

Reintroduction of Electoral Bond Scheme, 2025

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Reintroduction of Electoral Bond Scheme, 2025

Guided by the imperative for transparent electoral financing and committed to fortifying the integrity of democratic processes within the Union of India; this Act is enacted to provide a framework for the Electoral Bond Scheme and to amend relevant provisions of existing legislation to achieve these objectives.

1. Short Title, Extent, and Commencement

- a. This act may be called or referred to as the Reintroduction of Electoral Bond Scheme, 2025.
- b. It shall come into force the 1st day of June, 2025.
- c. It extends to the States and Union Territories of India as defined under Article 12 of the Constitution.

2. Definitions

- a. **"Electoral Bond"** refers to a bearer financial instrument used for making undisclosed political donations.
 - b. **"Eligible Political Party"** refers to a political party registered under Representation of People's Act (hereinafter referred to as RPA), 1951, which has obtained at least a 1% vote.
 - c. **"Donor Anonymity"** means an option to safeguard bond buyers' identities in an anonymous form.
 - d. **"Corporate Entities"** shall refer to any company as defined under the Companies Act 2013. This includes both public and private companies, as well as a holding company and a subsidiary company.
 - e. **"The Election Commission of India"** is an autonomous constitutional authority responsible for administering Union and State election processes in India.
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Chapter 1

Right to Information and Modifications

3. **Rationale and Objectives**-The Electoral Bond Scheme is reintroduced as a measure to foster transparency and accountability in political funding through the following-
 - a. Clear Funding- This secure and legal avenue aims to encourage legitimate financial contributions to political parties without fear of intimidation or coercion, promoting cleaner funding practices within the democratic framework.
 - b. Black Money Curbing- Offers anonymous donations via banks, quelling untaxed money.
 - c. Regulated Transactions- Transactions under this scheme will continue to be regulated by the State Bank of India (SBI) and the Reserve Bank of India (RBI), ensuring a controlled and documented financial flow.
4. **Eligibility**-
 - a. Denominations- Electoral Bonds shall be available in denominations of ₹1,000, ₹10,000, ₹1 lakh, ₹10 lakh, and ₹1 crore.
 - b. Eligibility- All political parties registered under Section 29A of the Representation of the People Act, 1951 and having secured not less than one percent of the votes polled in the last general election to the House of the People or the Legislative Assembly of the State, shall be eligible to receive donations through Electoral Bonds.
5. **Addressing Prior Concerns and Ensuring Constitutional Compliance**-To address concerns regarding the right to information and potential misuse of donor anonymity, while still ensuring a degree of privacy, the following modifications are introduced-
 - a. Transparency- While donor anonymity is maintained publicly, the timeline and quantum of bonds redeemed by each eligible party will be periodically published by the SBI in a standardized format, allowing for public scrutiny of fund distribution without revealing donor details in specific cases only.
 - b. Review- The Election Commission of India (ECI) will conduct periodic reviews of bond subscription and redemption patterns to identify any potential skewness or undue concentration of benefits towards a single party.
6. **To fortify accountability and address concerns regarding unchecked corporate influence, the Representation of the People Act, 1951, is amended**-
 - a. A new provision shall be inserted after the existing provision to sub-section (1) of Section 29A of the Representation of the People Act, 1951, which shall read as-
 - (2) “Provided further that any contribution received by a political party registered under this section from a corporate entity through Electoral Bonds shall be subject to the limitations, wherein the aggregate amount of contributions made by a company in any financial year to any political party or parties shall not exceed twenty percent of its average net profits during the three immediately preceding financial years.”
 - b. Section 29B of the Representation of the People Act, 1951, shall be amended by inserting the following sub-section after the existing sub-section (2)-
 - (3) “The Election Commission of India shall have the authority to conduct thorough annual audits of the financial records of some political parties registered under Section 29A, particularly concerning the receipt and expenditure of funds through Electoral Bonds. For the purpose of such audits, the Commission may call for any information or document from the political parties, the State Bank of India, or

any other relevant financial institution, and the concerned entities shall be obligated to provide the same.”

Chapter 2

Role of Regulatory Stakeholders

7. **Election Commission shall be vested with comprehensive oversight of the Electoral Bond Scheme as delineated herein-**
 - a. The ECI shall possess authority to audit the accounts of eligible political parties, specifically concerning the receipt and utilization of funds obtained through electoral bonds. The ECI shall be prohibited from inquiring into the source of the electoral bonds or seeking any correlation between the bonds received and the identity of the purchasing donors.
 - b. The Commission may require political parties to maintain separate accounts for bonds received and shall prescribe formats for regular submission of disclosure statements detailing aggregate receipts, which shall be published on the Commission’s official website for public access within 30 days of such submission.
8. **The State Bank of India shall be entrusted with regulatory purview over the authorized banks engaged in the issuance pursuant to this Act in the following manner-**
 - a. Prior to the sale of the electoral bond, SBI shall strictly adhere to Know Your Customer (KYC) norms involving the verification of the identity of the donor, this information shall be maintained with strict confidentiality and shall not be disclosed to any political party or the public.
 - b. SBI shall develop and maintain a proprietary digital platform called Bond Track India for transaction tracking that generates anonymized statistical data for regulatory reporting. This means that while the system tracks individual transactions, the reports generated for regulatory bodies (such as the Election Commission of India) will present aggregated data without revealing the identities of the donors.
9. **Oversight Committee-**There shall be constituted a Joint Oversight Committee comprising five members, including one representative each from the election Commission of India, The State Bank of India, the Ministry of Finance, the Ministry of Law and Justice and a fifth member nominated directly by the ruling political party at the national level, which shall convene quarterly to review the implementation of the Electoral Bond Scheme, assess the scheme’s efficacy in promoting transparency, and submit annual comprehensive reports to Parliament detailing the scheme’s operation. However, all decisions of the Joint Oversight Committee shall require a simple majority vote, and the minutes of the meetings shall not be subject to public disclosure or Right to Information requests for a period of ten years.

Chapter 3

Transitional Provisions and Sunset Clause

10. **Transition to the New Scheme-**
 - a. The Union Government will be responsible to notify revised operational guidelines, as outlined in this bill, for the sale, purchase, and encashment of electoral bonds within 100 days of this bill passing in the lower house of the parliament.
 - b. Any party desirous of receiving funds must fulfil the following requirements/comply to the following-

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- i. A joint investigation led by the Chief Justice of India (or a liaison thereof), with the home minister and the Cabinet Secretary of India, determining the plausibility of previous transactions (conducted within the past 30 days) that he party has conducted.
 - ii. Political parties shall submit a supplementary disclosure of all bond-based donations received under the repealed scheme within 60 days of the enactment of this Act.
 - iii. Any party wishing to receive electoral bonds after the enactment of this act, has to register with the Election Commission of India again, only national parties can be excused from this provision.
 - c. Until such guidelines are notified, no political party can issue transactions of any kind, to ensure proper reviews take place before the implementation of this act. If the above-mentioned tasks are conducted, unlawfully-
 - i. The political party cannot participate in elections of any kind for 10 years.
 - ii. The secretary of the political party (or the leader) will be jailed for 3 years, as a minimum.
 - iii. The party will pay the amount it is illegally transacted with a 75% increment within 30 days of the transaction.
11. **Sunset Clause**-Considering the failure of the past act, the following provisions are being enacted-
- a. After 400 days of the implementation of this scheme, there will be a joint parliamentary committee which will evaluate the following regarding the bill-
 - i. The effectiveness of the bonds to uplift smaller political parties in competition with larger parties.
 - ii. The role of electoral bonds in corruption in India's political sphere.
 - iii. Companies committing illegal acts, and their donations will be put to scrutiny.
 - iv. Failure of parties providing structured data about donations from electoral bonds.
 - v. Role of electoral bonds in prevention of justice.
 - b. The joint parliamentary committee will be attended by the following stakeholders-
 - i. The Election commissioner of India.
 - ii. Chairman of State Bank of India.
 - iii. Chief Justice of India.
 - iv. Cabinet Secretary of India.

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It is brought to light that any legal inconsistency is wholly unintentional and for the same we extend our apologies in advance.

Statement of Object and Reason

The purpose of this Bill is to reintroduce the concept of electoral bonds in a revised, constitutionally compliant, and transparent framework to facilitate legitimate, traceable, and regulated funding of political parties in India. This bill seeks to address issues raised by the Hon'ble Supreme Court in 2024. The Court highlighted the need for transparency, the right of voters to information, and the dangers of unchecked anonymity in political funding. This bill features concepts such as sunset clauses in order to ensure that the bill remains responsive to growing democratic needs. This Bill balances the right to privacy of donors with the citizen's right to know, ensuring that large-scale political contributions are subject to scrutiny while discouraging the use of black money in the electoral process. It is, therefore, proposed to enact this legislation in the public interest, to uphold the integrity of electoral processes while preserving the legitimate avenues for political contributions in a transparent and accountable manner.

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