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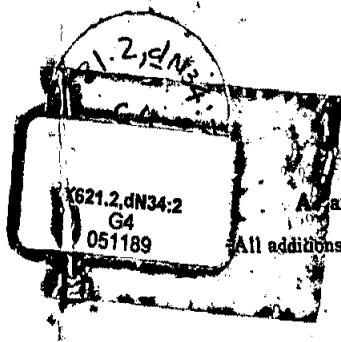
GOVERNMENT OF INDIA

LEGISLATIVE DEPARTMENT.

THE RESERVE BANK OF INDIA

ACT, 1934.

(II of 1934).



As amended up to 31st May 1949.

All additions, substitutions and deletions are shown in foot-notes.

Price As. 12.

THE RESERVE BANK OF INDIA ACT, 1934.

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ACT No. II of 1934.

(As amended up to 31st May 1949.)

(PASSED BY THE INDIAN LEGISLATURE.)

(Received the assent of the Governor-General on the 6th March, 1934.)

An Act to Constitute a Reserve Bank of India.

WHEREAS it is expedient to constitute a Reserve Bank for India to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India¹ and generally to operate the currency and credit system of the country to its advantage;

AND WHEREAS in the present disorganisation of the monetary systems of the world it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system;

BUT WHEREAS it is expedient to make temporary provision on the basis of the existing monetary system, and to leave the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures;

It is hereby enacted as follows:—

CHAPTER 1.

PRELIMINARY.

1. (1) This Act may be called the Reserve Bank of India Act, 1934. Short title, extent and commencement.

(2) It extends to *all the Provinces of India*² including³ 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 as the *Central Government*⁴ may, by notification in the Gazette of India, appoint.

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

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

(b) "the Central Board" means the Central Board of Directors of the Bank;

1 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

2 Substituted for the words 'the whole of British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

3 The words 'British Baluchistan and' omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

4 Substituted for the words 'Governor-General in Council' throughout the Act by B.M.A. Order, 1937.

- (bb) "Foreign Exchange" has the same meaning as in the *Foreign Exchange Regulation Act 1947*.¹ VII of 1947.
- (c) "provincial co-operative bank" means the principal society in a province 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 the Province² relating to co-operative societies and the primary object of which is the financing of the other societies in the province which are or are deemed to be so registered; II of 1912.
- Provided that in addition to such principal society in a province or where there is no such principal society in a province the Provincial Government³ may declare any central co-operative society in that province to be a provincial co-operative bank within the meaning of this definition;
- (d) "rupee coin" means⁴ rupees which are legal tender in the Provinces⁵ under the provisions of the Indian Coinage Act, 1906 and;⁶ III of 1906.
- (e) "scheduled bank" means a bank included in the Second Schedule;⁷

CHAPTER II

INCORPORATION, CAPITAL,⁸ MANAGEMENT AND BUSINESS

Establishment and incorporation of Reserve Bank.

3. (1) A bank to be called the Reserve Bank of India shall be constituted for the purposes of taking over the management of the currency from the Central Government 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.

Capital of the Bank

4. The capital of the Bank shall be five crores of rupees.⁹
5.

-
- 1 Inserted by Act No. XXIII of 1947.
2 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.
3 Substituted for the words 'Local Government' by B.M.A. Order, 1937.
4 The word 'silver' omitted by Act No. LXII of 1948.
5 Substituted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948, for the words 'in British India' inserted by B.M.A. Order, 1937.
6 The word 'and' deleted by B.M.A. Order, 1937 and reinserted by Act No. XI of 1947.
7 Clauses f) to (k) inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
8 Substituted for the words 'SHARE CAPITAL' by Act No. LXII of 1948.
9 Section 4 substituted and Section 5 omitted by Act No. LXII of 1948.

6. The Bank shall, as soon as may be, establish offices in Bombay, Calcutta, *Delhi and Madras*¹ and a branch in London, and may establish branches or agencies in any other place in India² or, with the previous sanction of the *Central Government*, elsewhere.

Offices,
branches and
agencies.

7. (1) *The Central Government may from time to time give such directions to the Bank as it may, after consultation with the Governor of the Bank, consider necessary in the public interest.*

Management.

(2) *Subject to any such directions, the general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank.*

(3) *Save as otherwise provided in regulations made by the Central Board, the Governor shall have full powers to transact all the business of the Bank which may be transacted by the Central Board.*³

8. (1) *The Central Board shall consist of the following directors, namely:—*

Composition
of the Central
Board, and
term of office
of Directors.

(a) *a Governor and two Deputy Governors to be appointed by the Central Government;*

(b) *four Directors to be nominated by the Central Government, one from each of the four Local Boards as constituted by section 9;*

(c) *six Directors to be nominated by the Central Government; and*

(d) *one Government official to be nominated by the Central Government.*³

1 Substituted for the words 'Delhi, Madras and Rangoon' by Act No. XI of 1947.

2 The words 'or Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

3 Section 7 and Sub-section (1) of Section 8 substituted by Act No. LXII of 1948.

(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 Central Board, with the approval of the *Central Government*.

(3) A Deputy Governor and the Director nominated under clause (d) of sub-section (1) may attend any meeting of the Central Board and take part in its deliberations but shall not be entitled to vote:

Provided that when the Governor is absent a Deputy Governor authorized by him in this behalf in writing may vote for him.

(4) The Governor and a Deputy Governor shall hold office for such term not exceeding five years as the *Central Government* may fix when appointing them, and shall be eligible for re-appointment.

A Director nominated under clause (c) of sub-section (1) shall, subject to the provisions of sub-section (6), hold office for a period of four years.¹

A Director nominated under clause (d) of sub-section (1) shall hold office during the pleasure of the *Central Government*.

(5) 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.

(6) Out of the six Directors first nominated under clause (c) of sub-section (1), two shall retire at the end of one year, two at the end of two years and the last two at the end of three years, the Directors so to retire being determined by lot.

(7) A retiring Director shall be eligible for re-nomination.²

Local Boards, their constitution and functions.

9. (1) A Local Board shall be constituted for each of the four areas specified in the First Schedule and shall consist of five members to be appointed by the *Central Government* to represent, as far as possible, territorial and economic interests and the interests of co-operative and indigenous banks.

(2) The members of the Local Board shall elect from amongst themselves one person to be the chairman of the Board.

(3) The members of the Local Board shall hold office for a term of four years and shall be eligible for re-appointment.

(4) A Local Board shall advise the Central Board on such matters as may be generally or specifically referred to it and shall perform such duties as the Central Board may delegate to it.³

1 Substituted by Act No. LXII of 1948.

2 Sub-sections (6) and (7) inserted by Act No. LXII of 1948

3 Substituted by Act No. LXII of 1948.

10. (1) No person may be a Director or a member of a Local Board who—

Disqualifications of Directors and members of Local Boards.

- (a) is a salaried government official or a salaried official of a State in India,¹ or
- (b) is or at any time has been, adjudicated an insolvent, or has suspended payment or has compounded with his creditors, or
- (c) is found lunatic or becomes of unsound mind, or
- (d) is an officer or employee of any bank, or
- (e) is a director of any bank, other than a bank which is a society registered or deemed to be registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in *the Provinces*^{2 & 1} relating to co-operative societies.

11 of 1912.

(2) No two persons who are partners of the same mercantile firm, or are directors of the same private company, or one of whom is the general agent of or holds a power of procuration from the other, or from a mercantile firm of which the other is a partner, may be Directors or members of the same Local Board at the same time.

(3) Nothing in clause (a) clause (d) or clause (e) of sub-section (1) shall apply to the Governor, or to a Deputy Governor or to the Director nominated under clause (d) of sub-section (1) of section 8.

11. (1) The *Central Government* may remove from office the Governor, or a Deputy Governor or any *other*² Director.⁴

Removal from and vacation of office.

(2) A Director nominated under clause (b) or clause (c) of sub-section (1) of section 8 shall cease to hold office if without leave from the Central Board he absents himself from three consecutive meetings of the Board convened under sub-section (1) of section 13.⁵

(3) The *Central Government* shall remove from office any Director, and the Central Board shall remove from office any member of a Local Board, if such Director or member becomes

¹ The words 'or Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

² Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

³ Substituted for the words 'nominated or elected' by Act No. LXII of 1948

⁴ Proviso omitted by Act No. LXII of 1948.

⁵ Substituted by Act No. LXII of 1948.

subject to any of the disqualifications specified in sub-section (1) or sub-section (2) of section 10.

(4) A Director or member of a Local Board removed or ceasing to hold office under the foregoing sub-sections shall not be eligible for re-appointment either as Director or as member of a Local Board until the expiry of the term for which his appointment was made.

(5) The¹ nomination² as Director or member of a Local Board of any person who is a member of the [Central³] Legislature,⁴ a Provincial Legislature, [or the Coorg Legislative Council⁵]⁶ shall be void, unless, within two months of the date of his¹ nomination² he ceases to be such member, and, if any Director or member of a Local Board is elected or nominated as a member of any such Legislature or Council,⁷ he shall cease to be a Director or member of the Local Board as from the date of such election or nomination, as the case may be.

(6) A Director may resign his office to the Central Government and a member of a Local Board may resign his office to the Central Board, and on the acceptance of the resignation the office shall become vacant.

Casual
vacancies and
absences

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 Central Government may, after consideration of the recommendations made by the Central Board in this behalf, appoint another person to officiate for him, and such person may, notwithstanding anything contained in clause (d) of sub-section (1) of section 10, be an officer of the Bank.

(2)⁸

(3) Where any casual vacancy in the office of any member of a Local Board occurs⁹ the Central Board may nominate thereto any¹⁰ person recommended by the other¹¹ members of the Local Board.

-
- 1 The word 'appointment' omitted by Act No. LXII of 1948.
 - 2 The words 'or election' omitted by Act No. LXII of 1948.
 - 3 Substituted for the word 'Federal' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.
 - 4 The words 'the Indian Legislature' omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.
 - 5 Substituted for the words 'the Indian Legislature or of a local Legislature' by B.M.A. Order, 1937.
 - 6 Substituted for the words 'the Coorg Legislative Council or the Burma Legislature' by Act No. XI of 1947.
 - 7 Inserted by B.M.A. Order, 1937.
 - 8 Sub-section (2) omitted by Act. No. LXII of 1948.
 - 9 The words 'otherwise than by the occurrence of a vacancy in the office of a Director elected by the Local Board' omitted by Act No. LXII of 1948.
 - 10 The word 'qualified' omitted by Act No. LXII of 1948.
 - 11 Substituted for the word 'elected' by Act No. LXII of 1948.

(4) Where any casual vacancy occurs in the office of a Director other than the vacancies provided for in sub-section (1) the vacancy shall be filled by the Central Government.¹

(5) A person nominated² under this section to fill a casual vacancy shall² hold office for the unexpired portion of the term of his predecessor.

13. (1) Meetings of the Central Board shall be convened by the Governor at least six times in each year and at least once in each quarter. Meetings of the Central Board.

(2) Any three Directors may require the Governor to convene a meeting of the Central Board at any time and the Governor shall forthwith convene a meeting accordingly.

(3) The Governor, or in his absence the Deputy Governor authorized by the Governor under the proviso to sub-section (3) of section 8 to vote for him, shall preside at meetings of the Central Board, and, in the event of an equality of votes, shall have a second or casting vote.

14.⁴

15.⁴

16.⁴

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

- (1) the accepting of money on deposit without interest from, and the collection of money for,⁵ the Central Government,⁶ [the Provincial Governments⁷]⁸ States in India, local authorities, banks and any other persons;

1 Substituted for the words 'in the case of a nominated Director by nomination, and in the case of an elected Director by election held in the manner provided in section 9 for the election of Directors;

Provided that before such election is made the resulting vacancy, if any, in the Local Board and any vacancy in the office of an elected member of such Board which may have been filled by a member nominated under sub-section (3) shall be filled by election held as nearly as may be in the manner provided in section 9 for the election of members of a Local Board' by Act No. LXII of 1948.

2 The words 'or elected' omitted by Act No. LXII of 1948.

3 The words 'subject to the proviso contained in sub-section (a)' omitted by Act No. LXII of 1948.

4 Sections 14, 15 and 16 omitted by Act No. LXII of 1948.

5 The words 'the Secretary of State' substituted for the words 'the Secretary of State in Council' by B.M.A. Order, 1937 and omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

6 The words 'the Federal Railway Authority' inserted by B.M.A. Order, 1937 and omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

7 Substituted for the words 'local Governments' by B.M.A. Order, 1937.

8 The words 'the Government of Burma, the Burma Railway Board' omitted by Act No. XI of 1947.

- (2) (a) the purchase, sale and rediscount of bills of exchange and promissory notes, *drawn on and payable in India*¹ 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 bank² 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*³ and bearing two or more good signatures, one of which shall be that of a scheduled bank or a provincial co-operative bank,⁴ and drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within nine months from the date of such purchase or rediscount, exclusive of days of grace;
- (c) the purchase, sale and rediscount of bills of exchange and promissory notes *drawn and payable in India*⁵ and bearing the signature of a scheduled bank² and issued or drawn for the purpose of holding or trading in securities of the Central Government, or a Provincial Government, [†]⁶ or such securities of States in India as may be specified in this behalf by the Central Government on the recommendation of the Central Board, and maturing within ninety days from the date of such purchase or rediscount, exclusive of days of grace;
- (3) (a) the purchase from and sale to scheduled banks⁷ of foreign exchange⁸ in amounts of not less than the equivalent of one lakh of rupees;

1 Substituted by the words 'drawn on India or Burma and payable in India or Burma' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

2 The words 'or a Burma Scheduled Bank' inserted by B.M.A. Order, 1937 and omitted by Act XI of 1947.

3 Substituted by the words 'drawn either in India or in Burma and payable either in India or in Burma' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

4 Substituted by the words 'a Burma Scheduled Bank, a Provincial Co-operative Bank or a Burma Co-operative Bank' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

5 Substituted by the words 'drawn either in India or Burma and payable either in India or Burma' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

6 Substituted for the words 'the Government of India or a Local Government' by B.M.A. Order, 1937.

7 The words 'or the Government of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

8 The words 'and Burma Scheduled Banks' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

9 Substituted for the word 'sterling' by Act No. LXII of 1948.

- (b) the purchase, sale and rediscount of bills of exchange (including treasury bills) drawn in or on any place in any country outside India which is a member of the International Monetary Fund¹ and maturing within ninety days from the date of purchase, provided that no such purchase, sale or rediscount shall be made in India except with a scheduled bank;^{2,3,4}
- (4) the making to States in India, local authorities, scheduled banks, provincial co-operative banks,⁴ and the principal currency authority of Ceylon,⁵ 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 authorized to invest trust money by any Act of Parliament or by any law for the time being in force in the Provinces;^{6,7}
- (b) gold or silver 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;
- (d) promissory notes of any scheduled bank or provincial co-operative bank,⁸ supported by documents of title to goods which have been transferred, assigned, or pledged to any such bank as security for a cash credit or overdraft granted for bona fide commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops;

1 Substituted for the words 'the United Kingdom' by Act No. LXII of 1948.

2 The words 'or in Burma except with a Scheduled Bank or a Burma Scheduled Bank and' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

3 Clause (c) omitted by Act No. LXII of 1948.

4 Substituted by the words 'Burma Scheduled Banks, Provincial Co-operative Banks and Burma Co-operative Banks' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

5 Inserted by Act No. IX of 1940.

6 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

7 The words 'or Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

8 Substituted by the words 'Burma Scheduled Bank, Provincial Co-operative Bank or Burma Co-operative Bank' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

- (5) the making to the *Central Government*,¹ [*and Provincial Governments*]² of advances repayable in each case not later than three months from the date of the making of the advance;
- (6) the issue of demand drafts made payable at its own offices or agencies and the making, issue and circulation of bank post bills;
- (7)⁴
- (8) the purchase and sale of securities of the *Central Government* [*or a Provincial Government*]³ of any maturity or of such securities of a local authority or such *Indian States*⁷ as may be specified in this behalf by the *Central Government* on the recommendation of the Central Board:

Provided that securities fully guaranteed as to principal and interest by *any such Government, authority, or State*⁸ shall be deemed for the purposes of this clause to be securities of such Government, authority or State:

Provided further 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 *capital*⁹ of the Bank, the Reserve Fund and three-fifths of the liabilities of the Banking Department in respect of deposits;
- (b) the value of such securities maturing after one year shall not exceed the aggregate amount of the *capital*⁹ of the Bank, the Reserve Fund and two-fifths of the liabilities of the Banking Department in respect of deposits; and
- (c) the value of such securities maturing after ten years shall not exceed the aggregate amount of the *capital*⁹ of the Bank and the Reserve Fund and one-

1 The words 'the Federal Railway Authority' inserted by B.M.A. Order, 1937 and omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

2 Substituted for the words 'and to such Local Governments as may have the custody and management of their own provincial revenues' by B.M.A. Order, 1937.

3 Substituted for the words 'Provincial Governments, the Government of Burma and the Burma Railway Board' by Act No. XI of 1947.

4 Clause (7) omitted by Act No. II of 1948.

5 Substituted for the words 'of the Government of India or of a Local Government' by B. M. A. Order, 1937.

6 Substituted for the words 'a Provincial Government or the Government of Burma' by Act No. XI of 1947.

7 Substituted for the words 'in British India or of such States in India' by B. M. A. Order, 1937.

8 Substituted for the words 'the Government of India, a Local Government, a Local Authority or State in India' by B. M. A. Order, 1937.

9 Substituted for the words 'share capital' by Act No. XL of 1949.

- fifth of the liabilities of the Banking Department in respect of deposits ;
- (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 movable 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 for¹ the *Central Government* [or any *Provincial Government*² or any *local authority* or any *Indian State*³] in the transaction of any of the following kinds of business, namely :—
 - (a) the purchase and sale of gold or silver or *Foreign Exchange*⁴ ;
 - (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 and *Foreign Exchange*;⁴
 - (12 A) *the purchase and sale of securities issued by the Government of any country outside India and expressed to be payable in a foreign currency, being in the case of purchase by the Bank, securities maturing within a period of ten years from the date of purchase ;*⁴
 - (13) *the opening of an account with or the making of an agency agreement with, and the acting as agent or correspondent of, a bank incorporated in any country outside India or the principal currency authority of any country under the law for the time being in force in that country or any international bank formed by such principal currency authorities, and the investing of the funds of the Bank in the shares of any such international bank ;*⁵

1 The words 'the Secretary of State' substituted for the words 'the Secretary of State in Council' by B. M. A. Order, 1937 and omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

2 Substituted for the words 'or any Local Government or Local Authority or State in India' by B. M. A. Order, 1937.

3 The words 'or the Government of Burma' omitted by Act No. XI of 1947.

4 Inserted by Act No. XXIII of 1947.

5 Substituted by Act No. XXIII of 1947.

- (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 no money shall be borrowed under this clause from any person in India¹ other than a scheduled bank,³ or from any person outside India³ other than a bank which is the principal currency authority of any country under the law for the time being in force in that country:

Provided further that the total amount of such borrowings from persons in India³ shall not at any time exceed the amount of the share capital of the Bank;

- (15) the making and issue of bank notes subject to the provisions of this Act;⁴

(15A) *the performance of the functions of the Bank under the International Monetary Fund and Bank Ordinance, 1945 (XLVII of 1945) [and under the Banking Companies Act, 1949,]⁵*

X of 1949.

- (16) generally, the doing of all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act⁷

Power of
direct dis-
count.

18. (1)⁸ When, in the opinion of the Central Board,⁹ a special occasion has arisen making it necessary or expedient that action should be taken *under this sub-section*¹⁰ for the purposes of regulating credit in the interests of Indian¹¹ trade, commerce,

- 1 The words 'or Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
- 2 The words 'or a Burma Scheduled Bank' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
- 3 The words 'and Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
- 4 The words 'and the making and issue of Burma notes in accordance with the law of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
- 5 Inserted by Ordinance No. XLVII of 1945.
- 6 Inserted by Act No. X of 1949.
- 7 The words 'and the law of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
- 8 Section 18 renumbered as sub-section (1) of Section 18 by Act No. X of 1949.
- 9 The words 'or, where the powers and functions of the Central Board under this section have been delegated to a committee of the Central Board or to the Governor, in the opinion of such committee or of the Governor as the case may be' omitted by Act No. LXII of 1948.
- 10 Substituted for the words 'under this section' by Act No. X of 1949.
- 11 The words 'or Burman' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

industry and agriculture, the Bank may, notwithstanding any limitation contained in sub-clauses (a) and (b) of clause (2) or sub-clause (a) or (b) of clause (3) or clause (4) of section 17,—

- (1) purchase, sell or discount any of the bills of exchange or promissory notes specified in sub-clause (a) or (b) of clause (2) or sub-clause (b) of clause (3) of that section though such bill or promissory note does not bear the signature of a scheduled bank or a provincial co-operative bank¹; or
- (2) purchase or sell foreign exchange² in amounts of not less than the equivalent of one lakh of rupees; or
- (3) make loans or advances repayable on demand or on the expiry of fixed periods not exceeding ninety days against the various forms of security specified in clause (4) of that section or, when the loan or advance is made to a banking company, as defined in the Banking Companies Act, 1949, against such other form of security as the Bank may consider sufficient;^{3, 4}

X of 1949.

(2) Where a banking company to which a loan or advance has been made under the provisions of clause (3) of sub-section (1) is wound up, any sums due to the Bank in respect of such loan or advance, shall, subject only to the claims, if any, of any other banking company in respect of any prior loan or advance made by such banking company against any security, be a first charge on the assets of the banking company.⁵

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

Business which the Bank may not transact.

- (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, immovable property or documents of title relating thereto, or become the owner of immovable

1 Substituted by the words 'a Burma Scheduled Bank, a Provincial Co-operative Bank or a Burma Co-operative Bank' by B.M.A. Order, 1937 and resubstituted by Act No. XI of 1947.

2 Substituted for the word 'sterling' by Act No. LXII of 1948.

3 Inserted by Act No. X of 1949.

4 Proviso to Clause (3) omitted by Act No. LXII of 1948.

5 Sub-section (2) inserted by Act No. X of 1949.

property, except so far as is necessary for its own business premises and residences for its officers and servants;

- (4) make 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

Obligation of the Bank to transact Government business.

20. The Bank shall undertake to accept monies for account of the Secretary of State, the Central Government, the Provincial Governments¹ and such States in India as may be approved of and notified by the Central Government in the Gazette of India, 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.

20. A²

Bank to have the right to transact Government business in India.

21. (1) The Central Government and Provincial Governments³ shall entrust the Bank, on such conditions as may be agreed upon, with all their money, remittance, exchange and banking transactions in India, and, in particular, shall deposit free of interest all their cash balances with the Bank:

Provided that nothing in this sub-section shall prevent the Central Government or any Provincial Government⁴ from carrying on money transactions at places where the Bank has no branches or agencies, and the Central Government and Provincial Governments⁵ may hold at such places such balances as they may require.

(2) The Central Government and each Provincial Government⁴ shall entrust the Bank, on such conditions as may be agreed upon, with the management of the public debt and with the issue of any new loans.

(3) In the event of any failure to reach agreement on the conditions referred to in this section the Central Government shall decide what the conditions shall be.

1 Substituted for the words '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' by B.M.A. Order, 1937.

2 Section 20A inserted by Ordinance No. XIX of 1945 and omitted by Act No. XI of 1947.

3 Substituted for the words 'such Local Governments as may have the custody and management of their own provincial revenues' by B.M.A. Order, 1937.

4 Substituted for the words 'Local Government' by B.M.A. Order, 1937.

5 Substituted for the words 'Local Governments' by B.M.A. Order, 1937.

(4) Any agreement made under this section to which the *Central Government* or any *Provincial Government*¹ is a party shall be laid, as soon as may be after it is made, before the Central Legislature and in the case of a *Provincial Government*¹ before the *Provincial Legislature*³ also.

22. (1) The Bank shall have the sole right to issue bank notes in the *Provinces*², and may, for a period which shall be fixed by the *Central Government* on the recommendation of the Central Board, issue currency notes of the Government of India supplied to it by the *Central Government*, 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 *Central Government* 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.

Right to
issue bank
notes.

(2) On and from the date on which this Chapter comes into force the *Central Government* shall not issue any currency notes.

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 34.

Issue De-
partment.

(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.⁴

24. Bank notes shall be of the denominational values of *two rupees*⁵, five rupees, ten rupees, fifty rupees, one hundred rupees, five hundred rupees, one thousand rupees and ten thousand rupees, unless otherwise directed by the *Central Government* on the recommendation of the Central Board.

Denomina-
tions of notes

25. The design, form and material of bank notes shall be such as may be approved by the *Central Government* after consideration of the recommendations made by the Central Board.

Form of
bank notes.

26. (1) Subject to the provisions of sub-section (2), every bank note shall be legal tender at any place in the *Provinces*³ in payment or on account for the amount expressed therein, and shall be guaranteed by the *Central Government*.

Legal tender
character of
notes.

1 Substituted for the words 'Local Government' by B.M.A. Order, 1937.

2 Substituted for the words 'its local Legislature' by B.M.A. Order, 1937.

3 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

4 Sub-section (3) inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

5 Inserted by Act No. LXII of 1948.

(2) On recommendation of the Central Board the *Central Government* 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.¹

Re-issue of notes.

27. The Bank shall not re-issue bank notes which are torn, defaced or excessively soiled.

Recovery of notes lost, stolen, mutilated or imperfect.

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 *Central Government* 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 *Central Government*, 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 and the rules made under this proviso shall be laid on the table² of the Central Legislature.³

Bank exempt from stamp duty on bank notes.

29. The Bank shall not be liable to the payment of any stamp duty under the Indian Stamp Act, 1899, in respect of bank notes⁴ issued by it.

II of 1899

Powers of Central Government to supersede Central Board.

30. (1) If in the opinion of the *Central Government* the Bank fails to carry out any of the obligations imposed on it by or under this Act⁵, the *Central Government*⁶ may, by notification in the Gazette of India, declare the Central Board to be superseded, and thereafter the general superintendence and direction of the affairs of the Bank shall be entrusted to such agency as the *Central Government* may determine, and such agency may exercise the powers and do all acts and things which may be exercised or done by the Central Board under this Act:

(2) When action is taken under this section the *Central Government* shall cause a full report of the circumstances leading to such action and of the action taken to be laid before the Central Legislature at the earliest possible opportunity and in any case within three months from the issue of the notification superseding the Board.

1 Sub-section (3), inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

2 The words 'of both Houses' omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

3 Sub-section (2) inserted by B.M.A. Order, 1937 and omitted by Act XI of 1947.

4 The words 'or Burma notes' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

5 The words 'or by or under the law of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

6 Substituted for the word 'he' by B.M.A. Order, 1937.

31. (7)¹ No person in the Provinces² other than the Bank or, as expressly authorized by this Act, the Central Government 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 sum or sums of money on the bills, hundis or notes payable to bearer on demand of any such person: Issue of demand bills and notes.

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

(2) Notwithstanding anything contained in the Negotiable Instruments Act 1881, no person in [the Provinces²] other than the Bank or, as expressly authorized by this Act, the Central Government shall make or issue any promissory note expressed to be payable to the bearer of the instrument.³

32. (1) Any person contravening the provisions of section 31 shall be punishable with fine which may extend to the amount of the bill, hundi, note or engagement in respect whereof the offence is committed. Penalty.

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

33. (1) The assets of the Issue Department shall consist of gold coin, gold bullion, foreign securities,⁴ 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. Assets of the Issue Department.

(2) Of the total amount of the assets, not less than two-fifths shall consist of gold coin, gold bullion or foreign securities:⁴

Provided that the amount of gold coin and gold bullion shall not at any time be less than forty crores of rupees in value.

(3) The remainder of the assets shall be held in rupee coin, Government of India rupee securities of any maturity and such bills of exchange and promissory notes payable in the Provinces^{2,5} as are eligible for purchase by the Bank under sub-clause (a) or sub-clause (b) of clause (2) of section 17 or under clause (1) of section 18.⁶

1 Section 31 re-numbered as Sub-section (1) of Section 31 by Act No. XXIII of 1946.

2 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1946.

3 Sub-section (2) inserted by Act No. XXIII of 1946.

4 Substituted for the words 'sterling securities' by Act No. LXII of 1948.

5 The words 'or in Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

6 Proviso omitted by Ordinance No. III of 1941.

(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 securities shall be valued at the market rate for the time being obtaining.

(5) Of the gold coin and gold bullion held as assets, not less than seventeen-twentieths shall be held in the Provinces¹ and all gold coin and gold bullion held as assets shall be held in the custody of the Bank or its agencies :

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 assets.

(6) For the purposes of this section, the foreign securities which may be held as part of the assets shall be securities of the following kinds payable in the currency of any foreign country which is a member of the International Monetary Fund, namely:-

- (a) balances at the credit of the Issue Department with the Bank which is the principal currency authority of that foreign country, or, if there is no such bank, with any bank incorporated in that foreign country;
- (b) bills of exchange bearing two or more good signatures and drawn on and payable at any place in that foreign country and having a maturity not exceeding ninety days; and
- (c) Government securities of that foreign country maturing within five years².

Liabilities
of the Issue
Department.

34. (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.

(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 sub-section (2) of section 23, be paid by the Issue Department to the Central Government 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 Central Government.³

35.⁴

¹ Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948

² Substituted by Act No. LXII of 1948

³ Sub-section (3) inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

⁴ Section 35 omitted by Act No. LXII of 1948.

36. (1) After the close of any financial year in which the minimum amount of rupee coin held in the assets, as shown in any of the weekly accounts of the Issue Department for that year prescribed under sub-section (1) of section 53 is greater than fifty crores of rupees or one-sixth of the total amount of the assets as shown in that account, whichever may be the greater, the Bank may deliver to the *Central Government* rupee coin up to the amount of such excess but not *without that Government's consent*¹ exceeding five crores of rupees, against payment of legal tender value in the form of bank notes, gold or securities:

Method of dealing with fluctuations in rupee coin assets.

Provided that if the Bank so desires and if the amount of gold coin, gold bullion and sterling securities in the assets does not at that time exceed one-half of the total assets, a proportion not exceeding two-fifths of such payment shall be in gold coin, gold bullion or such sterling securities as may be held as part of the assets under sub-section (6) of section 33.

(2) After the close of any financial year in which the maximum amount of rupee coin held in the assets, as so shown, is less than fifty crores of rupees or one-sixth of the total amount of the assets, as so shown, whichever may be the greater, the *Central Government* shall deliver to the Bank rupee coin up to the amount of such deficiency, but not without its consent exceeding five crores of rupees, against payment of legal tender value.

(3) *At the close of any week in which the amount of rupee coin held in the assets, as shown in the weekly accounts of the Issue Department for that week, is less than fifty crores of rupees or one-sixth of the total amount of the assets as so shown, whichever may be the greater, the Central Government may, with the consent of the Bank, deliver to the Bank rupee coin up to the amount of such deficiency against payment of legal tender value.*²

37. (1) Notwithstanding anything contained in the foregoing provisions, the Bank may, with the previous sanction of the *Central Government*, 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 as assets gold coin, gold bullion or sterling securities of less aggregate amount than that required by sub-section (2) of section 33 and, whilst the holding is so reduced, the proviso to that sub-section shall cease to be operative:

Suspension of assets requirements.

Provided that the gold coin and gold bullion held as such assets shall not be reduced below the amount specified in the proviso to sub-section (2) of section 33 so long as any sterling securities remain held as such assets.

(2) In respect of any period during which the holding of gold coin, gold bullion and sterling securities is reduced under sub-

¹ Substituted for the words 'without his consent' by B.M.A. Order, 1937.

² Sub-section (3) inserted by Ordinance No. IV of 1940.

section (1), the Bank shall pay to the *Central Government* a tax upon the amount by which such holding is reduced below the minimum prescribed by sub-section (2) of section 33; and 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 assets 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.

Obligations of Government and the Bank in respect of rupee coin.

38. The *Central Government* shall undertake not to re-issue any rupee coin delivered under section 36 nor to put into circulation any rupees, except through the Bank¹ and the Bank shall undertake not to dispose of rupee coin otherwise than for the purposes of circulation or by delivery to the *Central Government* under that section.

Obligation to supply different forms of currency.

39. (1) The Bank shall issue rupee coin on demand in exchange for bank notes and 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.

III of

(2) The Bank shall, in exchange for currency notes or bank notes of two² rupees or upwards, supply currency notes or bank notes of lower value 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 *Central Government* shall supply such coins to the Bank on demand. If the *Central Government* at any time fails to supply such coins, the Bank shall be released from its obligations to supply them to the public.

III a

Transactions in Foreign Exchange.

40. The Bank shall sell to or buy from any authorized person who makes a demand in that behalf at its office in Bombay, Calcutta, Delhi or Madras, foreign exchange at such rates of exchange and on such conditions as the *Central Government* may from time to time by general or special order determine, having regard so far as rates of exchange are concerned to its obligation to the *International Monetary Fund*:

Provided that no person shall be entitled to demand to buy or sell foreign exchange of a value less than two lakhs of rupees.

¹ The words 'and as provided in that section' omitted by Ordinance No. IV of 1940.

² Substituted for the word 'five' by Act No. LXII of 1948.

Explanation: In this section "authorized person" means a person who is entitled by or under the Foreign Exchange Regulation Act, 1947, to buy, or as the case may be, sell, the foreign exchange to which his demand relates.¹

41.²41(A).³

42. (1) Every bank included in the Second Schedule shall maintain with the Bank a balance the amount of which shall not at the close of business on any day be less than five per cent. of the demand liabilities and two per cent. of the time liabilities of such bank in India⁴ as shown in the return referred to in sub-section (2).

Cash reserves of scheduled banks to be kept with the Bank.

Explanation.—For the purposes of this section liabilities shall not include the paid-up capital or the reserves, or any credit balance in the profit and loss account of the bank or the amount of any loan taken from the Reserve Bank.

(2) Every scheduled bank shall send to the Central Government and to the Bank a 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,
- (d) the amounts of advances made and of bills discounted in India, respectively,

¹ Substituted for sections 40 and 41 by Act No. XXIII of 1947

² See remarks against 1 above.

³ Section 41 (A) inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947

⁴ The words 'and Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

(e) *the balance held at the Bank,*¹

at the close of business on each Friday, or if Friday is a public holiday under the Negotiable Instruments Act, 1881, at the close of business on the preceding working day; and such return shall be sent not later than two working days after the date to which it relates:

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of 1951.

Provided that where the Bank is satisfied that the furnishing of a weekly return under this sub-section is impracticable in the case of any scheduled bank by reason of the geographical position of the bank and its branches, the Bank may require such bank to furnish in lieu of a weekly return a monthly return to be dispatched not later than fourteen days after the end of the month to which it relates giving the details specified in this sub-section in respect of such bank at the close of business for the month.

(3) If at the close of business on any day before the day fixed for the next return, the balance held at the Bank by any scheduled bank is below the minimum prescribed in sub-section (1), such scheduled bank shall be liable to pay to the Bank in respect of each such day penal interest at a rate three per cent. above the bank rate on the amount by which the balance with the Bank falls short of the prescribed minimum, and if on the day fixed for the next return such balance is still below the prescribed minimum as disclosed by this return, the rates of penal interest shall be increased to a rate five per cent. above the bank rate in respect of that day and each subsequent day on which the balance held at the Bank at the close of business on that day is below the prescribed minimum.

(3A) *When under the provisions of sub-section (3) penal interest at the increased rate of five per cent. above the bank rate has become payable by a scheduled bank, if thereafter on the day fixed for the next return the balance held at the Bank is still below the prescribed minimum as disclosed by this return,—*

¹ Substituted by the following paragraphs by B.M.A. Order, 1937 and re-substituted by Act No. XI of 1947.

- (a) the amounts of its demand and time liabilities, respectively, in India,
- (b) the amounts of its demand and time liabilities, respectively, in Burma,
- (c) the total amount held in India in currency notes of the Government of India and bank notes,
- (d) the total amount held in India in Burma notes,
- (e) the total amount held in Burma in currency notes of the Government of India and bank notes,
- (f) the total amount held in Burma in Burma notes,
- (g) the amounts held in India in rupee coin and subsidiary coin, respectively,
- (h) the amounts held in Burma in rupee coin, subsidiary coin and Burma coin, respectively,
- (i) the amounts of advances made and of bills discounted in India, respectively,
- (j) the amounts of advances made and of bills discounted in Burma, respectively, and
- (k) the balance held at the Bank,

Reserve Bank of India

- (a) every director and any managing agent, manager or secretary of the scheduled bank, who is knowingly and wilfully a party to the default, shall be punishable with fine which may extend to five hundred rupees and with a further fine which may extend to five hundred rupees for each subsequent day on which the default continues, and
- (b) the Bank may prohibit the scheduled bank from receiving after the said day any fresh deposit,

and, if default is made by the scheduled bank in complying with the prohibition referred to in clause (b), every director and officer of the scheduled bank who is knowingly and wilfully a party to such default or who through negligence or otherwise contributes to such default shall in respect of each such default be punishable with fine which may extend to five hundred rupees and with a further fine which may extend to five hundred rupees for each day after the first on which a deposit received in contravention of such prohibition is retained by the scheduled bank.

Explanation.—In this sub-section "officer" includes a managing agent, manager, secretary, branch manager, and branch secretary.¹

(4) Any scheduled bank failing to comply with the provisions of sub-section (2) shall be liable to pay to the Central Government or to the Bank, as the case may be, or to each, a penalty of one hundred rupees for each day during which the failure continues.

(5) The penalties imposed by sub-sections (3) and (4) shall be payable on demand made by the Bank, and, in the event of a refusal by the defaulting bank to pay on such demand, may be levied by a direction of the principal Civil Court having jurisdiction in the area where an office of the defaulting bank is situated, such direction to be made only upon application made in this behalf to the Court by the Central Government in the case of a failure to make a return under sub-section (2) to the Central Government, or by the Bank with the previous sanction of the Central Government in other cases.

(6) The Bank shall, save as hereinafter provided, by notification in the Gazette of India,—

- (a) direct the inclusion in the Second Schedule of any bank not already so included which carries on the business of banking in any Province of India and which—

¹ Inserted by Act No. XXXVIII of 1940.

Reserve Bank of India

[ACT 11]

- (i) has a paid-up capital and reserves of an aggregate value of not less than five lakhs of rupees, and
 - (ii) satisfies the Bank that its affairs are not being conducted in a manner detrimental to the interests of its depositors, and
 - (iii) is a company as defined in clause (2) of section 2 of the Indian Companies Act, 1913 (VII of 1913) or a corporation or a company incorporated by or under any law in force in any place outside the Provinces of India; VII of 1913.
- (b) direct the exclusion from that Schedule of any scheduled bank,—
- (i) the aggregate value of whose paid-up capital and reserves becomes at any time less than five lakhs of rupees, or
 - (ii) which is, in the opinion of the Bank after making an inspection under section 35 of the Banking Companies Act, 1949, conducting its affairs to the detriment of the interests of its depositors, or X of 194
 - (iii) which goes into liquidation or otherwise ceases to carry on banking business:

Provided that the Bank may, on application of the scheduled bank concerned and subject to such conditions, if any, as it may impose, defer the making of a direction under sub-clause (i) or sub-clause (ii) of clause (b) for such period as the Bank considers reasonable to give the scheduled bank an opportunity of increasing the aggregate value of its paid-up capital and reserves to not less than five lakhs of rupees or, as the case may be, of removing the defects in the conduct of its affairs;

- (c) alter the description in that Schedule whenever any scheduled bank changes its name.

*Explanation.—In this sub-section the expression "value" means the real or exchangeable value and not the nominal value which may be shown in the books of the bank concerned; and if any dispute arises in computing the aggregate value of the paid-up capital and reserves of a bank, a determination thereof by the Bank shall be final for the purposes of this sub-section.*¹

¹ Substituted by Act No. X of 1949.

43. The Bank shall compile and shall cause to be published each week a consolidated statement showing the aggregate of the amounts under each clause of sub-section (2) of section 42 exhibited in the returns received from scheduled banks under that section.¹

Publication of consolidated statement by the Bank.

44. The Bank may require any provincial co-operative bank with which it has any transactions under section 17 to furnish the return referred to in sub-section (2) of section 42, and if it does so, the provisions of sub-section (4) and (5) of section 42 shall apply so far as may be to such co-operative bank as if it were a scheduled bank.

Power to require returns from co-operative banks.

45. (1) The Bank shall enter into an agreement with the Imperial Bank of India which shall be subject to the approval of the *Central Government*, and shall be expressed to come into force on the date on which this Chapter comes into force and to remain in force for fifteen years and thereafter until terminated after five years' notice on either side, and shall further contain the provisions set forth in the Third Schedule:

Agreement with the Imperial Bank.

Provided that the agreement shall be conditional on the maintenance of a sound financial position by the Imperial Bank and that if, in the opinion of the Central Board, the Imperial Bank has failed either to fulfil the conditions of the agreement or to maintain a sound financial position, the Central Board shall make a recommendation to the *Central Government*, and the *Central Government*, after making such further enquiry as *it thinks fit*², may issue instructions to the Imperial Bank with reference either to the agreement or to any matter which *in its opinion*³ involves the security of the Government monies or the assets of the Issue Department in the custody of the Imperial Bank, and in the event of the Imperial Bank disregarding such instructions may declare the agreement to be terminated.

(2) The agreement referred to in sub-section (1) shall, as soon as may be after it is made, be laid before the Central Legislature.

(3)⁴ As from the commencement of Part III of the *Government of India Act, 1935*, references in the said agreement to the *Governor-General in Council in relation to his general banking business, his accounts, and sums due to or from him, and references to Government in relation to receipts and disbursements dealt with on account of Government shall be construed as including references to the Provincial Governments.*⁵

1 The words 'and from Burma scheduled banks under the corresponding provisions of the law of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.

2 Substituted for the words 'he thinks fit' by B.M.A. Order, 1937.

3 Substituted for the words 'in his opinion' by B.M.A. Order, 1937.

4 Sub-section (3) inserted by B.M.A. Order, 1937.

5 The words 'and the Federal Railway Authority' omitted by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

CHAPTER IV

GENERAL PROVISIONS.

46. The Central Government shall transfer to the Bank rupee securities of the value of five crores of rupees to be allocated by the Bank to the Reserve Fund.

47. After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and such other contingencies as are usually provided for by bankers, the balance of the profits shall be paid to the Central Government.¹

48. (1) Notwithstanding anything contained in the Indian Income-tax Act, 1922, or any other enactment for the time being in force relating to income-tax or super-tax, the Bank shall not be liable to pay income-tax or super-tax on any of its income, profits or gains.²

XI of 1922.]

(2)³

49. The Bank shall make public from time to time the standard rate at which it is prepared to buy or re-discount bills of exchange or other commercial paper eligible for purchase under this Act.

50. (1) Not less than two auditors shall be appointed, and their remuneration fixed, by the Central Government.

(2) The auditors shall hold office for such term not exceeding one year as the Central Government may fix while appointing them, and shall be eligible for re-appointment.¹

51. Without prejudice to anything contained in section 50, the Central Government may at any time appoint the Auditor General² to examine and report upon the accounts of the Bank.

52 (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 Central Government, if appointed by that Government³, 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.

¹ Substituted by Act No. LXII of 1948

² Proviso to sub-section (1) and sub-section (2) omitted by Act No. LXII of 1948.

³ The words 'or such auditors as it thinks fit' omitted by Act No. LXII of 1948.

⁴ Substituted for the words 'by him' by B.M.A. Order, 1937.

(2) The auditors shall make a report¹ to the *Central Government*², 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 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 Central Board, whether it has been given and whether it is satisfactory.³

53. (1) The Bank shall prepare and transmit to the *Central Government* a weekly account of the Issue Department and of the Banking Department in *such*⁴ form as the *Central Government* may, by notification in the Gazette of India, prescribe. The *Central Government* shall cause these accounts to be published weekly in the Gazette of India. Returns.

(2) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the *Central Government* 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, together with a report by the Central Board on the working of the Bank throughout the year, and the *Central Government* shall cause such accounts and report to be published in the Gazette of India.⁵

54. The Bank shall create a special Agricultural Credit Department the functions of which shall be— Agricultural
Credit Department.

- (a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the *Central Government*, [*Provincial Governments*],⁶ provincial co-operative banks,⁷ and other banking organisations.
- (b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with provincial co-operative banks,⁸ and any other banks or organisations engaged in the business of agricultural credit.

55.⁹

56.⁹

1 The words 'to the shareholders or' omitted by Act No. LXII of 1948.
 2 The words 'as the case may be' omitted by Act No. LXII of 1948.
 3 The words 'Any such report made to the shareholders shall be read, together with the report of the Central Board, at the annual general meeting' omitted by Act No. LXII of 1948.
 4 Substituted for the words 'the form set out in the Fifth Schedule or in such other' by B.M.A. Order, 1937.
 5 Sub-section (3) omitted by Act No. LXII of 1948.
 6 Substituted for the words 'Local Governments' by B.M.A. Order, 1937.
 7 The words 'the Government of Burma' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
 8 The words 'Burma Co-operative Banks' inserted by B.M.A. Order, 1937 and omitted by Act No. XI of 1947.
 9 Sections 55 and 56 omitted by Act No. LXII of 1948.

Liquidation
of the Bank.

57. (1) Nothing in the Indian Companies Act, 1913, shall apply to the Bank, and the Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.¹

VII of 1913

(2)²

Power of
the Central
Board to
make Regula-
tions.

58. (1) The Central Board may, with the previous sanction of the Central Government, 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)-(e)³

- (f) the manner in which the business of the Central Board shall be transacted, and the procedure to be followed at meetings thereof;
- (g) the conduct of business of Local Boards and the delegation to such Boards of powers and functions;
- (h) the delegation of powers and functions of the Central Board to the Governor, or to Deputy Governors, Directors or officers of the Bank;
- (i) the formation of Committees of the Central Board, the delegation of powers and functions of the Central Board to such Committees, and the conduct of business in such Committees;
- (j) the constitution and management of staff and superannuation funds for the officers and servants of the Bank;
- (k) the manner and form in which contracts binding on the Bank may be executed;
- (l) the provision of an official seal of the Bank and the manner and effect of its use;
- (m) the manner and form in which the balance sheet of the Bank shall be drawn up, and in which the accounts shall be maintained;
- (n) the remuneration of Directors of the Bank;
- (o) the relations of the scheduled banks with the Bank and the returns to be submitted by the scheduled banks to the Bank;

¹ Substituted for the words 'he may direct' by B.M.A. Order, 1937.

² Sub-section (2) omitted by Act No. LXII of 1948.

³ Clauses (a) to (e) omitted by Act No. LXII of 1948.

Reserve Bank of India

- (p) the regulation of clearing-houses for the scheduled banks;
- (q) 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
- (r) generally, for the efficient conduct of the business of the Bank.

(3) Copies of all regulations made under this section shall be available to the public on payment.

59.¹

60.¹

61.¹

¹ Sections 59-61 omitted by Act No XX of 1937.

THE FIRST SCHEDULE.¹

[ACT I

(See Section 9)

1. *THE WESTERN AREA shall consist of the Province of Bombay, the Central Provinces and Berar, Hyderabad, Barrda, Cutch, the United State of Kathiawar (Saurashtra), Kolhapur, the United State of Gwalior, Indore and Malwa (Madhya Bharat), Bhopal, the Acceding States administered by the Government of Bombay and the Acceding States administered by the Government of the Central Provinces and Berar.*
2. *THE EASTERN AREA shall consist of West Bengal, Bihar, Orissa, Assam, the Andaman and Nicobar Islands, Manipur, Cooch Behar, Tripura, Mayurbhanj, the United State of Vindhya Pradesh, the Khasi States, the Acceding States administered by the Government of Bihar and the Acceding States administered by the Government of Orissa.*
3. *THE NORTHERN AREA shall consist of the United Provinces, East Punjab, Delhi, Ajmer-Merwara, Panth Piploda, Kashmir, Himachal Pradesh, Patiala and the East Punjab States Union, Bilaspur, Tehri-Garhwal, Rampur, Banares, the United State of Rajasthan, the United States of Matsya, Jaisalmer, Jodhpur, Bikaner, Jaipur, and the Acceding States administered by the Government of East Punjab.*
4. *THE SOUTHERN AREA shall consist of the Province of Madras, Coorg, Mysore, Cochin, Travancore, Sandur and the Acceding States administered by the Government of Madras.*

¹ Substituted by Act No. LXII of 1948.

*** THE SECOND SCHEDULE**

[See Section 42 and Section 2 (e)]

SCHEDULED BANKS.

1. Ajodhia Bank
2. Allahabad Bank
3. American Express Co. Inc.
4. Andhra Bank
5. Australasia Bank
6. Banco Nacional Ultramarino
7. Bank of Assam
8. Bank of Baroda
9. Bank of Behar
10. Bank of Bikaner
11. Bank of China
12. Bank of Communications
13. Bank of Hindustan
14. Bank of India
15. Bank of Jaipur
16. Bank of Maharashtra
17. Bank of Mysore
18. Bank of Nagpur
19. Bank of Poona
20. Bank of Rajasthan
21. Bankers' Union
22. Bareilly Corporation (Bank)
23. Belgaum Bank
24. Bengal Central Bank
25. Bharat Bank
26. Bharatha Lakshmi Bank
27. Calcutta Commercial Bank
28. Calcutta National Bank
29. Canara Bank
30. Canara Banking Corporation
31. Canara Industrial & Banking Syndicate
32. Central Bank of India

* As amended up to 31st May 1949.

33. Chartered Bank of India, Australia & China
34. Comilla Banking Corporation
35. Comilla Union Bank
36. Comptoir National D'Escompte de Paris
37. Devkaran Nanjee Banking Co.
38. Dinajpur Bank
39. Eastern Bank
40. Exchange Bank of India & Africa
41. Gadodia Bank
42. Grindlays Bank
43. Habib Bank
44. Hind Bank
45. Hindustan Commercial Bank
46. Hindustan Mercantile Bank
47. Hongkong & Shanghai Banking Corporation
48. Hooghly Bank
49. Hyderabad State Bank
50. Imperial Bank of India
51. Indian Bank
52. Indian Overseas Bank
53. Indo-Commercial Bank
54. Indo-Mercantile Bank
55. Jodhpur Commercial Bank
56. Jwala Bank
57. Karnani Industrial Bank
58. Kumbakonam Bank
59. Laxmi Bank
60. Lakshmi Commercial Bank
61. Lloyds Bank
62. Mahaluxmi Bank
63. Mercantile Bank of Hyderabad
64. Mercantile Bank of India
65. Miraj State Bank
66. Nadar Bank
67. Narang Bank of India
68. Nath Bank
69. National Bank of India

70. National Bank of Lahore
71. National City Bank of New York
72. National Savings Bank
73. Nedungadi Bank
74. Netherlands India Commercial Bank
75. Netherlands Trading Society
76. New Bank of India
77. New Citizen Bank of India
78. Noakhali Union Bank
79. Oriental Bank of Commerce
80. Oudh Commercial Bank
81. Palai Central Bank
82. Pioneer Bank
83. Prabhat Bank
84. Pratap Bank
85. Presidency Industrial Bank
86. Punjab & Sind Bank
87. Punjab Co-operative Bank
88. Punjab National Bank
89. Southern Bank
90. South India Bank
91. South Indian Bank
92. Tanjore Permanent Bank
93. Traders' Bank
94. Travancore Bank
95. Travancore Forward Bank
96. Tripura Modern Bank
97. Union Bank of India
98. United Commercial Bank
99. United Industrial Bank
100. Universal Bank of India
101. Vysya Bank

THE THIRD 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 *the Provinces*¹ where there is a branch of the Imperial Bank of India which was in existence at the commencement of the Reserve Bank of India Act, 1934, and there is no branch of the Banking Department of the Reserve Bank of India.

2. In consideration of the performance at the places referred to in clause 1 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 *Central Government* before the coming into force of the Reserve Bank of India Act, 1934, the Reserve Bank of India shall pay to the Imperial Bank of India as remuneration a sum which shall be for the first ten years during which this agreement is in force a commission calculated at one-sixteenth of one per cent. on the first 250 crores and one thirty-second of one per cent. on the remainder of 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. At the close of the said ten years the remuneration to be paid by the Reserve Bank of India to the Imperial Bank of India for the performance of these functions shall be revised and the remuneration for the ensuing five years shall be determined on the basis of the actual cost to the Imperial Bank of India, as ascertained by expert accounting investigation, of performing the said functions. The remuneration so determined shall thereafter be subject to revision in like manner at the end of each period of five years so long as this agreement remains in force. If any dispute arises between the Reserve Bank of India and the Imperial Bank of India as to the amount of the said remuneration the matter shall be referred for final decision to the *Central Government* who may require from the Imperial Bank such information and may order such accounting investigation as it *thinks fit*².

1 Substituted for the words 'British India' by the Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.

2 Substituted for the words 'as he thinks fit' by B.M.A. Order, 1937.

3. In consideration of the maintenance by the Imperial Bank of India of branches not less in number than those existing at the commencement of the Reserve Bank of India Act, 1934, the Reserve Bank of India shall until the expiry of fifteen years from the coming into force of this agreement, make to the Imperial Bank of India the following payments, namely:—

- (a) during the first five years of this agreement—nine lakhs of rupees per annum;
- (b) during the next five years of the agreement—six lakhs of rupees per annum; and
- (c) during the next five years of the agreement—four lakhs of rupees 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.¹

¹ The Fourth Schedule omitted by Act No. LXII of 1948 and the Fifth Schedule by B.M.A. Order, 1937.