increase such capital from time to time, so however, that the total authorised capital shall not exceed fifty crores of rupees.

Captial of Corporation.

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16. (1) Where an order for the winding up or liquidation of an insured bank is made, the Corporation shall, subject to the other provisions of this Act, be liable to pay to every depositor of that bank in accordance with the provisions of section 17 an amount equal to the amount due to him in respect of his deposit in that bank at the time when such order is made: Provided that the liability of the Corporation in respect of an insured bank referred to in clause (a) or clause (b) of sub-section (1) of section (13) or clause (a) or clause (b) of section 13C shall be limited to the deposits as on the date of the cancellation of the registration: Provided further that the total amount payable by the Corporation to any one depositor in respect of his deposit in that bank in the same capacity and in the same right shall not exceed one thousand and five hundred rupees:

Liability of corporation in respect of insure deposits.

Provided further that the Corporation may, from time to time, having regard to its financial position and to the interest of the banking system of the country as a whole, raise, with the previous approval of the Central Government, the aforesaid limit of one thousand and five hundred rupees.

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(4) In this section,

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(b) "specified amount" means one thousand and five hundred rupees or as the case may be the amount fixed by the Corporation under the third proviso to sub-section (1).

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RAJYA SABHA

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further to amend the Deposit Insurance and Credit Guarantee
Corporation Act, 1961.

(Dr. Amar Patnaik, M.P.)