Overview of the act
The Bank Company Act, 1991 regulates the establishment, operation, supervision, and liquidation of banking companies in Bangladesh. The law aims to ensure a sound banking system that protects depositors and maintains public confidence. Section 3 mandates that no company can operate as a bank unless it holds a valid license from the Bangladesh Bank.

Licensing and business activities
Under Section 4, all banking companies must obtain prior approval from Bangladesh Bank before starting operations. Section 7 outlines the permitted activities of a bank, including accepting deposits, granting loans, issuing letters of credit, and engaging in foreign exchange dealings. Banks are prohibited from engaging in any business unrelated to banking, as stated in Section 8.

Capital adequacy and reserve requirements
Section 13 requires every bank to maintain a minimum level of paid-up capital and reserves, as prescribed by Bangladesh Bank. Section 24 mandates the maintenance of a cash reserve ratio (CRR) and statutory liquidity ratio (SLR) to ensure that banks have sufficient liquid assets to meet liabilities.

Corporate governance and management
Section 15 outlines the composition and responsibilities of the board of directors. Directors must be fit and proper as per guidelines issued by the central bank. Section 16 prevents any single individual from holding the post of CEO and chairperson at the same time. Section 17 empowers Bangladesh Bank to remove directors or management personnel who act in a manner detrimental to the interests of depositors.

Supervision and inspection
Section 44 authorizes Bangladesh Bank to inspect the affairs of any banking company at any time. Section 45 mandates submission of audited financial statements and reports to the central bank. If any irregularity is found, the central bank may issue directions under Section 46 to rectify the situation.

Loan classification and provisioning
Section 27 empowers Bangladesh Bank to prescribe rules for classification of loans, provisioning against non-performing loans, and writing off bad debts. Section 27Ka emphasizes that banks must regularly assess loan quality and take corrective measures to avoid insolvency.

Restrictions on lending and ownership
Section 26 prohibits banks from lending to their directors or related parties without prior approval. Section 14A sets limits on shareholding to prevent excessive concentration of ownership in any one individual or group. Violation of these provisions may result in penalties or cancellation of licenses.

Penalties for violations

Section 109 specifies the punishments for violating the provisions of the Act. If a bank conducts business without a license or fails to comply with Bangladesh Bank's instructions, it may be fined up to BDT 1 crore. In cases of willful disobedience, responsible persons may face imprisonment for up to 3 years, or a fine, or both. Section 111 further authorizes the central bank to impose daily penalties for continuing offenses.

Amalgamation and liquidation of banks

Section 77 allows two or more banking companies to merge with approval from Bangladesh Bank. Section 82 sets out the procedure for voluntary winding up of a bank, while Section 85 permits Bangladesh Bank to take over management or initiate compulsory liquidation in case of insolvency or serious misconduct.

Appeal and legal protection

According to Section 113, any person aggrieved by a decision of Bangladesh Bank may file an appeal to the High Court Division. Section 116 provides legal immunity to officers of Bangladesh Bank acting in good faith while exercising powers under the Act.