

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:592
ANSWERED ON:24.11.2006
VOTING RIGHT IN PRIVATE BANKS
Patil Shri Balasaheb Vikhe

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is considering to increase voting right from 10% to 26% to private investors in private banks irrespective of their shareholdings;
- (b) if so, the details thereof and
- (c) the criteria being adopted for allowing voting right among too many share holders?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b) & (c) : No, Sir. In view of the special nature of banks and the importance of ensuring that significant shareholders of a banking company are 'fit and proper' persons, the Government introduced the Banking Regulation (Amendment) Bill, 2005 in Lok Sabha on 13th May, 2005. The Bill inter alia provides to remove the restrictions on voting rights concurrently with the stipulation of statutory requirement of prior approval for acquisition of shares above the specified limit. A new section 12(B) is being inserted to provide for prior approval of RBI for acquisition of 5% or more of shares or voting rights in a banking company- by any person and empowering RBI to impose such conditions as it deems fit in this regard, in order to satisfy itself that the acquisition of shares of the banking company is by a person considered 'fit and proper'. The rationale for removing cap on voting rights is to give shareholders a right to vote which is commensurate with the equity capital held by them.