

Micro Financial Sector (Development and Regulation) Bill 2007

Bill No 41 of 2007

(As introduced by the Union Finance Minister in Lok Sabha on 20th March 2007)

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Preamble

A Bill to provide for promotion, development and orderly growth of the micro finance sector in rural and urban areas for providing an enabling environment for ensuring universal access to integrated financial services, especially to women and certain disadvantaged sections of the people, and thereby securing prosperity of such areas and regulation of the micro finance organisations not being regulated by any law for the time being in force and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the fifty-eighth year of the Republic of India as follows:

Chapter I

Preliminary

1. Short title and commencement:

- (1) This Act may be called the Micro Financial Sector (Development and Regulation) Act, 2007.
- (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act and any reference in such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. Definitions:

In this Act, unless the context otherwise requires,

- (a) "cooperative society" means a society as defined in clause (f) of section 2 of the National Bank for Agriculture and Rural Development Act, 1981 and includes a cooperative society registered under the Multi State Cooperative Societies Act, 2002 and mutually aided or mutual benefit cooperative society registered under any other law relating to cooperative societies for the time being in force in any state;

- (b) "eligible client" means any member of a self help group or a self help group itself or any other groups formed for the purposes of providing micro finance services belonging to anyone of the following categories, namely:
- (i) farmers owning not more than two hectares of agricultural land or such area of agricultural land as may be prescribed;
 - (ii) disadvantaged cultivators of agricultural land including oral lessees, tenants, share croppers;
 - (iii) landless labourers and migrant labourers;
 - (iv) artisans, micro entrepreneurs and persons engaged in small and tiny economic activities;
 - (v) women;
 - (vi) such other categories as may be prescribed;
- (c) "financial assistance" means any loan, advance, grant or any guarantee given or any other credit facility extended in cash or kind with or without security or guarantee;
- (d) "group" means any association of eligible clients formed either as self help group or joint liability group or a group called by any other name for the purpose of providing thrift services and micro finance services to the individual members of such association;
- (e) "micro finance organisation" means an organisation, other than a group established for the purpose of carrying on the business of extending micro finance services and includes the following:
- (i) a society registered under the Societies Registration Act 1860 or any other state enactment governing such societies;
 - (ii) a trust created under the Indian Trusts Act 1882 or public trust registered under any state enactment governing trust for public, religious or charitable purposes;
 - (iii) a cooperative society or mutual benefit society or mutually aided society registered under any state enactment relating to such societies or any multi state cooperative society registered under the Multi State Cooperative Societies Act 2002, but not including:
 - (A) a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act 1949; or
 - (B) a cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services

- (f) "micro finance services" means
- (i) providing financial assistance to an individual or an eligible client being under any of the sub-clauses (i) to (vi) of clause (b) either directly or through a group mechanism for
 - (A) an amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual), or
 - (B) an amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes; or
 - (C) such other amounts, for any of the purposes mentioned at items (A) and (B) above or other purposes, as may be prescribed;
 - (ii) financial services to an eligible client or individual borrower under any of the sub-clauses (i) to (vi) of clause (b) through the business facilitator or business correspondent mechanism authorised by the scheduled banks or any such other agency as may be permitted by the Reserve Bank of India;
 - (iii) life insurance or general insurance services and pension services which have been approved by the authority regulating such services;
 - (iv) any other services as may be specified by regulations made by the National Bank;
- (g) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act 1981;
- (h) "notification" means a notification published in the Official Gazette;
- (i) "prescribed" means prescribed by rules made under this Act;
- (j) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act 1934;
- (k) "scheme" means the scheme framed under sub-section (1) of section 24;
- (l) "thrift" means any monies collected (other than in the form of current account or demand deposit) by a micro finance organisation from a group or by a group from its members through the group mechanism, not exceeding such amounts and subject to such other terms and conditions as may be prescribed;
- (m) words and expressions used herein and not defined but defined in the Reserve Bank of India Act 1934, the Banking Regulation Act 1949 and the

National Bank for Agriculture and Rural Development Act 1981 shall have the meanings respectively assigned to them in those Acts.

Chapter II

Micro Finance Development Council

3. Constitution of Micro Finance Development Council:

The Central Government may, by notification, constitute a Council to be known as the Micro Finance Development Council, to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector.

4. Composition of Micro Finance Development Council:

The Micro Finance Development Council shall consist of the following members, namely:

- (a) a person of eminence, with experience in banking, rural credit and micro finance, to be nominated by the Central Government – the Chairperson;
- (b) two officers, not below the rank of a Joint Secretary to the Government of India, one each to be nominated by the Ministry of Finance and the Ministry of Rural Development – Member;
- (c) an officer, not below the rank of an Executive Director of the Reserve Bank of India, to be nominated by it – Member;
- (d) one of the directors, referred to in clause (b) sub-section (1) of section 6 of the National Bank of Agriculture and Rural Development Act, 1981, to be nominated by the National Bank – Member;
- (e) an officer, not below the rank of an Executive Director of the Small Industries Development Bank of India established under the Small Industries Development Bank of India Act, 1989, to be nominated by it – Member;
- (f) an officer, not below the rank of an Executive Director of the National Bank dealing with micro finance, to be nominated by it – Member;
- (g) an officer, not below the rank of an Executive Director of the National Housing Bank established under the National Housing Bank Act 1987, to be nominated by it – Member;
- (h) not more than six persons, of whom at least two shall be women, to be nominated by the Central Government in consultation with the National Bank from amongst persons with experience in banking, rural credit and

micro finance or the representatives of micro finance organisations or scheduled banks or any other institutions providing thrift services or micro finance services – Members.

5. Functions of Micro Finance Development Council:

The Micro Finance Development Council shall advise the National Bank in matters relating to micro finance or on such other matters as may be referred to the Micro Finance Development Council by the National Bank.

6. Tenure and allowances of members of Development Council:

A member of the Micro Finance Development Council shall hold office for such term not exceeding five years, as the Central Government may fix, and receive such fees and allowances as may be specified by regulations for attending the meetings of the Micro Finance Development Council.

7. Meetings of Micro Finance Development Council:

The Micro Finance Development Council 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.

Chapter III

Registration of Micro Finance Organisations

8. Prohibition to commence or carry on business of offering thrift services to eligible clients in certain cases:

Notwithstanding anything contained in the Reserve Bank of India Act 1934 and the Banking Regulation Act 1949 and save as otherwise provided in this Act, no micro finance organisation shall commence or carry on the business of offering thrift services to eligible clients without obtaining a certificate of registration from the National Bank under this Act.

9. Application for registration:

(1) Every micro finance organisation, which intends to commence the business of offering thrift services to eligible clients, shall make an application for registration to the National Bank in such form and manner along with such fee as may be specified by regulations.

- (2) If any micro finance organisation, in existence on the commencement of this Act and offering thrift services, intends to continue to do so, it shall before the expiry of six months from such commencement, apply in writing to the National Bank for obtaining a certificate of registration under this Act:

Provided that, in the case of a micro finance organisation in existence on the commencement of this Act, nothing in sections 8 and 9 shall be deemed to prohibit such micro finance organisation from carrying on the business of a micro finance organisation, until it is granted a certificate of registration or is by notice in writing informed by the National Bank that a certificate of registration cannot be granted to it.

10. Grant of certificate:

- (1) The National Bank may, for the purpose of considering the application of a micro finance organisation for grant of a certificate of registration to the business of offering thrift services to eligible clients, require to be satisfied, by an inspection of records or books of such micro finance organisation or otherwise that the following conditions are fulfilled, namely:
- (a) that the general character of the management or the proposed management of the applicant micro finance organisation shall not be prejudicial to the interest of members of the group or eligible clients;
 - (b) that the grant of certificate of registration to the applicant micro finance organisation is for promotion and development of micro finance sector;
 - (c) the net owned funds of the micro finance organisation are at least Rs 5 lakhs, which have been created out of promoter's contributions or grants or donations received by the micro finance organisation;
 - (d) the micro finance organisation is in existence for at least three years on the day such micro finance organisation makes an application for grant of a certificate of registration;
 - (e) any other condition, which may be specified by regulations made by the National Bank.
- (2) The National Bank may, after being satisfied that the conditions as referred to in sub-section (1) are fulfilled, grant a certificate of registration to the applicant micro finance organisation to commence or carry on the business of offering thrift services to eligible clients subject to such conditions which it may consider fit to impose:

Provided that no application shall be rejected unless the applicant has been given an opportunity of being heard.

11. Power of National Bank to cancel certificate of registration:

- (1) The National Bank may cancel a certificate of registration granted to a micro finance organisation under sub-section (2) of section 10, if such micro finance organisation:
 - (i) ceases to carry on the business of offering thrift services to eligible clients; or
 - (ii) has failed to comply with any of the conditions subject to which the certificate of registration has been granted to it; or
 - (iii) fails
 - (a) to comply with any direction issued by the National Bank under the provisions of this Act;
 - (b) to submit or offer for inspection its books of account and other relevant documents, which so demanded by the officers, persons or agency referred to in sub-section (1) of section 21.
- (2) Before cancelling the certificate of registration granted to a micro finance organisation under this section, the National Bank shall grant time to such micro finance organisation on such terms and conditions as the National Bank may deem appropriate for taking necessary steps to comply with such directions or fulfillment of such conditions, within in the time granted by the National Bank:

Provided that if the National Bank is of the opinion that the delay in cancelling the certificate of registration of such micro finance organisation shall be prejudicial or detrimental to the public interest or banking policy or credit system or micro financial sector or eligible clients or an individual under any of the sub-clauses (i) to (vi) of clause (b) of section 2, the National Bank may cancel the certificate of registration without granting time.

12. Power to prohibit acceptance of thrift:

If any micro finance organisation violates any provisions of this Act or fails to comply with any direction given or order issued by the National Bank under this Act, the National Bank may prohibit the micro finance organisation from accepting any thrift subject to such conditions as the National Bank deems fit.

Provided that, before passing any such order, the micro finance organisation shall be given a reasonable opportunity of being heard.

13. Appeal against certain cases :

- (1) A micro finance organisation aggrieved by the order of rejection of an application for grant of certificate of registration under section 10 or cancellation of certificate of registration under section 11 or an order prohibiting from acceptance of thrift under section 12 or an order for winding up of the micro finance organisation under sub section (3) of section 21 may prefer an appeal to the Central Government or such other authority, as the Central Government may by notification specify, within a period of 60 days from the date on which such order of rejection or cancellation or prohibition from acceptance of thrift or of winding up of the micro finance organisation, as the case may be, is communicated to the micro finance organisation.
- (2) The decision of the Central Government or the authority referred to in sub-section (1), where an appeal has been preferred to it under sub-section (1), shall be final.

Chapter IV

Reserve, Accounts, Audit and Returns

14. Obligation to create Reserve Fund:

- (1) Every micro finance organisation registered with National Bank under this Act for offering thrift services to members of groups through the group mechanism shall create a reserve fund and transfer therein a sum, not less than fifteen per cent of its net profit or surplus realized out of thrift services and micro finance services every year as disclosed in the profit and loss account or income and expenditure account before any dividend is declared or surplus is utilized for any other purpose.
- (2) No appropriation of any sum from the reserve fund shall be made by the micro finance organisation except for the purpose, as may be specified by the National Bank from time to time, and every such appropriation shall be reported to the National Bank within twenty-one days from the date of such appropriation.
- (3) The National Bank may, in the public interest or in the interest of the members contributing thrift, direct any micro finance organisation or any class of micro finance organisations providing thrift services to invest the

whole or part of such reserve fund in such unencumbered securities as it may, by regulation, specify.

15. Accounts and balance sheet:

At the close of the financial year, every micro finance organisation providing thrift services in respect of thrift services and all other services transacted by it, shall prepare with reference to that year, a balance sheet and profit and loss account or an income and expenditure account as on the last working day of the financial year, in such forms as may be specified by regulations made by the National Bank.

16. Audit:

The balance sheet and profit and loss account or an income and expenditure amount prepared in accordance with section 15 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies formed and registered under the Companies Act 1956 or an auditor appointed by the Registrar of Cooperative Societies of the state.

17. Special audit:

(1) Without prejudice to anything contained in the Companies Act 1956 or any other law for the time being in force, where the National Bank is of the opinion that it is necessary in the public interest or for the purpose of proper assessment of the records and books of account of the micro finance organisation accepting thrift or in the interest of its clients so to do, it may direct

- (a) the auditor of micro finance organisation accepting thrift to audit the accounts of the micro finance organisation in relation to any transaction or class of transactions, or for such period or periods as may be specified in the order, and the auditor shall comply with such directions and make a report of the audit with such information as it may be asked to report by the National Bank to it and forward a copy thereof to the micro finance organisation;
- (b) such micro finance organisation to appoint auditors, with the prior approval of the National Bank, for such period and subject to such conditions as the National Bank may specify from time to time.

(2) The auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed

on auditors of companies by section 227 of the Companies Act 1956 and auditors, if any, appointed by the law establishing, constituting or forming the banking company under the Banking Regulation Act 1949.

- (3) The expenses of, or incidental to, audit specified in the order made by the National Bank under clause (a) of sub-section (1) shall be borne by the micro finance organisation concerned.

18. Returns to be filed by Micro Finance Organisations:

Save as otherwise provided in this Act, every micro finance organisation, whether engaged in providing thrift services or not at the commencement of this Act, shall within ninety days from the date of commencement of this Act, file with the National Bank a return containing particulars of its activities in such form and manner and thereafter at such intervals as may be specified by regulations, duly certified by a chartered accountant or a company secretary or an auditor appointed by the Registrar of Cooperative Societies of the state.

Chapter V

**Functions and Powers of National Bank in relation to
Thrift Services and Micro Finance Services**

19. Functions and powers of National Bank:

- (1) Without prejudice to the provisions of National Bank for Agriculture and Rural Development Act 1981 and subject to the provisions of this Act, it shall be the duty of the National Bank to promote and ensure orderly growth of the micro financial sector by such measures as it may think fit.
- (2) Without prejudice to the generality of the foregoing provisions contained in sub-section (1), the measures may provide for
 - (a) formulating and facilitating formulation of appropriate policy for the orderly growth of the micro financial sector so as to ensure greater transparency, effective management, good governance and to facilitate the flow of thrift services and micro finance services in the most efficient manner;
 - (b) setting or facilitating the setting of sector related benchmarks and performance standards pertaining to methods of operation, method of recovery, management and governance including model codes for conduct of business for micro finance organisations engaged in providing of thrift services and micro finance services;

- (c) facilitating the development of credit rating norms or rating norms for other purposes for micro finance organisations;
- (d) specifying the form and manner of books of account to be maintained by micro finance organisations (other than those accepting thrift services);
- (e) specifying the form and manner of accounting of business operations of micro finance organisations and auditing standards relating thereto;
- (f) calling for information and data for the purposes of this Act from micro finance organisations for maintaining an appropriate data base in the public domain relating to micro finance sector and disseminating the same through a national dissemination network;
- (g) facilitating institutional development of all entities, including groups, engaged in the provision of thrift services and micro finance services through training and capacity building measures;
- (h) promoting customer education of all entities engaged in providing thrift services and micro finance services for greater awareness and for economic empowerment of micro finance clients;
- (i) supporting sector related research, field research, documentation and dissemination thereof;
- (j) coordinating with other agencies for orderly growth and development of entities in the micro financial sector;
- (k) documenting and disseminating information relating to fair practices with a view to ensuring provision of thrift services and micro finance services at an affordable cost to eligible clients;
- (l) perform such other function as may be prescribed.

20. Power to issue directions to micro finance organisations accepting thrift:

- (1) Where the National Bank is satisfied that, in the public interest or in the interest of the policy relating to micro finance organisations or to prevent the affairs of any micro finance organisation accepting thrift being conducted in a manner detrimental to the interests of the eligible clients thereof or in a manner prejudicial to the interest of the micro finance organisation or to secure the proper management of micro finance organisation, it is necessary to issue directions to such micro finance organisations generally or to any such micro finance organisation in particular, it may from time to time issue such directions as it deems fit,

and the micro finance organisations or the micro finance organisation, as the case may be, shall be bound to comply with such directions.

- (2) The National Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under subsection (1) and in so modifying or cancelling any direction may impose such conditions as it thinks fit, subject to which such modification or cancellation shall have effect.

21. Inspection:

- (1) The National Bank may, at any time, cause inspection to be made of any micro finance organisation, whether accepting thrift or not, and its books of accounts by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the National Bank in respect of inspection made by it.
- (2) A copy of the report of the inspection shall be furnished to the micro finance organisation if
 - (a) the micro finance organisation makes a request for the same; or
 - (b) if any action is contemplated against the micro finance organisation on the basis of such report.
- (3) If the National Bank, after considering the report, is of the view that the affairs of any micro finance organisation are being conducted to the detriment of its eligible clients, it may after giving such opportunity to the micro finance organisation to make a representation in connection with the report, take such action as it deems appropriate including winding up the micro finance operations of the organisation in accordance with the procedure which may be specified by regulations made by the National Bank.

Chapter VI

Constitution of Micro Finance Development and Equity Fund

22. Grants by Central Government:

The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the National Bank, grants of such sums of money as the Government may think fit for being utilised for the purposes of this Act.

23. Micro Finance Development Fund:

- (1) The National Bank shall constitute a fund to be called the Micro Finance Development and Equity Fund (hereafter called as “the Fund”) and there shall be credited thereto
 - (a) all government grants received and fees payable under this Act;
 - (b) all sums that may be raised by the National Bank from donors, governments, other entities, and public for the purpose of this Act;
 - (c) any interest or other income received out of investments made from the Fund under clause (c) of sub-section (3);
 - (d) the balance outstanding in the Micro Finance Development and Equity Fund maintained by the National Bank, before the commencement of this Act, shall, after such commencement, stand transferred to the Fund.
- (2) The Fund shall be managed by the Board of Directors of the National Bank in the manner as may be specified by regulations made by it.
- (3) The Fund shall be applied
 - (a) to provide loan, refinance, grant, seed capital or any other financial assistance to any micro finance organisation or any other agency which the National Bank may specify in accordance with the regulations made by the National Bank;
 - (b) to give grants or loans for training and capacity building of organisations engaged in micro finance services and personnel engaged in promoting and providing micro finance services and meeting other expenditure related to such training and capacity building on such terms and conditions as may be specified by regulations made by the National Bank;
 - (c) to invest in equity or any other form of capital or quasi-equity of a micro finance organisation on such terms and conditions as may be specified by regulations made by the National Bank;
 - (d) to meet the expenses in relation to collection, analysis, and dissemination of information relating to micro finance, conduct of such research, experiments or studies as may be necessary and to design, promote, and propagate such practices as may be considered conducive to the growth of micro finance sector;
 - (e) to meet any other expenses as may be required for the promotion of micro finance sector by National Bank under the regulations made by the National Bank under this Act;

- (f) to meet any other expenses (except salaries, allowances and other remuneration of officers and other employees of the National Bank) of the National Bank in connection with discharge of its functions as may be specified by the regulations made under this Act.

Chapter VII

Redressal Mechanism

24. Settlement of disputes through Micro Finance Ombudsman

- (1) The National Bank may, in consultation with the Micro Finance Development Council, if deemed necessary, appoint as many micro finance ombudsmen as it may deem fit in accordance with a scheme framed under this section for the purpose of redressal of grievances between eligible clients and micro finance organisations, with powers to issue directions to the micro finance organisations.
- (2) Any such scheme of micro finance ombudsman may provide for the following:
 - (a) appointment, terms of office, conditions of service, location of office of the ombudsman;
 - (b) nature of grievances and complaints that may be entertained by the ombudsman and the procedures for redressal of grievances and complaints;
 - (c) any other matter that may be necessary for effective functioning of micro finance ombudsman.

Chapter VIII

Offences and Penalties

25. Penalties for making wilfully false statement:

- (1) Whoever, in any application, declaration, return, statement, information or particulars made, required or furnished by or under or for the purposes of any provision of this Act, or any order, rule, regulation or direction made or given thereunder, wilfully makes a statement which is false in any material particulars knowing it to be false or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to two years and shall also be liable to fine.

- (2) If any other provision of this Act is contravened or if any default is made in complying with any other requirement of this Act or of any order, rules or regulations or direction given or notification issued or condition imposed thereunder, any person guilty of such contravention or default shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with a further fine, which may extend to one thousand rupees for everyday after the first, during which the contravention or default continues and with imprisonment for a term not exceeding two years or with both.

26. Penalties for contravention of section 12 or orders of micro finance ombudsman:

- (1) Whoever knowingly fails to comply with the provisions of section 12 or fails to comply with any order of the micro finance ombudsman or of the orders made by the Central Government or other specified authority under section 13 of this Act shall be punishable with imprisonment which may extend to three years and shall also be liable to fine of not less than five hundred rupees for every day during which such non-compliance continues.
- (2) Every offence connected with or arising out of acceptance of or repayment thereof shall be cognisable offence under the Code of Criminal Procedure 1973.

27. Offences by micro finance organisations:

- (1) Where an offence under this Act is committed, the person who was in charge of and was responsible to the micro finance organisation for the conduct of business of the micro finance organisation, as well as the micro finance organisation itself, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that, nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

- (2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a micro finance organisation and it is proved that the same was committed with the consent or connivance of,

or is attributable to any neglect on the part of, any person who is or was a director, trustee, member of the managing committee, manager, secretary or other officer or employee of the micro finance organisation when the offence is or was committed, such person shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation: For the purpose of this section, any offence punishable under this Act shall be deemed to have been committed at the place where the registered office or principal office of the micro finance organisation is situated.

28. Cognisance of offences by courts:

- (1) No court shall take cognisance of any offence punishable under Act or any rules or regulations made thereunder, save on a complaint made by any officer of the National Bank or any other person authorised by the National Bank.
- (2) No court inferior to that of Metropolitan Magistrate or a Judicial Magistrate of the First Class shall try any offence punishable under this Act.

Chapter IX

Miscellaneous Provisions

29. First charge over assets in favour of members:

In the event of a micro finance organisation making any default in repayment of thrift to any of its members or eligible clients who had made a contribution to thrift, all members or eligible clients of such micro finance organisation shall have a first charge over the specified unencumbered securities referred to in sub-section (3) of section 14.

30. Central Government's power to call for information:

The Central Government may, in consultation with the National Bank from time to time, require the furnishing of such returns, statements and such other particulars in regard to micro finance organisations in such form and in such manner as the Central Government may specify, and the micro finance organisations shall furnish to the Central Government such returns, statements and particulars.

31. Power to exempt:

- (1) The Central Government on being satisfied that, in the public interest or in the interest of the micro finance organisation, it is necessary so to do, may by an order in writing declare that any or all of the provisions of this Act, shall not apply to a micro finance organisation or a class of micro finance organisations, or to any class of micro finance organisations either generally or for such period as may be specified in the order, subject to such conditions, limitations or restrictions as it may think fit to impose.

32. Provisions of this Act to override other laws:

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 .

33. Power to make rules:

- (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.
- (2) In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:
 - (a) the area of agricultural land to be owned by farmers under sub-clause (i) of clause (b) of section 2;
 - (b) such other categories of individuals under clause (vi) of clause (b) of section 2;
 - (c) such other amounts and other purposes under item (C) of sub-clause (i) of clause (f) of section 2;
 - (d) the amount and the terms and conditions under sub-clause (l) of section 2;
 - (e) such other function as may be performed by the National Bank under clause (l) of sub-section (2) section 19;
 - (f) any other matter which is required to be, or may be, prescribed.

34. Power to make regulations:

- (1) The National Bank, with the previous approval the Central Government may, by notification in the Official Gazette, make regulations consistent

with this Act and the rules made thereunder to carry out the purposes 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 fees and allowances payable to a member of the Micro Finance Development Council under section 6;
 - (b) the times and places at which the Micro Finance Development Council shall meet and observe such rules of procedure in regard to the transaction of business at its meetings under section 7;
 - (c) the form and manner in which every micro finance organisation shall make an application for registration and the fee payable to the National Bank under sub-section (1) of section 9;
 - (d) any other condition for grant of a certificate of registration under clause (e) of sub-section (1) of section 10;
 - (e) the unencumbered securities for the purpose of investment under sub-section (3) of section 14;
 - (f) the form in which the balance sheet and profit and loss account or an income and expenditure account shall be prepared under section 15;
 - (g) the form and the manner of return may be filed by the National Bank under section 18;
 - (h) the procedure for winding up of the operations of the micro finance organisation under sub-section (3) of section 21;
 - (i) the manner of management of Micro Finance Development Fund by the Board of Directors of the National Bank under sub-section (2) of section 23;
 - (j) the terms and conditions on which the loans, refinance, grants, seed capital or any other financial assistance will be provided under clause (a) of sub-section (3) of section 23;
 - (k) the terms and conditions on which the grants or loans shall be given by the National Bank under clause (b) of sub-section (3) of section 23;
 - (l) the terms and conditions on which the investment in equity or any other form of capital or quasi-equity of a micro finance organisation shall be made under clause (c) of sub-section (3) of section 23;

- (m) the other expenses (except salaries, allowances and other remuneration of officers and other employees of the National Bank) of the National Banks that shall be met in connection with discharge of its functions under clause (f) of sub section (3) of section 23;
- (n) such other matters for which the National Bank may consider it expedient or necessary to provide for by way of regulations.

35. Rules and regulations to be laid before Parliament:

Every rule made by the Central Government and every regulation made by the National Bank under this Act and any order of exemptions made under section 31 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 of 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.

36. Application of other laws not barred:

The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

37. 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 not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient, for removing the difficulty:

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

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

Micro Financial Sector (Development and Regulation) Bill 2007

Bill No 41 of 2007

Statement of Objects and Reasons

1. The banking system in India has achieved significant growth in terms of average population per bank office, resulting in reducing the levels of credit gaps in the economy. But in spite of such growth many poor households do not still have access to basic financial services such as savings, credit and money transfer. The financial exclusion faced by poor people results in discrimination and denial of equal opportunities to them.
2. There are certain Non Governmental Organisations, Societies, Trusts and Cooperative Societies operating in the micro financial sector that are engaged in providing credit and other financial services to the economically active low-income people especially women, poor households and their micro enterprises. But the financial activities undertaken by such organisations lack a formal statutory framework.
3. It is therefore, considered necessary to enact a new law for the development and regulation of the micro financial sector. The salient features of the Bill are as follows:
 - (a) entrust the function of development and regulation of the micro financial sector to the National Bank for Agriculture and Rural Development (National Bank);
 - (b) define various entities engaged in the activity of micro finance such as cooperative societies, mutual benefit societies or mutually aided societies registered under any State enactments or multi-State Cooperative societies registered under the Multi-State Cooperative Societies Act 2002, societies registered under the Societies Registration Act 1860 or any other State enactments governing such societies and a trust created under the Indian Trust Act 1882 or public trust registered under any State enactments. that will be governed by the regulatory framework proposed to be set up;
 - (c) define various categories of beneficiaries of micro financial services as eligible clients including Self Help Groups (SHGs) or joint liability groups of such eligible clients;

- (d) provide for extending micro financial services to eligible clients by way of financial assistance subject to ceilings to be prescribed and such other financial services as may be specified by the National Bank;
- (e) provide for acceptance of thrift, i.e., savings eligible clients other than in the form of current account or demand deposit account by micro financial organisations registered by the National Bank, subject to such terms and conditions as may prescribed;
- (f) Provide for constitution of Micro Finance Development Council to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector;
- (g) provide for registration of Micro Finance Organisations to be permitted to collect thrift from individual member of SHGs or through a group mechanism;
- (h) provide for creating of a reserve fund and maintenance of accounts and periodical returns to be submitted by micro financial organisations;
- (i) provide for functions and powers of the National Bank in relation to thrift services and micro financial services;
- (j) provide for constitution of Micro Finance Development and Equity Fund to be utilised for the development of micro finance sector;
- (k) empower the National Bank to frame a scheme for appointment of one or more Micro Finance Ombudsman for settlement of disputes between eligible clients and micro finance organisations;
- (l) to provide for offences and penalties for non-compliance with the regulatory requirements of the Bill;
- (m) to empower the Central Government to prescribe Rules for carrying out the purpose of the Bill;
- (n) to empower the National Bank to make regulations with the previous approval of the Central Government for carrying out the purposes of the bill.

4. The Bill seeks to achieve the above objects.

New Delhi
12th March 2007

P Chidambaram
The Minister of Finance

Micro Financial Sector (Development and Regulation) Bill 2007

Bill No 41 of 2007

Notes on Clauses

- Clause 2: This clause seeks to define various expressions used in the Bill.
- Clause 3: This clause provides that the Central Government may, by notification, constitute a Council to be known as the Micro Finance Development Council, to advise the National Bank on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector.
- Clause 4: This clause seeks to provide for the composition of the Micro Finance Development Council which shall consist of
- (a) a person of eminence with experience in banking, rural credit and micro finance, to be nominated by the Central Government as Chairperson;
 - (b) two officers, not below the rank of Joint Secretary to the Government of India, one each to be nominated by the Ministry of Finance and the Ministry of Rural Development as Members;
 - (c) an officer, not below the rank of an Executive Director of the Reserve Bank, to be nominated by it as Member;
 - (d) one of the directors, referred to in clause (b) of sub-section (1) of section 6 of the National Bank for Agriculture and Rural Development Act, 1981, to be nominated by the National Bank as Member;
 - (e) an officer, not below the rank of the rank of an Executive Director of the Small Industries Development Bank of India established under the Small Industries Development Bank of India Act, 1989, to be nominated by it as Member;
 - (f) an officer, not below the rank of an Executive Director of the National Bank dealing with micro finance, to be nominated by it as Member;
 - (g) an officer, not below the rank of an Executive Director of the National Housing Bank established under the National Housing Bank Act, 1987, to be nominated by it as Member;

- (h) not more than six persons, of whom at least two shall be women, to be nominated by the Central Government in consultation with the National Bank from amongst persons with experience in banking, rural credit and micro finance or the representatives of micro finance organisations or scheduled bank or any other institution providing thrift services or micro finance services as Members.

Clause 5: This clause provides that the Micro Finance Development Council shall advise the National Bank in matters relating to micro finance or on such other matters as may be referred to it by the National Bank.

Clause 6: This clause provides that a member of the Micro Finance Development Council shall, hold office for such term not exceeding five years as the Central Government may fix, and receive such fees and allowances as may be specified by regulations for attending the meetings of the Micro Finance Development Council.

Clause 7: This clause states that the Micro Finance Development Council 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.

Clause 8: This clause prohibits commencement or carrying on business of offering thrift services to the eligible clients except by obtaining a certificate of registration from the National Bank.

Clause 9: This clause provides that every micro finance organisation, which intends to commence the business of offering thrift services to eligible clients, shall make an application for registration to the National Bank. It further provides that if any micro finance organisation is in existence on the commencement of the proposed legislation and offering thrift services, intends to continue to do so, it shall before the expiry of six months from such commencement; apply in writing to the National Bank for obtaining a certificate of registration under the proposed legislation. However, in the case of a micro finance organisation in existence on the commencement of the proposed legislation, nothing in sections 8 and 9, shall be deemed to prohibit such micro finance organisation from

carrying on the business of a micro finance organisation, until it is granted a certificate of registration or is by notice in writing informed by the National Bank that a certificate of registration cannot be granted to it.

Clause 10: This clause contains provisions relating to grant of certificate of registration and the conditions for such registration. It provides that the National Bank may, for the purpose of considering the application of a micro finance organisation for grant of certificate of registration to the business of offering thrift services to eligible clients, require to be satisfied by making an inspection of records or books of such micro organisation or otherwise the fulfilment of the conditions specified in the said clause.

It also provides that the National Bank may, after being satisfied that the conditions are fulfilled, grant a certificate of registration to the applicant micro finance organisation to commence or carry on the business of offering thrift services to eligible clients subject to such conditions which it may consider fit to impose. However, no application shall be rejected unless the applicant has been given an opportunity of being heard.

Clause 11: This clause seeks to empower the National Bank to cancel the certificate of registration. It provides that the National Bank may cancel the certificate of registration granted to a micro finance organisation if such micro finance organisation

- (i) ceases to carry on the business of offering thrift services to eligible clients, or
- (ii) has failed to comply with any of the conditions subject to which the certificate of registration has been granted to it, or
- (iii) fails,
 - (a) to comply with any direction issued by the National Bank under the provisions of the proposed legislation;
 - (b) to submit or offer for inspection its books of account and other relevant documents. It further provides that before cancelling the certificate of registration granted to a micro finance organisation, the National Bank shall grant time to such micro finance organisation on such terms and conditions as the National Bank may deem appropriate for taking necessary steps to comply with

such directions or fulfilment of such conditions, within the time granted by the National Bank. However, if the National Bank is of the opinion that the delay in cancelling the certificate of registration of such micro finance organisation shall be prejudicial or detrimental to the public interest or banking policy or credit system or micro financial sector or eligible clients or an individual under any of the sub-clauses (i) to (vi) of clause (b) of section 2, the National Bank may cancel the certificate of registration without granting time.

Clause 12: This clause empowers the National Bank to prohibit acceptance of thrift by any micro finance organisation, which violates any provision of the proposed legislation or fails to comply with any direction or order issued by the National Bank. However, before passing any such order, the micro finance organisation shall be given a reasonable opportunity of being heard.

Clause 13: This clause seeks to provide for an appeal to the Central Government or such authority as the Central Government may by notification specify, against the order of rejection of application for certificate of registration or cancellation of certificate of registration or an order prohibiting acceptance of thrift or an order for winding up of the micro finance organisation.

Clause 14: This clause requires every micro finance organisation to create a reserve fund and transfer therein a sum, not less than fifteen percent of its net profit or surplus realised out of thrift services and micro finance services every year as disclosed in the profit and loss account or income and expenditure account before any dividend is declared or surplus is utilised for any other purpose. It provides that no appropriation of any sum from the reserve fund shall be made by the micro finance organisation except for the purpose, as may be specified by the National Bank from time to time, and every such appropriation shall be reported to the National Bank within twenty-one days from the date of such appropriation. It also provides that the National Bank may, in the public interest or in the interest of the members contributing thrift, direct any micro finance organisation or any class of micro finance organisations

providing thrift services to invest the whole or part of such reserve fund in such unencumbered securities, as it may, by regulations specify.

- Clause 15: This clause provides that every micro finance organisation shall prepare a balance-sheet and profit and loss account or an income and expenditure account as on the last working day of the financial year, in such forms as may be specified by regulations made by the National Bank.
- Clause 16: This clause provides that the balance-sheet and profit and loss account or an income and expenditure account prepared in accordance with section 15 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies formed and registered under the Companies Act, 1956 or an auditor appointed by the Registrar of Cooperative Societies of the State.
- Clause 17: This clause seeks to provide for special audit of any micro finance organisation, if considered necessary by the National Bank in public interest or to protect the interest of clients of any micro finance organisation accepting thrift. The expenses of, or incidental to such audit shall be borne by the micro finance organisation concerned.
- Clause 18: This clause provides that every micro finance organisation, whether engaged in providing thrift services or not at the commencement of this Act, shall within ninety days from the date of commencement of the proposed legislation, file with the National Bank a return containing particulars of its activities in such form and manner and thereafter at such intervals as may be specified by regulations.
- Clause 19: This clause contains provisions relating to the functions and powers of National Bank. It shall be the duty of the National Bank to promote and ensure orderly growth of the micro financial sector by such measures specified in the said clause as it may think fit.
- Clause 20: This clause contains provisions relating to the powers of the National Bank to issue directions to micro finance organisations accepting thrift. It provides that the National Bank may, on representation made to it or on

its own motion, modify or cancel any such direction and in so modifying or cancelling any direction, the National Bank may impose such conditions as it thinks fit and directions shall have effect subject to such modification.

Clause 21: This clause provides that the National Bank may, at any time, cause inspection to be made of any micro finance organisation whether accepting thrift or not, and its books of account by an inspecting authority approved by it in such manner and on such terms and conditions as may be specified by it and such inspecting authority shall submit a report to the National Bank in respect of inspection made by it. It further provides that a copy of the report of the inspection shall be furnished to the micro finance organisation if -

- (a) the micro finance organisation makes a request for the same; or
- (b) if any action is contemplated against the micro finance organisation on the basis of such report. It also provides that if the National Bank, after considering the report, is of the view that the affairs of any micro finance organisation are being conducted to the detriment of its eligible clients, it may after giving such opportunity to the micro finance organisation to make a representation in connection with the report, take such action as it deems appropriate including winding up of the micro finance operations of the organisation in accordance with the procedure which may be specified by regulations made by the National Bank.

Clause 22: This clause seeks to provide that the Central Government may, after due appropriation made by Parliament by law, make to the National Bank, grants of such sums of money as that Government may think fit for being utilised for the purposes of the proposed legislation.

Clause 23: This clause provides, that the National Bank shall constitute a Fund to be called the Micro Finance Development and Equity Fund (the Fund) and there shall be credited thereto –

- (a) all Government grant received, and fees payable under the proposed legislation;

- (b) all sums that may be raised by the National Bank from donors, Governments, other entities, and public for the purpose of the proposed legislation;
- (c) any interest or other income received out of investments made from the Fund;
- (d) the balance outstanding in the Micro Finance Development and Equity Fund maintained by the National Bank, before the commencement of the proposed legislation, shall, after such commencement, stand transferred to the Fund. It also provides that the Fund shall be managed by the Board of Directors of the National Bank in the manner as may be specified by regulations made by it. It further provides that the Fund shall be applied -
 - (a) to provide loans, refinance, grant, seed capital or any other financial assistance to any micro finance organisation or any other agency which the National Bank may specify in accordance with the regulations made by the National Bank;
 - (b) to give grants or loans for training and capacity building of organisations engaged in micro finance services and personnel engaged in promoting and providing micro finance services and meeting other expenditure relating to such training and capacity building on such terms and conditions as may be specified by regulations made by the National Bank;
 - (c) to invest in equity or any other form of capital or quasi-equity of a micro finance organisation on such terms and conditions as may be specified by regulations;
 - (d) to meet the expenses in relation to collection, analysis, and dissemination of information relating to micro finance, conduct of such research, experiments or studies as may be necessary, and to design, promote, and propagate such practices as may be considered conducive to the growth of micro finance sector;
 - (e) to meet any other expenses as may be required for the promotion of micro finance sector by the National Bank under the regulations made by the National Bank;
 - (f) to meet any other expenses (except salaries, allowances and other remuneration of officers and other employees of the National Bank) of the National Bank in connection with discharge of its functions as may be specified by the regulations.

Clause 24: This clause deals with the settlement of disputes through the Micro Finance Ombudsmen. It provides that the National Bank, may, in consultation with the Micro Finance Development Council, if deemed necessary, appoint as many Micro Finance Ombudsmen as it may deem fit in accordance with a scheme framed under this section, for the purpose of redressal of grievances between eligible clients and micro finance organisations with powers to issue directions to micro finance organisations. It also provides that any such scheme of Micro Finance Ombudsman may provide for –

- (a) appointment, terms of office, conditions of service and location of office of the Ombudsman;
- (b) nature of grievances and complaints that may be entertained by the Ombudsman and the procedures for redressal of grievances and complaints;
- (c) any other matter that may be necessary for effective functioning of the Micro finance Ombudsman.

Clause 25: This clause seeks to provide for penalties for making wilfully false statement in application, return, statement, information or particulars. It provides that whoever, in any application, declaration, return, statement, information or particulars made, required or furnished by or under or for the purposes for any provision of this legislation, or any order, rule, regulation or direction made or given thereunder, wilfully makes a statement which is false in any material particulars knowing it to be false or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to two years and shall also be liable to fine. It also provides that if any other provision of this legislation is contravened or if any default is made in complying with any other requirement of this legislation or of any order, rules or regulations or directions given or notification issued or condition imposed thereunder, any person guilty of such contravention or default shall be punishable with fine which may extend to twenty thousand rupees and where, a contravention or default is a continuing one, with a further fine, which may extend to one thousand rupees for every day after the first, during which the contravention or default continues or with imprisonment for a term not exceeding two years or with both.

Clause 26: This clause seeks to provide penalties for contravention of section 12 or orders of the Micro Finance Ombudsman. It provides that whoever knowingly fails to comply with the provisions of section 12 or fails to comply with any order of the Micro Finance Ombudsman or of the orders made by the Central Government or other specified authority under section 13 of this legislation shall be punishable with imprisonment which may extend to three years and shall also be liable to fine of not less than five hundred rupees for every day during which such non-compliance continues. It further provides that every offence connected with or arising out of acceptance of thrift or repayment thereof shall be a cognizable offence under the Code of Criminal Procedure, 1973.

Clause 27: This clause contains provisions relating to offences by the micro finance organisation. It provides that where an offence under the proposed legislation is committed, the person who was in charge of, and was responsible to the micro finance organisation for the conduct of business of the micro finance organisation, as well as the micro finance organisation itself, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. However, such person shall not be liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence. It also provides that where an offence under the proposed legislation has been committed by a micro finance organisation and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any person who is or was a director, trustee; member of the managing committee, manager, secretary or other officer or employee of the micro finance organisation when the offence is or was committed, such person shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Clause 28: This clause provides that no court shall take cognizance of any offence punishable under the proposed legislation or any rules or regulations made thereunder, save on a complaint made by any officer of the National Bank or any other person authorised by the National Bank.

- Clause 29: This clause seeks to provide a first charge over the specified unencumbered securities held by the micro finance organisation in favour of eligible clients who have made contribution of thrift.
- Clause 30: This clause provides that the Central Government may, in consultation with the National Bank from time to time, require the furnishing of such returns, statements and such other particulars in regard to the micro finance organisations in such form and in such manner as the Central Government may specify, and the micro finance organisations shall furnish to the Central Government such returns, statements and particulars.
- Clause 31: This clause provides that the Central Government may, on being satisfied that in the public interest, or in the interest of the micro finance organisation, it is necessary so to do, by order in writing declare that any or all of the provisions of the proposed legislation, shall not apply to a micro finance organisation or a class of micro finance organisations, or to any class of micro finance organisations either generally or for such period as may be specified in the order, subject to such conditions, limitations or restrictions as it may think fit to impose.
- Clause 32: This clause seeks to provide that the provisions of the proposed legislation 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.
- Clause 33: This clause confers power upon the Central Government to make rules to carry out the provisions of the proposed legislation. Sub-clause (2) of this clause enumerates the various matters in respect of which such rules may be made.
- Clause 34: This clause confers power upon the National Bank to make, with the previous approval of the Central Government, regulations consistent with the proposed legislation and the rules made thereunder, to carry out the purposes of the proposed legislation. Sub-clause (2) enumerates

the various matters in respect of which such regulations may be made by the National Bank.

Clause 35: This clause seeks to provide for placing the rules made by the Central government, regulations made by the National Bank and any order of exemption made under section 31, before each House of Parliament.

Clause 36: This clause provides that the application of other laws is not barred by the provisions of the proposed legislation.

Clause 37: This clause empowers the Central Government to make an order for removing any difficulty which may arise in giving effect to the provisions of the Act and every such order made under this clause be laid before each House of Parliament.

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Micro Financial Sector (Development and Regulation) Bill 2007

Bill No 41 of 2007

Financial Memorandum

1. Clause 3 of the Bill provides for constitution of a Council to be known as the Micro Finance Development Council to advise the National Bank for Agricultural and Rural Development (National Bank) on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the micro finance sector. The allowances, etc., to the Members of the Council for attending the meetings of the Council shall be made by the National Bank as may be specified by the regulation made by it. Clause 22 of the Bill provides that the Central Government may, after due appropriation made by the Parliament by law, make to the National Bank grants of such sums of money as the Central Government may think fit for being utilised for the purposes of the Bill. Clause 23 of the Bill further provides that the National Bank shall constitute a fund to be called as "the Micro Finance Development and Equity Fund" and the grants or any other sums specified therein received from the Central Government are to be credited to such fund.
2. Any grant, from the Consolidated Fund of India, to be made to the National Bank pursuant to the above provisions of the Bill will be with the due approval of the Parliament to be obtained separately. The amount of grant to be made to the National Bank from the Consolidated Fund of India cannot be estimated as it would depend upon the circumstances at the point of time of making such grant.

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Micro Financial Sector (Development and Regulation) Bill 2007

Bill No 41 of 2007

Memorandum regarding Delegated Legislation

1. Clause 33 of the Bill confers power upon the Central Government to make rules for carrying out the provisions of the Bill. The matters in respect of which such rules may be made relate, inter alia,
 - (a) the area of agricultural land to be owned by farmers under sub-clause (i) of clause (b) of section 2;
 - (b) such other categories of individuals under clause (vi) of clause (b) of section 2;
 - (c) such other amounts and the other purposes under item (C) of sub-clause (i) of clause (f) of section 2;
 - (d) the amount and the terms and conditions under clause (l) of section 2;
 - (e) such other functions as may be performed by the National Bank under clause (l) of sub-section (2) of section 19;
 - (f) any other matter which is required to be or may be prescribed.

2. Clause 34 of the Bill confers power upon the National Bank to make, with the previous approval of the Central Government, regulations consistent with the Act and the rules made thereunder to carry out the purposes of this Act. The matters in respect of which, such regulations may be made, relate, inter alia, to
 - (a) the fees and allowances payable to a member of the Micro Finance Development Council under section 6;
 - (b) the times and places at which the Micro Finance Development Council shall meet and observe such rules of procedure in regard to the transaction of business at its meetings under section 7;
 - (c) the form and manner in which every micro finance organisation shall make an application for registration and the fee payable to the National Bank under sub-section (1) of section 9;
 - (d) any other condition for grant of a certificate of registration under clause (e) of sub-section (1) of section 10;
 - (e) the form in which the balance-sheet and profit and loss account or an income and expenditure account shall be prepared under section 15;
 - (f) the form and the manner of return may be filed with the National Bank under section 18;

- (g) the procedure for winding up of the operations of the micro finance organisation under sub-section (3) of section 21;
 - (h) the manner of management of Micro Finance Development Fund by the Board of Directors of the National Bank under sub-section (2) of section 23;
 - (i) the terms and conditions on which the loans, refinance, grants, seed capital or any other financial assistance will be provided under clause (a) of sub-section (3) of section 23;
 - (j) the terms and conditions on which the grants or loans will be provided under clause (b) of sub-section (3) of section 23;
 - (k) the terms and conditions on which the investment inequity or any other form of capital or quasi-equity of a micro finance organisation shall be made under clause (c) of sub-section (3) of section 23;
 - (l) the other expenses (except salaries, allowances and other remuneration of officers and other employees of the National Bank) of the National Bank that shall be met in connection with discharge of its functions under clause (f) of sub-section (3) of section 23;
 - (m) such other matters for which the National Bank may consider it expedient or necessary to provide for by way of regulations.
3. The rules made by the Central Government and the regulations made by the National Bank shall be laid as soon as may be, after they are made, before each House of Parliament.
4. The matters in respect of which rules and regulations may be made are generally matters of procedure and administrative details and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

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