

**UNREVISED**

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JOINT COMMITTEE  
ON INDIAN CONSTITUTIONAL REFORM

**RECORDS**  
of the Joint Committee on  
**INDIAN CONSTITUTIONAL  
REFORM**

*Die Martis, 15<sup>o</sup> Augusti, 1933*

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# **REPORT OF THE COMMITTEE ON INDIAN RESERVE BANK LEGISLATION.**

**MEMORANDUM BY THE SECRETARY OF STATE FOR INDIA.**

The Federal Structure Sub-Committee of the First Round Table Conference recommended that, "with a view to ensuring confidence in the management of Indian credit and currency . . . efforts should be made to establish on sure foundations and free from any political influence, as early as may be found possible, a Reserve Bank, which will be entrusted with the management of the currency and exchange." In the course of the discussions of the Third Round Table Conference I undertook that representative Indian opinion would be consulted in the preparation of proposals for the establishment of the Reserve Bank, including those relating to the reserves. In accordance with this undertaking a Committee was appointed to advise the Government of India and myself on the subject of the required legislation.

The Committee, which sat in July, has now submitted its Report. The prime purpose of the Report is to facilitate the drafting of the Reserve Bank Bill which will, in all probability, be submitted to the Indian Legislature in the course of September, with a view to its possible passage into law later in the year.

I present the Report to the Committee because of its connection with the proposals relating to financial responsibility in the White paper (see paragraph 32 of the Introduction).

## **Report of the Committee on Indian Reserve Bank Legislation.**

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1. It was recommended by the Federal Structure Sub-Committee of the First Round Table Conference that, "with a view to ensuring confidence in the management of Indian credit and currency, . . . efforts should be made to establish on sure foundations and free from any political influence, as early as may be found possible, a Reserve Bank, which will be entrusted with the management of the currency and exchange."\* The Financial Safeguards Committee of the Third Round Table Conference recommended "that steps should be taken to introduce into the Indian Legislature a Reserve Bank Bill conceived on the above lines as soon as possible."† In the Report of that Committee it was also placed on record that "The Secretary of State undertook that representative Indian opinion would be consulted in the preparation of proposals for the establishment of the Reserve Bank including those relating to the reserves." The present Committee has been set up in pursuance of that undertaking.

2. We understand that the Bill, when drafted, is to be placed before the present Indian Legislature with a view to its being brought into force before the expiry of the existing Constitution. The provisions of the Bill, therefore, will have to be designed to fit in with the existing Constitution, but in discussing them we have kept in view the conditions contemplated under the new Federal Constitution and endeavoured to frame proposals on lines which will require the minimum of adaptation to those conditions.

A complication arises from the uncertain future of Burma. We have, however, assumed that Burma, if separated, will continue to utilise the Indian currency system, and that no material changes in the Reserve Bank Act will be required.

3. We fully accept the principle that the Reserve Bank should be free from any political influence. The best device which the practical experience of other countries has evolved for achieving this object is that the capital of the Bank should be held by private shareholders,‡ and we recommend that this plan should be adopted in the case of India.

4. In formulating a scheme for the constitution of the Board of Directors, we have borne in mind the importance of securing the

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\* Second Report of the Federal Structure Sub-Committee, paragraph 18.

† Report of the Committee on Financial Safeguards, paragraph 4.

‡ Rai Bahadur Ram Saran Das records his view that the Bank should be State-owned.

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representation of the economic life of India as a whole, while at the same time guarding against undue influence in the affairs of the Bank by sectional interests, acquired through the control of voting power. The proposals below are designed to fulfil these aims, but their efficacy will depend in the first place upon proper restriction of voting power. We propose that the denomination of the shares should be Rs. 500. On this basis we recommend that the minimum voting qualification should be two shares, which must have been held for at least six months, and that the maximum number of votes that may be exercised by any one shareholder should be ten. If such a limitation is imposed on voting power we do not think it necessary to place any restriction on the amount of capital to be held by any one shareholder. Such a restriction would place undesirable obstacles in the way of free marketing of the shares.

*The Board of the Bank.*

5. We consider that the Board should be as small as practicable. The majority of the Board of Directors should in our opinion derive their mandate from the shareholders. We do not recommend that any special provision should be made for the representation on the Board of commercial bodies as such. In view, however, of the fact that in the particular circumstances of India election may fail to secure the representation of some important elements in the economic life of the country, such as agricultural interests, we recommend that a minority of the Board should be nominated by the Governor-General in Council under the present Constitution and by the Governor-General at his discretion under the new Constitution, it being understood that this power would be exercised to redress any such deficiencies. We agree generally that the Board should be constituted as follows :—

- 8 Directors representing the shareholders ;
- 4 Directors nominated by the Governor-General in Council ;
- 1 Governor.
- 1 Deputy-Governor (or two, if two are appointed), with no voting power ;\*
- 1 officer of Government with no voting power.

We contemplate that the Governor would ordinarily attend all meetings of the Board, but if he is unable to do so on any particular occasion we consider that his vote should be exercised by a Deputy-Governor authorised by him to act as his substitute.

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\* Some members of the Committee think that the Deputy Governors should have full voting power.

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RESERVE BANK LEGISLATION.

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6. The plan which we recommend for the appointment of Directors to represent the shareholders is set forth in the next paragraph. It involves the division of India (including for this purpose Burma) into five "areas"; the election, by the shareholders resident in each area, of members of a Local Board; and the selection by the latter, from among themselves, of Directors to represent the respective areas on the Central Board.

7. In Appendix II will be found, in tabular form, our proposals for the geographical division into areas, and for the allocation among them of seats on the Central Board, and the initial allocation of share capital. It is suggested that Bombay should be the headquarters for the Western area (two seats on the Central Board), Calcutta for the Eastern area (two seats), Delhi for the Northern area (two seats), Madras for the Southern area (one seat), and Rangoon for the Burma area (one seat). (The number of Local Boards for this purpose should not be capable of increase.) The electoral scheme in the 1928 Bill provided for the inclusion of all the Indian States in the "Delhi Area." We consider, however, that the States should for this purpose fall into their natural geographical divisions, and our proposals, shown in detail in Appendix II, have been made on this basis. We propose that five members should be elected to each Local Board by the shareholders "resident" in the area according to the definition given in clause 4 (4) of the 1928 Bill. The members so elected should appoint, from among themselves, the Director or Directors to represent the area on the Central Board. Provision should be made to enable a substitute Director to be appointed from and by a Local Board in case a Director representing it is unable to attend a particular meeting.

8. Clause 6 of the 1928 Bill provides for the opening of offices at the headquarters of the five areas which we propose. We observe that this clause as it stands would oblige the Bank to establish a branch in London. We understand that it is the recognised practice of Central Banks to conduct their operations in another country through the agency of the Central Bank of that country. We do not consider that the Board should be precluded by statute from following this practice. We therefore recommend that the words "and London" should be omitted from clause 6, the effect of which will be to make the establishment of a London branch optional. Should the Bank arrange to employ the Bank of England as its agent in London, we contemplate that the arrangement would be reciprocal and that the Bank of England would employ the Reserve Bank as its agent in India.

9. Apart from their functions in the machinery by which Directors are appointed, the Local Boards would have no

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executive duties, except such as may be delegated to them by the Central Board. Otherwise they would be purely advisory bodies. In particular, they might play a valuable part in the scrutiny of commercial paper, analogous to the functions of the discount committees established in Belgium, Bulgaria, Japan and Lithuania. With a view to ensuring that all appropriate interests, agriculture and the Indian States in particular, are adequately represented, the Central Board should be empowered to nominate to each Local Board not more than three additional members. These additional members should be full members of the Local Board, except that they should not be eligible to be returned as representatives of the area on the Central Board, nor to take part in the selection of such representatives.

10. As regards the qualification of elected Directors, we consider a provision on the lines of sub-clause 2 of clause 11 of the Bill of 1928 to be desirable. We would also provide that within six months of their appointment to the Central Board the four nominated Directors must become possessed of the same share qualification as is prescribed for Directors elected by the shareholders. We do not, of course, suggest that a share qualification must be acquired by the Governor, the Deputy Governor or Governors, or the Government officer. We accept the disqualifications set out in clause 8 of the 1928 Bill, to which, however, we would add "Insolvency." We have considered whether the disqualification of Government officials should apply also to officials of Indian States. We are all agreed that, so far as elected members of Central or Local Boards are concerned, this disqualification should apply, but as regards nominated directors, either on the Central or Local Boards, the Indian States representatives have pressed that an exception should be made. Recognising that there might on occasions be practical difficulties in finding suitable non-official representatives of the Indian States, a majority of the Committee are prepared to recommend an exception in this case, provided that it shall not apply to officials of the Government of India lent to an Indian State.

11. The qualifications and disqualifications applicable to members of a Local Board, whether elected or nominated, should, subject to what is said in paragraph 10 above, be the same as those applicable to the elected members of the Central Board.

12. We recommend, in order that the Reserve Bank may be able to commence operations, that the first appointment of Directors should be made by the Governor-General in Council, suitable arrangements being made for retirement in rotation.

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13. The method of appointing the Governor is a matter of the highest importance. It is essential that this officer should command general confidence, both in India and abroad. As regards the appointment of the Governor and Deputy Governor (or Deputy Governors), the majority of the Committee hold that the Governor-General in his discretion should be the appointing authority when the new Constitution comes into force. Those who were of this opinion felt no doubt that before making these appointments the Governor-General would ascertain the views of the Board of the Bank. A minority of the Committee however, hold that these appointments should be made by the Board of Directors, subject to the approval of the Governor-General. An attempt to harmonise these views was made by proposing that the existing provision of the Imperial Bank constitution should be followed in drafting the Bill, and that the Governor and Deputy Governors should be appointed by the Governor-General after consideration of the recommendations of the Board of the Bank. This solution, as a compromise, was acceptable to all members of the Committee except four.

#### *Share Capital and Share Registers.*

14. We recommend that the original share capital of the Bank should be Rs. 5 crores, divided into shares of Rs. 500 each, which should be fully paid; that the initial allocation as between the five areas should be on the lines indicated in Appendix II; that a separate share register should be maintained in each of the five areas; and that shares should be transferable from one register to another, so that there would be a free market in them, but shareholders should only be entitled to vote in respect of the areas in which they are resident.

#### *Structure of the Bank.*

15. The two previous Bills provided for separate Issue and Banking Departments as in the case of the Bank of England, and we understand that this provision has met with general approval in India. We recommend that the new Bill should be drafted on this basis.

#### *Business of the Bank.*

16. We approve generally of the provisions of clauses 17 and 18 of the Bill of 1928, but we consider that some extension may be required to enable the Indian States to participate in the Reserve Bank Scheme, and detailed suggestions of this nature are included in Appendix I.

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17. The Banking Enquiry Committee recommended\* that additional provision should be made enabling the Bank to make loans and advances on the security of moveable goods, wares, and merchandise, as well as against the warehouse warrants and warehouse receipts representing such goods. We do not feel able to recommend any such provision, since it would tend to render the Bank's resources less liquid, and might involve it in undesirable competition with commercial banks.

18. An important question arises in regard to clause 18. Since the Hilton Young Commission reported and the previous Bills were drafted, Central Banking practice in other countries has developed in the direction of utilising open market operations to an increasing extent for the purpose of regulating credit. Clause 18 as it stands might be read as necessitating a meeting of the Board on each occasion on which such operations are required. Since action may be necessitated, for the purpose of regulating credit, with a degree of urgency which does not permit prior consultation with the Board, it should be made clear that the Board is not precluded from delegating to the Governor powers in this behalf for the above-mentioned purpose.

*Exchange Obligations of the Bank.*

19. The questions which arise in connection with the exchange obligations to be imposed on the Bank present special difficulty in existing circumstances. In the prevalent state of monetary disorganisation throughout the world, it is impossible to incorporate in the Bill provisions which would necessarily be suitable when monetary systems generally have been re-cast and stabilised. In these circumstances we consider that the only sound course for India is to remain on the sterling standard. On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced. This statement does not, however, imply any expression of opinion on the part of the Committee on the merits or demerits of the present ratio. The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act.

A considerable majority of the Indian Delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world

\* Report of the Indian Central Banking Enquiry Committee of 1931, paragraph 607.



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in the last few years. In their view it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India.

We are all agreed that it should, in any case, be made clear in the Preamble that the whole question of the monetary standard best suited to India will have to be reviewed when the international monetary position has clarified itself and become sufficiently stable to make it possible to frame more permanent provisions.

20. It will be necessary in the Bill to provide limits to the range of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand sterling for immediate delivery. According to the practice now prevailing upper and lower points have in fact been retained as though the rupee was still on a gold basis. As the fixing of new points would in any case have to be on an arbitrary basis we recommend that this practice, to which the public have become accustomed, should be continued.

*Assets and Liabilities of the Issue Department.*

21. The addition of 40 crores to the liabilities of the Issue Department for the purpose of providing for rupee redemption requires reconsideration in view of the large return of rupees from circulation since the Hilton Young Commission reported and the indications as to the probable trend of the movement of rupees in and out of circulation in the future. We recommend that, as the future return of rupees over a series of years is likely to be considerably less than in the past few years, the rupee redemption fund should be dispensed with and in its place the following scheme should be adopted:—

- (1) The amount of rupees transferred at the outset to the Bank should not exceed Rs. 50 crores.
- (2) Any surplus of rupees which this arrangement would enable Government to remove from the reserve should be held by Government in a separate account, the silver being held as bullion, not as coin. Subject to further consideration by the Government of India any proceeds from the realisation\* of such rupees should not be used, except for the purpose specified in (3) below.

\* Some of us wish to make it clear that in accepting this scheme we do not wish to be regarded as endorsing any policy of selling silver.

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- (3) In any year in which the minimum holding of silver rupees by the Bank exceeded 50 crores of rupees or one-tenth of the total amount of the reserve, the Bank would have the right to make over the surplus to Government to an amount not exceeding 5 crores of rupees in any year, and Government would be required to pay full value for these (to the extent of 40 per cent. in sterling or other external assets acceptable to the Bank if the Bank so required, and if the Bank's external assets at the time did not exceed 50 per cent. of its total reserve).
- (4) If in any year the Bank's maximum holding fell below the amounts indicated above, Government would similarly have the right to sell rupees to the Bank up to a maximum of 5 crores in any one year.

We observe in this connection that the omission of any provision for a specific rupee redemption fund makes it all the more necessary that the reserves of the Bank should at the outset provide an ample margin over the statutory amount. Under the proviso to clause 33 of the 1928 Bill, the initial proportion of gold and sterling assets must be not less than one-half of the liabilities of the Issue Department. We do not propose any alteration in this figure in the new Bill, but we think that this proportion may not necessarily be adequate, and we recommend that the question whether a higher proportion is required at the outset should, before the Bank is set up, be carefully considered by Government in the light of all the prevailing circumstances.

22. As regards the holding of Government of India rupee securities, the question was raised whether the limits proposed in the second proviso of clause 31 (3) might not prove unduly restrictive of the Bank's open market operations; and we recommend that this point should be further considered in India.

23. With regard to the remainder of the reserve, we recommend that "Gold Securities" should be replaced by "Sterling Securities." The holding of gold securities would be not merely inappropriate to a sterling standard, but, in the present state of uncertainty, a possible source of weakness. As regards the aggregate proportion of gold coin or bullion and sterling securities to be held, we recommend that the minimum figure of 40 per cent. proposed by the Hilton Young Commission and adopted in the previous Bills should be retained.

24. As regards the distribution of this minimum between sterling and gold various considerations have to be taken into account. On the one hand it must be recognised that the Bank will always require to hold a substantial amount of sterling in

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order to enable it to fulfil its sterling obligations. Indeed it might be argued that so long as the rupee is not based on a gold standard there is no logical necessity to prescribe a minimum holding of gold and that any such limitation would restrict the freedom of the Bank's operations and would, to that extent, be a source of weakness in relation to its obligations to maintain the currency standard. There is, moreover, a further argument that as gold carries no interest any undue proportion of gold holdings would unjustifiably reduce the Bank's profits and so impose, indirectly, an unnecessary burden on the Indian taxpayer. As against these considerations, must be weighed the deep and widespread feeling in India in favour of holding gold as affording ultimately the most reliable form of reserve, a feeling which may necessitate some provision for a minimum gold holding in order to secure the confidence of the Indian public in the stability of the Bank. While individual members of our Committee have been inclined to attach varying degrees of importance to these different considerations we have been able to reach agreement on a recommendation that the Bill should prescribe a minimum gold holding of Rs. 35 crores.\*

The minimum of Rs. 35 crores represents actually about 20 per cent. of the present note liability. Should, however, through any considerable expansion of the note issue, this percentage fall below 15 per cent., some members of the Committee are of opinion that the position should be immediately reviewed.

25. The question of valuation of the gold assets presents some difficulty. At a time when monetary standards are completely disorganised, there is, in fact, no logical figure applicable to the valuation of gold reserves. We consider that the best course would be to retain the valuation laid down in sub-clause (4) of clause 31. This would be in accordance with the practice at present followed by the Bank of England and in India, where gold continues to be valued at the old parity. Under this arrangement the existing holdings would be covered against loss by a wide margin. The possibility would obviously be present that the Bank might gain a large premium on the gold handed over to it by Government. The question as to how such premium should be dealt with, especially in the event of sales being made in the intermediate period pending revaluation of the gold, raises complex practical issues which we have not fully discussed. In

\* Sir Purshotamdas Thakurdas and Rai Bahadur Ram Saran Das dissent from the proposal to omit any provision for a minimum percentage of gold to the note issue.

Sir Campbell Rhodes would prescribe no minimum but leave the Board complete freedom in the matter of gold reserves.

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principle such profits should belong rather to the Government than to the Bank, but our view is that this unrealised margin should in some way or other be kept available for strengthening the position of the currency reserves. We recommend that detailed proposals should be worked out by the Government of India for consideration during the passage of legislation on this subject.

26. We approve generally of the provisions of clause 41 of the 1928 Bill, relating to the suspension of reserve requirements and the connected tax provision. We\* think it would be well to bring clause 41 into a closer connection with clause 31 in order to make it clear that the "minimum" reserve can, and should, be utilised whenever this is called for by the circumstances.

#### *Reserve Fund and Allocation of Surplus.*

27. We approve, generally, the provisions for "Reserve Fund and Allocation of Surplus" in clause 46 of the 1928 Bill, subject to the following modifications in regard to the distribution of dividends. The appropriate rate for the fixed dividend must depend to some extent on the return on comparable securities at the time of issue of the shares. We recommend that the Bill should empower the Governor-General in Council to fix this rate, subject to a maximum of 5 per cent. Provision should also be made, on the lines of the Third Schedule to the 1928 Bill, for a gradually increasing dividend up to a maximum of 6 per cent. In determining the fixed rate of dividend the Governor-General in Council should take into account, not only the yield on Government long-term securities, but also the desirability of attracting the small investor in the mofussil and thereby securing a wide distribution of the shares.

#### *Scheduled Banks.*

28. We approve the principle of clause 44 of the 1928 Bill, under which Scheduled Banks are required to maintain minimum balances with the Reserve Bank. Some doubts have been expressed as to the appropriateness of (a) the criterion for inclusion in the schedule, viz. Rs. 3 lakhs paid-up capital and reserves; and (b) the percentages prescribed in sub-clause (1) of that clause. We recommend that these two questions should be reconsidered in India together with the question whether the criterion should be based on the amount of deposits rather than on the paid-up capital and reserves.

\* Except Sir Purshotamdas Thakurdas and Rai Bahadur Ram Saran Das.

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RESERVE BANK LEGISLATION.

*Relations of the Reserve Bank with the Imperial Bank of India.\**

29. We recommend that the Reserve Bank should be required to enter into an agreement with the Imperial Bank on the general lines of clause 45 of the 1928 Bill, but we consider that the period of 25 years prescribed in that clause is too long, and we suggest that this point should be further considered by the Government of India. The initial period, however, should be of substantial duration, with provision thereafter for termination on several years' notice given by either side. The agreement should further contain a stipulation that its continuance is dependent on the maintenance of a sound financial position by the Imperial Bank.

30. With regard to the Second Schedule to the 1928 Bill, we approve of the provision that the Imperial Bank should be the sole agent of the Reserve Bank at all places in British India where there is a branch of the Imperial Bank of India and no branch of the Banking Department of the Reserve Bank. It should be understood that this only applies to branches that are in existence at the time when the Act comes into force. We also agree that the Imperial Bank shall not, without the approval of the Reserve Bank, open any branch in substitution for a branch existing at the time when the agreement comes into force. As regards other branches that may be opened in the future, the Reserve Bank should be under no obligation to employ the Imperial Bank and should be free to make its own arrangements. The agency terms provided for in paragraphs 2 and 3 of Schedule II will require reconsideration in the light of present circumstances, and we recommend that the Government of India should frame revised terms in consultation with the Imperial Bank.

31. It was submitted to us that, apart from the question of remuneration for services to be rendered, the Imperial Bank of India has a moral claim for compensation in respect of its disappointed expectations and of commitments which it undertook, by arrangement with Government, before the institution of the Reserve Bank was contemplated. It was suggested to us that such compensation should be given in the form of an allotment of

\* Owing to their connection with the Imperial Bank, Sir Edward Benthall and Sir Purshotamdas Thakurdas took no part in the discussion of this question.

Sir Akbar Hydari also desired to have his view recorded that the objects for which the early establishment of the Reserve Bank had been found necessary would be much more speedily attained, at the outset at least, if the Imperial Bank of India was, with suitable modifications, made the instrument for attaining these objects, rather than by the creation forthwith of an entirely new institution.

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RESERVE BANK LEGISLATION.

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a part of the share capital of the Reserve Bank to shareholders of the Imperial Bank. We do not consider that the question whether the Imperial Bank is entitled to compensation is within the purview of this Committee; but, in any case, we cannot recommend any special allocation of Reserve Bank shares to the shareholders of the Imperial Bank, as this would be inconsistent with our scheme for the distribution of shares on the broadest possible basis throughout India. We have no doubt, however, that any claim for compensation which may be put forward by the Imperial Bank will receive due consideration by the authorities in India. If the claim is conceded we consider that the compensation should be given in some other form.

*General.*

32. The Committee considered whether the powers to be given to the Governor-General in Council in various clauses of the Bill should, under the new Federal Constitution, be exercised by the Governor-General at his discretion or by the Governor-General on the advice of his Ministers. In agreeing to the recommendations recorded below, some of the members took into account the powers which they assume the Governor-General will possess under the new Constitution Act to intervene if on any occasion his special responsibilities are involved.

In clause 41 of the 1928 Bill (Suspension of Reserves) no agreement was reached between the three alternatives of the exercise of these powers—

- (a) by the Governor-General at his discretion;
- (b) by the Federal Government; or
- (c) by the Federal Government with the approval of the Governor-General at his discretion.

In clauses 43 and 52 of the 1928 Bill (Forfeiture of Right of Note Issue and Liquidation) it was agreed that the powers should be exercised by the Federal Government with the approval of the Governor-General at his discretion.

In clause 53 (Regulations) it was agreed that the power should be exercised by the Federal Government.

33. In the preceding paragraphs we have dealt with all the major questions in respect of which we recommend any departure from the provisions of the 1928 Bill. In other respects we recommend that the principles of that Bill should be followed in drafting the new Reserve Bank Bill. There are, however, a number of minor points on which we recommend modification of the provisions of the 1928 Bill, either as being consequential on our major recommendations or desirable on other grounds.

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These suggestions are set forth in Appendix I, and for convenience of reference we annex to our Report a copy of the 1928 Bill.

34. In conclusion we desire to express our obligation to our Secretaries, Mr. G. H. Baxter and Mr. A. T. Williams and other members of the staff concerned for the invaluable assistance which they have rendered both in our proceedings and in the drafting of our Report.

R. A. MANT,  
*Deputy Chairman.*

N. N. ANKLESARIA.

E. C. BENTHALL.

C. C. BISWAS.

RAM SARAN DAS.

H. DENNING.

A. HYDARI.

MIRZA M. ISMAIL.

COWASJEE JEHangIR (jun.).

L. J. KERSHAW.

C. KISCH.

V. T. KRISHNAMA CHARI.

H. P. MODY.

A. RAMASWAMI MUDALIAR.\*

CAMPBELL RHODES.

GEORGE SCHUSTER.

PHIROZE SETHNA.

H. STRAKOSCH.

PURSHOTAMDAS THAKURDAS.

S. D. WALEY.

MOHD. YAMIN KHAN.

ZAFRULLA KHAN.

G. H. BAXTER,  
A. T. WILLIAMS,

*Secretaries.*

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\* Mr. Ramaswami Mudaliar has signed on behalf of Mr. Iyengar in regard to all matters on which agreement was reached before Mr. Iyengar left for India. In regard to other matters, Mr. Iyengar has reserved the right to record a supplementary note if he finds this necessary.

INDIA OFFICE,  
1st August 1933.

## APPENDIX I.

*(See paragraph 33 of Report.)*

*Title and Preamble.*—The reference to “Gold Standard Currency” will require amendment.

*Clause 1 (1).*—This clause will need to be similarly amended.

*Clause 1 (2).*—We have assumed that Burma, if separated, will continue to utilise the Indian currency system. If the decision ultimately reached is otherwise, an amendment of this sub-clause will be necessary.

*Clause 1 (3).*—A modification of dates will be necessary.

*Clause 1 (4).*—We recommend that this sub-clause should provide that Chapter III shall be in force for a period of 25 years, and shall continue in force thereafter until revoked or modified by further legislation.

*Clause 2 (g).*—The definition of a “gold standard country” will have to be replaced by that of a “sterling standard country.”

*Clause 4 (8).*—The scheme of allotment should be modified so as to provide for preferential allotment to the extent of two shares (the suggested minimum qualification for a vote) being given to applicants for two shares and over. A specific provision should also be made excluding Government from voting power in respect of any capital left in its hands.

*Clause 8 (1) (a) (i).*—We would amend this to read :—

“engaged in the direction of agricultural, commercial, financial or industrial activities, or”

*Clause 11 (1).*—Elected Directors should be removable by the Governor-General in Council on a resolution passed by the Board by a majority consisting of not less than nine Directors. Other members of the Board should be removable by the authority which nominated or appointed them.

*Clause 13.*—Election rules should be drawn up by the Bank in the manner provided for in clause 53.

*Clause 15 (1).*—Provision will be necessary for calling local meetings to elect the Local Boards.

*Clause 15 (2).*—Bearing in mind the widespread practice of blank transfers in India we consider that members of Local Boards might be empowered to call upon any registered and resident shareholder to make a statutory declaration to the effect that he is the actual owner of the shares registered in his name.

*Clause 17 (1).*—Provision should be made to enable the Bank to act as Bankers for Indian States.

*Clause 17 (2) (c).*—We would add after the words “Local Government” the words “or such securities of an Indian State as may be specified in that behalf by the Governor-General in Council on the recommendation of the Central Board of the Reserve Bank.”

*Clause 17 (3).*—The reference to “Gold standard countries” should be changed to “Sterling standard countries.”



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*Clause 17 (7) and (8).*—It has been suggested that in present conditions these subsections are unduly restrictive as regards the maturities of Government securities in which the Bank is permitted to deal. We recommend that this point should be further examined by the Government of India. An amendment similar to that already suggested above to subclause 17 (2) (c) might also be made to subclause 8.

*Clause 17 (11).*—The words “or Indian State” might be added after the words “Local Government” to admit of the Bank acting as agent for the Indian States.

*Clause 17 (14).*—We consider that external borrowing should be expressly confined to other Central Banks, and that in that event no limitation need be placed on the amount which it is permissible to borrow externally.

*Clause 17 (16).*—We would redraft this sub-clause as follows:—

“Generally, the doing of all such matters and things as may be incidental to, or consequential upon, the provisions of this Act and not prohibited by this Act.”

*Clause 18.*—We would substitute for the words “in the interests of Indian trade or commerce, or for the purpose of enabling the Bank to perform any of its functions under this Act,” the words “for the purpose of regulating credit in the interests of Indian trade, commerce, industry and agriculture.”

A further amendment of this clause has been recommended in paragraph 18 of our Report.

*Clause 31.*—Here, and in other clauses where it is referred to, the provision for “gold securities” should be replaced by “sterling securities.”

*Clause 31 (3).*—It is for consideration whether it should not be made clear that the “Government of India rupee securities” must be marketable securities.

*Clause 31 (6).*—This sub-clause will require amendment in view of the adoption of a sterling standard.

*Clauses 32–37* will require modification in the light of our proposal for the omission of provision for a specific rupee redemption fund.

*Clauses 38–40.*—These clauses will require to be replaced by provisions on the lines indicated in paragraphs 19 and 20 of our Report.

*Clause 53.*—Amendments and additions will be required in consequence of certain of our recommendations.

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APPENDIX II.  
Suggestions for Distribution of Local Areas and Allocation  
of Shares.  
(See paragraph 7 of Report.)

Area (1)	Head- quarters (2)	Extent (3)	Number of Directors (4)	Allocation of Share Capital Rs. lakhs (5)
1. NORTHERN	Delhi	United Provinces Punjab North-West Frontier Province Baluchistan Ajmer Merwara Rajputana Agency Punjab States Kashmir United Provinces States Gwalior	2	80
2. WESTERN	Bombay	Bombay Presidency Sind Central Provinces and Berar Western India Agency Baroda Hyderabad Central India Agency (excluding Bundel- khand and Baghel- khand) Gujerat States Agency Deccan States Agency	2	165
3. EASTERN -	Calcutta	Bengal Bihar and Orissa Assam Sikkim Assam States Bengal States Eastern States Agency Bundelkhand and Baghelkhand	2	165
4. SOUTHERN	Madras	Madras Presidency Coorg Mysore Madras States	1	50
5. BURMA -	Rangoon	Burma Andamans and Nicobars	1	40

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ANNEXURE.

THE GOLD STANDARD AND RESERVE BANK OF INDIA BILL, 1928.

(As published.)

*A Bill to establish a gold standard currency for British India and constitute a Reserve Bank of India.*

Whereas it is expedient to provide for the establishment of a gold standard currency for British India; to constitute a Reserve Bank of India to control the working of that standard and regulate the issue of bank notes and the keeping of reserves with a view to securing stability in the monetary system of British India; and generally to make provisions for matters incidental thereto; It is hereby enacted as follows:—

CHAPTER I.

PRELIMINARY.

1.—(1) This Act may be called the Gold Standard and Reserve Bank of India Act, 1928.

(2) It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas.

(3) This section shall come into force at once, and the remaining provisions of this Act shall come into force on such date or dates, not later than the 1st day of July, 1929, as the Governor-General in Council may, by notification in the Gazette of India, appoint:

Provided that the Governor-General in Council may, by notification in the Gazette of India stating his reasons for such action, substitute for the year 1929 in this section the year 1930; and may, by like notifications, make two further successive substitutions of the years 1931 and 1932.

(4) Chapter III shall be in force for a period of twenty-five years and its operation may thereafter be extended for such further period or periods as the Governor-General in Council may, by notification in the Gazette of India, direct.

2. In this Act, unless there is anything repugnant in the subject or context—

(a) "the Bank" means the Reserve Bank of India constituted by this Act;

(b) "the Banking Department" means and includes all departments of the Bank other than the Issue Department;

(c) "bank rate" means the rate published by the Bank under section 47;

(d) "bank note" means paper money issued by the Bank;

(e) "the Board" means the Board of Directors constituted in accordance with section 9;

(f) "general meeting" means a meeting of the registered shareholders of the Bank;

(g) "gold standard country" means any country, other than British India, from which any person is at liberty to export gold and in which any person may obtain gold on demand from the principal currency authority on payment of the equivalent thereof, as prescribed by law, in legal tender currency;

15<sup>o</sup> Augusti, 1933.] REPORT OF THE COMMITTEE ON INDIAN RESERVE BANK LEGISLATION. [Continued.]

(h) " Issue Department " means that department of the Bank which is charged by section 23 with the conduct and management of the note issue;

(i) " provincial co-operative bank " means any society which is registered or deemed to be registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies and the sole business and object of which is the financing of the other societies in a province which are or are deemed to be so registered;

(j) " the Reserve " means the assets of the Issue Department as specified in section 31;

(k) " the Reserve Fund " means the Reserve referred to in section 46;

(l) " rupee coin " means silver rupees which are legal tender under the provisions of the Indian Coinage Act, 1906; and

(m) " scheduled bank " means a bank included in the First Schedule.

## CHAPTER II.

### INCORPORATION, SHARE CAPITAL, MANAGEMENT AND BUSINESS.

#### *Establishment and Incorporation of the Reserve Bank of India.*

3.—(1) A Bank to be called the Reserve Bank of India shall be constituted for the purpose of taking over the management of the currency from the Governor-General in Council and of carrying on the business of banking in accordance with the provisions of this Act.

(2) The Bank shall be a body corporate by the name of the Reserve Bank of India, having perpetual succession and a common seal, and shall by the said name sue and be sued.

#### *Share Capital.*

4.—(1) The original share capital of the Bank shall be five crores of rupees divided into shares of one hundred rupees each, which shall be fully paid up.

(2) No amount in excess of twenty thousand rupees shall be issued to any one person or to any two or more persons jointly, and no person shall be allowed to acquire an interest in the share capital of the Bank, whether held in his own right, or held jointly with others, or held partly in his own right and partly jointly with others, to a nominal value in excess of twenty thousand rupees.

(3) Separate registers of shareholders shall be maintained at Bombay, Calcutta, Madras, Rangoon and Delhi, and a separate issue of shares shall be made in each of the areas served by those registers, as hereinafter defined, and shares shall not be transferable from one register to another save in accordance with conditions to be prescribed by the Governor-General in Council.

(4) A shareholder shall be qualified to be registered as such in any area in which he is ordinarily resident or has his principal place of business in India, but no person shall be registered as a shareholder in more than one register or as a holder of an interest in the share capital of a total nominal value exceeding twenty thousand rupees; and no person who is not—

(a) domiciled in India, or

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RESERVE BANK LEGISLATION.

(b) a British subject ordinarily resident in India, or  
(c) a company registered under the Indian Companies Act, 1913, or a society registered under the Co-operative Societies Act, 1912, or a scheduled bank, or a corporation or company incorporated by or under an Act of Parliament or any law for the time being in force in any of His Majesty's dominions and having a branch in British India,

shall be registered as a shareholder or be entitled to payment of any dividend on any share.

(5) The Board may, at its discretion, without giving any reason, decline to allot shares to any applicant or to register any transfer of shares.

(6) The areas served by the various registers mentioned in subsection (3) shall be as follows, namely:—

(a) by the Bombay register—the Presidency of Bombay (including Sind), and the Central Provinces;

(b) by the Calcutta register—the Presidency of Bengal and the Provinces of Bihar and Orissa and Assam;

(c) by the Madras register—the Presidency of Madras and the Province of Coorg;

(d) by the Rangoon register—the Province of Burma, and the Andaman and Nicobar Islands;

(e) by the Delhi register—the remainder of India, including the territories of Indian Princes and Rulers in India.

(7) The nominal value of the shares originally assigned to the various registers shall be as follows, namely:—

(a) to the Bombay register—one hundred and fifty lakhs of rupees;

(b) to the Calcutta register—one hundred and fifty lakhs of rupees;

(c) to the Madras register—forty lakhs of rupees;

(d) to the Rangoon register—forty lakhs of rupees;

(e) to the Delhi register—one hundred and twenty lakhs of rupees:

Provided that, in the event of the shares assigned to any register not being fully taken up at the first allotment, the Board may, with the previous sanction of the Governor-General in Council, transfer a portion of such shares from that register to another.

(8) In allotting the shares assigned to a register, the Board shall, in the first instance, allot one share to each applicant qualified under subsection (4) to be registered as a shareholder on that register; and, if the number of such applicants is greater than the total number of shares assigned to the register, shall determine by lot the applicants to whom the shares shall be allotted.

If the number of applicants is less than the number of shares assigned to the register, the Board shall allot the remaining shares to applicants who have applied for more shares than one; and if the number of extra shares so applied for exceeds the number of shares so to be allotted, the Board shall allot them among the various applicants in such manner as it may deem fair and equitable:

Provided that such allotments shall in all cases be subject to the restrictions contained in subsection (2).

If, after all applications have been met in accordance with the provisions of this subsection, any shares remain unallotted, they shall, notwithstanding anything contained in this section, be allotted to Government, and shall be sold by the Governor-General in Council, at not less than par, as soon as may be.

5.—(1) The share capital of the Bank may be increased by the Board with the previous sanction of the Governor-General in Council.

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(2) Every such increase shall be fully paid up, and the areas to which such further shares shall be allotted and the price at which they may be issued shall be fixed by the Board with the like sanction.

(3) The Board may determine the manner in which any increase of share capital shall be effected.

(4) The share capital of the Bank may be reduced by the Board, with the previous sanction of the Governor-General in Council, to such extent and in such manner as may be determined by the Bank in general meeting.

#### *Offices and Branches.*

6. The Head Office of the Bank shall be established in Bombay, and the Bank shall, as soon as may be, establish branches in Calcutta, Madras, Rangoon, Delhi and London, and may establish branches or agencies in any other place in India or, with the previous sanction of the Governor-General in Council, elsewhere.

#### *Management of the Bank.*

7. The general superintendence of the affairs and business of the Bank shall be entrusted to a Board of Directors, which may exercise all powers and do all such acts and things as may be exercised or done by the Bank and are not by this Act expressly directed or required to be done by the Bank in general meeting.

8.—(1) Save as expressly provided in this Act—

(a) no person may be a Director who is not or has not at some time been—

(i) actively engaged in agriculture, commerce, finance or industry,

or

(ii) a director of any company as defined in clause (2) of section 2 of the Indian Companies Act, 1913, or of a corporation or company incorporated by or under any law for the time being in force in any place outside British India; and

(b) no person may be a Director who is—

(i) a government official, or

(ii) an officer or employee of any bank, or

(iii) a director of any bank, other than a registered society as defined in clause (e) of section 2 of the Co-operative Societies Act, 1912.

(2) The election or appointment as Director of any person who is a member of the Indian Legislature or of a local Legislature shall be void, unless within one month of the date of his election or appointment he ceases to be such member, and if any Director is elected or nominated as member of any such Legislature he shall cease to be a Director as from the date of such election or nomination, as the case may be.

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

(a) a Governor and two Deputy Governors to be appointed by the Governor-General in Council after consideration of any recommendation made by the Board in that behalf;

(b) four Directors to be nominated by the Governor-General in Council;

(c) two Directors to be elected by the Associated Chambers of Commerce;

(d) two Directors to be elected by the Federation of the Indian Chambers of Commerce;

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(e) one Director, representing the interests of agriculture, to be elected by provincial co-operative banks holding shares to the nominal value of not less than five thousand rupees;

(f) eleven Directors to be elected on behalf of the shareholders on the various registers, in the manner provided in section 10 and in the following numbers, namely:—

(i) for the Bombay register—three Directors;

(ii) for the Calcutta register—three Directors;

(iii) for the Madras register—one Director;

(iv) for the Rangoon register—one Director;

(v) for the Delhi register—three Directors; and

(g) one government official to be nominated by the Governor-General in Council.

(2) The Governor and Deputy Governors shall devote their whole time to the affairs of the Bank, and shall receive such salaries and allowances as may be determined by the Board subject to any minimum prescribed by the Governor-General in Council.

(3) The Governor, a Deputy Governor and a Director nominated or elected under clause (b), (c), (d), (e) or (f) shall hold office for five years, or thereafter until his successor shall have been duly appointed, nominated or elected, and, subject to the provisions of section 8, shall be eligible for re-appointment, re-nomination or re-election as the case may be.

The Director nominated under clause (g) shall hold office during the pleasure of the Governor-General in Council. He may attend any meeting of the Board and take part in its deliberations, but shall not be entitled to vote.

(4) No act or proceeding of the Board shall be questioned on the ground merely of the existence of any vacancy in, or any defect in the constitution of, the Board.

10.—(1) The shareholders registered on the various registers shall elect delegates for the purpose of electing Directors to represent them on the Board, and the numbers of delegates shall be as follows, namely:—

(a) for the Bombay register—twenty-four members;

(b) for the Calcutta register—twenty-four members;

(c) for the Madras register—ten members;

(d) for the Rangoon register—ten members;

(e) for the Delhi register—twenty-four members.

(2) Every shareholder who has been registered on a register for not less than six months immediately preceding the election shall be entitled to vote at the election of delegates for the shareholders on that register; and no shareholder shall have more than one vote.

(3) The delegates for the shareholders on a register shall be elected from among those who are shown on that register as having held, for a period of not less than six months immediately preceding the election, unencumbered shares of the Bank of a nominal value of not less than five thousand rupees:

Provided that no person shall be elected as a delegate who is a government official or an officer or servant of the Bank:

Provided further that no candidate may stand for election, unless he has been nominated by not less than twenty of the shareholders entitled to vote at the election.

(4) The election of delegates for the shareholders on a register shall be held once in every five years, at a convenient time before the expiry of the term of office of the retiring Directors for the election of whose successors the delegates are to be elected.

(5) Delegates shall hold office for a period of five years:

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Provided that, if a delegate ceases to be equalized for election under subsection (3), he shall forthwith cease to hold office as a delegate.

(6) A casual vacancy in the office of delegate, in whatsoever manner arising, may be filled by the Board from among the shareholders for the time being qualified for election to that office under subsection (3).

(7) The delegates for the shareholders on a register shall elect, from among those shareholders, the Directors to represent them on the Board in accordance with this Act and the rules made under section 13.

11.—(1) The Governor-General in Council may remove from office the Governor, a Deputy Governor, or any Director nominated or elected under clause (b), (c), (d), (e) or (f) of subsection (1) of section 9, on a resolution passed by the Board in that behalf by a majority consisting of not less than fifteen Directors:

Provided that, in the case of a Director elected under clause (c), (d), (e) or (f), such resolution shall have been confirmed by a majority of not less than two-thirds of the persons present and voting at a general meeting expressly called for that purpose.

(2) A Director nominated or elected under clause (b), (c), (d), (e) or (f) of subsection (1) of section 9 shall cease to hold office if, at any time after the expiry of one month from the date of his nomination or election or of eighteen months from the date on which this Act comes into force, whichever is later, he is not registered as a holder of unencumbered shares of the Bank of a nominal value of not less than ten thousand rupees, or if he ceases to hold unencumbered shares of that value.

12.—(1) If the Governor or a Deputy Governor by infirmity or otherwise is rendered incapable of executing his duties or is absent on leave or otherwise in circumstances not involving the vacation of his appointment, the Governor-General in Council may appoint another person to officiate for him, and such person may, notwithstanding anything contained in clause (b) of subsection (1) of section 8, be an officer of the Bank.

(2) A casual vacancy in the office of a Director, other than the vacancies provided for in subsection (1), shall be filled in the manner in which, and by the authority by whom, the nomination or election of the Director vacating office was made; and the Director so nominated or elected shall hold office for the unexpired portion of the term of his predecessor.

13. The Governor-General in Council may, after previous publication, make rules to provide for all matters for which provision is in his opinion necessary or expedient for the holding and conduct of elections under this Act, and, in particular, and without prejudice to the generality of the foregoing power, may by such rules provide—

(a) for the holding of elections according to the principle of proportional representation by means of the single transferable vote or otherwise as he thinks fit in any case; and

(b) for the final decision of doubts or disputes regarding the qualifications of any candidate for election or regarding the validity of elections.

14. Meetings of the Board shall be convened by the Governor at least six times in each year and at least once in each quarter. Meetings shall ordinarily be held in Bombay, but at least two meetings of the Board shall be held in Calcutta in each year.

15.—(1) A general meeting (hereinafter in this Act referred to as the annual general meeting) shall be held annually at Bombay within six weeks from the date on which the annual accounts of the Bank are closed, and a general meeting may be convened by the Board at any other time.



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(2) Any shareholder shall be entitled to attend and vote at any general meeting, and no shareholder, whether present in person or voting through another shareholder as proxy, shall have more than one vote.

16.—(1) The following provisions shall apply to the first constitution of the Board, and, notwithstanding anything contained in section 9, the Board as constituted in accordance therewith shall be deemed to be duly constituted in accordance with this Act.

(2) The first Governor and first Deputy Governors shall be appointed by the Governor-General in Council on his own initiative, and shall receive such salaries and allowances as he may determine.

(3) The first four Directors nominated under clause (b) of subsection (1) of section 9 shall hold office for three years.

(4) The first four Directors elected under clauses (c) and (d) of that subsection shall hold office for four years.

(5) The first Director elected under clause (e) of that subsection may be elected by all provincial co-operative banks notwithstanding that shares have not been allotted, and shall hold office for four years.

(6) The first eleven Directors representing the shareholders shall be nominated by the Governor-General in Council after consultation with the Local Governments, and shall hold office for two years.

(7) The first elections of Directors under section 10 shall be held before the expiry of the term of office of the Directors nominated under subsection (6), and the Directors so elected shall hold office as follows, namely:—

(a) the Directors elected on behalf of the shareholders on the Bombay register—for four years;

(b) the Directors elected on behalf of the shareholders on the Calcutta register—for three years;

(c) the Director elected on behalf of the shareholders on the Madras register—for five years;

(d) the Director elected on behalf of the shareholders on the Rangoon register—for five years;

(e) the Directors elected on behalf of the shareholders on the Delhi register—for two years.

#### *Business of the Bank.*

17. The Bank shall be authorised to carry on and transact the several kinds of business hereinafter specified, namely:—

(1) the accepting of money on deposit without interest from, and the collection of money for, the Secretary of State in Council, the Governor-General in Council, Local Governments, banks and any other persons;

(2) (a) the purchase, sale and rediscount of bills of exchange and promissory notes, drawn and payable in India and arising out of *bona fide* commercial or trade transactions, bearing two or more good signatures, one of which shall be that of a scheduled bank, and maturing within ninety days from the date of such purchase or rediscount exclusive of days of grace;

(b) the purchase, sale and rediscount of bills of exchange and promissory notes, drawn and payable in India and bearing two or more good signatures, one of which shall be that of a scheduled bank, or a provincial co-operative bank, and drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within six months from the date of such purchase or rediscount, exclusive of days of grace: provided that the total face

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value of bills or notes so purchased or rediscounted shall not at any time exceed one-fourth of the total face value of all bills and notes purchased or rediscounted by the Bank up to that time;

(c) the purchase, sale and rediscount of bills of exchange and promissory notes, drawn and payable in India and bearing the signature of a scheduled bank, and issued or drawn for the purpose of holding or trading in securities of the Government of India or a Local Government, and maturing within ninety days from the date of such purchase or rediscount exclusive of days of grace;

(3) the purchase from and sale to scheduled banks and persons approved by the Board, in amounts of not less than the equivalent of one lakh of rupees, of the currencies of such gold standard countries as may be specified in this behalf by the Governor-General in Council by notification in the Gazette of India, and of bills of exchange (including treasury bills) drawn in or on any place in any such country, and maturing within ninety days from the date of such purchase, exclusive of days of grace; and the keeping of balances with banks in such countries;

(4) the making of loans and advances, repayable on demand or on the expiry of fixed periods not exceeding ninety days against the security of—

(a) stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any Act of Parliament or by any law for the time being in force in British India;

(b) gold coin or bullion or documents of title to the same;

(c) such bills of exchange and promissory notes as are eligible for purchase or rediscount by the Bank; provided that the total of the loans and advances against such securities as are referred to in sub-clause (b) of clause (2) shall not at any time exceed one-fourth of the total loans and advances made by the Bank up to that time;

(d) such bills of exchange as are eligible for purchase by the Bank under clause (3);

(e) promissory notes of any scheduled bank or a provincial co-operative bank, supported by documents evidencing title to goods which have been transferred, assigned, hypothecated or pledged to any such bank as security for a cash credit granted for *bonâ fide* commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops: provided that no loan or advance shall be made on the security of any promissory note such as is referred to in this sub-clause after the expiry of five years from the date on which this section comes into force;

(5) the making of advances to the Governor-General in Council repayable in each case not later than three months after the close of the financial year in respect of which the advance has been made;

(6) the issue of demand drafts and the making, issue and circulation of bank post bills made payable on its own branches;

(7) the purchase and sale of securities, maturing within five years from the date of such purchase, of the Government of any gold standard country specified in this behalf by the Governor-General in Council by notification in the Gazette of India;

(8) the purchase and sale of securities of the Government of India of any maturity, or of a Local Government or of a local authority in

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British India maturing within ten years from the date of purchase: provided that the amount of such securities held at any time in the Banking Department shall be so regulated that—

- (a) the total value of such securities shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and two-fifths of the liabilities of the Banking Department in respect of deposits;
  - (b) the value of such securities maturing after six months shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and one-fifth of the liabilities of the Banking Department in respect of deposits;
  - (c) the value of such securities maturing after one year shall not exceed the aggregate amount of the share capital of the Bank, the Reserve Fund and one-tenth of the liabilities of the Banking Department in respect of deposits; and
  - (d) the value of such securities maturing after ten years shall not exceed the aggregate amount of the share capital of the Bank and the Reserve Fund;
- (9) the custody of monies, securities and other articles of value, and the collection of the proceeds, whether principal, interest or dividends, of any such securities;
- (10) the sale and realisation of all property, whether moveable or immovable, which may in any way come into the possession of the Bank in satisfaction, or part satisfaction, of any of its claims;
- (11) the acting as agent for the Secretary of State in Council, the Governor-General in Council or any Local Government in the transaction of any of the following kinds of business, namely—
- (a) the purchase and sale of gold or silver;
  - (b) the purchase, sale, transfer and custody of bills of exchange, securities or shares in any company;
  - (c) the collection of the proceeds, whether principal, interest or dividends, of any securities or shares;
  - (d) the remittance of such proceeds, at the risk of the principal, by bills of exchange payable either in India or elsewhere;
  - (e) the management of public debt;
- (12) the purchase and sale of gold coin and bullion;
- (13) the opening of an account with, and the acting as agent or correspondent of, any other bank which is the principal currency authority of a gold standard country under the law for the time being in force in that country or any of the Federal Reserve Banks in the United States of America;
- (14) the borrowing of money for a period not exceeding one month for the purposes of the business of the Bank, and the giving of security for money so borrowed:
- Provided that the total amount of such borrowings shall not at any time exceed the amount of the share capital of the Bank:
- Provided further, that no money shall be borrowed under this clause from any person in British India other than a scheduled bank;
- (15) the making and issue of bank notes subject to the provisions of this Act; and
- (16) generally, the doing of all such matters and things as may be incidental or subsidiary to the transaction of the various kinds of business hereinbefore specified.

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18. When, in the opinion of the Board, it is necessary or expedient that action should be taken under this section in the interests of Indian trade or commerce, or for the purpose of enabling the Bank to perform any of its functions under this Act, the Bank may, notwithstanding any limitation contained in sub-clauses (a) and (b) of clause (2) of section 17, purchase, sell or discount any bills of exchange or promissory notes drawn and payable in India and arising out of *bond fide* commercial or trade transactions, bearing two or more good signatures and maturing within ninety days from the date of such purchase or discount, exclusive of days of grace.

19. Save as otherwise provided in sections 17, 18 and 45, the Bank may not—

(1) engage in trade or otherwise have a direct interest in any commercial, industrial, or other undertaking, except such interest as it may in any way acquire in the course of the satisfaction of any of its claims: provided that all such interests shall be disposed of at the earliest possible moment;

(2) purchase its own shares or the shares of any other bank or of any company, or grant loans upon the security of any such shares;

(3) advance money on mortgage of, or otherwise on the security of, immoveable property or documents of title relating thereto, or become the owner of immoveable property, except so far as is necessary for its own business premises and residences for its officers and servants;

(4) make unsecured loans or advances;

(5) draw or accept bills payable otherwise than on demand;

(6) allow interest on deposits or current accounts.

### CHAPTER III.

#### CENTRAL BANKING FUNCTIONS.

*Relations of the Bank with the Secretary of State in Council, the Governor-General in Council, and Local Governments.*

20. The Bank shall undertake to accept monies for account of the Secretary of State in Council and the Governor-General in Council, and such Local Governments as may have the custody and management of their own provincial revenues, and to make payments up to the amount standing to the credit of their accounts respectively, and to carry out their exchange, remittance and other banking operations, including the management of the public debt, on such conditions as may be agreed upon.

21.—(1) The Governor-General in Council and such Local Governments as may have the custody and management of their own provincial revenues shall undertake to entrust the Bank, on such conditions as may be agreed upon, with all their money, remittance, exchange and banking transactions in India and elsewhere and, in particular, to deposit free of interest all their cash balances with the Bank:

Provided that nothing in this subsection shall prevent the Governor-General in Council or any Local Government from carrying on money transactions at Government treasuries or sub-treasuries at places where the Bank has no branches or agencies, and the Governor-General in Council and Local Governments may hold at such treasuries and sub-treasuries such balances as they may require.

(2) The Governor-General in Council and each Local Government shall undertake to entrust the Bank, on such conditions as may be agreed upon,

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with the management of the public debt and with the issue of any new loans.

*Note Issue.*

22.—(1) The Bank shall have the sole right to issue paper money in British India, and may, for a period of one year from the date on which this Chapter comes into force, issue currency notes of the Government of India supplied to it by the Governor-General in Council, and the provisions of this Act applicable to bank notes shall, unless a contrary intention appears, apply to all currency notes of the Government of India issued either by the Governor-General in Council or by the Bank in like manner as if such currency notes were bank notes, and references in this Act to bank notes shall be construed accordingly.

(2) On and from the aforesaid date the Governor-General in Council shall not issue any currency notes or any other kind of paper money.

23.—(1) The issue of bank notes shall be conducted by the Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department, and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department as hereinafter defined in section 32.

(2) The Issue Department shall not issue bank notes to the Banking Department or to any other person except in exchange for other bank notes or for such coin, bullion or securities as are permitted by this Act to form part of the Reserve.

24. Bank notes shall be of the denominational values of five rupees, ten rupees, fifty rupees, one hundred rupees, five hundred rupees, one thousand rupees and ten thousand rupees, and of such other denominational values, if any, as may be directed by the Governor-General in Council.

25. The design, form and material of bank notes shall be such as may be approved by the Governor-General in Council.

26.—(1) Subject to the provisions of subsection (2), every bank note shall be legal tender at any place in British India in payment or on account for the amount expressed therein, and shall be guaranteed by the Governor-General in Council.

(2) The Governor-General in Council may, by notification in the Gazette of India, declare that, with effect from such date as may be specified in the notification, any series of bank notes of any denomination shall cease to be legal tender save at an office or agency of the Bank.

27. Any bank note re-issued from any office of the Bank shall be sterilised and disinfected before re-issue, and the Bank shall not re-issue bank notes which are torn, defaced or excessively soiled.

28. Notwithstanding anything contained in any enactment or rule of law to the contrary, no person shall of right be entitled to recover from the Governor-General in Council or the Bank the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note:

Provided that the Bank may, with the previous sanction of the Governor-General in Council, prescribe the circumstances in and the conditions and limitations subject to which the value of such currency notes or bank notes may be refunded as of grace.

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*Prohibition of issue of Private Bills or Notes payable to Bearer on demand.*

29. No person in British India other than the Bank or, as expressly authorised by this Act, the Governor-General in Council shall draw, accept, make or issue any bill of exchange, hundi, promissory note or engagement for the payment of money payable to bearer on demand, or borrow, owe or take up any sums or sums of money on the bills, hundis or notes payable to bearer on demand of any such person:

Provided that cheques or drafts payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent.

30.—(1) Any person contravening the provisions of section 29 shall, on conviction by a Presidency Magistrate or a Magistrate of the first class, be punishable with fine equal to the amount of the bill, hundi, note or engagement in respect whereof the offence is committed.

(2) No prosecution under this section shall be instituted except on complaint made by the Bank.

*Assets of the Issue Department.*

31.—(1) The Reserve shall consist of gold coin, gold bullion, gold securities, rupee coin and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department as hereinafter defined.

(2) Of the total amount of the Reserve not less than two-fifths shall consist of gold coin, gold bullion or gold securities:

Provided that the amount of gold coin and gold bullion shall not at any time be less than thirty crores of rupees in value and shall not be less than one-fifth of the total amount of the Reserve after the end of the fifth year, or than one-quarter of the total amount of the Reserve after the end of the tenth year, from the date on which this Chapter comes into force.

(3) The remainder of the Reserve shall be held in rupee coin, Government of India rupee securities of any maturity and such bills of exchange and promissory notes drawn and payable in British India as are eligible for purchase by the Bank under sub-clause (a) or sub-clause (b) of clause (2) of section 17 or under section 18:

Provided that the amount held in rupee coin shall not exceed—

(a) during the three years after the date on which this Chapter comes into force, ninety-five crores of rupees,

(b) during the next three years, seventy-five crores of rupees,

(c) during the next four years, sixty crores of rupees, and

(d) fifty crores of rupees thereafter,

or one-tenth of the total amount of the Reserve, whichever amount is greater:

Provided further that the amount held in Government of India rupee securities shall not at any time exceed one-fourth of the total amount of the Reserve or fifty crores of rupees, whichever amount is less.

(4) For the purposes of this section, gold coin and gold bullion shall be valued at 8.47512 grains of fine gold per rupee, rupee coin shall be valued at its face value, and gold and rupee securities shall be valued at the market rate for the time being obtaining.

(5) Of the gold coin and gold bullion held in the Reserve not less than seventeen-twentieths shall be held in British India, and all gold coin and gold bullion forming part of the Reserve shall be held in the custody of the Bank or its agencies:

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Provided that gold belonging to the Bank which is in any other bank or in any mint or treasury or in transit may be reckoned as part of the Reserve.

(6) For the purposes of this section, the gold securities which may be held as part of the Reserve shall be securities of any of the following kinds payable in the currency of any of such gold standard countries as may be specified in this behalf by the Governor-General in Council by notification in the Gazette of India, namely:—

(a) balances at the credit of the Issue Department with a bank which is the principal currency authority under the law for the time being in force of such country, or with any of the Federal Reserve Banks in the United States of America;

(b) bills of exchange bearing two or more good signatures and drawn on and payable at a place in any such country and having a maturity not exceeding ninety days;

(c) securities maturing within five years of the Government of any part of His Majesty's dominions which is a gold standard country or of any other gold standard country specified in this behalf by the Governor-General in Council by notification in the Gazette of India:

Provided that, for a period of two years from the date on which this Chapter comes into force,—

(i) any of such last-mentioned securities may be securities maturing after five years, and the Bank may at any time before the expiry of that period dispose of such securities notwithstanding anything contained in section 17, and

(ii) sterling securities of the Government of India may be held as part of the Reserve.

#### *Liabilities of the Issue Department.*

32.—(1) The liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and bank notes for the time being in circulation and of an initial amount of forty crores of rupees for the purpose of providing for rupee redemption, which last-mentioned amount shall be reduced by one rupee for every five rupees delivered to the Governor-General in Council under the provisions of section 34, and shall be increased by one rupee for every five rupees received from him under section 35.

(2) For the purposes of this section, any currency note of the Government of India or bank note which has not been presented for payment within forty years from the 1st day of April following the date of its issue shall be deemed not to be in circulation, and the value thereof shall, notwithstanding anything contained in subsection (2) of section 23, be paid by the Issue Department to the Governor-General in Council or the Banking Department, as the case may be; but any such note, if subsequently presented for payment, shall be paid by the Banking Department, and any such payment in the case of a currency note of the Government of India shall be debited to the Governor-General in Council.

#### *Initial Assets and Liabilities.*

33. On the date on which this Chapter comes into force, the Issue Department shall take over from the Governor-General in Council the liability for all the currency notes of the Government of India for the time being in circulation, and the Governor-General in Council shall

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transfer to the Issue Department gold coin, gold bullion, gold securities, rupee coin and rupee securities to such aggregate amount as is equal to the total of the amount of the liability so transferred and of a sum of forty crores of rupees. The coin, bullion and securities shall be transferred in such proportion as to comply with the requirements of section 31:

Provided that the total amount of the gold coin, gold bullion and gold securities so transferred shall not be less than one-half of the whole amount transferred.

*Supply of Coin, and of different Forms of Legal Tender Currency.*

34. The Bank may deliver to the Governor-General in Council all rupee coin held by it in excess of the amount which the Issue Department is permitted to hold as part of the Reserve under section 31, against payment of four rupees in bank notes, gold or gold securities for every five rupees so delivered.

35. When the amount of rupee coin for the time being held in the Reserve does not exceed twenty-five crores of rupees or one-tenth of the total amount of the Reserve, whichever is greater, the Bank may demand delivery of rupee coin from the Governor-General in Council, on payment of four rupees in bank notes, gold or gold securities for every five rupees so delivered.

36. The Governor-General in Council shall undertake not to re-issue any rupee coin delivered under section 34 nor to put into circulation any new rupees, except through the Bank and on the Bank's demand; and the Bank shall undertake not to dispose of rupee coin otherwise than for the purposes of circulation or by delivery to the Governor-General in Council under that section.

37. The Bank shall issue rupee coin on demand in exchange for currency notes of the Government of India, and shall issue currency notes or bank notes on demand in exchange for coin which is legal tender under the Indian Coinage Act, 1906, and it shall, in exchange for currency notes or bank notes of five rupees or upwards, supply currency notes or bank notes of lower value or rupees or other coins which are legal tender under the Indian Coinage Act, 1906, in such quantities as may, in the opinion of the Bank, be required for circulation; and the Governor-General in Council shall, subject to the provisions of section 35, supply such rupees or other coins to the Bank on demand. If the Governor-General in Council at any time fails to discharge this duty, the Bank shall be released from its obligation to supply such coins to the public.

*Obligation to sell Gold and Gold Exchange.*

38.—(1) The provisions of this section shall have effect from such date, not later than the 1st day of July, 1931, as the Governor-General in Council may, by notification in the Gazette of India, appoint:

Provided that the Governor-General in Council may, by notification in the Gazette of India stating his reasons for such action, substitute for the year 1931 in this section the year 1932; and may, by like notifications, make two further successive substitutions of the years 1933 and 1934.

(2) The Bank shall sell gold bullion for delivery in Bombay to any person who makes a demand in that behalf at its office at Bombay, Calcutta, Madras, Rangoon or Delhi and pays in legal tender currency the purchase price as determined under the provisions of this section:



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Provided that no person shall be entitled to demand an amount of gold bullion containing less than two hundred and fifty tolas of fine gold.

(3) The price of gold bullion for delivery in Bombay shall be twenty-one rupees, three annas and ten pies per tola of fine gold with an addition representing twice the normal cost per tola of transferring gold bullion in bulk from Bombay to such place in a gold standard country as may be specified in this behalf by the Governor-General in Council by notification in the Gazette of India, including interest on its value during transit:

Provided that no such addition shall be made when the rate at which the currency of the country in which the place so specified is situate can be purchased in Bombay for immediate delivery at that place is such that the equivalent of the price at which the principal currency authority of that country is bound by law to give gold in exchange for currency is less than twenty-one rupees, three annas and ten pies per tola of fine gold by an amount equal to or greater than the normal cost per tola of transferring gold bullion in bulk from the specified place to Bombay, including interest on its value during transit.

(4) The Governor-General in Council shall from time to time determine in accordance with the provisions of subsection (3) the price at which the Bank shall sell gold bullion for delivery in Bombay and shall notify the price so determined in the Gazette of India. Such notification shall be conclusive as between the Bank and any other person as to the price which the Bank shall be entitled to charge in respect of any sale of gold bullion.

39.—(1) The Bank shall sell, to any person who makes a demand in that behalf at its office at Bombay, Calcutta, Madras, Rangoon or Delhi and pays the purchase price in legal tender currency, at a rate equivalent to twenty-one rupees, three annas and ten pies per tola of fine gold, the currency of such gold standard country as may be notified in this behalf by the Governor-General in Council in the Gazette of India, for immediate delivery in that country:

Provided that no person shall be entitled to demand an amount of currency of less value than that of two hundred and fifty tolas of fine gold.

(2) For the purpose of determining the equivalent rate applicable to the sale of currency under this section, twenty-one rupees, three annas and ten pies shall be deemed to be equivalent to such sum in that currency as is required to purchase one tola of fine gold in that country at the rate at which the principal currency authority of that country is bound by law to give currency in exchange for gold, after deduction therefrom of an amount representing the normal cost per tola of transferring gold bullion in bulk from Bombay to that country, including interest on its value during transit.

(3) The Governor-General in Council shall from time to time determine the equivalent rate in accordance with the provisions of subsection (2), and shall notify the rate so determined in the Gazette of India.

*Obligation to buy Gold.*

40. The Bank shall buy, from any person who makes a demand in that behalf at its office in Bombay, Calcutta, Madras, Rangoon or Delhi, gold bullion for delivery in Bombay at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold, if such gold is tendered in the form of bars containing not less than two hundred and fifty tolas of fine gold:

Provided that the Bank shall be entitled to require such gold bullion to be melter, assayed, and refined, by persons approved by the Bank, at the expense of the person tendering the bullion.

*Suspension of Reserve Requirements and Tax on Note Issue.*

41.—(1) The Bank may, with the previous sanction of the Governor-General in Council, for periods not exceeding thirty days in the first instance, which may, with the like sanction, be extended from time to time by periods not exceeding fifteen days, hold in the Reserve gold coin, gold bullion or gold securities of less aggregate amount than that required by subsection (2) of section 31 and, whilst the holding is so reduced, the proviso to that subsection shall cease to be operative.

(2) In respect of any period during which the holding of gold coin, gold bullion and gold securities is reduced under subsection (1), the Bank shall pay to the Governor-General in Council a tax upon the amount by which such holding is reduced below the minimum prescribed by subsection (2) of section 31; such tax shall be payable at the bank rate for the time being in force, with an addition of one per cent. per annum when such holding exceeds thirty-two and a half per cent. of the total amount of the Reserve and of a further one and a half per cent. per annum in respect of every further decrease of two and a half per cent. or part of such decrease.

Provided that the tax shall not in any event be payable at a rate less than six per cent. per annum.

42. The Bank shall not be liable to the payment of any stamp duty under the Indian Stamp Act, 1899, in respect of bank notes issued by it.

*Duration of the Privilege of Note Issue.*

43. If at any time the Bank fails to comply with any provision of this Chapter or with any other provision of this Act, the Governor-General in Council may, by notification in the Gazette of India, declare that the Bank has forfeited the right of note issue, and shall thereupon take over the liabilities of the Issue Department together with such portion of the assets of the Bank as is required to meet such liabilities, and thereafter the business of the Issue Department shall be carried on in the manner prescribed by this Act by such agency as the Governor-General in Council may determine.

*Cash Reserves to be maintained by banks.*

44.—(1) Every scheduled bank shall maintain a balance with the Reserve Bank the amount of which shall at no time be less than seven and one-half per cent. of the daily average of the demand and two and one-half per cent. of the daily average of the time liabilities of such bank in India.

(2) For the purposes of subsection (1), the daily average of the amounts of the demand and time liabilities of each scheduled bank shall be computed in respect of each period ending on the fifteenth and on the last day of each month.

(3) Every such bank shall send to the Governor-General in Council and to the Bank a monthly return signed by two responsible officers of such bank, showing—

(a) the amounts of its demand and time liabilities respectively in India,

(b) the total amount held in India in currency notes of the Government of India and bank notes,

(c) the amounts held in India in rupee coin and subsidiary coin respectively,

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(d) the amounts of advances made and of bills discounted in India respectively, and

(e) the balance held at the Bank,  
at the close of the month to which the return relates.

(4) Every such return shall be sent not later than fourteen days after the close of the month to which it relates and shall state whether the bank has during that month maintained with the Reserve Bank the minimum balance required by subsection (1).

(5) Any bank failing to comply with the provisions of subsection (3) or subsection (4) shall be liable, on application made by or on behalf of the Governor-General in Council to the principal Civil Court having jurisdiction in a place where an office of the bank is situated, to a penalty of one hundred rupees for each day during which the failure continues.

(6) When it appears from any such monthly return or from a report of the Board that any scheduled bank has failed to maintain the minimum balance required by subsection (1), the Governor-General in Council may call for such further return, or make such inspection of the books and accounts of that bank, as may be necessary to ascertain the amount of the deficiency, if any, and the period during which it has continued; and a bank so in default shall be liable, on application made by or on behalf of the Governor-General in Council to the principal Civil Court having jurisdiction in a place where an office of the bank is situated, to a penalty at a rate per annum which shall be three per cent. above the bank rate on the amount of the deficiency for each day during which the default has continued, and shall be raised to five per cent. above the bank rate after the first seven days of the deficiency.

(7) The Governor-General in Council shall, by notification in the Gazette of India, direct the inclusion in the First Schedule of any company, not already so included, which carries on the business of banking in British India and which—

(a) is a company as defined in clause (2) of section 2 of the Indian Companies Act, 1913, or a corporation or company incorporated by or under any law in force in any place outside British India, and

(b) has a paid-up capital and reserves of an aggregate value of not less than three lakhs of rupees;

and shall, by a like notification, direct the exclusion from that Schedule of any scheduled bank the aggregate value of whose paid-up capital and reserves at any time becomes less than three lakhs of rupees, or which goes into liquidation or otherwise ceases to carry on banking business.

#### *Agreement with the Imperial Bank of India.*

45. The Bank shall enter into an agreement with the Imperial Bank of India, which shall be subject to the approval of the Governor-General in Council and shall be expressed to come into force on the date on which this Chapter comes into force and to remain in force for twenty-five years and shall further contain the provisions set forth in the Second Schedule.

### CHAPTER IV.

#### GENERAL PROVISIONS.

##### *Reserve Fund and Allocation of Surplus.*

46. After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds, and such other

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contingencies as are usually provided for by bankers, and after payment out of the net annual profits of a cumulative dividend at the rate of five per cent. per annum on the share capital, the surplus shall be allocated as follows:—

(a) one-half to a Reserve Fund, until such Reserve Fund is equal to one-half of the share capital, and the remaining one-half to the Governor-General in Council;

(b) thereafter, until the Reserve Fund is equal to the share capital, one-tenth to the Reserve Fund, and the balance to the Governor-General in Council, and

(c) when and for so long as the Reserve Fund is not less than the share capital, a portion to an additional dividend to the shareholders calculated on the scale set forth in the Third Schedule, and the balance to the Governor-General in Council:

Provided that, so long as the Reserve Fund is less than the share capital, not less than fifty lakhs of rupees of the surplus, or the whole of the surplus if less than that amount, shall be allocated to the Reserve Fund.

#### *Bank Rate.*

47. The Bank shall make public from time to time the minimum rate at which it is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under this Act.

#### *Audit.*

48.—(1) Not less than two auditors shall be elected and their remuneration fixed at the annual general meeting. The auditors may be shareholders, but no director or other officer of the Bank shall be eligible during his continuance in office. Any auditor shall be eligible for re-election on quitting office.

(2) The first auditors of the Bank may be appointed by the Board before the first annual general meeting and, if so appointed, shall hold office only until that meeting. All auditors elected under this section shall severally be, and continue to act as, auditors until the first annual general meeting after their respective elections:

Provided that any casual vacancy in the office of any auditor elected under this section may be filled by the Board.

49. Without prejudice to anything contained in section 48, the Governor-General in Council may at any time appoint such auditors as he thinks fit to examine and report upon the accounts of the Bank.

50.—(1) Every auditor shall be supplied with a copy of the annual balance-sheet, and it shall be his duty to examine the same, together with the accounts and vouchers relating thereto; and every auditor shall have a list delivered to him of all books kept by the Bank, and shall at all reasonable times have access to the books, accounts and other documents of the Bank, and may, at the expense of the Bank if appointed by it or at the expense of the Governor-General in Council if appointed by him, employ accountants or other persons to assist him in investigating such accounts, and may, in relation to such accounts, examine any Director or officer of the Bank.

(2) The auditors shall make a report to the shareholders or to the Governor-General in Council, as the case may be, upon the annual balance-sheet and accounts, and in every such report they shall state whether, in their opinion, the balance-sheet is a full and fair balance-sheet containing

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all necessary particulars and properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, and, in case they have called for any explanation or information from the Board, whether it has been given and whether it is satisfactory. Any such report made to the shareholders shall be read, together with the report of the Board, at the annual general meeting.

#### *Returns.*

51.—(1) The Bank shall prepare and transmit to the Governor-General in Council a weekly account of the Issue Department and of the Banking Department in the form set out in the Fourth Schedule or in such other form as the Governor-General in Council may, by notification in the Gazette of India, prescribe. The Governor-General in Council shall cause these accounts to be published weekly in the Gazette of India.

(2) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the Governor-General in Council a copy of the annual accounts signed by the Governor, the Deputy Governors and the Chief Accounting Officer of the Bank, and certified by the auditors, and the Governor-General in Council shall cause such accounts to be published in the Gazette of India.

(3) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the Governor-General in Council a statement showing the name, address and occupation of, and the number of shares held by, each shareholder of the Bank.

#### *Liquidation.*

52.—(1) Nothing in the Indian Companies Act, 1913, shall apply to the Bank, and the Bank shall not be placed in voluntary or compulsory liquidation save with the sanction of the Governor-General in Council and in such manner as he may direct.

(2) In such event the Reserve Fund and surplus assets, if any, of the Bank shall be divided between the Governor-General in Council and the shareholders in the proportion of seventy-five per cent. and twenty-five per cent. respectively.

#### *Regulations.*

53.—(1) The Board may, with the previous sanction of the Governor-General in Council, make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act.

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

- (a) the maintenance of the share register, the manner in which and the conditions subject to which shares may be held and transferred, and, generally, all matters relating to the rights and duties of shareholders;
- (b) the manner in which general meetings shall be convened and the procedure to be followed thereat;
- (c) the manner in which notices may be served on behalf of the Bank upon shareholders or other persons;
- (d) the manner in which the business of the Board shall be transacted, and the procedure to be followed at meetings thereof;

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- (e) the establishment of Local Boards and the delegation to such Boards of powers and functions;
- (f) the constitution and management of staff and superannuation funds for the officers and servants of the Bank;
- (g) the manner and form in which contracts binding on the Bank may be executed;
- (h) the provision of an official seal of the Bank and the manner and effect of its use;
- (i) the manner and form in which the balance-sheet of the Bank shall be drawn up, and in which the accounts shall be maintained;
- (j) the circumstances in which, and the conditions and limitations subject to which, the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note may be refunded; and
- (k) generally for the efficient conduct of the business of the Bank.

*Amendments and Repeal.*

54. In the Indian Coinage Act, 1906, for section 11 the following section shall be substituted, namely:—

“ 11. Gold coins, coined at His Majesty's Royal Mint in England or at any mint established in pursuance of a proclamation of His Majesty as a branch of His Majesty's Royal Mint, shall not be legal tender in British India in payment or on account, but such coins shall be received by the Reserve Bank of India at its offices and agencies in India at the bullion value of such coins calculated at the rate of 8.47512 grains troy of fine gold per rupee.”

55. The Indian Paper Currency Act, 1923, and the Currency Act, 1927, are hereby repealed.

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### THE FIRST SCHEDULE.

[See section 2 (m).]

#### SCHEDULE OF BANKS.

Ajodhia Bank, Fyzabad.	Industrial Bank of Western India.
Allahabad Bank.	Jalpaiguri Banking and Trading Corporation.
American Express Company Incorporated.	Karachi Bank, Karachi.
Banco Nacional Ultramarino.	Karnani Industrial Bank.
Bangalore Bank.	Lloyds Bank.
Bank of Baroda.	Lyallpur Bank.
Bank of Behar.	Mercantile Bank of India.
Bank of India, Bombay.	Mitsui Bank.
Bank of Morvi.	Muffassil Bank, Gorakhpur.
Bank of Mysore.	Mysore Industrial Bank.
Bank of Taiwan.	Namboodiri Bank, Pallippuram.
Bari Doab Bank, Lahore.	National Bank of India.
Benares Bank.	National City Bank of New York.
Bhargava Commercial Bank.	Nederlandsche Indische Handelsbank.
Bhowanipore Banking Corporation, Calcutta.	Nederlandsche Handel - Maatschappij.
Bombay Merchants' Bank, Bombay.	Nedungadi Bank, Calicut.
Byopar Sahayak Bank, Meerut.	Oudh Commercial Bank.
Canara Bank.	P. and O. Banking Corporation.
Central Bank of India.	People's Bank of Northern India.
Chartered Bank of India, Australia and China.	Punjab and Kashmir Bank, Rawalpindi.
Chota Nagpur Banking Association.	Punjab and Sind Bank, Amritsar.
Coimbatore Town Bank.	Punjab Co-operative Bank.
Comptoir National d'Escompte de Paris.	Punjab National Bank.
Dawsons Bank, Pyapon.	Shilohtri Bank, Bombay.
Eastern Bank.	Simla Banking and Industrial Company.
Equitable Eastern Banking Corporation.	South India Bank, Tinnevely.
Grindlay and Company.	Sumitomo Bank.
Hongkong and Shanghai Banking Corporation.	Thomas Cook and Sons.
Imperial Bank of India.	Union Bank of India.
Imperial Bank of Persia.	U. Rai Gyaw Thoo and Co., Akyab.
Indian Bank.	Yokohama Specie Bank.

15<sup>o</sup> Augusti, 1933.] REPORT OF THE COMMITTEE ON INDIAN RESERVE BANK LEGISLATION. [Continued.]

### THE SECOND SCHEDULE.

(See section 45.)

*Provisions to be contained in the Agreement between the Reserve Bank of India and the Imperial Bank of India.*

1. The Imperial Bank of India shall be the sole agent of the Reserve Bank of India at all places in British India where there is a branch of the Imperial Bank of India and no branch of the Banking Department of the Reserve Bank of India.

2. In consideration of the performance by the Imperial Bank of India on behalf of the Reserve Bank of India of the functions which the Imperial Bank of India was performing on behalf of the Governor-General in Council at the places referred to in clause 1 before the coming into force of the Reserve Bank of India Act, 1928, the Reserve Bank of India shall pay to the Imperial Bank of India a commission calculated on the total of the receipts and disbursements dealt with annually on account of Government by the Imperial Bank of India on behalf of the Reserve Bank of India. Such commission shall be one-sixteenth of one per cent. on the first 250 crores of such total and one thirty-second of one per cent. on the remainder.

3. Subject to the condition that the Imperial Bank of India shall keep open branches not less in number than those existing at the time of the coming into force of the Reserve Bank of India Act, 1928, the Reserve Bank of India shall allow the following balances to the Imperial Bank of India at the interest rates hereinafter specified, namely:—

(a) during the first five years from that time—3 crores free of interest;

(b) during the next five years—2 crores free of interest and, at the option of the Imperial Bank of India, an amount not exceeding 1 crore at 2 per cent. per annum;

(c) during the next five years—1 crore free of interest and, at the option of the Imperial Bank of India, an amount not exceeding 2 crores at 2 per cent. per annum; and

(d) during the next five years—at the option of the Imperial Bank of India, an amount not exceeding 3 crores at 2 per cent. per annum.

4. The Imperial Bank of India shall not without the approval of the Reserve Bank of India open any branch in substitution for a branch existing at the time this agreement comes into force.

### THE THIRD SCHEDULE.

(See section 46.)

*Scale of Additional Dividend payable to Shareholders.*

A. So long as the share capital of the Bank is five crores of rupees—

(1) if the surplus does not exceed four crores of rupees—Nil;

(2) if the surplus exceeds four crores of rupees—

(a) out of such excess up to the first one and a half crores of rupees—a fraction of one-thirtieth;

(b) out of each successive additional excess up to one and a half crores of rupees—one-half of the fraction payable out of the next previous one and a half crores of excess:

Provided that the additional dividend shall be a multiple of one-eighth of one per cent. on the share capital, the amount of the surplus allocated



15<sup>o</sup> Augusti, 1933.] (REPORT OF THE COMMITTEE ON INDIAN [Continued.  
RESERVE BANK LEGISLATION.

thereto being rounded up or down to the nearest one-eighth of one per cent. on the share capital.

B. When the original share capital of the Bank has been increased or reduced, the additional dividend shall be calculated in the manner provided in clauses (1) and (2) above, but the fraction of one thirtieth mentioned in sub-clause (a) of clause (2) shall be increased or diminished in proportion to the increase or reduction of the share capital.

### THE FOURTH SCHEDULE.

(See section 51.)

#### RESERVE BANK OF INDIA.

An Account pursuant to the Gold Standard and Reserve Bank of India Act, 1928, for the week ending on the day of

Issue Department.

<i>Liabilities.</i>		<i>Assets.</i>	
Rs.	Rs.		Rs.
Bank Notes held in the Banking Department		Rupee coin ... ..	
Bank Notes in circulation ... ..		Government of India rupee securities ... ..	
Total Bank Notes issued ...		Internal Bills of Exchange and other commercial paper ... ..	
Government of India Notes in circulation ... ..		Gold securities ... ..	
Rupee redemption ... ..		Gold coin or bullion—	
		(a) held in India... ..	
		(b) held outside India ... ..	

Ratio of gold and gold securities to liabilities, per cent.  
Dated the day of 19 ..

Banking Department.

<i>Liabilities.</i>		<i>Assets.</i>	
Rs.	Rs.		Rs.
Capital paid up... ..		Notes... ..	
Reserve Fund ... ..		Rupee coin ... ..	
Deposits—		Subsidiary coin ... ..	
(a) Government ... ..		Bills discounted—	
(b) Banks ... ..		(a) Internal ... ..	
(c) Others ... ..		(b) External ... ..	
Bills payable ... ..		(c) Government of India	
Other liabilities... ..		Treasury Bills... ..	
		Balances held abroad ... ..	
		Loans and advances to the Government ... ..	
		Other loans and advances... ..	
		Investments ... ..	
		Other assets ... ..	

Dated the day of 19

RECORDS OF THE JOINT  
COMMITTEE ON INDIAN  
CONSTITUTIONAL REFORM

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*Die Martis, 15<sup>e</sup> Augusti, 1933*

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