Ministry of Finance

Key Provisions of the Banking Laws (Amendment) Act, 2025 to come into effect from 1st August 2025

Banking Laws (Amendment) Act, 2025 aims to enhance bank governance, safeguard depositors, improve PSB audits, and align cooperative banks with constitutional norms

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The *Banking Laws (Amendment) Act, 2025* was notified on **15th April 2025**, containing a total of **19 amendments** across five legislations—the *Reserve Bank of India Act, 1934*, *Banking Regulation Act, 1949*, *State Bank of India Act, 1955* and *Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980*.

The *Banking Laws (Amendment) Act, 2025* seeks to improve governance standards in the banking sector, ensure enhanced protection for depositors and investors, improve audit quality in public sector banks, and increase the tenure of directors (other than the chairperson and whole-time directors) in cooperative banks.

The **Central Government notified 1st August 2025** as the date on which the provisions of **sections 3, 4, 5, 15, 16, 17, 18, 19, and 20** of the *Banking Laws (Amendment) Act, 2025* (16 of 2025) shall come into force, as notified through Gazette Notification **S.O. 3494(E)** dated **29th July 2025**.

i. The above-mentioned provisions aim to redefine the threshold of ‘substantial interest’ from ₹5 lakh to ₹2 crore, revising a limit that has remained unchanged since 1968.

ii. Further, these provisions align director tenures in cooperative banks with the 97th Constitutional Amendment by increasing the maximum tenure from 8 years to 10 years (excluding the chairperson and whole-time director).

iii. Public sector banks (PSBs) will now be permitted to transfer unclaimed shares, interest, and bond redemption amounts to the **Investor Education and Protection Fund (IEPF)**, bringing them in line with practices followed by companies under the Companies Act. The amendments also empower PSBs to offer **remuneration to statutory auditors**, facilitating the engagement of high-quality audit professionals and enhancing audit standards.

The implementation of these provisions marks a significant step towards strengthening the legal, regulatory, and governance framework of the Indian Banking Sector.

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