

The National Bank for Financing Infrastructure and Development Act, 2021

(ACT NO. 17 OF 2021)

[*As on the* 6*th October,* 2025]

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LIST OF ABBREVIATIONS USED

G.S.R.	*for*	General Statutory Rules.
S.O.	„	Statutory Order.
Notifn.	„	Notification.

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THE NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT ACT, 2021

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THE NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT ACT, 2021

ACT NO. 17 OF 2021

[28*th March*, 2021.]

An Act to establish the National Bank for Financing Infrastructure and Development to support the development of longterm non-recourse infrastructure financing in India including development of the bonds and derivatives markets necessary for infrastructure financing and to carry on the business of financing infrastructure and for matters connected therewith or incidental thereto.

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

CHAPTER I

PRELIMINARY

1. Short title extent and commencement.—(*1*) This Act may be called the National Bank for Financing Infrastructure and Development Act, 2021.

(*2*) It extends to the whole of India.

(*3*) It shall come into force on such date[1] as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act and any reference in any provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

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2. Definitions.—(*1*) In this Act, unless the context otherwise requires,—

(*a*) "Audit Committee" means the Audit Committee of the Board constituted under sub-section (*1*) of section 15;

(*b*) "Board" means the Board of Directors constituted under section 6;

(*c*) "Bureau" means a body which the Central Government may notify, for the purpose of recommending candidates for appointment of Managing Director and Deputy Managing Directors under sub-section (*1*) of section 6 and for removal of a director under clause (*ii*) of sub-section (*1*) of section 11;

(*d*) "Chairperson" means the Chairperson of the Board appointed under clause (*a*) of sub-section (*1*) of section 6;

(*e*) "committee" means a committee of the Board constituted under section 15;

(*f*) "Deputy Managing Director" means the Deputy Managing Director appointed under clause (*c*) of sub-section (*1*) of section 6;

(*g*) "director" includes a Chairperson, Managing Director, Deputy Managing Directors and other directors of the Board appointed or nominated under section 6;

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1. 19th April, 2021- Sections 2, sub-sections (1), (2) and (4) of section 3, 4 to 14, sub-section (3) of section 15, 16 to 23 and 25 to 48 *vide* notification No. S.O. 1657(E), dated 16th April, 2021, *see* Gazette of India, Extraordinary, Part II, sec. 3 (*ii*).

19th April 2021-clause (2) of sub-section (1) of section 11, *vide* notification No. S.O. 1658(E), dated 19th April, 2021, *see* Gazette of India, Extraordinary, Part II, sec. 3(*ii*).

30th November 2021-Sub-section (1), (2), (4) and (5) of section 15; and section (24), *vide* notification No. S.O. 4911(E), dated 30th November, 2021, *see* Gazette of India, Extraordinary, Part II, sec. 3 (*ii*).

(*h*) "Executive Committee" means the Executive Committee of the Board constituted under sub-section (*2*) of section 15;

(*i*) "financial institution" shall have the meaning assigned to it in clause (*m*) of sub-section (*1*) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);

(*j*) "independent director" means the independent director of the Board appointed under clause (*f*) of sub-section (*1*) of section 6;

(*k*) "infrastructure" means the sectors covered in the list of infrastructure sector notified by the Central Government from time to time;

(*l*) "Institution" means the National Bank for Financing Infrastructure and Development established under section 3;

(*m*) "insurer" shall have the meaning assigned to it in sub-section (*9*) of section 2 of the Insurance Act, 1938 (4 of 1938);

(*n*) "Managing Director" means the director appointed under clause (*b*) of sub-section (*1*) of section 6;

(*o*) "Nomination and Remuneration Committee" means the Nomination and Remuneration Committee of the Board constituted under sub-section (*1*) of section 15;

(*p*) "notification" means a notification published in the Official Gazette and the expression "notify" shall be construed accordingly;

(*q*) "pension fund" shall have the meaning assigned to it in clause (*l*) of sub-section (*1*) of section 2 of the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013);

(*r*) "prescribed" means prescribed by rules made under this Act by the Central Government;

(*s*) "regulations" means regulations made by the Board under this Act and includes the regulations made by the Reserve Bank under section 29;

(*t*) "Reserve Bank" means the Reserve Bank of India established under the Reserve Bank of India Act, 1934 (2 of 1934);

(*u*) "Risk Management Committee" means the Risk Management Committee of the Board constituted under sub-section (*1*) of section 15;

(*v*) "Schedule" means a Schedule appended to this Act.

(*2*) Words and expressions used but not defined in this Act but defined in the Indian Contract Act, 1872 (9 of 1872), the Indian Partnership Act, 1932 (9 of 1932), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (51 of 1993), the Limited Liability Partnership Act, 2008 (6 of 2009) and the Companies Act, 2013 (18 of 2013), shall have the meanings respectively assigned to them in those Acts.

CHAPTER II

ESTABLISHMENT AND INCORPORATION OF INSTITUTION

3. Establishment and incorporation of Institution.—(*1*) There shall be established, for the purposes of this Act, an Institution to be called the National Bank for Financing Infrastructure and Development as a development financial institution.

(*2*) The Institution shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with power, subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall, by the said name, sue or be sued.

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(*3*) The head office of the Institution shall be in Mumbai.

(*4*) The Institution may establish offices, branches or agencies at any place within or outside India.

4. Purposes and objectives of Institution.—(*1*) The Institution shall have developmental and financial objectives as set out in sub-sections (*2*) and (*3*).

(*2*) The developmental objective of the Institution shall be to co-ordinate with the Central and State Governments, regulators, financial institutions, institutional investors and such other relevant stakeholders, in India or outside India, to facilitate building and improving the relevant institutions to support the development of long term non-recourse infrastructure financing in India including the domestic bonds and derivatives markets.

(*3*) The financial objective of the Institution shall be to lend or invest, directly or indirectly, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects located in India, or partly in India and partly outside India, with a view to foster sustainable economic development in India.

5. Authorised share capital.—(*1*) The authorised share capital of the Institution shall be one hundred thousand crore rupees divided into ten thousand crores of fully paid-up shares of ten rupees each:

Provided that the Board may increase or reduce the nominal or face value of the shares, and divide the authorised capital into such denomination as it may decide:

Provided further that the Board may, in consultation with the Central Government, increase or reduce the authorised capital subject to the shares in all cases being fully paid-up shares.

(*2*) The issued share capital of the Institution shall, on such date as may be notified by the Central Government, stand allotted to the Central Government.

(*3*) Shares of the Institution may be held by the Central Government, multilateral institutions, sovereign wealth funds, pension funds, insurers, financial institutions, banks, and any such institution as may be prescribed:

Provided that the Central Government shall hold at least twenty-six per cent. of the shares of the Institution at all times.

(*4*) The Board may, with the prior approval of the Central Government, reduce its share capital, including by way of buy-back of shares.

CHAPTER III

BOARD OF DIRECTORS AND MANAGEMENT

6. Board of Directors.—(*1*) The Board of Directors of the Institution shall consist of the following, namely:—

(*a*) a Chairperson, to be appointed by the Central Government in consultation with the Reserve Bank;

(*b*) a Managing Director, to be appointed by the Board, on the recommendations of the Bureau and subject to such procedure and clearances from such agencies, as may be determined by the Central Government;

(*c*) not more than three Deputy Managing Directors, each of whom shall be appointed by the Board, on the recommendations of the Bureau and subject to such procedure and clearances from such agencies, as may be determined by the Central Government;

(*d*) two directors, to be nominated by the Central Government, who shall be the officials of the Central Government;

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(*e*) such number of directors not exceeding three, elected by shareholders in such manner as may be prescribed, such that a shareholder, other than the Central Government, holding ten per cent. or more of the total issued equity share capital may nominate one director;

(*f*) such number of independent directors not exceeding three or one-third of the total number of directors on the Board, whichever is higher, to be appointed by the Board on the recommendations of the Nomination and Remuneration Committee:

Provided that if the percentage of holding of issued equity share capital with the shareholders does not permit election of three directors or until the assumption of charge by the directors elected by the shareholders, the Board may at any time co-opt such number of independent directors, not exceeding three, to be appointed by the Board on the recommendations of the Nomination and Remuneration Committee, who shall hold office until the assumption of charge by the directors elected by the shareholders and an equal number of such co-opted independent directors shall retire in the order of co-option:

Provided further that at least one of the directors specified in clause (*e*) or in clause (*f*) shall be a woman.

(*2*) The Managing Director and Deputy Managing Directors shall be whole-time directors of the Board.

(*3*) No person who is a salaried officer or other employee of the Institution shall be appointed as a director of the Board except to the post of a Managing Director or a Deputy Managing Director.

(*4*) The Chairperson shall preside over the meetings of the Board.

(*5*) The terms and conditions of induction of independent directors to the Board under clause (*f*) of sub-section (*1*) shall be such as may be prescribed.

(*6*) The directors appointed under clauses (*d*) and (*f*) of sub-section (*1*) shall be deemed to be independent directors under the Companies Act, 2013 (18 of 2013), for the purpose of immunities available to independent directors.

7. Management.—(*1*) The general superintendence, direction and management of the affairs and business of the Institution shall vest in the Board which shall exercise all powers and do all acts and things which may be exercised or be done by the Institution.

(*2*) Subject to the provisions of this Act, the Board in discharging its functions shall act on business principles.

8. Delegation of powers.—The Board may, by general or special order, delegate to any director or committee constituted under this Act or to any officer or other employee of the Institution, subject to such conditions and limitations, if any, as may be specified in the order, such of its powers and functions under this Act as it may deem necessary.

9. Term of office and other terms and conditions of service of Chairperson and other directors of Board.—(*1*) The Chairperson, Managing Director, Deputy Managing Directors and other directors of the Board other than the directors nominated by the Central Government under clause (*d*) of sub-section (*1*) of section 6, shall hold office for such term, not exceeding five years, and shall be eligible for re-appointment subject to an overall term not exceeding ten years:

Provided that the Managing Director and Deputy Managing Directors shall not hold office as such after they have attained the age of sixty-five years and sixty-two years, respectively.

(*2*) Notwithstanding anything contained in sub-section (*1*), the Chairperson and directors nominated or appointed under sub-section (*1*) of section 6 shall hold office during the pleasure of the authority nominating or appointing them.

(*3*) The Chairperson and directors nominated by the Central Government or shareholders and independent directors shall receive such fees and reimbursements as may be prescribed:

Provided that any fees and reimbursements payable under this sub-section shall not be linked with the profits of the Institution.

(*4*) The salaries and allowances payable to the Managing Director and Deputy Managing Directors shall be specified by regulations on the recommendations of the Nomination and Remuneration Committee guided by market standards.

(*5*) The term of office and other terms and conditions of service of, the Chairperson, Managing Director, Deputy Managing Directors and other directors of the Board other than the directors nominated by the Central Government under clause (*d*) of sub-section (*1*) of section 6, shall be such as may be prescribed.

(*6*) Notwithstanding anything contained in this Act, no fees shall be payable to any director who is an officer of the Central Government.

10. Disqualification and removal of directors from office.—(*1*) The Central Government may remove from office any director who—

(*a*) is, or at any time has been, adjudged as insolvent; or

(*b*) has become physically or mentally incapable of acting as a director; or

(*c*) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(*d*) has acquired such financial or other interest as is likely to affect prejudicially his functions as a director; or

(*e*) has, in the opinion of the Central Government, so abused his position as to render his continuance in office detrimental to the public interest; or

(*f*) has, for any reason, been removed or dismissed from the service of—

(*i*) the Government; or

(*ii*) any bank including the Reserve Bank or the State Bank of India; or

(*iii*) any public financial institution or State financial corporation; or

(*iv*) any other corporation owned or controlled by the Government.

(*2*) No such director shall be removed under clause (*d*) or clause (*e*) of sub-section (*1*) unless he has been given a reasonable opportunity of being heard in the matter.

(*3*) Any director who is elected or nominated as a Member of Parliament or of any State legislature, shall cease to be a director from the date of such election or nomination, as the case may be.

(*4*) The disqualifications or removal under this section shall not take effect—

(*a*) for thirty days from the date of the adjudication, sentence or order; or

(*b*) where any appeal or petition is preferred within thirty days against the adjudication, sentence or conviction resulting in the sentence or order, until the expiry of seven days from the date on which such appeal or petition is disposed of.

11. Removal of Chairperson and other directors in certain cases.—(*1*) Notwithstanding anything contained in section 10,—

(*i*) the Central Government may, after consulting the Reserve Bank, remove from office the Chairperson and appoint in his place another person to fill the vacancy;

(*ii*) the Board may, after consulting the Bureau, remove from office any director appointed under clause (*b*) or clause (*c*) or clause (*f*) of sub-section (*1*) of section 6 and appoint in his place another person to fill the vacancy;

(*iii*) the shareholders, other than the Central Government, may, by a resolution passed by majority, of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders, remove any director elected under clause (*e*) of sub-section (*1*) of section 6 and elect in his place another person to fill the vacancy:

Provided that no person shall be removed from office under this sub-section unless such person has been given an opportunity of showing cause against such removal.

(*2*) Notwithstanding anything contained in sub-section (*1*), the Central Government shall, in consultation with the Reserve Bank, have the right to terminate the term of office of the Chairperson, Managing Director, Deputy Managing Directors or directors, as the case may be, at any time before the expiry of the term prescribed under sub-section (*5*) of section 9, by giving notice of not less than three months in writing or three months' salary and allowances in lieu of such notice.

12. Vacation and resignation of office by directors.—(*1*) If a director—

(*a*) becomes subject to any of the disqualifications mentioned in section 10 or is removed under section 11; or

(*b*) is absent without leave of the Board for three or more consecutive meetings thereof,

his seat shall thereupon become vacant.

(*2*) Any director may resign his office by giving notice thereof in writing to the Board and on such resignation being accepted by the Board, or, if such resignation is not accepted sooner, on the expiry of three months from the receipt thereof by the Board, such director shall be deemed to have vacated his office.

13. Meeting of Board.—(*1*) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings, as may be specified by regulations.

(*2*) A meeting of the Board shall be held at least once in every calendar quarter and at least four such meetings shall be held every year.

(*3*) The Chairperson of the Board, or, if for any reason he is unable to attend any meeting, the Managing Director, or, in the event of both the Chairperson and the Managing Director being unable to attend a meeting, any other director nominated by the Chairperson in this behalf and in the absence of such nomination, any director elected by the directors present from among themselves at the meeting, shall preside at the meeting of the Board.

(*4*) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the Chairperson, or, in his absence, the person presiding, shall have a second or casting vote.

(*5*) Save as provided in sub-section (*4*), every director shall have one vote.

14. Defects in appointment not to invalidate acts, etc.—(*1*) No act or proceeding of the Board or of any of its committee shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board or the committee, as the case may be.

(*2*) No act done by any person acting in good faith as a director of the Board or as a member of its committee shall become invalid merely on the ground that he was disqualified to be a director or that there was any other defect in his appointment.

15. Committees of Board.—(*1*) The Board shall constitute a Nomination and Remuneration Committee, a Risk Management Committee and an Audit Committee, each consisting of a minimum of three directors with independent directors forming a majority.

(*2*) The Board shall constitute an Executive Committee consisting of such number of directors as it may consider necessary.

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(*3*) The Chairperson of the Institution shall not be a member of the Executive Committee and after the first year not be Chairperson of Audit Committee or the Nomination and Remuneration Committee.

(*4*) The Board may constitute such other committees as it may deem fit.

(*5*) The Executive Committee or any other committees constituted under this section shall meet at such times and places, observe such rules of procedure in regard to transaction of business at its meetings and shall perform such functions, as may be specified by regulations.

16. Disclosure of interest by members of Board or of committees.—(*1*) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any body corporate, which shall include shareholding, in such manner as may be prescribed.

(*2*) Every director who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by the Institution—

(*a*) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, chief executive officer or trustee of that body corporate; or

(*b*) with a firm or other entity in which such director is a partner, owner or member, as the case may be,

shall not participate in any meeting of the Board or of its committee in which such contract or arrangement is deliberated upon, or in any other deliberations or discussions regarding such contract or arrangement, and shall, in the case of such deliberations in a meeting of the Board or its committee, disclose the nature of his concern or interest to the Board or the committee, as the case may be:

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Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested, or at the first meeting of the Board held after he becomes so concerned or interested.

(*3*) A contract or arrangement entered into by the Institution without disclosure under sub-section (*2*) or with participation by a director who is concerned or interested in any way, whether directly or indirectly, in such contract or arrangement, shall be voidable at the option of the Institution.

(*4*) Such employees as the Board may specify as constituting the senior management of the Institution shall make disclosures to the Board relating to all material, financial and commercial transactions, in which they have personal interest that may have a potential conflict with the interest of the Institution, and the Board shall formulate a policy on such transactions, including any materiality threshold therefor, and shall review such policy at least once every three years.

Explanation.—For the purposes of this sub-section, conflict of interest relates to dealing in the shares of the Institution or any of its subsidiaries or associate companies, commercial dealings with bodies in which the senior management individual or his relatives have shareholding, etc.

(*5*) If an individual who is a director contravenes the provisions of sub-section (*1*) or sub-section (*2*), or an employee referred to in sub-section (*4*) contravenes such provisions, such an individual or employee shall be liable to pay penalty of a sum of up to one lakh rupees.

(*6*) Without prejudice to anything contained in sub-section (*5*), it shall be open to the Institution to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Explanation.—For the purposes of this section and section 19, the expression "body corporate" shall include a company, a body corporate as defined in clause (*11*) of section 2 of the Companies Act, 2013 (18

of 2013), a firm, a financial institution or a scheduled bank or a public sector enterprise established or constituted by or under any Central Act or State Act, and any other incorporated association of persons or body of individuals.

CHAPTER IV

ACTIVITIES OF INSTITUTION

17. Functions and powers of Institution.—(*1*) The Institution shall perform the following functions and exercise the following powers, namely:—

(*i*) form subsidiaries or joint ventures or branches, in India or outside India, for carrying out its functions; and enter into any arrangement with such subsidiary company or joint venture or branch including for financing any such subsidiary company or joint venture or branch or guaranteeing any of their liabilities or make any other arrangement which may seem desirable to the Board;

(*ii*) co-ordinate its operations and the operations of various institutions engaged in the field of infrastructure finance and maintain expert staff to study problems relating to infrastructure finance and be available for consultation to the Central Government, the Reserve Bank and the other institutions engaged in the field of infrastructure finance;

(*iii*) set up trusts under the Indian Trusts Act, 1882 (2 of 1882) for establishment of funds for such nature as would assist in financing of infrastructure projects located in India, or partly in India and partly outside India, including real estate investment trusts and infrastructure investment trusts;

(*iv*) support the development of a deep and liquid market for bonds, loans and derivatives for infrastructure financing including facilitating electronic and negotiated markets infrastructure, investor protection, adjudication infrastructure, etc.;

(*v*) lend and invest in infrastructure projects located in India, or partly in India and partly outside India, including by underwriting credit, securitisation of its receivables, including by way of any pass through certificate or direct assignment, transfer or novation, or by means of innovative financial tools including transactions secured by receivables from project;

(*vi*) extend loans and advances to any company or statutory corporation or trust or any financial institution funding infrastructure, for the purposes of providing financial assistance for infrastructure projects located in India, or partly in India and partly outside India;

(*vii*) take over or refinance existing loans extended by a lender for infrastructure projects located in India, or partly in India and partly outside India;

(*viii*) transfer loans and advances granted by it, with or without the securities, to trusts, for consideration;

(*ix*) set aside loans or advances held by the Institution and issue and sell securities based upon such loans or advances so set aside in the form of debt obligations, trust certificates of beneficial interest or other instruments, by whatever name called, and act as a trustee for the holders of such securities;

(*x*) assign securities issued to the Institution;

(*xi*) subscribe to or purchase, underwrite, acquire, hold or sell stocks, shares, bonds, debenture stocks, debt securities, obligations and securities, commercial papers, certificates of deposit or debentures issued or guaranteed by any company or trust or registered society or co-operative society or association or the Central Government or any State Government or any financial institution funding infrastructure, to facilitate financing of infrastructure projects in India, or partly in India and partly outside India, or to facilitate deepening of bond market for infrastructure financing;

(*xii*) borrow or raise money by way of loans or otherwise both in rupees and foreign currencies or secure the payment of money by the issue and sale of debentures, debenture stocks, bonds, obligations, mortgages and securities of all kinds, either perpetual or terminable and either redeemable or otherwise

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and charge or secure the same by trust deed, or otherwise on the undertaking of the Institution including its authorised or issued capital, or upon any specific property and rights, present or future, of the Institution or otherwise, howsoever;

(*xiii*) borrow money from the Central Government, scheduled banks, financial institutions, mutual funds, any class of persons, and from any other institution or authority or organisation notified by the Central Government, on such terms and conditions as may be agreed upon and accept short term loans only for managing asset liability mismatches and not for any other business purpose;

(*xiv*) buy or sell, or enter into such other dealings in foreign exchange as may be necessary for the discharge of its functions;

(*xv*) issue participation certificates or debt securities, and promote and facilitate securitisation of loan portfolio of companies and other entities engaged in the development and financing of infrastructure and create and develop a secondary market for the securitised receivables including by way of acting as an intermediary;

(*xvi*) lend money with or without security and make advances upon, hold in trust, issue, buy, sell or otherwise acquire or dispose of on commission or otherwise any of the securities or investments or act as an agent for any of the like purpose;

(*xvii*) lend to or invest in or acquire professional or technical services of companies operating in the infrastructure domain across the life cycle of projects;

(*xviii*) act as an intermediary in respect of transactions or services relating to debt securities issued by infrastructure companies and financial institutions for financing infrastructure projects located in India, or partly in India and partly outside India, including by way of extension of credit enhancement facilities;

(*xix*) take an active role in negotiations and discussions with various Government authorities and stakeholders for effective dispute resolution in the field of infrastructure financing;

(*xx*) apply for, receive, accept, administer and manage grants, aids, subsidies, funds or donations, etc., from national and international sources including World Bank, New Development Bank, Japan International Cooperation Agency, United States Agency for International Development, Kreditanstalt für Wiederaufbau, European Investment Bank, Asian Development Bank, International Finance Corporation and other organisations and agencies, and organise and facilitate foreign participation in infrastructure development projects;

(*xxi*) issue guarantee, letters of comfort, or letters of credit for loans or credit arrangements made, or, debentures or bonds issued, by any financial institution funding infrastructure projects in India, or partly in India and partly outside India;

(*xxii*) borrow money from the Reserve Bank repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date on which the money is so borrowed against the security of stocks, funds or securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India;

(*xxiii*) borrow money from the Reserve Bank against bills of exchange or promissory notes arising out of *bona fide* commercial or trade transactions maturing within five years from the date of the borrowing;

(*xxiv*) convert any debt it has extended to a borrower into equity; and

(*xxv*) any other kind of business or undertake any other kind of activity which the Central Government in consultation with the Reserve Bank may authorise.

(*2*) In furtherance of sub-section (*1*), the Institution, either by itself or through its subsidiaries or joint ventures or in association with others, may carry out the following functions, namely:—

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(*a*) organise and facilitate participation from the Central Government, public sector, private sector and institutional investors from India or overseas in infrastructure development projects located in India, or partly in India and partly outside India;

(*b*) provide facilities for training, for dissemination of information and the promotion of research including the undertaking of studies, researches, techno-economic and other surveys in the field of infrastructure development and it may for the said purposes make loans or advances or grants including grants by way of provision for fellowships and chairs to any institution;

(*c*) provide technical, legal, marketing and administrative assistance to any person engaged in infrastructure development activities;

(*d*) provide consultancy services in the field of infrastructure development, project structuring, capital structuring or operations subsequent to commissioning and other related matters in or outside India;

(*e*) act as trustees of any deeds constituting or securing any debentures, debenture stocks, or other securities or obligation and undertake and execute any other trusts, and also undertake the office of or exercise the powers of executor, administrator, receiver, treasurer, custodian and trust corporation;

(*f*) acquire an undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of infrastructure financing for projects located in India, or partly in India and partly outside India;

(*g*) act as a financial intermediary for the purpose of promotion, financing and development of infrastructure projects and facilities located in India, or partly in India and partly outside India, through developing and disseminating appropriate financial instruments, negotiating loans and advances of all nature, and formulating schemes for mobilisation of resources;

(*h*) structure proposals and negotiate agreements, with the proponents of infrastructure projects and with investors in infrastructure projects located in India, or partly in India and partly outside India;

(*i*) open any account in any bank in or outside India or make any agency arrangement with, or act as an agent or correspondent of, any bank or other institution in or outside India; and

(*j*) do such other acts and things as may be incidental to, or consequential upon, the exercise of its powers or the discharge of its duties under this Act or any other law for the time being in force, including sale or transfer of any of its assets.

(*3*) The Central Government may, on a request being made to it by the Institution, guarantee the bonds, debentures and loans issued by the Institution as to the repayment of principal and the payment of interest at such rate, terms and conditions as may be agreed by the Central Government.

18. Prohibited business.—(*1*) The Institution shall not make any loan or advance on the security of its own bonds or debentures.

(*2*) The Institution shall not make loans or advances to any person or body of persons of which any of the directors of the Institution is a proprietor, partner, director, employee or guarantor, or in which one or more directors of the Institution hold substantial interest.

(*3*) Sub-section (*2*) shall not apply to any borrower if any director of the Institution is nominated by the Institution or the Central Government as director on the Board of such borrower or is elected on the Board of such borrower by virtue of shares held in the borrower by the Institution.

Explanation.— For the purpose of this section, "substantial interest" in relation to a borrower, means the beneficial interest held by one or more of the directors of the Institution or by any relative of such director as defined in clause (*77*) of section 2 of the Companies Act, 2013 (18 of 2013) whether singly or taken together, in the shares of the borrower, and the aggregate amount paid-up on which either exceeds fifty lakhs rupees or two per cent. of the paid-up share capital of the borrower, whichever is lesser or such other threshold as may be prescribed.

19. Related party transactions.—(*1*) Except with the consent of the Board and subject to such conditions as may be prescribed, the Institution shall not enter into any contract or arrangement with a related party with respect to—

(*a*) sale, purchase or supply of any goods or materials;

(*b*) selling or otherwise disposing of, or buying, property of any kind;

(*c*) leasing of property of any kind;

(*d*) availing or rendering of any services;

(*e*) appointment of any agent for purchase or sale of goods, materials, services or property;

(*f*) such related party's appointment to any office or place of profit in the Institution, its subsidiaries or joint ventures or associate companies;

(*g*) underwriting the subscription of any securities, or derivatives thereof, of the Institution:

Provided that no contract or arrangement involving transactions exceeding such sums as may be specified by regulations, shall be entered into except with the prior approval in the general meeting of the shareholders:

Provided further that no shareholder shall vote in such general meeting to approve any contract or arrangement which may be entered into by the Institution, if such shareholder is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Institution in its ordinary course of business, other than transactions which are not on an arm's length basis:

Provided also that the requirement of approval under the first proviso shall not be applicable for transactions entered into between the Institution and its wholly owned subsidiary, if any, whose financial statements are consolidated with the Institution and placed before the shareholders at the general meeting for adoption.

Explanation.—In this sub-section,—

(*a*) the expression "office or place of profit" means any office or place—

(*i*) where such office or place is held by a director, if the director holding it receives from the Institution anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(*ii*) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Institution anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(*b*) the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(*2*) Every contract or arrangement entered into under sub-section (*1*) shall be referred to in a report made by the Board to the shareholders, along with the justification for entering into such contract or arrangement.

(*3*) Where any contract or arrangement is entered into by a director or any employee, without obtaining the consent of the Board or approval by a resolution in the general meeting of the shareholders under sub-section (*1*) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and

if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Institution against any loss incurred by it.

(*4*) Without prejudice to anything contained in sub-section (*3*), it shall be open to the Institution to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(*5*) Any director or employee of the Institution who had entered into or authorised a contract or arrangement in violation of the provisions of this section, shall be liable to pay penalty of a sum of up to twenty-five lakh rupees.

20. Performance review of Institution.—(*1*) The performance of the Institution shall, once in every five years, be reviewed by an external agency to be appointed by the Central Government.

(*2*) The external agency shall review the performance of the Institution for the last five years with respect to the purpose and objectives of the Institution as set out in section 4 and shall take into account such key performance indicators as may be prescribed.

(*3*) The external agency shall submit a report of its findings to the Board which shall forward a copy thereof along with action taken, if any, pursuant to such report to the Central Government within a period of three months from the date of receipt of the report.

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CHAPTER V

GOVERNMENT GRANTS, GUARANTEES AND OTHER CONCESSIONS

21. Grants and contribution.— (*1*) The Central Government may support the Institution through grants or contribution, as and when necessary, in the form of cash or marketable Government securities.

(*2*) Without prejudice to the generality of the foregoing, the Central Government shall, by the end of the first financial year from the establishment of Institution, grant or contribute an amount of five thousand crore rupees to the Institution in the form of cash or marketable Government securities.

22. Concessional rate of Government guarantee.—The Government shall prescribe a concessional rate of fees, not exceeding 0.1 per cent. at which Government guarantee may be extended to the Institution for borrowings from multilateral institutions, sovereign wealth funds, and such other foreign institutions as may be prescribed.

23. Hedging costs.—Hedging costs in connection with any borrowing of foreign currency by the Institution for the purposes of granting loans and advances or its repayment, to insulate the Institution from any fluctuations in the rates of exchange, may be reimbursed by the Central Government in part or in full.

CHAPTER VI

ACCOUNTS, AUDIT AND REPORT

24. Disposal of profits accruing to Institution, to reserve fund.—(*1*) The Institution shall establish a reserve fund to which may be transferred such sums as the Board may deem fit out of the annual profits accruing to the Institution:

Provided that the sums to be transferred under this sub-section shall not be less than twenty per cent. of the annual profits accruing to the Institution.

(*2*) After making provisions for bad and doubtful debts, depreciation of assets and for all other matters for which provision is necessary or expedient or which is usually provided for by bankers and for the reserve fund referred to in sub-section (*1*), and after transferring a part of the profit to such other reserves or funds as may be considered appropriate, the Board may out of its net profits propose a dividend.

25. Preparation of balance-sheet and accounts.—(*1*) The balance-sheet and accounts of the Institution shall be prepared in such form and manner as may be prescribed.

(*2*) The Board shall cause the books and accounts of the Institution to be closed and balanced as on the 31st day of March each year or such other date as the Board may determine.

26. Audit.—(*1*) The accounts of the Institution shall be audited by auditors duly qualified to act as auditors under sub-section (*1*) of section 141 of the Companies Act, 2013 (18 of 2013), who shall be appointed by the Institution in general meeting of the shareholders out of the panel of auditors approved by the Reserve Bank for such term and on such remuneration as the Reserve Bank may fix.

(*2*) The auditors shall be supplied with a copy of the annual balance-sheet of the Institution and it shall be their duty to examine it together with the accounts and vouchers relating thereto and they shall have a list delivered to them of all books kept by the Institution and shall at all reasonable times have access to the books, accounts, vouchers and other documents of the Institution.

(*3*) The auditors may, in relation to such accounts, examine any director or any officer or other employee of the Institution and shall be entitled to require from the Board or officers or other employees of the Institution such information and explanation as they may think necessary for the performance of their duties.

(*4*) The auditors shall make a report to the Institution upon the annual balance-sheet and accounts examined by them and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of affairs of the Institution and in case they had called for any explanation or information from the Board or any officer or other employee of the Institution, whether it has been given and whether it is satisfactory.

(*5*) The Institution shall furnish to the Central Government and the Reserve Bank within four months from the date on which its accounts are closed and balanced, a copy of its balance-sheet and accounts together with a copy of the auditor's report and a report of the working of the Institution during the relevant year, and the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament.

27. Returns and report.—The Institution shall furnish, from time to time, to the Central Government and to the Reserve Bank, such returns as the Central Government or the Reserve Bank may require.

CHAPTER VII

MISCELLANEOUS

28. Receivables to be held in trust.—(*1*) Any sums received by a financial institution for refinancing from the Institution shall, to the extent of the accommodation granted by the Institution and remaining outstanding, be deemed to have been received by the financial institution in trust for the Institution and shall accordingly be paid by such financial institution to the Institution.

(*2*) Where any accommodation has been granted by the Institution to a financial institution, all securities held, or which may be held, by such financial institution on account of any transaction in respect of which such accommodation has been granted, shall be held by such financial institution in trust for the Institution.

29. Setting up of other development financial institution.—(*1*) Any person who intends to set up a development financial institution, in addition to the Institution established under this Act, shall make an application to the Reserve Bank for licence.

(*2*) The Reserve Bank may in consultation with the Central Government, grant licence subject to such criteria, terms and conditions as may be specified by the Reserve Bank by regulations.

(*3*) Any institution to which licence is granted under sub-section (*2*) shall be subject to the provisions of the Reserve Bank of India Act, 1934 (2 of 1934) or the Banking Regulation Act, 1949 (10 of 1949), as the case may be.

(*4*) The regulations made by the Reserve Bank shall apply to the Institution established under this Act to such extent as are not inconsistent with the provisions of this Act.

30. Officers and employees.—(*1*) The Institution may appoint such number of officers and other employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment of service.

(*2*) The duties and conduct, terms and other conditions of service including their salaries and allowances and the establishment and maintenance of provident fund or any other fund for the benefit of the officers and other employees of the Institution appointed under sub-section (*1*) shall be such as may be specified by regulations:

Provided that the salaries and allowances payable to the officers and employees shall be determined by the Nomination and Remuneration Committee guided by the market standards.

(*3*) The Institution may depute any officer or any member of its staff for such period and on such terms and conditions as it may determine, to any other institution including an infrastructure finance or development institution.

(*4*) The Institution may receive or take on deputation any officer or other employee from any institution including an infrastructure finance or development institution, for such period and on such terms and conditions as may be specified by regulations.

(*5*) Nothing contained in this section shall empower the Institution to depute any officer or member of its staff to any institution on any salary, emoluments or other terms and conditions which is or are less favourable to him than that or those to which he is entitled to immediately before such deputation.

31. Power of Central Government to make rules.—(*1*) The Central Government may, by notification, make rules to carry out the provisions of this Act.

(*2*) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) institutions that may hold shares of the Institution under sub-section (*3*) of section 5;

(*b*) the manner of election of directors by shareholders under clause (*e*) of sub-section (*1*) of section 6;

(*c*) the terms and conditions of induction of independent directors to the Board under sub-section (*5*) of section 6;

(*d*) the fees and reimbursements in respect of independent directors under sub-section (*3*), and the term of office and other terms and conditions of service of, the Chairperson, Managing Director, Deputy Managing Directors and other directors of Board under sub-section (*5*), of section 9;

(*e*) manner of disclosure of interest by members of Board and of committees under sub-section (*1*) of section 16;

(*f*) the threshold for determination of beneficial interest by directors of the Institution or any relative of such director under the *Explanation* to sub-section (*3*) of section 18;

(*g*) conditions subject to which the Institution may enter into a contract or an arrangement under sub-section (*1*) of section 19;

(*h*) the parameters on the basis of which the external agency shall review the performance of the Institution under sub-section (*2*) of section 20;

(*i*) the rate of fees for Government under section 22;

(*j*) the form and manner in which the balance-sheet and accounts of the Institution shall be prepared under sub-section (*1*) of section 25;

(*k*) any other matter which is to be, or may be, prescribed.

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32. Power of Board to make regulations.—(*1*) The Board may, with the previous approval of the Central Government and in consultation with the Reserve Bank, by notification, make regulations not inconsistent with the provisions of this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

(*2*) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:—

(*a*) the salaries and allowances payable to the Managing Director and Deputy Managing Directors under sub-section (*4*) of section 9;

(*b*) the times, places and rules of procedure in regard to the transaction of business of the Board under sub-section (*1*) of section 13;

(*c*) the times, places and rules of procedure in regard to the transaction of business of the committees and their functions under sub-section (*5*) of section 15;

(*d*) amount for transactions under the proviso to sub-section (*1*) of section 19;

(*e*) the terms and other conditions of service of the officers and employees of the Institution under sub-section (*2*) and the terms and conditions of deputation under sub-section (*4*), of section 30;

(*f*) the mechanism under sub-section (*1*) of section 39 for the purpose of determining the penalties specified under sub-section (*5*) of section 16 and sub-section (*5*) of section 19;

(*g*) any other matter which is to be, or may be, specified by regulations.

33. Rules and regulations to be laid before Parliament.—Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

34. Protection of action taken in good faith.—No suit, prosecution or other legal proceedings shall lie against the Institution or its Chairperson or other directors, employees or officers for anything which is done in good faith or intended to be done under this Act, or the rules or the regulations made thereunder, including in respect of assets created or transferred to the Institution.

35. Sanction for enquiry, inquiry investigation and prosecution.—(*1*) No investigation agency, including but not limited to Police, Central Bureau of Investigation, Serious Fraud Investigation Office, Directorate of Enforcement and such other agencies, shall conduct any enquiry or inquiry or investigation into any offence alleged to have been committed under any law, in relation to any recommendation made or decision taken by the Chairperson or other directors, employees or officers of the Institution in discharge of his official functions or duties, without the previous approval of—

(*a*) the Central Government, where the offence is alleged have to been committed by the Chairperson or other directors; or

(*b*) the Managing Director, where the offence is alleged to have been committed by an employee or officer of the Institution:

Provided that no such approval shall be necessary for cases involving arrest of a person on the spot on the charge of accepting or attempting to accept any undue advantage for himself or for any other person:

Provided further that the Central Government or the Managing Director, as the case may be, shall convey its decision within a period of three months, and such period may, for reasons to be recorded in writing by the Central Government or the Managing Director, as the case may be, be extended by a further period of one month:

Provided also that failure of the Central Government or the Managing Director to convey its decision under this sub-section within the time specified under the second proviso shall not be considered as deemed approval for initiation of any enquiry or inquiry or investigation.

Explanation.—For the purposes of this sub-section, the expression "undue advantage" shall have the meaning as assigned to it under the Prevention of Corruption Act, 1988 (49 of 1988).

(*2*) No court shall take cognizance of an offence punishable under any law alleged to have been committed by the Chairperson or other directors, employees or officers of the Institution for which a sanction to conduct any enquiry or inquiry or investigation was granted under sub-section (*1*), except with the previous sanction of—

(*a*) the Central Government, where the offence is alleged to be committed by the Chairperson or other directors; or

(*b*) of the Managing Director, where the offence is alleged to be committed by an employee or officer of the Institution:

Provided that the Central Government or the Managing Director shall, after the receipt of the proposal requiring sanction for prosecution under this sub-section, endeavour to convey the decision on such proposal within a period of three months from the date of its receipt:

Provided further that in case where, for the purpose of grant of sanction for prosecution, legal consultation is required, such period may, for the reasons to be recorded in writing, be extended by a further period of one month:

Provided also that failure of the Central Government or the Managing Director to convey its decision under this sub-section within the time specified shall not be considered as deemed approval for the initiation of prosecution.

36. Appointment of directors by Institution to prevail.—(*1*) Where any arrangement entered into by the Institution with a borrowing entity while granting loans and advances provides for the appointment or nomination by the Institution of one or more directors of such entity, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 2013 (18 of 2013), or in any other law for the time being in force or in the memorandum and articles of association or any other instrument relating to the entity, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Institution in pursuance of the arrangement as aforesaid.

(*2*) Any director appointed as aforesaid shall—

(*a*) be deemed to be an independent director under the Companies Act, 2013 (18 of 2013) for the purpose of immunities available to independent directors;

(*b*) hold office during the pleasure of the Institution and may be removed or substituted by any person by order in writing of the Institution;

(*c*) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(*d*) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.

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37. Validity of loan or advance not to be questioned.—(*1*) Notwithstanding anything to the contrary contained in any other law for the time being in force, the validity of any loan or advance granted by the Institution in pursuance of the provisions of this Act shall not be called in question merely on the ground of non-compliance with the requirements of such other law as aforesaid or of any resolution, contract, memorandum, articles of association or other instrument.

(*2*) Nothing in this section shall enable any company to obtain any loan or advance where the instrument relating to the constitution of such company does not empower such company to do so.

38. Obligations as to fidelity and secrecy.—(*1*) The Institution shall not, except as otherwise required by this Act or by any other law, divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the Institution to divulge such information.

(*2*) Every director, member of a committee, auditor, officer or other employee of the Institution or of the Reserve Bank, whose services are utilised by the Institution under the provisions of this Act shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule.

39. Adjudication.—(*1*) The Board shall make regulations for setting up a mechanism for the purpose of determining the penalties specified under sub-section (*5*) of section 16 and sub-section (*5*) of section 19.

(*2*) The regulations shall provide for a reasonable opportunity of being heard to the director or an employee against whom a complaint is made for violating the provisions of section 16 or section 19, as the case may be, and a right to prefer an appeal against any order imposing the penalty.

40. Indemnity of directors.—(*1*) Every director shall be indemnified by the Institution against all losses and expenses incurred by him in, or in relation to, the discharge of his duties, except such as are caused by his own wilful act or default.

(*2*) A director shall not be responsible for any other director or for any officer or other employee of the Institution or for any loss or expenses resulting to the Institution from the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the Institution or the insolvency or wrongful act of any debtor or any person under obligation to the Institution or anything done in good faith in the execution of the duties of his office or in relation thereto.

41. Bankers' Books of Evidence Act, 1891 to apply in relation to the Institution.—The Bankers' Books Evidence Act, 1891 (18 of 1891), shall apply in relation to the Institution as if it were a bank as defined in section 2 of that Act.

42. Sections 34A and 36AD of the Banking Regulation Act, 1949 (10 of 1949) to apply to Institution.—The provisions of sections 34A and 36AD of the Banking Regulation Act, 1949 (10 of 1949) shall apply to the Institution.

43. Liquidation of Institution.—No provision of law relating to the winding up of companies shall apply to the Institution and the Institution shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

44. Power of Central Government to issue directions.—Without prejudice to the foregoing provisions of this Act, the Institution shall, in the performance of its functions under this Act, be bound by such directions on questions of policy as the Central Government may give in writing to it from time to time.

45. Overriding effect of this Act.—The provisions of this Act shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.

46. Power to remove difficulties.— (*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, published in the Official Gazette, make such provisions or give such directions not inconsistent with the provisions of this Act, as appears to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made after the expiry of three years from the date of commencement of this Act.

(*2*) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

47. Amendment of Act 2 of 1934.—The Reserve Bank of India Act, 1934 shall be amended in the manner specified in the Second Schedule.

48. Amendment of Act 10 of 1949.—The Banking Regulation Act, 1949 shall be amended in the manner specified in the Third Schedule.

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THE FIRST SCHEDULE

[*See* section 38(*2*)]

Declaration of Fidelity and Secrecy

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, auditor, officer or other employee, as the case may be, of the National Bank for Financing Infrastructure and Development and which properly relate to the office or position held by me in the said Institution.

2. I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the said Institution or to the affairs of any person having any dealing with the said Institution or will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the said Institution and relating to the business of the said Institution or the business of any person having any dealing with the said Institution.

Signed before me (Signature)

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THE SECOND SCHEDULE

(*See* section 47)

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

1. Amendment of Section 2.—In the Reserve Bank of India Act, 1934 (2 of 1934) (hereinafter referred to as the principal Act), in section 2, after clause (*ccc*), the following clauses shall be inserted, namely:—

'(*ccci*) "National Bank for Financing Infrastructure and Development" means the Institution established under section 3 of the National Bank for Financing Infrastructure and Development Act, 2021;

(*cccii*) "other development financial institution" means a development financial institution licensed under section 29 of the National Bank for Financing Infrastructure and Development Act, 2021;'.

2. Amendment of section 17.—In section 17 of the principal Act,—

(*a*) in clause (*4G*), after the words "or the Small Industries Bank", the words "or the National Bank for Financing Infrastructure and Development or other development financial institution" shall be inserted;

(*b*) in clause (*4-I*), after the words "the Industrial Finance Corporation", the words ", the National Bank for Financing Infrastructure and Development or other development financial institution" shall be inserted;

(*c*) after clause (*4K*), the following clause shall be inserted, namely:—

"(*4L*) the making to the National Bank for Financing Infrastructure and Development or other development financial institution of loans and advances—

(*a*) repayable on demand or on the expiry of a fixed period not exceeding ninety days, from the date of such loan or advance against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India; or

(*b*) against the security of bills of exchange or promissory notes, arising out of *bona fide* commercial or trade transactions bearing two or more good signatures and maturing within five years from the date of such loan or advance;";

(*d*) in clause (*12B*), after the words "the Industrial Finance Corporation,", the words "the National Bank for Financing Infrastructure and Development or other development financial institution," shall be inserted.

3. Amendment of section 42.—In section 42 of the principal Act, in sub-section (*1*), in the *Explanation*, in clause (*c*), in sub-clause (*ii*), after the words "or from the Small Industries Bank", the words "or from the National Bank for Financing Infrastructure and Development or from the other development financial institution" shall be inserted.

4. Amendment of section 46C.—In section 46C of the principal Act, in sub-section (*2*),—

(*a*) in clause (*c*), after the words "or the Small Industries Bank," at both the places, the words "or the National Bank for Financing Infrastructure and Development or the other development financial institution," shall be inserted;

(*b*) in clause (*d*), after the words "or the Small Industries Bank,", the words "or the National Bank for Financing Infrastructure and Development or the other development financial institution," shall be inserted.

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THE THIRD SCHEDULE

(*See* section 48)

AMENDMENTS TO THE BANKING REGULATION ACT, 1949

1. Amendment of section 5.—In the Banking Regulation Act, 1949 (10 of 1949) (hereinafter referred to as the principal Act), in section 5, after clause (*ha*), the following clauses shall be inserted, namely:—

'(*hb*) "National Bank for Financing Infrastructure and Development" means the Institution established under section 3 of the National Bank for Financing Infrastructure and Development Act, 2021;

(*hc*) "other development financial institution" means a development financial institution licensed under section 29 of the National Bank for Financing Infrastructure and Development Act, 2021;'.

2. Amendment of section 18.—In section 18 of the principal Act, in sub-section (*1*), in the *Explanation*, in clause (*a*), in sub-clause (*ii*), after the words "or from the Small Industries Bank", the words "or from the National Bank for Financing Infrastructure and Development or from the other development financial institution" shall be inserted.

3. Amendment of section 34A.—In section 34A of the principal Act, in sub-section (*3*), after the words "the Small Industries Bank", the words ",the National Bank for Financing Infrastructure and Development or the other development financial institution," shall be inserted.

4. Amendment of section 36AD.—In section 36AD, in sub-section (*3*), after the words "the Small Industries Bank", the words ", the National Bank for Financing Infrastructure and Development or the other development financial institution," shall be inserted.

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STATEMENT OF OBJECTS AND REASONS

India needs significant investments in infrastructure. Infrastructure financing requires long-term and non-recourse financing, which is inherently risky in nature due to higher credit costs, high risk of delay and failure of projects. Traditionally, banks and financial institutions in India have been an important source of financing for infrastructure sector. While banks rely heavily on short-term liabilities, infrastructure financing essentially involves long-term finance. Consequently, exposure to long-term infrastructure financing has been a fundamental source of asset-liability mismatch on the balance-sheets of the banks which raises systemic concerns. On the other hand, the Indian corporate bond market is not sufficiently deep and is inadequately mature to meet India's infrastructure financing requirements. In view of this, Government's intervention is necessary to facilitate and to enable flow of low cost, long-term, patient capital (primarily debt) from India or abroad into greenfield infrastructure projects to foster sustainable economic development. Solutions for financing would be part of overall policy interventions addressing challenges to infrastructure development.

2. Therefore, it has been decided to set up a statutory Institution to be called the National Bank for Financing Infrastructure and Development as the principal development financial institution and development bank for infrastructure financing. Its aim is to address market failures that stem from the long-term, low margin and risky nature of infrastructure financing. The Institution shall be wholly owned by the Central Government to begin with in order to foster confidence on its stability and sustainability and to raise resources at competitive rates. The Government will provide the Institution with grants and contributions, guarantees at concessional rates for foreign borrowings and any other concessions. Dilution or sale of stake may be considered once the Institution has achieved stability and scale in its business operations but the Government would at all times hold twenty-six per cent. of the paid-up voting equity share capital of the Institution.

3.The Institution shall have both developmental and financial objectives. Among other things, this would include developing a deep and liquid bond market of international standards for long-term infrastructure financing in India including through widening of the issuer and investor base. It would also facilitate the development of markets for interest rate derivatives, credit derivatives, currency derivatives and such other innovative financial instruments as may be necessary for infrastructure financing. The financing objectives would involve establishing a credible framework that attracts equity investments from domestic and global institutional investors as well as debt investments, including green finance, from investors, aligned to their risk appetite and asset-liability profile, in order to cater the financing needs of Indian infrastructure sector.

4. Debt securities, including bonds and debentures, issued by the Institution should be considered as eligible for the purposes such as approved investments, securities, etc., as per limits and conditions to be prescribed by Indian financial regulators for their regulated entities. The Institution would also be empowered to lend to, or invest in, infrastructure projects located in India, or partly in India and partly outside India, prioritising systemic risk mitigation, credit enhancement, subordinate debt, debt maturities suited to project life spans and to raise long-term finance for the same. The Institution may also be involved in project structuring, monitoring and monetisation of completed projects by itself or through its subsidiaries, etc., promoting innovation in financial products and services including by issuing long-term bonds with explicit or implicit sovereign guarantee, underwriting and dealer services. Overall, the Institution shall provide a supporting, technology enabled ecosystem across the life-cycle of infrastructure projects as a provider, enabler and catalyst for sustainable infrastructure financing in India with the backing of the Government. The Institution shall support the bond market with the aim of fostering complementarity of market raised debt with lending for infrastructure projects.

5. Accordingly, it is proposed to bring a legislation, namely, the National Bank for Financing Infrastructure and Development Bill, 2021 which seeks to provide, inter alia, for the following:—

(*i*) to establish a statutory Institution to be called the National Bank for Financing Infrastructure and Development to support the development of long-term infrastructure financing in India and to carry on the business of financing infrastructure;

(*ii*) to enable the Central Government, multilateral institutions, sovereign wealth funds, and such other institutions to hold equity in the Institution;

(*iii*) to enable the Institution to provide financial assistance to infrastructure projects located in India, or partly in India and partly outside India;

(*iv*) to enable the Institution to borrow or raise money by way of loans or otherwise, both in rupees and foreign currencies;

(*v*) to provide adequate safeguards for decision making to address risk aversion; and

(*vi*) to make provision for the establishment of other development financial institution, in addition to the Institution established under the proposed legislation.

6. The notes on clauses explain in detail the various provisions contained in the Bill.

7. The Bill seeks to achieve the above objectives.

NIRMALA SITHARAMAN.

NEW DELHI;
The 18th March, 2021.

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