

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION



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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws



Statutes and related materials
selected and annotated by

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INTERNATIONAL MONETARY FUND

WASHINGTON D.C.

INDIA

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Publication of Statutes and Other Measures

Central Acts, ordinances, and statutory instruments are published in the *Gazette of India*. Beginning with the year 1950, statutes are also published in annual volumes. The collection, *Unrepealed Central Acts, 1835-1947* (Delhi, 2nd ed., 1949-1951, 10 vols.) is still of interest. Moreover, the *India Code*, a compilation of unrepealed Central Acts arranged under subject headings, is published in loose-leaf form and kept up to date by replacement pages (Delhi, 1955-1961, 8 vols.).

Laws, ordinances, and other measures pertaining to central banking and banking are also published by the Reserve Bank of India in its monthly *Bulletin*.

The Reserve Bank of India Act, 1934¹

An Act to constitute a Reserve Bank of India. [6th March, 1934.]

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

AND WHEREAS in the present disorganization of the monetary system 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 I. PRELIMINARY

1. (1) This Act may be called the Reserve Bank of India Act, 1934.

Short title,
extent and
commencement.

(2) It extends to the whole of India.

(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 may, by notification in the *Gazette of India*, appoint.

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

(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;

(bb) "co-operative credit society" means a society registered, or deemed to be registered, under the Co-operative Societies Act, 1912, or any other law relating to co-operative societies for the time being in force in any part of the territories to which this Act extends, the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank;

(c) "foreign exchange" has the same meaning as in the Foreign Exchange Regulation Act, 1947;

(d) "rupee coin" means rupees which are legal tender in India under the provisions of the India Coinage Act, 1906 (3 of 1906);

¹ Act No. 2 of 1934 as amended through April 30, 1960.

- (e) "scheduled bank" means a bank included in the Second Schedule;
- (ee) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955;
- (f) "State co-operative bank" means the principal society in a State which is registered or deemed to be registered under the Co-operative Societies Act, 1912 (2 of 1912), or any other law for the time being in force in India relating to co-operative societies and the primary object of which is the financing of the other societies in the State which are or are deemed to be so registered:

Provided that in addition to such principal society in a State or where there is no such principal society in a State the State Government may declare any one or more co-operative societies carrying on business in that State to be a State co-operative bank or banks within the meaning of this definition.

CHAPTER II. INCORPORATION, CAPITAL, 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.

5. [Repealed]

Offices, branches and agencies.

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

Management.

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.

(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 and in his absence the Deputy Governor nominated by him in this behalf, shall also have powers of general superintendence

and direction of the affairs and the business of the Bank, and may exercise all powers and do all acts and things which may be exercised or done by the Bank.

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

- (a) a Governor and three 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.

(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, for any reason, unable to attend any such meeting, a Deputy Governor authorized by him in this behalf in writing may vote for him at that meeting.

(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.

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.

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 Local Boards, their constitution and functions.

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 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.

**Disqualifications
of Directors and
members of
Local Boards.**

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

- (a) is a salaried government official, 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 the State Bank or any other bank notified by the Central Government in this behalf or a bank which is a society registered or deemed to be registered under the Co-operative Societies Act, 1912 (2 of 1912), or any other law for the time being in force in India relating to co-operative societies.

(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 pro-curation 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.

**Removal from
and vacation of
office.**

11. (1) The Central Government may remove from office the Governor, or a Deputy Governor or any other Director or any member of a Local Board.

(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.

(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 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-section 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) The nomination as Director or member of a Local Board of any person who is a member of Parliament or the Legislature of any State shall be void, unless, within two months of the date of his nomination, he ceases to be such member, and, if any Director or member of a Local Board is elected or nominated as a member of Parliament or any such Legislature, 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 vacature 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.

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

(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.

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

Meetings of the
Central Board.

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.

(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 if for any reason he is unable to attend, 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.

14-16. [Repealed]

Business which
the Bank may
transact.

17. The Bank shall be authorized 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 Central Government, the State Governments, local authorities, banks and any other persons;
- (2) (a) the purchase, sale and rediscount of bills of exchange and promissory notes, drawn on 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 or a State co-operative 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 State co-operative bank and drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within fifteen months from the date of such purchase or rediscount, exclusive of days of grace;

Explanation.—For the purposes of this sub-clause—

- (i) the expression "agricultural operations" includes animal husbandry and allied activities jointly undertaken with agricultural operations;
- (ii) "crops" include products of agricultural operations;
- (iii) the expression "marketing of crops" includes the processing of crops prior to marketing by agricultural producers or any organization of such producers.
- (bb) 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 State Co-operative Bank or a State Financial Corporation, and drawn or issued for the purpose of financing the production or marketing activities of cottage and small scale industries approved by the Bank and maturing within twelve months from the date of such purchase or rediscount, exclusive of days of grace: provided that the payment of the principal and interest of such bills of exchange or promissory notes is fully guaranteed by the State Government;
- (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 pur-

pose of holding or trading in securities of the Central Government, or a State Government, 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 banks of foreign exchange in amounts of not less than the equivalent of one lakh of rupees;
- (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 Fund 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;
- (4) the making to local authorities, scheduled banks, State co-operative banks and State Financial Corporations established under the State Financial Corporations Act, 1951, 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 of the United Kingdom or by any law for the time being in force in India;
 - (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 or as are fully guaranteed as to the repayment of the principal and payment of interest by a State Government;
 - (d) promissory notes of any scheduled bank or State co-operative bank, supported by documents of title to goods, such documents having been transferred, assigned, or pledged to any such bank as security for a loan or advance made for *bona fide* commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops;
- (4A) the making to any State Financial Corporation established under the State Financial Corporations Act, 1951, of loans and advances repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by that Corporation and guaranteed by the State Government concerned and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted to a State Financial Corporation under this clause shall not, at any time,

exceed in the aggregate sixty per cent of the paid-up share capital thereof;

- (4AA) the making of loans and advances out of the National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund established under section 46A and section 46B respectively for the purposes specified in the said sections;
- (4B) the making to the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948 (15 of 1948) of loans and advances,—

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date of such loan or advance, against securities of the Central Government or of any State Government; or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government of any maturity or against bonds and debentures issued by the said Corporation and guaranteed by the Central Government and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted under clause (b) shall not at any time exceed three crores of rupees in the aggregate;

- (4BB) the making to any financial institution notified by the Central Government in this behalf, of loans and advances—

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date of such loan or advance, against the securities of the Central Government or of any State Government, or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by that financial institution and guaranteed by the Central Government or any State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted to a financial institution under sub-clause (b) shall not at any time exceed in the aggregate sixty per cent of the paid-up share capital thereof;

- (4C) the making to a Warehousing Corporation established under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, of loans and advances,—

- (a) repayable on demand or on the expiry of fixed periods not exceeding ninety days, from the date of such loan or advance, against securities of the Central Government or of any State Government, or
- (b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by the Corporation to which the loan or advance is made, and guaranteed by the Central or a State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance;

Provided that the amount of loans and advances granted under clause (b) shall not at any time exceed, in the aggregate, three crores of rupees in the case of the Central Warehousing Corporation and fifty lakhs of rupees in the case of a State Warehousing Corporation;

- (5) the making to the Central Government and State Governments 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, telegraphic transfers and other kinds of remittances made payable at its own offices or agencies, the purchase of telegraphic transfers, and the making, issue and circulation of bank post bills;

(7) [Repealed]

- (8) the purchase and sale of securities of the Central Government or a State Government of any maturity or of such securities of a local authority 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 or authority shall be deemed for the purposes of this clause to be securities of such Government or authority;

- (8A) the purchase and sale of shares in, or the capital of, the State Bank or any other bank or financial institution notified by the Central Government in this behalf;
- (8B) the keeping of deposits with the State Bank for such specific purposes as may be approved by the Central Government in this behalf;
- (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 for the Central Government or any State Government or any local authority or the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948 (15 of 1948) or the Government of any such country outside India or any such person as may be approved in this behalf by the Central Government in the transaction of any of the following kinds of business, namely:—
 - (a) the purchase and sale of gold or silver or foreign exchange;
 - (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;
 - (f) in respect of the aforesaid Corporation, the issue and management of its bonds and debentures;
- (11A) the acting as agent for the Central Government in guaranteeing the due performance by any small-scale industrial concern approved by the Central Government, of its obligations to any bank or any other financial institution in respect of loans and advances made to it by such bank or other financial institution and the making as such agent of payments in connection with such guarantee;
- (12) the purchase and sale of gold coin and bullion and foreign exchange;
- (12A) 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;
- (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 and securities of any such international bank;
- (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 India other than a scheduled bank or from any person outside India 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 India shall not at any time exceed the amount of the capital of the Bank;

- (15) the making and issue of bank notes subject to the provisions of this Act;
- (15A) the exercise of powers and functions and the performance of duties entrusted to the Bank under this Act or under any other law for the time being in force;
- (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 Act.

18. (1) When, in the opinion of the bank, a special occasion has arisen making it necessary or expedient that action should be taken under this sub-section for the purpose of regulating credit in the interests of Indian trade, commerce, 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 State co-operative bank; or
- (2) purchase or sell foreign exchange 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 (10 of 1949) against such other form of security as the bank may consider sufficient.
- (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.

Power of direct discount.

Business which
the Bank may
not transact.

19. Save as otherwise provided in sections 17, 18, 42 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 the shares of any banking company or of any other 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 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.

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

20. The Bank shall undertake to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of its accounts, and to carry out its exchange, remittance and other banking operations, including the management of the public debt of the Union.

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

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

- (2) The Central Government 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.

- (4) Any agreement made under this section shall be laid, as soon as may be after it is made, before Parliament.

- 21A. (1) The Bank may by agreement with the Government of any State undertake—

- (a) all its money, remittance, exchange and banking transactions in India, including in particular, the deposit, free of interest, of all its cash balances with the Bank; and
- (b) the management of the public debt of, and the issue of any new loans by, that State.

- (2) Any agreement made under this section shall be laid, as soon as may be after it is made, before Parliament.

- 21B. (1) Any agreement made under section 21 or section 21A between the Bank and the Government of a State specified in the *Explanation* below and in force immediately before the 1st day of November, 1956, shall as from that day have effect as if it were an agreement made on that day under section 21A between the Bank and the Government of the corresponding State subject to such modifications, if any, being of a character not affecting the general operation of the agreement, as may be agreed upon between the Bank and the Government of the corresponding State, or in default of such agreement, as may be made therein by order of the Central Government.

Explanation.—In this sub-section “corresponding State” means,—

- (a) in relation to the agreement between the Bank and the State of Andhra, the State of Andhra Pradesh;
- (b) in relation to the agreement between the Bank and any other Part A State as it existed before the 1st day of November, 1956, the State with the same name; and
- (c) in relation to the agreement between the Bank and the Part B State of Mysore or Travancore-Cochin as it existed before the 1st day of November, 1956, the State of Mysore or Kerala respectively.

- (2) Any agreement made under section 21A between the Bank and the Government of the Part B State of Hyderabad, Madhya Bharat or Saurashtra shall be deemed to have terminated on the 31st day of October, 1956.

22. (1) The Bank shall have the sole right to issue bank notes in India 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.

Bank to transact
Government
business of States
on agreement.

Effect of agree-
ments made be-
tween the Bank
and certain
States before the
1st November,
1956.

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.

Issue Department.

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.

(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.

Denominations of notes.

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

Form of bank 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.

Legal tender character of notes.

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

(2) On recommendation of the Central Board the Central Government may, by notification in the *Gazette of India*, declare that, with effect from such dates as may be specified in the notification, any series of bank notes of any denomination shall cease to be legal tender save at such office or agency of the Bank and to such extent as may be specified in the notification.

Certain bank notes to cease to be legal tender.

26A. Notwithstanding anything contained in section 26, no bank note of the denominational value of five hundred rupees, one thousand rupees or ten thousand rupees issued before the 13th day of January, 1946, shall be legal tender in payment or on account for the amount expressed therein.

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 table of Parliament.

28A. (1) For the purpose of controlling the circulation of bank notes without India, the Bank may, notwithstanding anything contained in any other provision of this Act, issue bank notes of such design, form and material as may be approved under sub-section (3) (hereinafter in this section referred to as special bank notes) of the denominational values of five rupees, ten rupees and one hundred rupees.

(2) For the purpose of controlling the circulation of Government of India one rupee notes without India, the Central Government may, notwithstanding anything contained in any other provision of this Act or in the Currency Ordinance, 1940, issue Government of India notes of the denominational value of one rupee of such design, form and material as may be adopted under sub-section (3) (hereinafter in this section referred to as special one rupee notes).

(3) The design, form and material of the special bank notes shall be such as may be approved by the Central Government after consideration of the recommendations made by the Governor and of the special one rupee notes shall be such as the Central Government may think fit to adopt.

(4) Neither the special bank notes nor the special one rupee notes shall be legal tender in India.

(5) The special one rupee note shall be deemed to be included in the expression "rupee coin" for all the purposes of this Act except section 39, but shall be deemed not to be a currency note for any of the purposes of this Act.

(6) Where a special bank note is on its face expressed to be payable at a specified office or branch of the Bank, the obligation imposed by section 39 shall be only on the specified office or branch and further shall be subjected to such regulations as may be made under this section.

(7) The Bank may, with the previous sanction of the Central Government, make regulations to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this section, and, in particular, the manner in which, and the conditions or limitations subject to which,—

Issue of special bank notes and special one rupee notes in certain cases.

- (i) bank notes and one rupee notes in circulation in any country outside India may be replaced by special notes issued under this section;
(ii) any such special notes may be exchanged for any other bank notes or one rupee notes.

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 (2 of 1899), in respect of bank notes issued by it.

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 Act the Central Government 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 Parliament at the earliest possible opportunity and in any case within three months from the issue of the notification superseding the Board.

Issue of demand bills and notes.

31. (1) No person in India 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:

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 (26 of 1881), no person in India 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.

Penalty.

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.

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

Assets of the Issue Department.

33. (1) The assets of the Issue Department shall consist of gold coin, gold bullion, foreign 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) The aggregate value of the gold coin, gold bullion and foreign securities held as assets and the aggregate value of the gold coin and gold bullion so held shall not at any time be less than two hundred crores of rupees and one hundred and fifteen crores of rupees, respectively.

(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 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 clause (1) of sub-section (1) of section 18.

(4) For the purposes of this section, gold coin and gold bullion shall be valued at 2.88 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 India, 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 years.

34. (1) The liabilities of the Issue Department shall be a~~d~~ 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.

Liabilities of the Issue Department.

(2) For the purposes of this section,—

- (a) 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, and
- (b) any bank note referred to in section 26A, 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:

Provided that any note referred to in clause (a), if subsequently presented for payment, and any note referred to in clause (b), if directed to be paid by the Central Government, shall be paid by the Banking Department and any such payment in the case of currency notes of the Government of India shall be debited to the Central Government.

35. [Repealed]

Method of dealing with fluctuations in rupee coin assets.

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 exceeding five crores of rupees, against payment of legal tender value in the form of bank notes, gold or securities:

Provided that if the Bank so desires and if the amount of gold coin, gold bullion and foreign 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 foreign 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.

37. Notwithstanding anything contained in the foregoing provisions, the Bank may, with the previous sanction of the Central Government, for periods not exceeding six months in the first instance, which may, with the like sanction, be extended from time to time by periods not exceeding three months at a time, hold as assets foreign securities of less amount in value than that required by sub-section (2) of section 33.

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 Bank; 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.

39. (1) The Bank shall issue rupee coin on demand in exchange of 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 (3 of 1906).

(2) The Bank shall, in exchange for currency notes or bank notes of two 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 (3 of 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.

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, or at such of its branches as the Central Government may, by order determine, 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 obligations 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.

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.

41-41A. [Repealed]

42. (1) Every bank included in the Second Schedule shall maintain with the Bank an average daily balance the amount of which shall not be less than five per cent. of the demand liabilities and two per cent. of the time liabilities in India of such bank as shown in the return referred to in sub-section (2):

Suspension of assets requirements as to foreign securities.

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

Obligation to supply different forms of currency.

Transactions in foreign exchange.

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

Provided that the Bank may, by notification in the *Gazette of India*, increase the said rates to such higher rates as may be specified in the notification so however, that the rate shall not be more than twenty per cent., in the case of demand liabilities and more than eight per cent., in the case of time liabilities.

Explanation.—For the purposes of this section—

- (a) "average daily balance" shall mean the average of the balances held at the close of business on each day of a week;
- (b) "week" shall mean the period from Saturday to the following Friday, both days inclusive;
- (c) "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 Bank, or from the Refinance Corporation for Industry, Ltd. or from the State Bank, or any other bank notified by the Central Government in this behalf.

(1A) Notwithstanding anything contained in sub-section (1), the Bank may, by notification in the *Gazette of India*, direct that every scheduled bank shall, with effect from such date as may be specified in the notification, maintain with the Bank, in addition to the balance prescribed by or under sub-section (1), an additional average daily balance the amount of which shall not be less than the rates specified in the notification, such additional balance being calculated with reference to the excess of the demand and time liabilities of the bank as shown in the return referred to in sub-section (2) over its demand and time liabilities at the close of business on the date specified in the notification as shown by such return so however, that the additional balance shall, in no case, be more than such excess:

Provided that nothing in this sub-section shall make it necessary for any scheduled bank to maintain with the Bank any balance which shall be more than twenty per cent. of its demand liabilities and eight per cent. of its time liabilities as shown in the return referred to in sub-section (2).

(1B) Where any scheduled bank maintains, in pursuance of a notification issued under the proviso to sub-section (1) or under sub-section (1A), any balance with the Bank the amount of which is not less than that required to be maintained by such notification, the Bank may pay to the scheduled bank interest at such rate or rates as may be determined by the Bank from time to time on the amount by which such balance actually maintained is in excess of the balance which the scheduled bank would have to maintain, if no such notification was issued:

Provided that no interest shall be payable on any such amount actually maintained as is in excess of the balance required to be maintained by or under sub-section (1) or under sub-section (1A).

(2) Every scheduled bank shall send to the bank a return signed by two responsible officers of such bank showing—

- (a) the amount of its demand and time liabilities and the amount of its borrowings from banks in India other than the State Bank and any other bank notified by the Central Government in this behalf,
- (aa) the amount of its borrowings from the State Bank and any other bank notified by the Central Government in this behalf classifying them into demand and time liabilities,
- (b) the total amount of legal tender notes and coins held by it in India,
- (c) the balance held by it at the Bank in India,
- (d) the balances held by it at other banks in current account and the money at call and short notice in India,
- (e) the investments (at book value) in Central and State Government securities including treasury bills and treasury deposit receipts,
- (f) the amount of advances in India,
- (g) the inland bills purchased and discounted in India and foreign bills purchased and discounted,

at the close of business on each Friday, and every such return shall be sent not later than five days after the date to which it relates:

Provided that where Friday is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), for one or more offices of a scheduled bank, the return shall give the preceding working day's figures in respect of such office or offices, but shall nevertheless be deemed to relate to that Friday:

Provided further 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 allow such bank—

(i) to furnish a provisional return for the week within the period aforesaid to be followed up by a final return not later than ten days after the date to which it relates, or

(ii) to furnish in lieu of a weekly return a monthly return to be sent 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 the average daily balance held at the Bank by a scheduled bank during any week is below the minimum prescribed by or under sub-section (1) or sub-section (1A), such scheduled bank shall be liable to pay to the Bank in respect of that week penal interest at a rate of three per cent. above the bank rate on the amount by which such balance with the Bank falls short of the prescribed minimum, and if during the next succeeding week, such average daily balance is still below the prescribed minimum, the rates of penal interest shall be increased to a rate of five per cent. above the bank rate in respect of that week and each subsequent week

during which the default continues on the amount by which such balance at the Bank falls short of 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 the average daily balance held at the Bank during the next succeeding week is still below the prescribed minimum,—

- (a) every director, 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 week during which the default continues, and
- (b) the Bank may prohibit the scheduled bank from receiving after the said week 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 manager, secretary, branch manager, and branch secretary.

(4) Any scheduled bank failing to comply with the provisions of sub-section (2) shall be liable to pay to the Bank 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 Bank.

(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 India and which—
 - (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 section 3 of the Companies Act, 1956, or an institution notified by the Central Government in this behalf or a corporation or a company incorporated by or under any law in force in any place outside India;

- (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
 - (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.

(7) The Bank may, for such period and subject to such conditions as may be specified, grant to any scheduled bank such exemptions from the provisions of this section as it thinks fit with reference to all or any of its offices or with reference to the whole or any part of its assets and liabilities.

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.

Publication of consolidated statement by the Bank.

43A. (1) No suit or other legal proceeding shall lie against the Bank or any of its officers for anything which is in good faith done or intended to be done in pursuance of section 42 or section 43.

Protection of action taken in good faith.

(2) No suit or other legal proceeding shall lie against the Bank or any of its officers for any damage caused or likely to be caused by anything

which is in good faith done or intended to be done in pursuance of section 42 or section 43.

Power to require returns from co-operative banks.

44. The Bank may require any State co-operative bank to furnish the return referred to in sub-section (2) of section 42, and if it does so, the provisions of sub-sections (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.

Obligation to appoint State Bank as agent.

45. (1) Unless otherwise directed by the Central Government with reference to any place, the Bank shall appoint the State Bank as its sole agent at all places in India where it does not have an office or branch of the Banking Department and there is a branch of the State Bank or a branch of a subsidiary bank.

(2) Notwithstanding anything contained in sub-section (1) or in any agreement between the Bank and the State Bank, the Bank may, until an arrangement under section 36 of the State Bank of India (Subsidiary Banks) Act, 1959, is made by the State Bank with the State Bank of Hyderabad or the State Bank of Mysore, employ or continue to employ as its agent, the State Bank of Hyderabad or, as the case may be, the Bank of Mysore, Limited or the State Bank of Mysore, at such places where, and for such purposes for which, the Hyderabad Bank and the Bank of Mysore, Limited were respectively acting as agents of the Bank immediately before the commencement of that Act and, with the previous approval of the Central Government, at any other place and for any purpose.

Explanation.—The expression "subsidiary bank" in this section shall have the same meaning as in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959.

CHAPTER IV. GENERAL PROVISIONS

Contribution by Central Government to the Reserve Fund.

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.

National Agricultural Credit (Long Term Operations) Fund.

46A. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Long Term Operations) Fund to which shall be credited—

- (a) an initial sum of ten crores of rupees by the Bank, and
- (b) such further sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than five crores of rupees:

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the following objects, namely:—

(a) the making of loans and advances to State Governments for subscribing directly or indirectly to the share capital of a co-operative credit society and repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance;

(b) the making to State co-operative banks of loans and advances, repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance, against such securities as may be specified in this behalf by the Bank, and such loans and advances may be made for agricultural purposes or for such other purposes connected with the agricultural activities as the Central Board may, from time to time, by regulation or otherwise, determine:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government;

(c) the making to Central Land Mortgage Banks of loans and advances repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government;

(d) the purchase of debentures of Central Land Mortgage Banks:

Provided that such debentures are fully guaranteed as to the repayment of the principal and payment of interest by the State Government.

Explanation.—For the purposes of this section, a Central Land Mortgage Bank includes an institution engaged in the grant of loans on the mortgage of agricultural land and declared as such by the State Government in this behalf.

46B. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Stabilisation) Fund to which shall be credited such sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than one crore of rupees:

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the making to State co-operative banks of loans and advances repayable on

National Agricultural Credit (Stabilisation) Fund.

the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance and on such terms and conditions as may be specified in this behalf by the Bank:

Provided that no such loans or advances shall be made—

- (a) except for the purpose of enabling the State co-operative banks to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of section 17 or loans and advances made to them by the Bank under clause (4) of section 17 and unless, in the opinion of the Bank, the State co-operative banks are unable to pay such dues in time owing to drought, famine or other natural calamities; and
- (b) unless such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government.

Allocation of surplus profits.

47. After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and for all other matters for which provision is to be made by or under this Act or which are usually provided for by bankers, the balance of the profits shall be paid to the Central Government.

Exemption of Bank from income-tax and super-tax.

48. (1) Notwithstanding anything contained in the Indian Income-tax Act, 1922 (11 of 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) [Repealed]

Publication of Bank rate.

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

Auditors.

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.

Appointment of special auditors by Government.

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

Powers and duties of auditors.

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 rea-

sonable times have access to the books, accounts and other documents of the Bank, and may, at the expense of the Bank, 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 Central Government 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.

53. (1) The Bank shall prepare and transmit to the Central Government Returns. a weekly account of the Issue Department and of the Banking Department in such 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*.

(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*.

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

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

54A. (1) The Governor may, by general or special order, delegate to a Deputy Governor, subject to such conditions and limitations, if any, as may be specified in the order, such of the powers and functions exercisable by him by or under this Act or under any other law for the time being in force as he may deem necessary for the efficient administration of the functions of the Bank.

(2) The fact that a Deputy Governor exercises any power or does any act or thing in pursuance of this Act shall be conclusive proof of his authority to do so.

Agricultural Credit Department.

55-56. [Repealed]

Liquidation of the Bank.

57. (1) Nothing in the Companies Act, 1956, 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.

(2) [Repealed]

Power of the Central Board to make regulations.

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) [Repealed]

- (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 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;
- (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.

59-61. [Repealed]

FIRST SCHEDULE

Section 9.

1. The Western Area shall consist of the States of Bombay and Madhya Pradesh.
2. The Eastern Area shall consist of the States of Assam, West Bengal, Bihar and Orissa, and the Union territories of Manipur, Tripura and the Andaman and Nicobar Islands.
3. The Northern Area shall consist of the States of Jammu and Kashmir, Punjab, Rajasthan and Uttar Pradesh and the Union territories of Himachal Pradesh and Delhi.
4. The Southern Area shall consist of the States of Andhra Pradesh, Mysore, Madras and Kerala and the Union territory of the Laccadive, Minicoy and Aminidivi islands.

[The Second Schedule, which contains the list of scheduled banks, is omitted here. The Third, Fourth, and Fifth Schedules have been repealed.]

The Banking Companies Act, 1949¹

SUMMARY

The Banking Companies Act, 1949, which came into force on March 16, 1949, comprises 56 sections and 4 schedules. It is arranged in 4 parts as follows: Part I, Preliminary (ss. 1-5); Part II, Business of Banking Companies (ss. 6-36); Part III, Suspension of Business and Winding Up of Banking Companies

¹ Act No. 10 of 1949. Sections 17, 18, 21, 24, 25, 35A, 35B, and 36 are given below, pp. 375-379. For a consolidated text of the Act as amended to January 14, 1957, see *The Banking Companies Act, 1949, and the Banking Companies Rules, 1949* (published by the Reserve Bank of India, Bombay, no date). This edition incorporates modifications of the original Act through nine amending Acts, including Acts No. 20 of 1950, No. 52 of 1953, and No. 95 of 1956. See also s. 2 of the Act, which states that its provisions "shall be in addition to, and not, save as hereinafter expressly provided, in derogation of the Companies Act, 1956 (1 of 1956) and any other law for the time being in force." For text of the Banking Companies (Amendment) Act, 1959 (No. 33 of 1959), see *Reserve Bank of India Bulletin* (Bombay), October 1959, pp. 1304-1316.