



Banking Laws (Amendment) Act, 2025

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Why in News?

Key provisions of the **Banking Laws (Amendment) Act, 2025** have come into force, aiming to enhance **banking governance**, improve **audit transparency**, strengthen **depositor protection**, and bring **cooperative banks** under a **more robust regulatory framework**.

What is Banking Laws (Amendment) Act, 2025?

- **About:** The **Banking Laws (Amendment) Act, 2025** is a legislative reform enacted to **modernize and strengthen the legal, regulatory, and governance** framework of the **Indian banking sector**.
 - The bill related to it was passed by Lok Sabha in December 2024 and by Rajya Sabha in March 2025.
- **Key Amendments:**
 - It introduced 19 **amendments** across following **5 core banking legislations**:
 - [Reserve Bank of India Act, 1934](#),
 - [Banking Regulation Act, 1949](#),
 - **State Bank of India Act, 1955**,
 - **Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 & 1980**.
- **Key Reforms:**
 - **Revised Substantial Interest Threshold:** The threshold for determining '**substantial interest**' has been revised from **Rs 5 lakh to Rs 2 crore** (which remained unchanged since 1968), aligning with **present-day economic realities**.
 - '**Substantial interest**' refers to a **director's or officer's significant financial stake** in a firm, which may cause a **conflict of interest**. It is determined by the **paid-up share capital held** by them or their relatives exceeding the specified limit.
 - **Cooperative Bank Reforms:** Director tenures in [cooperative banks](#) extended from **8 to 10 years** (excluding **chairperson and whole-time directors**), aligning with the [97th Constitutional Amendment Act, 2011](#) and **promoting governance continuity**.
 - Under 97th CAA, 2011, the **right to form cooperative societies** was included as **Right to Freedom under Article 19(1)**.
 - **Investor Protection & Fund Transparency:** [Public sector banks \(PSBs\)](#) can transfer **unclaimed shares, interests, and bonds** to the **Investor Education and Protection Fund (IEPF)**.
 - It is in parity with [Companies Act, 2013](#) norms to enhance **transparency and depositor awareness**.
 - **Audit Quality in PSBs:** Authorizes PSBs to **determine and provide remuneration to statutory auditors**.
 - It aims to **attract high-quality audit professionals**, improve **audit standards**, and promote **financial transparency** in public sector banking.

Read more:

- [Cooperative Bank](#)
- [Trends and Progress of Banking in India 2023-24](#)

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. With reference to 'Urban Cooperative Banks' in India, consider the following statements: (2021)

1. They are supervised and regulated by local boards set up by the State Governments.
2. They can issue equity shares and preference shares.
3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

Q. With reference to the 'Banks Board Bureau (BBB)', which of the following statements are correct? (2022)

1. The Governor of RBI is the Chairman of BBB.
2. BBB recommends for the selection of heads for Public Sector Banks.
3. BBB helps the Public Sector Banks in developing strategies and capital raising plans.

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)