# The Banking Regulation Act, 1949

Act 10 of 1949. 133 sections. Bare Act with the official footnotes.

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[10th March, 1949.]

An Act to consolidate and amend the law relating to banking ***.

WHEREAS it is expedient to consolidate and amend the law relating to banking ***;

It is hereby enacted as follows:-

## PART I PRELIMINARY

### Section 1. Short title, extent and commencement

(1) This Act may be called the Banking [1][Regulation] Act, 1949.

[2][(2) It extends to the whole of India [3]***.]

(3) It shall come into force on such date[4] as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

[1] Subs. by s. 11, ibid., for "Companies" (w.e.f. 1-3-1966).
[2] Subs. by Act 20 of 1950, s. 2, for sub-section (2) (w.e.f. 18-3-1950).
[3] The words "except the State of Jammu and Kashmir" omitted by Act 62 of 1956, s. 2 and Sch. (w.e.f. 1-11-1956).
[4] 16th March, 1949, see Notifn. No. F. 4 (46)-FI/49, dated the 10th March, 1949, Gazette of India, 1949, Part I.

### Section 2. Application of other laws not barred

The provisions of this Act shall be in addition to, and not, save as hereinafter expressly provided, in derogation of the [1][Companies Act, 1956 (1 of 1956)], any other law for the time being in force.

[1] Subs. by Act 95 of 1956, s. 14 and Sch., for "Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

### Section 3. Act not to apply to certain co-operative societies

[1][Notwithstanding anything contained in the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981), this Act shall not apply to-

(a) a primary agricultural credit society; or

(b) a co-operative society whose primary object and principal business is providing of long-term finance for agricultural development, if such society does not use as part of its name, or in connection with its business, the words "bank", "banker" or "banking" and does not act as drawee of cheques.]

[1] Subs. by Act 39 of 2020, s. 2, for section 3 (w.e.f. 26-6-2020).

## Section 4. Power to suspend operation of Act

(1) The Central Government, if on a representation made by the Reserve Bank in this behalf is satisfied that it is expedient so to do, may by notification in the Official Gazette suspend for such period, not exceeding sixty days, as may be specified in the notification, the operation of all or any of the provisions of this Act, either generally or in relation to any specified banking company.

(2) In a case of special emergency, the Governor of the Reserve Bank, or in his absence a Deputy Governor of the Reserve Bank nominated by him in this behalf may, by order in writing, exercise the powers of the Central Government under sub-section (1) so however that the period of suspension shall not exceed thirty days, and where the Governor or the Deputy Governor, as the case may be, does so, he shall report the matter to the Central Government forthwith, and the order shall, as soon as may be, be published in the Gazette of India.

(3) The Central Government may, by notification in the Official Gazette, extend from time to time the period of any suspension ordered under sub-section (1) or sub-section (2) for such period, not exceeding sixty days at any one time, as it thinks fit so however that the total period does not exceed one year.

(4) A copy of any notification issued under sub-section (3) shall be laid on the table of [1][Parliament] as soon as may be after it is issued.

[1] Subs. by the A.O. 1950, for "the Dominion Legislature".

## Section 5. Interpretation

[1][In this Act], unless there is anything repugnant in the subject or context,-

[2][(a) "approved securities" means the securities issued by the Central Government or any State Government or such other securities as may be specified by the Reserve Bank from time to time.]

(b) "banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise;

(c) "banking company" means any company which transacts the business of banking [3][in India];

Explanation.-Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;

[4][(ca) "banking policy" means any policy which is specified from time to time by the Reserve Bank in the interest of the banking system or in the interest of monetary stability or sound economic growth, having due regard to the interests of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources;]

[5][(cc) "branch" or "branch office", in relation to a banking company, means any branch or branch office, whether called a pay office or sub-pay office or by any other name, at which deposits are received, cheques cashed or moneys lent, and for the purposes of section 35 includes any place of business where any other form of business referred to in sub-section (1) of section 6 is transacted;]

[6][(d) "company" means any company as defined in section 3 of the Companies Act, 1956 (1 of 1956); and includes foreign company within the meaning of section 591 of that Act;]

[7][(da) "corresponding new bank" means a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980);]

[8]* * * * *

(f) "demand liabilities" means liabilities which must be met on demand, and "time liabilities" means liabilities which are not demand liabilities;

[9][(ff) "Deposit Insurance Corporation" means the Deposit Insurance Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961 (47 of 1961);]

[10][ [11]* * * * *

(ffb) "Exim Bank" means the Export-Import Bank of India established under section 3 of the Export-Import Bank of India Act, 1981 (28 of 1981);]

[12][(ffc) "Reconstruction Bank" means the Industrial Reconstruction Bank of India established under section 3 of the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984);]

[13][(ffd) "National Housing Bank" means the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987);]

(g) "gold" includes gold in the form of coin, whether legal tender or not, or in the form of bullion or ingot, whether refined or not;

[14][(gg) "managing agent" includes,-

(i) secretaries and treasurers,

(ii) where the managing agent is a company, any director of such company, and any member thereof who holds substantial interest in such company,

(iii) where the managing agent is a firm, any partner of such firm;]

[15][(h) "managing director", in relation to a banking company, means a director who, by virtue of an agreement with the banking company or of a resolution passed by the banking company in general meeting or by its Board of directors or, by virtue of its memorandum or articles of association, is entrusted with the management of the whole, or substantially the whole of the affairs of the company, and includes a director occupying the position of a managing director, by whatever name called:]

[16][Provided that the managing director shall exercise his powers subject to the superintendence, control and direction of the Board of directors.]

[17][(ha) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);]

[18][(hb) "National Bank for financing Infrastructure and Development" means the Institution established under section 3 of the National Bank for Financing Infrastructure and Development Act, 2021;

(hc) "other development financial institution" means a development financial institution licensed under section 29 of the National Bank for Financing Infrastructure and Development Act, 2021;]

[19]* * * * *

(j) "prescribed" means prescribed by rules made under this Act;

[17][(ja) "regional rural bank" means a regional rural bank established under section 3 of the Regional Rural Banks Act, 1976 (21 of 1976);]

[20]* * * * *

[21][(l) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);]

[20]* * * * *

(n) "secured loan or advance" means a loan or advance made on the security of assets the market value of which is not at any time less than the amount of such loan or advance; and "unsecured loan or advance" means a loan or advance not so secured;

[22][(ni) "Small Industries Bank" means the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989);]

[23][(na) "small-scale industrial concern" means an industrial concern in which the investment in plant and machinery is not in excess of seven and a half lakhs of rupees or such higher amount, not exceeding twenty lakhs of rupees, as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to the trends in industrial development and other relevant factors;

[24][(nb) "Sponsor Bank" has the meaning assigned to it in the Regional Rural Banks Act, 1976 (21 of 1976);

(nc) "State Bank of India" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955);]

[25][(nd)] "subsidiary bank" has the meaning assigned to it in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);

[26][(ne)] "substantial interest",-

(i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid-up on which exceeds [27][two crore rupees or such other amount as may be notified in the Official Gazette by the Central Government] or ten per cent. of the paid-up capital of the company, whichever is less;

(ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent. of the total capital subscribed by all the partners of the said firm;] [28][(o) all other words and expressions used herein but not defined and defined in the Companies Act, 1956 (1 of 1956), shall have the meanings respectively assigned to them in that Act.]

[29]* * * * *

[1] Subs. by Act 55 of 1963, s. 6, for "(1) In this Act" (w.e.f. 1-2-1964).
[2] Subs. by Act 4 of 2013, s. 2, for clause (a) (w.e.f. 18-1-2013).
[3] Subs. by Act 20 of 1950, s. 3, for "in any State" (w.e.f. 18-3-1950).
[4] Ins. by Act 58 of 1968, s. 2 (w.e.f. 1-2-1969).
[5] Ins. by Act 33 of 1959, s. 2 (w.e.f. 1-10-1959).
[6] Subs. by s. 2, ibid., for clause (d) (w.e.f. 1-10-1959).
[7] Ins. by Act 1 of 1984, s. 13 (w.e.f. 15-2-1984).
[8] Cl. (e) omitted by Act 52 of 1953, s. 2 (w.e.f. 30-12-1953).
[9] Ins. by Act 47 of 1961, s. 51 and the Sch., II (w.e.f. 1-1-1962).
[10] Ins. by Act 1 of 1984, s. 13 (w.e.f. 15-2-1984).
[11] Cl. (ffa) omitted by Act 53 of 2003, s. 12 and Sch., (w.e.f. 2-7-2004).
[12] Ins. by Act 62 of 1984, s. 71 and Sch. III (w.e.f. 20-3-1985).
[13] Ins. by Act 53 of 1987, s. 56 and Sch II (w.e.f. 9-7-1988).
[14] Ins. by Act 58 of 1968, s. 2 (w.e.f. 1-2-1969).
[15] Subs. by Act 33 of 1959, s. 2, for cl. (h) (w.e.f. 1-10-1959).
[16] Added by Act 58 of 1968, s. 2 (w.e.f. 1-2-1969).
[17] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).
[18] Ins. by Act 17 of 2021, s. 48 and Sch. III (w.e.f. 19-4-2021).
[19] Cl. (i) omitted by Act 33 of 1959, s. 2 (w.e.f. 1-10-1959).
[20] Cls. (k) and (m) omitted by Act 33 of 1959, s. 2 (w.e.f. 1-10-1959).
[21] Subs. by Act 1 of 1984, s. 13, for cl. (l) (w.e.f. 15-2-1984).
[22] Ins. by Act 39 of 1989, s. 53 and II Sch. (w.e.f. 25-10-1989).
[23] Ins. by Act 58 of 1968, s. 2 (w.e.f. 1-2-1969).
[24] Ins. by Act 1 of 1984, s. 13 (w.e.f. 15-2-1984).
[25] Cl. (nb) re-lettered as cl. (nd) by Act 1 of 1984, s. 13 (w.e.f. 15-2-1984).
[26] Cl. (nc) re-lettered as cl. (ne) by s. 13, ibid. (w.e.f. 15-2-1984).
[27] Subs. by Act 16 of 2025, s. 3, for "five lakhs of rupees" (w.e.f. 1-8-2025).
[28] Ins. by Act 33 of 1959, s. 2 (w.e.f. 1-10-1959).
[29] Sub-clause (l) omitted by the A.O. 1950.

### Section 5A. Act to override memorandum, articles, etc

[1][Save as otherwise expressly provided in this Act,-

(a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a banking company, or in any agreement executed by it, or in any resolution passed by the banking company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of the Banking Companies (Amendment) Act, 1959 (33 of 1959); and

(b) any provision contained in the memorandum, articles, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.]

[1] Ins. by Act 33 of 1959, s. 3 (w.e.f. 1-10-1959).

## PART II BUSINESS OF BANKING COMPANIES

### Section 6. Forms of business in which banking companies may engage

(1) In addition to the business of banking, a banking company may engage in any one or more of the following forms of business, namely:-

(a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments, and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scripts or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scripts or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

(b) acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and

discharges and otherwise acting as an attorney on behalf of customers but excluding the business of a [1][managing agent or secretary and treasurer] of a company;

(c) contracting for public and private loans and negotiating and issuing the same;

(d) the effecting, insuring, guranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;

(e) carrying on and transacting every kind of guarantee and indemnity business;

(f) managing, selling and realising any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;

(g) acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;

(h) undertaking and executing trusts;

(i) undertaking the administration of estates as executor, trustee or otherwise;

(j) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;

(k) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;

(l) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;

(m) acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in this sub-section;

(n) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;

(o) any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

(2) No banking company shall engage in any form of business other than those referred to in sub-section (1).

[1] Subs. by Act 33 of 1959, s. 4, for "managing agent" (w.e.f. 1-10-1959).

## Section 7. Use of words "bank", "banker", "banking" or "banking company"

[1][(1) No company other than a banking company shall use as part of its name [2][or in connection with its business] any of the words "bank", "banker" or "banking" and no company shall carry on the business of banking in India unless it uses as part of its name at least one of such words.

(2) No firm, individual or group of individuals shall, for the purpose of carrying on any business, use as part of its or his name any of the words "bank", "banking" or "banking company".

(3) Nothing in this section shall apply to-

(a) a subsidiary of a banking company formed for one or more of the purposes mentioned in sub-section (1) of section 19, whose name indicates that it is a subsidiary of that banking company;

(b) any association of banks formed for the protection of their mutual interests and registered under section 25 of the Companies Act, 1956 (1 of 1956).]

[1] Subs. by Act 55 of 1963, s. 7, for s. 7 (w.e.f. 1-2-1964).
[2] Ins. by Act 1 of 1984, s. 14 (w.e.f. 15-2-1984).

## Section 8. Prohibition of trading

Notwithstanding anything contained in section 6 or in any contract, no banking company shall directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realisation of security given to or held by it, or engage in any trade, or buy, sell or barter goods for others otherwise than in connection with bills of exchange received for collection or negotiation or with such of its business as is referred to in clause (i) of sub-section (1) of section 6:

[1][Provided that this section shall not apply to any such business as is specified in pursuance of clause (o) of

sub-section (1) of section 6.]

Explanation.- For the purposes of this section, "goods" means every kind of moveable property, other than actionable claims, stocks, shares, money, bullion and specie, and all instruments referred to in clause (a) of sub-section (1) of section 6.

[1] Subs. by s. 15, ibid., for the proviso (w.e.f. 15-2-1984).

## Section 9. Disposal of non-banking assets

Notwithstanding anything contained in section 6, no banking company shall hold any immovable property howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the acquisition thereof or from the commencement of this Act, whichever is later or any extension of such period as in this section provided, and such property shall be disposed of within such period or extended period, as the case may be:

Provided that the banking company may, within the period of seven years as aforesaid, deal or trade in any such property for the purpose of facilitating the disposal thereof:

Provided further that the Reserve Bank may in any particular case, extend the aforesaid period of seven years by such period not exceeding five years where it is satisfied that such extension would be in the interest of the depositors of the banking company.

## Section 10. Prohibition of employment of managing agents and restrictions on certain forms of employment

[1][(1) No banking company-

(a) shall employ or be managed by a managing agent; or

(b) shall employ or continue the employment of any person-

(i) who is, or at any time has been, adjudicated insolvent, or has suspended payment or has compounded with his creditors, or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; or

(ii) whose remuneration or part of whose remuneration takes the form of commission or of a share in the profits of the company:

[2][Provided that nothing contained in this sub-clause shall apply to the payment by a banking company of-

(a) any bonus in pursuance of a settlement or award arrived at or made under any law relating to industrial disputes or in accordance with any scheme framed by such banking company or in accordance with the usual practice prevailing in banking business;

(b) any commission to any broker (including guarantee broker), cashier-contractor, clearing and forwarding agent, auctioneer or any other person, employed by the banking company under a contract otherwise than as a regular member of the staff of the company; or]

(iii) whose remuneration is, in the opinion of the Reserve Bank, excessive; or

(c) shall be managed by any person-

[3][(i) who is a director of any other company not being-

(a) a subsidiary of the banking company, or

(b) a company registered under section 25 of the Companies Act, 1956 (1 of 1956):

Provided that the prohibition in this sub-clause shall not apply in respect of any such director for a temporary period not exceeding three months or such further period not exceeding nine months as the Reserve Bank may allow; or]

(ii) who is engaged in any other business or vocation; or

(iii) [4][whose term of office as a person managing the company is] for a period exceeding five years at any one time:

[5][Provided that the term of office of any such person may be renewed or extended by further periods not exceeding five years on each occasion subject to the condition that such renewal or extension shall not be sanctioned earlier than two years from the date on which it is to come into force:

Provided also that where the term of office of such person is for an indefinite period, such term, unless it otherwise comes to an end earlier, shall come to an end immediately on the expiry of five years from the date of his appointment or on the expiry of three months from the date of commencement of section 8 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963), whichever is later:]

Provided further that nothing in this clause shall apply to a director, other than the managing director, of a banking

company by reason only of his being such director.

Explanation.-For the purpose of sub-clause (iii) of clause (b), the expression "remuneration", in relation to person employed or continued in employment, shall include salary, fees and perquisites but shall not include any allowances or other amounts paid to him for the purpose of reimbursing him in respect of the expenses actually incurred by him in the performance of his duties.

(2) In forming its opinion under sub-clause (iii) of clause (b) of sub-section (1), the Reserve Bank may have regard among other matters to the following:-

(i) the financial condition and history of the banking company, its size and area of operation, its resources, the volume of its business, and the trend of its earning capacity;

(ii) the number of its branches or offices;

(iii) the qualifications, age and experience of the person concerned;

(iv) the remuneration paid to other persons employed by the banking company or to any person occupying a similar position in any other banking company similarly situated; and

(v) the interests of its depositors.

[6][ [7]* * * * *]

(6) Any decision or order of the Reserve Bank made under this section shall be final for all purposes.]

[1] Subs. by Act 95 of 1956, s. 2, for section 10 (w.e.f. 14-1-1957).
[2] Subs. by Act 33 of 1959, s. 6, for the proviso (w.e.f. 1-10-1959).
[3] Subs. by s. 6, ibid., for sub-clause (i) (w.e.f. 1-10-1959).
[4] Subs. by Act 55 of 1963, s. 8, for "who has a contract with the company for its management" (w.e.f. 1-2-1964).
[5] Subs. by s. 8, ibid., for the first proviso (w.e.f. 1-2-1964).
[6] Subs. by Act 33 of 1959, s. 6, for sub-section (3) (w.e.f. 1-10-1959).
[7] Sub-sections (3), (4) and (5) omitted by Act 55 of 1963, s. 8 (w.e.f. 1-2-1964).

## Section 10A. Board of directors to include persons with professional or other experience

[1][(1) Notwithstanding anything contained in any other law for the time being in force, every banking company,-

(a) in existence on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), or

(b) which comes into existence thereafter,

shall comply with the requirements of this section:

Provided that nothing contained in this sub-section shall apply to a banking company referred to in clause (a) for a period of three months from such commencement.

(2) Not less than fifty-one per cent. of the total number of members of the Board of directors of a banking company shall consist of persons, who-

(a) shall have special knowledge or practical experience in respect of one or more of the following matters, namely:-

(i) accountancy,

(ii) agriculture and rural economy,

(iii) banking,

(iv) co-operation,

(v) economics,

(vi) finance,

(vii) law,

(viii) small-scale industry,

(ix) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company:

Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry; and

(b) shall not-

(1) have substantial interest in, or be connected with, whether as employee, manager or managing agent,-

(i) any company, not being a company registered under section 25 of the Companies Act, 1956 (1 of 1956), or

(ii) any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale

industrial concern, or

(2) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

[2][(2A) Notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), or in any other law for the time being in force,-

(i) no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years [3][and ten years in case of a co-operative bank];

(ii) a chairman or other whole-time director of a banking company who has been removed from office as such chairman, or whole-time director, as the case may be, under the provisions of this Act shall also cease to be a director of the banking company and shall also not be eligible to be appointed as a director of such banking company, whether by election or co-option or otherwise, for a period of four years from the date of his ceasing to be the chairman or whole-time director, as the case may be.] (3) If, in respect of any banking company, the requirements, as laid down in sub-section (2), are not fulfilled at any time, the Board of directors of such banking company shall re-constitute such Board so as to ensure that the said requirements are fulfilled.

(4) If, for the purpose of re-constituting the Board under sub-section (3), it is necessary to retire any director or directors, the Board may, by lots drawn in such manner as may be prescribed, decide which director or directors shall cease to hold office and such decision shall be binding on every director of the Board.

(5) Where the Reserve Bank is of opinion that the composition of the Board of directors of a banking company is such that it does not fulfil the requirements of sub-section (2), it may, after giving to such banking company a reasonable opportunity of being heard, by an order in writing, direct the banking company to so re-constitute its Board of directors as to ensure that the said requirements are fulfilled and, if within two months from the date of receipt of that order, the banking company does not comply with the directions made by the Reserve Bank, that Bank may, after determining, by lots drawn in such manner as may be prescribed, the person who ought to be removed from the membership of the Board of directors, remove such person from the office of the director of such banking company and with a view to complying with the provisions of sub-section (2), appoint a suitable person as a member of the Board of directors in the place of the person so removed whereupon the person so appointed shall be deemed to have been duly elected by the banking company as its director.

(6) Every appointment, removal or reconstitution duly made, and every election duly held, under this section shall be final and shall not be called into question in any court.

(7) Every director elected or, as the case may be, appointed under this section shall hold office until the date up to which his predecessor would have held office, if the election had not been held, or, as the case may be, the appointment had not been made.

(8) No act or proceeding of the Board of directors of a banking company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its members did not fulfil the requirements of this section.

[1] Ins. by Act 58 of 1968, s. 3 (w.e.f. 1-2-1969).
[2] Ins. by Act 1 of 1984, s. 16 (w.e.f. 15-2-1984).
[3] Ins. by Act 16 of 2025, s. 4 (w.e.f. 1-8-2025).

## Section 10B. Banking company to be managed by whole time chairman

[1][(1) Notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company in existence on the commencement of the Banking Regulation (Amendment) Act, 1994 (20 of 1994), or which comes into existence thereafter shall have one of its directors, who may be appointed on a whole-time or a part-time basis as chairman of its Board of directors, and where he is appointed on a whole-time basis, as chairman of its Board of directors, he shall be entrusted with the management of the whole of the affairs of the banking company:

Provided that the chairman shall exercise his powers subject to the superintendence, control and direction of the Board of directors.

(1A) Where a chairman is appointed on a part-time basis,-

(i) such appointment shall be with the previous approval of the Reserve Bank and be subject to such conditions as the Reserve Bank may specify while giving such approval;

(ii) the management of the whole of the affairs of such banking company shall be entrusted to a managing director who shall exercise his powers subject to the superintendence, control and direction of the Board of directors.] (2) [2][Every chairman of the Board of directors who is appointed on a whole-time basis and every managing director] of a banking company shall be in the whole-time employment of such company and shall hold office for such

period, not exceeding five years, as the Board of directors may fix, but shall, subject to the provisions of this section, be eligible for re-election or re-appointment:

Provided that nothing in this sub-section shall be construed as prohibiting a chairman from being a director of a subsidiary of the banking company or a director of a company registered under section 25 of the Companies Act, 1956 (1 of 1956).

(3) Every person holding office on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), as managing director of a banking company shall-

(a) if there is a chairman of its Board of directors, vacate office on such commencement, or

(b) if there is no chairman of its Board of directors, vacate office on the date on which the chairman of its Board of directors is elected or appointed in accordance with the provisions of this section. (4) [3][Every chairman who is appointed on a whole-time basis and every managing director of a banking company appointed under sub-section (1A)] shall be a person who has special knowledge and practical experience of-

(a) the working of a banking company, or of the State Bank of India or any subsidiary bank or a financial institution, or

(b) financial, economic or business administration:

Provided that a person shall be disqualified for being a [4][chairman who is appointed on a whole-time basis or a managing director] if he-

(a) is a director of any company other than a company referred to in the proviso to sub-section (2), or

(b) is a partner of any firm which carries on any trade, business or industry, or

(c) has substantial interest in any other company or firm, or

(d) is a director, manager, managing agent, partner or proprietor of any trading, commercial or industrial concern, or

(e) is engaged in any other business or vocation.

(5) [5][A chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company may, by writing, under his hand addressed to the company, resign his office [6]***.

[7][(5A) [5][A chairman of the Board of directors appoint on a whole-time basis or a managing director] whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the Reserve Bank, continue in office until his successor assumes office.]

(6) Without prejudice to the provisions of section 36AA, where the Reserve Bank is of opinion that any person who is, or has been elected to be, the [8][chairman of the Board of directors who is appointed on a whole-time basis or the managing director] of a banking company is not a fit and proper person to hold such office, it may, after giving to such person and to the banking company a reasonable opportunity of being heard, by order in writing, require the banking company to elect or appoint any other person as the [9][chairman of the Board of directors who is appointed on a whole-time basis or the managing director] and if, within a period of two months from the date of receipt of such order, the banking company fails to elect or appoint a suitable person as the [9][chairman of the Board of directors who is appointed on a whole-time basis or the managing director] the Reserve Bank may, by order, remove the first-mentioned person from the office of the [8][chairman of the Board of directors who is appointed on a whole-time basis or the managing director] of the banking company and appoint a suitable person in his place whereupon the person so appointed shall be deemed to have been duly elected or appointed, as the case may be, as the [8][chairman of the Board of directors who is appointed on a whole-time basis or the managing director] of such banking company and any persons elected or [10][appointed as chairman on a whole-time basis or managing director] under this sub-section shall hold office for the residue of the period of office of the person is whose place he has been so elected or appointed.

(7) The banking company and any person against whom an order of removal is made under sub-section (6) may, within thirty days from the date of communication to it or to him of the order, prefer an appeal to the Central Government and the decision of the Central Government thereon, and subject thereto, the order made by the Reserve Bank under sub-section (6), shall be final and shall not be called into question in any court.

(8) Notwithstanding anything contained in this section, the Reserve Bank may, if in its opinion it is necessary in the public interest so to do, permit [11][the chairman of the Board of directors who is appointed on a whole-time basis or the managing director] to undertake such part-time honorary work as is not likely to interfere with his duties as [12][such chairman or managing director].

(9) Notwithstanding anything contained in this section, where a person [13][appointed on a whole-time basis, as

chairman of the Board of directors or managing director] dies or resigns or is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the banking company may, with the approval of the Reserve Bank, make suitable arrangements for carrying out the [14][duties of chairman or managing director] for a total period not exceeding four months.

[1] Subs. by Act 20 of 1994, s. 2, for sub-section (1) (w.e.f. 31-1-1994).
[2] Subs. by s. 2, ibid., for "Every chairman of the Board of directors" (w.e.f. 31-1-1984).
[3] Subs. by s. 2, ibid., for "Every chairman of the Board of directors of a banking company" (w.e.f. 31-1-1994).
[4] Subs. by Act 20 of 1994, s. 2, for "chairman" (w.e.f. 31-1-1994).
[5] Subs. by s. 2, ibid., for "A chairman of the Board of directors" (w.e.f. 31-1-1994).
[6] The words "but shall continue in office until his successor assumes office" omitted by Act 1 of 1984, s. 17 (w.e.f. 15-2-1984).
[7] Ins. by s. 17, ibid. (w.e.f. 15-2-1984).
[8] Subs. by Act 20 of 1994, s. 2, for "chairman of the Board of directors" (w.e.f. 31-1-1994).
[9] Subs. by s. 2, ibid., for "chairman of its Board of directors" (w.e.f. 31-1-1994).
[10] Subs. by s. 2, ibid., for "appointed as chairman" (w.e.f. 31-1-1994).
[11] Subs. by Act 20 of 1994, s. 2, for "the chairman" (w.e.f. 31-1-1994).
[12] Subs. by s. 2, ibid., for "such chairman" (w.e.f. 31-1-1994).
[13] Subs. by s. 2, ibid., for "appointed as chairman" (w.e.f. 31-1-1994).
[14] Subs. by s. 2, ibid., for "duties as chairman" (w.e.f. 31-1-1994).

## Section 10BB. Power of Reserve Bank to appoint [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company

[2][(1) Where the office of the [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company is vacant, the Reserve Bank may, if it is of opinion that the continuation of such vacancy is likely to adversely affect the interests of the banking company, appoint a person, eligible under sub-section (4) of section 10B to be so appointed, to be the [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] of the banking company and where the person so appointed is not a director of such banking company, he shall, so long as he holds the office of the [1][chairman of the Board of directors appointed on a whole-time basis or a managing director], be deemed to be a director of the banking company.

(2) The [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] so appointed by the Reserve Bank shall be in the whole-time employment of the banking company and shall hold office for such period not exceeding three years, as the Reserve Bank may specify, but shall, subject to other provisions of this Act, be a eligible for reappointment.

(3) The [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] so appointed by the Reserve Bank shall draw from the banking company such pay and allowances as the Reserve Bank may determine and may be removed from office only by the Reserve Bank.

(4) Save as otherwise provided in this section, the provisions of section 10B shall, as far as may be, apply to the [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] appointed by the Reserve Bank under sub-section (1) as they apply to a [1][chairman of the Board of directors appointed on a whole-time basis or a managing director] appointed by the banking company].

[1] Subs. by Act 20 of 1994, s. 3, for "chairman" (w.e.f. 31-1-1994).
[2] Ins. by Act 1 of 1984, s. 18 (w.e.f. 15-2-1984).

## Section 10C. Chairman and certain directors not to be required to hold qualification shares

[1][[2][A chairman of the Board of directors who is appointed on a whole-time basis or a managing director] of a banking company (by whomsoever appointed) and a director of a banking company (appointed by the Reserve Bank under section 10A) shall not be required to hold qualification shares in the banking company.]

[1] Subs. by Act 1 of 1984, s. 19, for section 10C (w.e.f. 15-2-1984).
[2] Subs. by Act 20 of 1994, s. 4, for "A chairman" (w.e.f. 31-1-1994).

## Section 10D. Provisions of sections 10A and 10B to override all other laws, contracts, etc

Any appointment or removal of a [1][director, chairman of the Board of directors who is appointed on a whole-time basis or managing director] in pursuance of section 10A or section 10B [2][or section 10BB] shall have effect and any such person shall not be entitled to claim any compensation for the loss or termination of office, notwithstanding anything contained in any law or in any contract, memorandum or articles of association.]

[1] Subs. by Act 20 of 1994, s. 5, for "director or chairman" (w.e.f. 31-1-1994).
[2] Ins. by Act 1 of 1984, s. 20 (w.e.f. 15-2-1984).

## Section 11. Requirement as to minimum paid-up capital and reserves

(1) Notwithstanding anything contained in [1][section 149 of the Companies Act, 1956 (1 of 1956)], no banking company in existence on the commencement of this Act, shall, after the expiry of three years from such commencement or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the company, may think fit in any particular case to allow, carry on business [2][in India], and no other banking company shall after the commencement of this Act, commence or carry on business [2][in India], [3][unless it complies with such of the requirements of this section as are applicable to it].

[4][(2) In the case of a banking company incorporated outside India-

(a) the aggregate value of its paid-up capital and reserves shall not be less than fifteen lakhs of rupees and if it has a place or places of business in the city of Bombay or Calcutta or both, twenty lakhs of rupees; and

(b) [5][the banking company shall deposit and keep deposited with the Reserve Bank either in cash or in the form of unencumbered approved securities, or partly in cash and partly in the form of such securities-

(i) an amount which shall not be less than the minimum required by clause (a); and

(ii) as soon as may be after the expiration of each [6]*** year, an amount calculated at twenty per cent. of its profit for that year in respect of all business transacted through its branches in India, as disclosed in the profit and loss account prepared with reference to that year under section 29:]

Provided that any such banking company may at any time replace-

(i) any securities so deposited by cash or by any other unencumbered approved securities, or partly by cash and partly by other such securities, so however, that the total amount deposited is not affected;

(ii) any cash so deposited by unencumbered approved securities of an equal value.]

[7][(2A) Notwithstanding anything contained in sub-section (2), the Central Government may, on the recommendation of the Reserve Bank, and having regard to the adequacy of the amounts already deposited and kept deposited by a banking company under sub-section (2), in relation to its deposit liabilities in India, declare by order in writing that the provisions of sub-clause (ii) of clause (b) of sub-section (2) shall not apply to such banking company for such period as may be specified in the order.]

(3) In the case of any banking company to which the provisions of sub-section (2) do not apply, the aggregate value of its paid-up capital and reserves shall not be less than-

(i) if it has places of business in more than one State, five lakhs of rupees, and if any such place or places of business is or are situated in the city of Bombay or Calcutta or both, ten lakhs of rupees;

(ii) if it has all its places of business in one State none of which is situated in the city of Bombay or Calcutta, one lakh of rupees in respect of its principal place of business, plus ten thousand rupees in respect of each of its other places of business situated in the same district in which it has its principal place of business, plus twenty-five thousand rupees in respect of each place of business situated elsewhere in the State otherwise than in the same district:

Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of five lakhs of rupees:

Provided further that no banking company to which this clause applies and which has only one place of business, shall be required to have paid-up capital and reserves exceeding an aggregate value of fifty thousand rupees:

[8][Provided further that in the case of every banking company to which this clause applies and which commences banking business for the first time after the commencement of the Banking Companies (Amendment) Act, 1962 (36 of 1962), the value of its paid-up capital shall not be less than five lakhs of rupees;]

(iii) if it has all its places of business in one State, one or more of which is or are situated in the city of Bombay or Calcutta, five lakhs of rupees, plus twenty-five thousand rupees in respect of each place of business situated outside the city of Bombay or Calcutta, as the case may be:

Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of ten lakhs of rupees.

Explanation.-For the purposes of this sub-section, a place of business situated [9][in a State] other than that in which the principal place of business of the banking company is situated shall, if it is not more than twenty-five miles distant from such principal place of business, be deemed to be situated within the same State as such principal place of business.

(4) Any amount deposited and kept deposited with the Reserve Bank under [10]*** sub-section (2) by any banking company incorporated [11][outside India] shall, in the event of the company ceasing for any reason to carry on

banking business [12][in India], be an asset of the company on which the claims of all the creditors of the company [12][in India] shall be a first charge.

[13][(5) For the purposes of this section,-

(a) "place of business" means any office, sub-office, sub-pay office and any place of business at which deposits are received, cheques cashed or moneys lent;

(b) "value" means the real or exchangeable value, and not the nominal value which may be shown in the books of the banking company concerned.]

(6) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any banking company, a determination thereof by the Reserve Bank shall be final for the purposes of this section.

[1] Subs. by Act 95 of 1956, s. 14 and Sch., for "section 103 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[2] Subs. by Act 20 of 1950, s. 3, for "in any State" (w.e.f. 18-3-1950).
[3] Subs. by Act 33 of 1959, s. 7, for certain words (w.e.f. 1-10- 1959).
[4] Subs. by s. 7, ibid., for sub-section (2) (w.e.f. 1-10-1959).
[5] Subs. by Act 36 of 1962, s. 2, for certain words (w.e.f. 16-9-1962).
[6] The word "calendar" omitted by Act 66 of 1988, s. 7 (w.e.f. 30-12-1988).
[7] Ins. by Act 36 of 1962, s. 2 (w.e.f. 16-9-1962).
[8] Ins. by Act 36 of 1962, s. 2 (w.e.f. 16-9-1962).
[9] Subs. by Act 62 of 1956, s. 2 and Sch., for "in India" (w.e.f. 1- 11-1956).
[10] The words "the proviso to" omitted by Act 33 of 1959, s. 7 (w.e.f. 1-10-1959).
[11] Subs. by Act 20 of 1950, s. 3, for "elsewhere than in a State" (w.e.f. 18-3-1950).
[12] Subs. by s. 3, ibid., for "in the States" (w.e.f. 18-3-1950).
[13] Subs. by Act 33 of 1959, s. 7, for sub-section (5) (w.e.f. 1-10- 1959).

## Section 12. Regulation of paid-up capital, subscribed capital and authorised capital and voting rights of shareholders

[1][(1) No banking company shall carry on business in India, unless it satisfies the following conditions, namely:-

(i) that the subscribed capital of the company is not less than one-half of the authorised capital, and the paid-up capital is not less than one-half of the subscribed capital and that, if the capital is increased, it complies with the conditions prescribed in this clause within such period not exceeding two years as the Reserve Bank may allow;

[2][(ii) that, notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), the capital of such banking company consists of-

(a) equity shares only; or

(b) equity shares and preference shares:

Provided that the issue of preference share shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable), and the terms and conditions subject to which each class of preference shares may be issued:

Provided further that no holder of the preference share, issued by the company, shall be entitled to exercise the voting right specified in clause (b) of sub-section (2) of section 87 of the Companies Act, 1956 (1 of 1956);]

[3]* * * * *

(2) No person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights [4][on poll] [5][in excess of [6][ten per cent.]] of the total voting rights of all the share-holders of the banking company:

[7][Provided that the Reserve Bank may increase, in a phased manner, such ceiling on voting rights from ten per cent. to twenty-six per cent.]

(3) Notwithstanding anything contained in any law for the time being in force or in any contract or instrument no suit or other proceeding shall be maintained against any person registered as the holder of a share in a banking company on the ground that the title to the said share vests in a person other than the registered holder:

Provided that nothing contained in this sub-section shall bar a suit or other proceeding-

(a) by a transferee of the share on the ground that he has obtained from the registered holder a transfer of the share in accordance with any law relating to such transfer; or

(b) on behalf of a minor or a lunatic on the ground that the registered holder holds the share on behalf of the minor or lunatic.

(4) Every chairman, managing director or chief executive officer by whatever name called of a banking company shall furnish to the Reserve Bank through that banking company returns containing full particulars of the extent and value

of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto and such other information relating to those shares as the Reserve Bank may, by order, require and in such form and at such time as may be specified in the order.]

[1] Subs. by Act 95 of 1956, s. 3, for section 12 (w.e.f. 14-1-1957).
[2] Subs. by Act 4 of 2013, s. 3, for clause (ii) (w.e.f. 18-1-2013).
[3] The proviso omitted by s. 3, ibid. (w.e.f. 18-1-2013).
[4] Ins. by Act 33 of 1959, s. 8 (w.e.f. 1-10-1959).
[5] Subs. by Act 55 of 1963, s. 9, for "in excess of five per cent." (w.e.f. 1-2-1964).
[6] Subs. by Act 20 of 1994, s. 6, for "one per cent." (w.e.f. 31-1-1994).
[7] Ins. by Act 4 of 2013, s. 3 (w.e.f. 18-1-2013).

## Section 12A. Election of new directors

[1][(1) The Reserve Bank may, by order, require any banking company to call a general meeting of the share holders of the company within such time, not less than two months from the date of the order, as may be specified in the order or within such further time as the Reserve Bank may allow in this behalf, to elect in accordance with the voting rights permissible under this Act fresh directors, and the banking company shall be bound to comply with the order.

(2) Every director elected under sub-section (1) shall hold office until the date up to which his predecessor would have held office, if the election had not been held.

(3) Any election duly held under this section shall not be called in question in any court.]

[1] Ins. by Act 95 of 1956, s. 4 (w.e.f. 14-1-1957).

## Section 12B. Regulation of acquisition of shares or voting rights

[1][(1) No person (hereinafter referred to as "the applicant") shall, except with the previous approval of the Reserve Bank, on an application being made, acquire or agree to acquire, directly or indirectly, by himself or acting in concert with any other person, shares of a banking company or voting rights therein, which acquisition taken together with shares and voting rights, if any, held by him or his relative or associate enterprise or person acting in concert with him, makes the applicant to hold five per cent. or more of the paid-up share capital of such banking company or entitles him to exercise five per cent. or more of the voting rights in such banking company.

Explanation 1.-For the purposes of this sub-section,-

(a) "associate enterprise" means a company, whether incorporated or not, which,-

(i) is a holding company or a subsidiary company of the applicant; or

(ii) is a joint venture of the applicant; or

(iii) controls the composition of the Board of Directors or other body governing the applicant; or

(iv) exercises, in the opinion of the Reserve Bank, significant influence on the applicant in taking financial or policy decisions; or

(v) is able to obtain economic benefits from the activities of the applicant;

(b) "relative" shall have the meaning assigned to it in section 6 of the Companies Act, 1956 (1 of 1956);

(c) persons shall be deemed to be "acting in concert" who, for a common objective or purpose of acquisition of shares or voting rights in excess of the percentage mentioned in this sub-section, pursuant to an agreement or understanding (formal or informal), directly or indirectly cooperate by acquiring or agreeing to acquire shares or voting rights in the banking company.

Explanation 2.-For the purposes of this Act, joint venture means a legal entity in the nature of a partnership engaged in the joint undertaking of a particular transaction for mutual profit or an association of persons or companies jointly undertaking some commercial enterprise wherein all contribute assets and share risks.

(2) An approval under sub-section (1) may be granted by the Reserve Bank if it is satisfied that-

(a) in the public interest; or

(b) in the interest of banking policy; or

(c) to prevent the affairs of any banking company being conducted in a manner detrimental or prejudicial to the interests of the banking company; or

(d) in view of the emerging trends in banking and international best practices; or

(e) in the interest of the banking and financial system in India,

the applicant is a fit and proper person to acquire shares or voting rights:

Provided that the Reserve Bank may call for such information from the applicant as it may deem necessary for

considering the application referred to in sub-section (1):

Provided further that the Reserve Bank may specify different criteria for acquisition of shares or voting rights in different percentages.

(3) Where the acquisition is by way of transfer of shares of a banking company and the Reserve Bank is satisfied that such transfer should not be permitted, it may, by order, direct that no such share shall be transferred to the proposed transferee and may further direct the banking company not to give effect to the transfer of shares and in case the transfer has been registered, the transferee shall not be entitled to exercise voting rights on poll in any of the meetings of the banking company.

(4) The approval for acquisition of shares may be subject to such conditions as the Reserve Bank may deem fit to impose, including a condition that any further acquisition of shares shall require prior approval of the Reserve Bank and that the applicant continues to be a fit and proper person to hold the shares or voting rights.

(5) Before issuing or allotting any share to any person or registering the transfer of shares in the name of any person, the banking company shall ensure that the requirements of sub-section (1) are complied with by that person and where the acquisition is with the approval of the Reserve Bank, the banking company shall further ensure that the conditions imposed under sub-section (4), if any, of such approval are fulfilled.

(6) The decision of the Reserve Bank on the application made under sub-section (1) shall be taken within a period of ninety days from the date of receipt of the application by the Reserve Bank:

Provided that in computing the period of ninety days, the period taken by the applicant for furnishing the information called for by the Reserve Bank shall be excluded.

(7) The Reserve Bank may specify the minimum percentage of shares to be acquired in a banking company if it considers that the purpose for which the shares are proposed to be acquired by the applicant warrants such minimum shareholding.

(8) The Reserve Bank may, if it is satisfied that any person or persons acting in concert with him holding shares or voting rights in excess of five per cent. of the total voting rights of all the shareholders of the banking company, are not fit and proper to hold such shares or voting rights, pass an order directing that such person or persons acting in concert with him shall not, in the aggregate, exercise voting rights on poll in excess of five per cent. of the total voting rights of all the shareholders of the banking company:

Provided that the Reserve Bank shall not pass any such order without giving an opportunity of being heard to such person or persons acting in concert with him.]

[1] Ins. by Act 4 of 2013, s. 4 (w.e.f. 18-1-2013).

## Section 13. Restriction on commission, brokerage, discount, etc., on sale of shares

Notwithstanding anything to the contrary contained in [1][sections 76 and 79 of the Companies Act, 1956 (1 of 1956)], no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent. of the [2][price at which the said shares are issued].

[3][Explanation.-For the removal of doubts, it is hereby declared that the expression "price at which the said shares are issued" shall include amount or value of premium on such shares.]

[1] Subs. by Act 95 of 1956, s. 14 and Sch. I, for "sections 105 and 105A of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[2] Subs. by Act 4 of 2013, s. 5, for "paid-up value of the said shares" (w.e.f. 18-1-2013).
[3] Ins. by s. 5, ibid. (w.e.f. 18-1-2013).

## Section 14. Prohibition of charge on unpaid capital

No banking company shall create any charge upon any unpaid capital of the company, and any such charge shall be invalid.

## Section 14A. Prohibition of floating charge on assets

[1][(1) Notwithstanding anything contained in section 6, no banking company shall create a floating charge on the undertaking or any property of the company or any part thereof, unless the creation of such floating charge is certified in writing by the Reserve Bank as not being detrimental to the interests of the depositors of such company.

(2) Any such charge created without obtaining the certificate of the Reserve Bank shall be invalid.

(3) Any banking company aggrieved by the refusal of a certificate under sub-section (1) may, within ninety days from the date on which such refusal is communicated to it, appeal to the Central Government.

(4) The decision of the Central Government where an appeal has been perferred to it under sub-section (3) or of the

Reserve Bank where no such appeal has been preferred shall be final.]

[1] Ins. by Act 33 of l959, s. 9 (w.e.f. 1.10.1959).

## Section 15. Restrictions as to payment of dividend

[1][(1)] No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

[2][(2) Notwithstanding anything to the contrary contained in sub-section (1) or in the Companies Act, 1956 (1 of 1956), a banking company may pay dividends on its shares without writing off-

(i) the depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;

(ii) the depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;

(iii) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.]

[1] S. 15 re-numbered as sub-section (1) of that section by s. 10, ibid. (w.e.f. 1-10-1959).

[2] Ins. by Act 33 of 1959, s. 10 (w.e.f. 1-10-1959).

## Section 16. Prohibition of common directors

[1][[2][(1) No banking company incorporated in India shall have as a director in its Board of directors any person who is a director of any other banking company.

(1A) No banking company referred to in sub-section (1) shall have in its Board of directors, more than three directors who are directors of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent. of the total voting rights of all the shareholders to that banking company.]

(2) If immediately before the commencement of the Banking Companies (Amendment) Act, 1956 (95 of 1956), any person holding office as a director of a banking company is also a director of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent. of the total voting rights of all the share-holders of the banking company, he shall, within such period from such commencement as the Reserve Bank may specify in this behalf-

(a) either resign his office as a director of the banking company; or

(b) choose such number of companies as among themselves are not entitled to exercise voting rights in excess of twenty per cent. of the total voting rights of all the share-holders of the banking company as companies in which he wishes to continue to hold the office of a director and resign his office as a director in the other companies.]

[3][(3) Nothing in sub-section (1) shall apply to, or in relation to, any director appointed by the Reserve Bank [4][or the director of a central co-operative bank elected to the Board of the state co-operative bank in which he is a member].]

[1] Subs. by Act 95 of 1956, s. 5, for section 16 (w.e.f. 14-1-1957).

[2] Subs. by Act 20 of 1994, s. 7, for sub-section (1) (w.e.f. 31-1-1994).

[3] Ins. by Act 58 of 1968, s. 4 (w.e.f. 1-2-1969).

[4] Ins. by Act 16 of 2025, s. 5 (w.e.f. 1-8-2025).

## Section 17. Reserve Fund

[1][(1) Every banking company incorporated in India shall create a reserve fund and [2]*** shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under section 29 and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than twenty per cent. of such profit.

[3][(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, on the recommendation of the Reserve Bank and having regard to the adequacy of the paid-up capital and reserves of a banking company in relation to its deposit liabilities, declare by order in writing that the provisions of sub-section (1) shall not apply to the banking company for such period as may be specified in the order:

Provided that no such order shall be made unless, at the time it is made, the amount in the reserve fund under sub-section (1), together with the amount in the share premium account is not less than the paid-up capital of the banking company.]

(2) Where a banking company appropriates any sum or sums from the reserve fund or the share premium account, it shall, within twenty-one days from the date of such appropriation, report the fact to the Reserve Bank, explaining the

circumstances relating to such appropriation:

Provided that the Reserve Bank may, in any particular case, extend the said period of twenty-one days by such period as it thinks fit or condone any delay in the making of such report.

[1] Subs. by Act 33 of 1959, s. 11, for ss. 17 and 18 (w.e.f. 1-10-1959).
[2] Certain words omitted by Act 36 of 1962, s. 3 (w.e.f. 16-9-1962).
[3] Ins. by s. 3, ibid. (w.e.f. 16-9-1962).

## Section 18. Cash reserve

[1][(1) Every banking company, not being a scheduled bank, [2][shall maintain in India on a daily basis] by way of cash reserve with itself or by way of balance in a current account with the Reserve Bank, or by way of net balance in current accounts or in one or more of the aforesaid ways, a sum equivalent to [3][such per cent.] of the total of its demand and time liabilities in India as on the [4][last day] of the second preceding fortnight [5][as the Reserve Bank may specify, by notification in the Official Gazette, from time to time, having regard to the needs of securing the monetary stability in the country] and shall submit to the Reserve Bank before the twentieth day of every month a return showing the amount so held on [6][the last day of the fortnight] during a month with particulars of its demand and time liabilities in India on [7][the last day of the fortnight or if the last day of any such fortnight] is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day.

Explanation.-In this section, and in section 24,-

(a) "liabilities in India" shall not include-

(i) the paid-up capital or the reserves or any credit balance in the profit and loss account of the banking company;

(ii) any advance taken from the Reserve Bank [8]*** or from the Exim Bank [9][or from the Reconstruction Bank] [10][or from the National Housing Bank] or from the National Bank [11][, or from the Small Industries Bank,] [12][or from the National Bank for Financing Infrastructure and Development or from the other development financial institution] by the banking company;

(iii) in the case of a Regional Rural Bank, also any loan taken by such bank from its Sponsor Bank;

[13][(b) "fortnight" shall mean the period from the first day to the fifteenth day of each calendar month or sixteenth day to the last day of each calendar month, both days inclusive;]

(c) "net balance in current accounts" shall, in relation to a banking company, mean the excess, if any, of the aggregate of the credit balances in current account maintained by that banking company with the State Bank of India or a subsidiary bank or a corresponding new bank over the aggregate of the credit balances in current account held by the said banks with such banking company;

(d) for the purposes of computation of liabilities, the aggregate of the liabilities of a banking company to the State Bank of India, a subsidiary bank, a corresponding new bank, a regional rural bank, another banking company, a co-operative bank or any other financial institution notified by the Central Government in this behalf, shall be reduce by the aggregate of the liabilities of all such banks institutions to the banking company;

(e) the expression "co-operative bank" shall have the meaning assigned to it in clause (cci) of section 56.

[14][(1A) If the balance held by such banking company at the close of business on any day is below the minimum specified under sub-section (1), such banking company shall, without prejudice to the provisions of any other law for the time being in force, be liable to pay to the Reserve Bank, in respect of that day, penal interest at a rate of three per cent. above the bank rate on the amount by which such balance falls short of the specified minimum, and if the shortfall continues further, the penal interest so charged shall be increased to a rate of five per cent. above the bank rate in respect of each subsequent day during which the default continues.

(1B) Notwithstanding anything contained in this section, if the Reserve Bank, is satisfied, on an application in writing by the defaulting banking company, that such defaulting banking company had sufficient cause for its failure to company with the provisions of sub-section (1), it may not demand the payment of the penal interest.

(1C) The Reserve Bank may, for such period and subject to such conditions as may be specified, grant to any banking company 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.]

(2) The Reserve Bank may, for the purposes of this section and section 24, specify from time to time, with reference to any transaction or class of transactions, that such transaction or transactions shall be regarded as liability in India of a banking company and, if any question arises as to whether any transaction or class of transactions shall be regarded for the purposes of this section and section 24 as liability in India of a banking company, the decision of the Reserve Bank thereon shall be final.]

[1] Subs. by Act 1 of 1984, s. 21, for s. 18 (w.e.f. 29-3-1985).
[2] Subs. by Act 4 of 2013, s. 6, for "shall maintain in India" (w.e.f. 18-1-2013).
[3] Subs. by s. 6, ibid., for "at least three per cent." (w.e.f. 18-1-2013).
[4] Subs. by Act 16 of 2025, s. 6, for "last Friday" (w.e.f. 15-12-2025).
[5] Ins. by Act 4 of 2013, s. 6 (w.e.f. 18-1-2013).
[6] Subs. by Act 16 of 2025, s. 6, for "alternate Fridays" (w.e.f. 15-12-2025).
[7] Subs. by s. 6, ibid., for "such Fridays or if any such Friday" (w.e.f. w.e.f. 15-12-2025).
[8] The words "or from the Development Bank" omitted by Act 4 of 2013, s. 6 (w.e.f. 18-1-2013).
[9] Ins. by Act 62 of 1984, s. 71 and Sch. III (w.e.f. 20-3-1985).
[10] Ins. by Act 53 of 1987, s. 56 and Sch. II (w.e.f. 9-7-1988).
[11] Ins. by Act 39 of 1989, s. 53 and Sch. II (w.e.f. 7-3-1990).
[12] Ins. by Act 17 of 2021, s. 48 and Sch. III (w.e.f. 19-4-2021).
[13] Subs. by Act 16 of 2025, s. 6, for clause (b) (w.e.f. 15-12-2025).
[14] Ins. by Act 4 of 2013, s. 6 (w.e.f. 18-1-2013).

## Section 19. Restriction on nature of subsidiary companies

[1][(1) A banking company shall not form any subsidiary company except a subsidiary company formed for one or more of the following purposes, namely:-

(a) the undertaking of any business which, under clauses (a) to (o) of sub-section (1) of section 6, is permissible for a banking company to undertake, or

(b) with the previous permission in writing of the Reserve Bank, the carrying on of the business of banking exclusively outside India, or

(c) the undertaking of such other business, which the Reserve Bank may, with the prior approval of the Central Government, consider to be conducive to the spread of banking in India or to be otherwise useful or necessary in the public interest.

Explanation.-For the purposes of section 8, a banking company shall not be deemed, by reason of its forming or having a subsidiary company, to be engaged indirectly in the business carried on by such subsidiary company.]

(2) Save as provided in sub-section (1), no banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding thirty per cent. of the paid-up share capital of that company or thirty per cent. of its own paid-up share capital and reserves, whichever is less:

Provided that any banking company which is on the date of the commencement of this Act holding any shares in contravention of the provisions of this sub-section shall not be liable to any penalty therefor if it reports the matter without delay to the Reserve Bank and if it brings its holding of shares into conformity with the said provisions within such period, not exceeding two years, as the Reserve Bank may think fit to allow.

(3) Save as provided in sub-section (1) and notwithstanding anything contained in sub-section (2), a banking company shall not, after the expiry of one year from the date of the commencement of this Act, hold shares, whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the banking company is in any manner concerned or interested.

[2][(4) Save as provided in clause (c) of sub-section (1), a banking company may form a subsidiary company to carry on the business of credit information in accordance with the Credit Information Companies (Regulation) Act, 2005 (30 of 2005).]

[1] Subs. by Act 1 of 1984, s. 22, for sub-section (1) (w.e.f. 15-2-1984).
[2] Ins. by Act 30 of 2005, s. 34 and Sch. (w.e.f. 14-12-2006).

## Section 20. Restrictions on loans and advances

[1][(1) Notwithstanding anything to the contrary contained in section 77 of the Companies Act, 1956 (1 of 1956), no banking company shall,-

(a) grant any loans or advances on the security of its own shares, or

(b) enter into any commitment for granting any loan or advance to or on behalf of-

(i) any of its directors,

(ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor, or

(iii) any company (not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956 (1 of 1956), or a Government company) of which [2][, or the subsidiary or the holding company of which] any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or

(iv) any individual in respect of whom any of its directors is a partner or guarantor.

(2) Where any loan or advance granted by a banking company is such that a commitment for granting it could not have been made if clause (b) of sub-section (1) had been in force on the date on which the loan or advance was made, or is granted by a banking company after the commencement of section 5 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), but in pursuance of a commitment entered into before such commencement, steps shall be taken to recover the amounts due to the banking company on account of the loan or advance together with interest, if any, due thereon within the period stipulated at the time of the grant of the loan or advance, or where no such period has been stipulated, before the expiry of one year from the commencement of the said section 5:

Provided that the Reserve Bank may, in any case, on an application in writing made to it by the banking company in this behalf, extend the period for the recovery of the loan or advance until such date, not being a date beyond the period of three years from the commencement of the said section 5, and subject to such terms and conditions, as the Reserve Bank may deem fit:

Provided further that this sub-section shall not apply if and when the director concerned vacates the office of the director of the banking company, whether by death, retirement, resignation or otherwise.

(3) No loan or advance, referred to in sub-section (2), or any part thereof shall be remitted without the previous approval of the Reserve Bank, and any remission without such approval shall be void and of no effect.

(4) Where any loan or advance referred to in sub-section (2), payable by any person, has not been repaid to the banking company within the period specified in that sub-section, then, such person shall, if he is a director of such banking company on the date of the expiry of the said period, be deemed to have vacated his office as such on the said date.

Explanation.-In this section-

(a) "loans or advance" shall not include any transaction which the Reserve Bank may, having regard to the nature of the transaction, the period within which, and the manner and circumstances in which, any amount due on account of the transaction is likely to be realised, the interest of the depositors and other relevant considerations, specify by general or special order as not being a loan or advance for the purpose of this section;

(b) "director" includes a member of any board or committee in India constituted by a banking company for the purpose of managing, or for the purpose of advising it in regard to the management of, all or any of its affairs.

(5) If any question arises whether any transaction is a loan or advance for the purposes of this section, it shall be referred to the Reserve Bank, whose decision thereon shall be final.]

[1] Subs. by Act 58 of 1968, s. 5, for section 20 (w.e.f. 1-2-1969).
[2] Ins. by Act 1 of 1984, s. 23 (w.e.f. 15-2-1984).

## Section 20A. Restrictions on power to remit debts

[1][(1) Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956 (1 of 1956), a banking company shall not, except with the prior approval of the Reserve Bank, remit in whole or in part any debt due to it by-

(a) any of its directors, or

(b) any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor, or

(c) any individual if any of its directors is his partner or guarantor.

(2) Any remission made in contravention of the provisions of sub-section (1) shall be void and of no effect.]

[1] Ins. by Act 55 of 1963, s. 12 (w.e.f. 1-2-1964).

## Section 21. Power of Reserve Bank to control advances by banking companies

(1) Where the Reserve Bank is satisfied that it is necessary or expedient in the public interest [1][or in the interests of depositors] [2][or banking policy] so to do, it may determine the policy in relation to advances to be followed by banking companies generally or by any banking company in particular, and when the policy has been so determined, all banking companies or the banking company concerned, as the case may be, shall be bound to follow the policy as so determined.

(2) Without prejudice to the generality of the power vested in the Reserve Bank under sub-section (1), the Reserve Bank may give directions to banking companies, either generally or to any banking company or group of banking companies in particular, [3][as to-

(a) the purposes for which advances may or may not be made,

(b) the margins to be maintained in respect of secured advances,

(c) the maximum amount of advances or other financial accommodation which, having regard to the paid-up capital, reserves and deposits of a banking company and other relevant considerations, may be made by that banking company to any one company, firm, association of persons or individual,

(d) the maximum amount up to which, having regard to the considerations referred to in clause (c), guarantees may be given by a banking company on behalf of any one company, firm, association of persons or individual, and

(e) the rate of interest and other terms and conditions on which advances or other financial accommodation may be made or guarantees may be given.]

[4][(3) Every banking company shall be bound to comply with any directions given to it under this section.]

[1] Ins. by s. 13, ibid. (w.e.f. 1-2-1964).
[2] Ins. by Act 58 of 1968, s. 6 (w.e.f. 1-2-1969).
[3] Subs. by Act 55 of 1963, s. 13, for certain words (w.e.f. 1-2-1964).
[4] Ins. by s. 13, ibid. (w.e.f. 1-2-1964).

## Section 21A. Rates of interest charged by banking companies not to be subject to scrutiny by courts

[1][Notwithstanding anything contained in the Usurious Loans Act, 1918 (10 of 1918), or any other law relating to indebtedness in force in any State, a transaction between a banking company and its debtor shall not be re-opened by any Court on the ground that the rate of interest charged by the banking company in respect of such transaction is excessive.]

[1] Ins. by Act 1 of 1984, s. 24 (w.e.f. 15-2-1984).

## Section 22. Licensing of banking companies

[1][(1) Save as hereinafter provided, no company shall carry on banking business in India unless it holds a licence issued in that behalf by the Reserve Bank and any such licence may be issued subject to such conditions as the Reserve Bank may think fit to impose.]

(2) Every banking company in existence on the commencement of this Act, before the expiry of six months from such commencement, and every other company before commencing banking business [2][in India], shall apply in writing to the Reserve Bank for a licence under this section:

Provided that in the case of a banking company in existence on the commencement of this Act, nothing in sub-section (1) shall be deemed to prohibit the company from carrying on banking business until it is granted a licence in pursuance of [3][this section] or is by notice in writing informed by the Reserve Bank that a licence cannot be granted to it:

Provided further that the Reserve Bank shall not give a notice as aforesaid to a banking company in existence on the commencement of this Act before the expiry of the three years referred to in sub-section (1) of section 11 or of such further period as the Reserve Bank may under that sub-section think fit to allow.

(3) Before granting any licence under this section, the Reserve Bank may require to be satisfied by an inspection of the books of the company or otherwise that [4]*** the following conditions are fulfilled, namely:-

[5][(a) that the company is or will be in a position to pay its present or future depositors in full as their claims accrue;

(b) that the affairs of the company are not being, or are not likely to be conducted in a manner detrimental to the interests of its present or future depositors;]

[6][(c) that the general character of the proposed management of the company will not be prejudicial to the public interest or the interest of its depositors;

(d) that the company has adequate capital structure and earning prospects;

(e) that the public interest will be served by the grant of a licence to the company to carry on banking business in India;

(f) that having regard to the banking facilities available in the proposed principal area of operations of the company, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the licence would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth;

(g) any other condition, the fulfilment of which would, in the opinion of the Reserve Bank, be necessary to ensure that the carrying on of banking business in India by the company will not be prejudicial to the public interest or the interests of the depositors.]

[7][(3A) Before granting any licence under this section to a company incorporated outside India, the Reserve Bank

may require to be satisfied by an inspection of the books of the company or otherwise that the conditions specified in sub-section (3) are fulfilled and that the carrying on of banking business by such company in India will be in the public interest and that the Government or law of the country in which it is incorporated does not discriminate in any way against banking companies registered in India and that the company complies with all the provisions of this Act applicable to banking companies incorporated outside India.]

[8][(4) The Reserve Bank may cancel a licence granted to a banking company under this section-

(i) if the company ceases to carry on banking business in India; or

(ii) if the company at any time fails to comply with any of the conditions imposed upon it under sub-section (1); or

(iii) if at any time, any of the conditions referred to in sub-section (3) [7][and sub-section (3A)] is not fulfilled:

Provided that before cancelling a licence under clause (ii) or clause (iii) of this sub-section on the ground that the banking company has failed to comply with or has failed to fulfil any of the conditions referred to therein, the Reserve Bank, unless it is of opinion that the delay will be prejudicial to the interests of the company's depositors or the public, shall grant to the company on such terms as it may specify, an opportunity of taking the necessary steps for complying with or fulfilling such condition.

(5) Any banking company aggrieved by the decision of the Reserve Bank cancelling a licence under this section may, within thirty days from the date on which such decision is communicated to it, appeal to the Central Government.

(6) The decision of the Central Government where an appeal has been preferred to it under sub-section (5) or of the Reserve Bank where no such appeal has been preferred shall be final.]

[1] Subs. by Act 33 of 1959, s. 13, for sub-section (1) (w.e.f. 1- 10-1959).
[2] Subs. by Act 20 of 1950, s. 3, for "in any State" (w.e.f.18-3-1950).
[3] Subs. by Act 33 of 1959, s. 13, for sub-section (2) (w.e.f. 1- 10-1959).
[4] The words "all or any of" omitted by Act 1 of 1984, s. 25 (w.e.f. 15-2-1984).
[5] Subs. by Act 33 of 1959, s. 13, for clauses (a) and (b) (w.e.f. 1-10-1959).
[6] Subs. by Act 1 of 1984, s. 25, for clause (c) (w.e.f. 15-2-1984).
[7] Ins. by s. 25, ibid. (w.e.f. 15-2-1984).
[8] Subs. by Act 33 of 1959, s. 13, for sub-sections (4) and (5) (w.e.f. 1-10-1959).

## Section 23. Restrictions on opening of new and transfer of existing, places of business

[1][(1) Without obtaining the prior permission of the Reserve Bank-

(a) no banking company shall open a new place of business in India or change otherwise than within the same city, town or village, the location of an existing place of business situated in India; and

(b) no banking company incorporated in India shall open a new place of business outside India or change, otherwise than within the same city, town or village in any country or area outside India, the location of an existing place of business situated in that country or area:

Provided that nothing in this sub-section shall apply to the opening for a period not exceeding one month of a temporary place of business within a city, town or village or the environs thereof within which the banking company already has a place of business for the purpose of affording banking facilities to the public on the occasion of an exhibition, a conference or a mela or any other like occasion.

(2) Before granting any permission under this section, the Reserve Bank may require to be satisfied by an inspection under section 35 or otherwise as to the financial condition and history of the company, the general character of its management, the adequacy of its capital structure and earning prospects and that public interest will be served by the opening or, as the case may be, change of location, of the place of business.

(3) The Reserve Bank may grant permission under sub-section (1) subject to such conditions as it may think fit to impose either generally or with reference to any particular case.

(4) Where, in the opinion of the Reserve Bank, a banking company has, at any time, failed to comply with any of the conditions imposed on it under this section, the Reserve Bank may, by order in writing and after affording reasonable opportunity to the banking company for showing cause against the action proposed to be taken against it, revoke any permission granted under this section.

[2][(4A) Any regional rural bank requiring the permission of the Reserve Bank under this section shall forward its application to the Reserve Bank through the National Bank which shall give its comments on the merits of the application and send it to the Reserve Bank:

Provided that the regional rural bank shall also send an advance copy of the application directly to the Reserve Bank.]

(5) For the purposes of this section "place of business" includes any sub-office, pay office, sub-pay office and any place of business at which deposits are received, cheques cashed or moneys lent.]

[1] Subs. by Act 33 of 1959, s. 14, for section 23 (w.e.f. 1-10-1959).

[2] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).

## Section 24. Maintenance of a percentage of assets

[1]* * * * *

[2][(2A) A scheduled bank, in addition to the average daily balance which it is, or may be, required to maintain under section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) and every other banking company, in addition to the cash reserve which it is required to maintain under section 18, shall maintain in India, assets, the value of which shall not be less than such percentage not exceeding forty per cent. of the total of its demand and time liabilities in India as on the last [3][day] of the second preceding fortnight as the Reserve Bank may, by notification in the Official Gazette, specify from time to time and such assets shall be maintained, in such form and manner, as may be specified in such notification.]

[4]* * * * *

[5][(3) For the purpose of ensuring compliance with the provisions of this section, every banking company shall, not later than twenty days after the end of the month to which it relates, furnish to the Reserve Bank in the prescribed form and manner a monthly return showing particulars of its assets maintained in accordance with this section, and its demand and time liabilities in India at the close of business on [6][the last day of each fortnight during the month, or if the last day of any such fortnight] is a public holiday, at the close of business on the preceding working day:

Provided that every Regional Rural Bank shall also furnish a copy of the said return to the National Bank.

(4) (a) If on [7][the last day of any fortnight or, if the last day of any such fortnight] is a public holiday, on the preceding working day, the amount maintained by a banking company at the close of business on that day falls below the minimum prescribed by or under [8]*** sub-section (2A), such banking company shall be liable to pay to the Reserve Bank in respect of that day's default, penal interest for that day at the rate of three per cent. per annum above the bank rate on the amount by which the amount actually maintained falls short of the prescribed minimum or that day; and

[9][(b) if the default occurs again on the last day of the next succeeding fortnight, or, if the last day of such fortnight is a public holiday, on the preceding working day, and continues on the last day of the succeeding fortnights or preceding working days, as the case may be, the rate of penal interest shall be increased to a rate of five per cent. per annum above the bank rate on each such shortfall in respect of last day of that fortnight and last day of each succeeding fortnight or preceding working day, if last day of such fortnight is a public holiday, on which the default continues.]

(5) (a) Without prejudice to the provisions of sub-section (3), the Reserve Bank may require a banking company to furnish to it a return in the form and manner specified by it showing particulars of its assets maintained in accordance with this section and its demand and time liabilities in India, as at the close of business on each day of a month; and

(b) without prejudice to the provisions of sub-section (4), on the failure of a banking company to maintain as on any day, the amount so required to be maintained by or under [8]*** sub-section (2A) the Reserve Bank may, in respect of such default, require the banking company to pay penal interest for that day as provided in clause (a) of sub-section (4) and if the default continues on the next succeeding working day, the penal interest may be increased as provided in clause (b) of sub-section (4) for the concerned days.

(6) (a) The penalty payable under sub-section (4) and sub-section (5) shall be paid within a period of fourteen days from the date on which a notice issued by the Reserve Bank demanding payment of the same is served on the banking company and in the event of failure of the banking company to pay the same within such period, the penalty may be levied by a direction of the principal civil court having jurisdiction in the area where an office of the defaulting banking company is situated, such direction to be made only upon an application made by the Reserve Bank in this behalf to the court; and

(b) when the court makes a direction under clause (a), it shall issue a certificate specifying the sum payable by the banking company and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a suit.

(7) When under the provisions of clause (b) of sub-section (4), penal interest at the increased rate of five per cent. above the bank rate has become payable by a banking company, if thereafter the amount required to be maintained on the [10][last day of the next succeeding fortnight, or if the last day of such fortnight is a public holiday], the next preceding working day, is still below the prescribed minimum, every director, manager or secretary of the banking

company, 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 [11][last day of every subsequent fortnight] or the preceding working day, as the case may be, on which the default continues.

(8) Notwithstanding anything contained in this section, if the Reserve Bank is satisfied, on an application in writing by the defaulting banking company, that the banking company had sufficient cause for its failure to comply with the provisions of [12]*** sub-section (2A), the Reserve Bank may not demand the payment of the penal interest.

Explanation.-In this section, the expression "public holiday" means a day which is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881).]

[1] Ss. (1) and (2) omitted by Act 17 of 2007, s. 2 (w.e.f. 23-1-2007).
[2] Subs. by s. 2, ibid., for sub-section (2A) (w.e.f. 23-1-2007).
[3] Subs. by Act 16 of 2025, s. 7, for "Friday" (w.e.f. 15-12-2025).
[4] Sub-section (2B) omitted by Act 17 of 2007, s. 2 (w.e.f. 23-1-2007).
[5] Subs. by Act 1 of 1984, s. 26, for sub-section (3) (w.e.f. 29-3-1985).
[6] Subs. by Act 16 of 2025, s. 7, for "each alternate Friday during the month, or if any such Friday" (w.e.f. 15-12-2025).
[7] Subs. by s. 7, for ibid., for "any alternate Friday or, if such Friday" (w.e.f. 15-12-2025).
[8] The words, brackets and letter "clause (a) of" omitted by Act 4 of 2013, s. 7 (w.e.f. 18-1-2013).
[9] Subs. by Act 16 of 2025, s. 7, for clause (b) (w.e.f. 15-12-2025).
[10] Subs. by Act 16 of 2025, s. 7, for certain words (w.e.f. 15-12-2025).
[11] Subs. by s. 7, ibid., for "subsequent alternate Friday" (w.e.f. 15-12-2025).
[12] The words, brackets and letter "clause (a) of" omitted by Act 4 of 2013, s. 7 (w.e.f. 18-1-2013).

## Section 25. Assets in India

[1][(1) The assets in India of every banking company at the close of business on the [2][last day of every quarter or, if that day] is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of the business on the preceding working day, shall not be less than seventy-five per cent. of its demand and time liabilities in India.

(2) Every banking company shall, within one month from the end of every quarter, submit to the Reserve Bank a return in the prescribed form and manner of the assets and liabilities referred to in sub-section (1) as at the close of business on the [3][last day of the previous quarter, or, if that day] is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day:]

[4][Provided that every regional rural bank shall also furnish a copy of the said return to the National Bank.]

(3) For the purposes of this section,-

[5][(a) "assets in India" shall be deemed to include export bills drawn in, and import bills drawn on and payable in India and expressed in such currencies as the Reserve Bank may from time to time approve in this behalf and also such securities as the Reserve Bank may approve in this behalf notwithstanding that all or any of the said bills or securities are held outside India;]

[6][(b) "liabilities in India" shall not include the paid-up capital or the reserves or any credit balance in the profit and loss account of the banking company;]

[7][(c)] "quarter" means the period of three months ending on the last day of March, June, September or December.

[1] Subs. by Act 33 of 1959, s. 16, for sub-sections (1) and (2) (w.e.f. 1-10-1959).
[2] Subs. by Act 16 of 2025, s. 8, for "last Friday of every quarter or, if that Friday" (w.e.f. 15-12-2025).
[3] Subs. by s. 8, ibid., for "last Friday of the previous quarter, or, if that Friday" (w.e.f. 15-12-2025).
[4] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).
[5] Subs. by Act 20 of 1950, s. 7, for clause (a) (w.e.f. 18-3-1950).
[6] Ins. by Act 33 of 1959, s. 16 (w.e.f. 1-10-1959).
[7] Cl. (b) relettered as clause (c) by s. 16, ibid. (w.e.f. 1-10-1959).

## Section 26. Return of unclaimed deposits

Every banking company shall, within thirty days after the close of each calendar year, submit a return in the prescribed form and manner to the Reserve Bank as at the end of such calendar year of all accounts [1][in India] which have not been operated upon for ten years, [2]***:

Provided that in the case of money deposited for a fixed period the said term of ten years shall be reckoned from the date of the expiry of such fixed period:

[3][Provided further that every regional rural bank shall also furnish a copy of the said return to the National Bank.]

[1] Subs. by Act 20 of 1950, s. 3, for "in the States" (w.e.f.18-3-1950).
[2] Certain words omitted by Act 55 of 1963, s. 14 (w.e.f. 1-2-1964).
[3] Ins. by Act 61 of 1981, s. 61 and II Sch. (w.e.f. 1-5-1982).

## Section 26A. Establishment of Depositor Education and Awareness Fund

[1][(1) The Reserve Bank shall establish a Fund to be called the "Depositor Education and Awareness Fund" (hereafter in this section referred to as the "Fund").

(2) There shall be credited to the Fund the amount to the credit of any account in India with a banking company which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years, within a period of three months from the expiry of the said period of ten years:

Provided that nothing contained in this sub-section shall prevent a depositor or any other claimant to claim his deposit or unclaimed amount or operate his account or deposit account from or with the banking company after the expiry of said period of ten years and such banking company shall be liable to repay such deposit or amount at such rate of interest as may be specified by the Reserve Bank in this behalf.

(3) Where the banking company has paid outstanding amount referred to in sub-section (2) or allowed operation of such account or deposit, such banking company may apply for refund of such amount in such manner as may be specified by the authority or committee referred to in sub-section (5).

(4) The Fund shall be utilised for promotion of depositors' interests and for such other purposes which may be necessary for the promotion of depositors' interests as may be specified by the Reserve Bank from time to time.

(5) The Reserve Bank shall, by notification in the Official Gazette, specify an authority or committee, with such members as the Reserve Bank may appoint, to administer the Fund, and to maintain separate accounts and other relevant records in relation to the Fund in such forms as may be specified by the Reserve Bank.

(6) It shall be competent for the authority or committee appointed under sub-section (5) to spend moneys out of the Fund for carrying out the objects for which the Fund has been established.]

[1] Ins. by Act 4 of 2013, s. 8 (w.e.f. 18-1-2013).

## Section 27. Monthly returns and power to call for other returns and information

(1) Every banking company shall, before the close of the month succeeding that to which it relates, submit to the Reserve Bank a return in the prescribed form and manner showing its assets and liabilities [1][in India] as at the close of business on the [2][last Friday of every month, or, if that day] is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day.

[3][(2) The Reserve Bank may at any time direct a banking company to furnish it within such time as may be specified by the Reserve Bank, with such statements and information relating to the business or affairs of the banking company (including any business or affairs with which such banking company is concerned) as the Reserve Bank may consider necessary or expedient to obtain for the purposes of this Act, and without prejudice to the generality of the foregoing power may call for information every half-year regarding [4][the investments of a banking company and the classification of its advances in respect of industry, commerce and agriculture].]

[5][(3) Every regional rural bank shall submit a copy of the return which it submits to the Reserve Bank under sub-section (1) also to the National Bank and the powers exercisable by the Reserve Bank under sub-section (2) may also be exercised by the National Bank in relation to regional rural banks.]

[1] Ins. by Act 61 of 1981, s. 61 and II Sch. (w.e.f. 1-5-1982).
[2] Subs. by Act 16 of 2025, s. 9, for "last Friday of every month or if that Friday" (w.e.f. 15-12-2025).
[3] Subs. by Act 95 of 1956, s. 6, for sub-section (2) (w.e.f. 14-1- 1957).
[4] Subs. by Act 33 of 1959, s. 17, for certain words (w.e.f. 1-10- 1959).
[5] Ins. by Act 61 of 1981, s. 61 and II Sch. (w.e.f. 1-5-1982).

## Section 28. Power to publish information

[1][The Reserve Bank or the National Bank, or both, if they consider it in the public interest so to do, may [2][publish-

(a) any information obtained by them under this Act in such consolidated form as they think fit;

(b) in such manner as they may consider proper, any credit information disclosed under the Credit Information Companies (Regulation) Act, 2005 (30 of 2005).]

[1] Subs. by Act 61 of 1981, s. 61 and the II Sch., for section 28 (w.e.f. 12-7-1982).
[2] Subs. by Act 30 of 2005, s. 34 and the Sch., for certain words (w.e.f. 14-12-2006).

## Section 29. Accounts and balance-sheet

(1) At the expiration of each calendar year [1][or at the expiration of a period of twelve months ending with such date as the Central Government may, by notification in the Official Gazette, specify in this behalf,] every banking company incorporated [2][in India], in respect of all business transacted by it, and every banking company incorporated [3][outside India], in respect of all business transacted through its branches [4][in India], shall prepare with reference

to [5][that year or period, as the case may be,] a balance-sheet and profit and loss account as on the last working day of [6][that year or the period, as the case may be,] in the Forms set out in the Third Schedule or as near thereto as circumstances admit:

[7][Provided that with a view to facilitating the transition from one period, of accounting to another period of accounting under this sub-section the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the preparation of, or for other matters relating to, the balance-sheet or profit and loss account in respect of the concerned year or period, as the case may be.]

(2) The balance-sheet and profit and loss account shall be signed-

(a) in the case of a banking company incorporated [4][in India], by the manager or the principal officer of the company and where there are more than three directors of the company, by at least three of those directors, or where there are not more than three directors, by all the directors, and

(b) in the case of a banking company incorporated [3][outside India] by the manager or agent of the principal office of the company [4][in India].

(3) Notwithstanding that the balance-sheet of a banking company is under sub-section (1) required to be prepared in a form other than the form [8][set out in Part I of Schedule VI to the Companies Act, 1956 (1 of 1956)], the requirements of that Act relating to the balance-sheet and profit and loss account of a company shall, in so far as they are not inconsistent with this Act, apply to the balance-sheet or profit and loss account, as the case may be, of a banking company.

[9][(3A) Notwithstanding anything to the contrary contained in sub-section (3) of section 210 of the Companies Act, 1956 (1 of 1956), the period to which the profit and loss account relates shall, in the case of a banking company, be the period ending with the last working day of the year immediately preceding the year in which the annual general meeting is held.]

[1][Explanation.-In sub-section (3A), "year" means the year or, as the case may be, the period referred to in sub-section (1).]

(4) The Central Government, after giving not less than three months' notice of its intention so to do by a notification in the Official Gazette, may from time to time by a like notification amend the Forms set out in the Third Schedule.

[1] Ins. by Act 66 of 1988, s. 8 (w.e.f. 30-12-1988).
[2] Subs. by Act 20 of 1950, s. 3, for "in a State" (w.e.f.18-3-1950).
[3] Subs. by s. 3, ibid., for "outside the State" (w.e.f.18-3-1950).
[4] Subs. by s. 3, ibid., for "in the State" (w.e.f. 18-3-1950).
[5] Subs. by Act 66 of 1988, s. 8, for "that year" (w.e.f. 30-12-1988).
[6] Subs. by s. 8, ibid., for "the year" (w.e.f. 30-12-1988).
[7] Subs. by s. 8, ibid., for the proviso (w.e.f. 30-12-1988).
[8] Subs. by Act 95 of 1956, s. 14 and Sch. for "marked F in the Third Schedule to the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[9] Ins. by Act 1 of 1984, s. 27 (w.e.f. 15-2-1984).

## Section 29A. Power in respect of associate enterprises

[1][(1) The Reserve Bank may, at any time, direct a banking company to annex to its financial statements or furnish to it separately, within such time and at such intervals as may be specified by the Reserve Bank, such statements and information relating to the business or affairs of any associate enterprise of the banking company as the Reserve Bank may consider necessary or expedient to obtain for the purpose of this Act.

(2) Notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), the Reserve Bank may, at any time, cause an inspection to be made of any associate enterprise of a banking company and its books of account jointly by one or more of its officers or employees or other persons along with the Board or authority regulating such associate enterprise.

(3) The provisions of sub-sections (2) and (3) of section 35 shall apply mutatis mutandis to the inspection under this section.

Explanation.-"associate enterprise" in relation to a banking company includes an enterprise which-

(i) is a holding company or a subsidiary company of the banking company; or

(ii) is a joint venture of the banking company; or

(iii) is a subsidiary company or a joint venture of the holding company of the banking company; or

(iv) controls the composition of the Board of directors or other body governing the banking company; or

(v) exercises, in the opinion of the Reserve Bank, significant influence on the banking company in taking financial or policy decisions; or

(vi) is able to obtain economic benefits from the activities of the banking company.]

[1] Ins. by Act 4 of 2013, s. 9 (w.e.f. 18-1-2013).

## Section 30. Audit

[1][(1) The balance-sheet and profit and loss account prepared in accordance with section 29 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies.]

[2][(1A) Notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company shall, before appointing, re-appointing or removing any auditor or auditors, obtain the previous approval of the Reserve Bank.

(1B) Without prejudice to anything contained in the Companies Act, 1956 (1 of 1956), or any other law for the time being in force, where the Reserve Bank is of opinion that it is necessary in the public interest or in the interest of the banking company or its depositors so to do, [3][it may at any time by order direct that a special audit of the banking company's accounts, for any such transaction or class of transactions or for such period or periods as may be specified in the order, shall be conducted and may by the same or a different order either appoint a person duly qualified under any law for the time being in force to be an auditor of companies or direct the auditor of the banking company himself to conduct such special audit] and the auditor shall comply with such directions and make a report of such audit to the Reserve Bank and forward a copy thereof to the company.

(1C) The expenses of, or incidental to [4][the special audit] specified in the order made by the Reserve Bank shall be borne by the banking company.]

(2) The auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by [5][section 227 of the Companies Act, 1956 (1 of 1956)] [6][, and auditors, if any, appointed by the law establishing, constituting or forming the banking company concerned].

(3) In addition to the matters which under the aforesaid Act the auditor is required to state in his report, he shall, in the case of a banking company incorporated [7][in India], state in his report,-

(a) whether or not the information and explanations required by him have been found to be satisfactory;

(b) whether or not the transactions of the company which have come to his notice have been within the powers of the company;

(c) whether or not the returns received from branch offices of the company have been found adequate for the purposes of his audit;

(d) whether the profit and loss account shows a true balance [8][of profit or loss] for the period covered by such account;

(e) any other matter which he considers should be brought to the notice of the share holders of the company.

[1] Subs. by Act 58 of 1968, s. 8, for sub-section (1) (w.e.f. 1-2- 1969).
[2] Ins. by s. 8, ibid. (w.e.f. 1-2-1969).
[3] Subs. by Act 66 of 1988, s. 9, for certain words (w.e.f. 30-12-1988).
[4] Subs. by s. 9, ibid., for "the audit of the transaction or class of transactions" (w.e.f. 30-12-1988).
[5] Subs. by Act 58 of 1968, s. 8, for "section 145 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 1-2-1969).
[6] Ins. by Act 66 of 1988, s. 9 (w.e.f. 30-12-1988).
[7] Subs. by Act 20 of 1950, s. 3, for "in a State" (w.e.f. 18-3-1950).
[8] Subs. by Act 55 of 1963, s. 15, for "of profit and loss" (w.e.f. 1-2-1964).

## Section 31. Submission of returns

The accounts and balance-sheet referred to in section 29 together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer:

Provided that the Reserve Bank may in any case extend the said period of three months for the furnishing of such returns by a further period not exceeding three months:

[1][Provided further that a regional rural bank shall furnish such returns also to the National Bank.]

[1] Ins. by Act 61 of 1981, s. 61 and II Sch. (w.e.f. 1-5-1982).

## Section 32. Copies of balance-sheets and accounts to be sent to registrar

[1][(1) Where a banking company in any year furnishes its accounts and balance-sheet in accordance with the provisions of section 31, it shall at the same time send to the registrar three copies of such accounts and balance-sheet and of the auditor's report, and where such copies are so sent, it shall not be necessary to file with the

registrar, in the case of a public company, copies of the accounts and balance-sheet and of the auditor's report, and, in the case of a private company, copies of the balance-sheet and of the auditor's report as required by sub-section (1) of section 220 of the Companies Act, 1956 (1 of 1956); and the copies so sent shall be chargeable with the same fee and shall be dealt with in all respects as if they were filed in accordance with that section.]

(2) When in pursuance of sub-section (2) of section 27 the Reserve Bank requires any additional statement or information in connection with the balance-sheet and accounts furnished under section 31, the banking company shall, when supplying such statement or information, send a copy thereof to the registrar.

[1] Subs. by Act 33 of 1959, s. 19, for sub-section (1) (w.e.f. 1-10- 1959).

## Section 33. Display of audited balance-sheet by companies incorporated outside India

Every banking company incorporated [1][outside India] shall, not later than the first Monday in August of any year in which it carries on business, display in a conspicuous place in its principal office and in every branch office [2][in India] a copy of its last audited balance-sheet and profit and loss account prepared under section 29, and shall keep the copy so displayed until replaced by a copy of the subsequent balance-sheet and profit and loss account so prepared, and every such banking company shall display in like manner copies of its complete audited balance-sheet and profit and loss account relating to its banking business as soon as they are available, and shall keep the copies so displayed until copies of such subsequent accounts are available.

[1] Subs. by Act 20 of 1950, s. 3, for "outside the States" (w.e.f. 18-3-1950).
[2] Subs. by s. 3, ibid., for "in the States" (w.e.f. 18-3-1950).

## Section 34. Accounting provisions of this Act not retrospective

Nothing in this Act shall apply to the preparation of accounts by a banking company and the audit and submission thereof in respect of any accounting year which has expired prior to the commencement of this Act, and notwithstanding the other provisions of this Act, such accounts shall be prepared, audited and submitted in accordance with the law in force immediately before the commencement of this Act.

## Section 34A. Protection of documents of confidential nature

[1][(1) Notwithstanding anything contained in section 11 of the Industrial Disputes Act, 1947 (14 of 1947), or any other law for the time being in force, no banking company shall, in any proceeding under the said Act or in any appeal or other proceeding arising therefrom or connected therewith, be compelled by any authority before which such proceeding is pending to produce, or give inspection of, any of its books of account or other document or furnish or disclose any statement or information, when the banking company claims that such document, statement or information is of a confidential nature and that the production or inspection of such document or the furnishing or disclosure of such statement or information would involve disclosure of information relating to-

(a) any reserves not shown as such in its published balance-sheet; or

(b) any particulars not shown therein in respect of provisions made for bad and doubtful debts and other usual or necessary provisions. (2) If, in any such proceeding in relation to any banking company other than the Reserve Bank of India, any question arises as to whether any amount out of the reserves or provisions referred to in sub-section (1) should be taken into account by the authority before which such proceeding is pending, the authority may, if it so thinks fit, refer the question to the Reserve Bank and the Reserve Bank shall, after taking into account principles of sound banking and all relevant circumstances concerning the banking company, furnish to the authority a certificate stating that the authority shall not take into account any amount as such reserves and provisions of the banking company or may take them into account only to the extent of the amount specified by it in the certificate, and the certificate of the Reserve Bank on such question shall be final and shall not be called in question in any such proceeding.

[2][(3) For the purposes of this section "banking company" includes the Reserve Bank, [3]*** the Exim Bank, [4][the Reconstruction Bank], [5][the National Housing Bank], the National Bank, [6][, the Small Industries Bank [7][,the National Bank for Financing Infrastructure and Development or the other development financial institution,]] the State Bank of India, a corresponding new bank, a regional rural bank and a subsidiary bank.]]

[1] Ins. by Act 23 of 1960, s. 2 (w.e.f. 26-8-1960).
[2] Subs. by Act 1 of 1984, s. 28, for sub-section (3) (w.e.f. 15-2-1984).
[3] The words "the Development Bank" omitted by Act 53 of 2003, s. 12 and Sch. (w.e.f. 2-7-2004).
[4] Ins. by Act 62 of 1984, s. 71 and Sch. III (w.e.f. 20-3-1985).
[5] Ins. by Act 53 of 1987, s. 56 and Sch. II (w.e.f. 9-7-1988).
[6] Ins. by Act 39 of 1989, s. 53 and Sch. II (w.e.f. 7-3-1990).
[7] Ins. by Act 17 of 2021, s. 48 and Sch. III (w.e.f. 19-4-2021).

## Section 35. Inspection

(1) Notwithstanding anything to the contrary contained in [1][section 235 of the Companies Act, 1956 (1 of 1956)], the Reserve Bank at any time may, and on being directed so to do by the Central Government shall, cause an inspection to be made by one or more of its officers of any banking company and its books and accounts; and the Reserve Bank shall supply to the banking company a copy of its report on such inspection.

[2][(1A) (a) Notwithstanding anything to the contrary contained in any law for the time being in force and without prejudice to the provisions of sub-section (1), the Reserve Bank, at any time, may also cause a scrutiny to be made by any one or more of its officers, of the affairs of any banking company and its books and accounts; and

(b) a copy of the report of the scrutiny shall be furnished to the banking company if the banking company makes a request for the same or if any adverse action is contemplated against the banking company on the basis of the scrutiny.]

(2) It shall be the duty of every director or other officer [3][or employee] of the banking company to produce to any officer making an inspection under sub-section (1) [4][or a scrutiny under sub-section (1A)] all such books, accounts and other documents in his custody or power and to furnish him with any statements and information relating to the affairs of the banking company as the said officer may require of him within such time as the said officer may specify.

(3) Any person making an inspection under sub-section (1) [4][or a scrutiny under sub-section (1A)] may examine on oath any director or other officer [3][or employee] of the banking company in relation to its business, and may administer an oath accordingly.

(4) The Reserve Bank shall, if it has been directed by the Central Government to cause an inspection to be made, and may, in any other case, report to the Central Government on any inspection [4][or scrutiny] made under this section, and the Central Government, if it is of opinion after considering the report that the affairs of the banking company are being conducted to the detriment of the interests of its depositors, may, after giving such opportunity to the banking company to make a representation in connection with the report as, in the opinion of the Central Government, seems reasonable, by order in writing-

(a) prohibit the banking company from receiving fresh deposits;

(b) direct the Reserve Bank to apply under section 38 for the winding up of the banking company:

Provided that the Central Government may defer, for such period as it may think fit, the passing of an order under this sub-section, or cancel or modify any such order, upon such terms and conditions as it may think fit to impose.

(5) The Central Government may, after giving reasonable notice to the banking company, publish the report submitted by the Reserve Bank or such portion thereof as may appear necessary.

[5][Explanation.-For the purposes of this section, the expression "banking company" shall include-

(i) in the case of a banking company incorporated outside India, all its branches in India; and

(ii) in the case of a banking company incorporated in India-

(a) all its subsidiaries formed for the purpose of carrying on the business of banking exclusively outside India; and

(b) all its branches whether situated in India or outside India.]

[6][(6) The powers exercisable by the Reserve Bank under this section in relation to regional rural banks may (without prejudice to the exercise of such powers by the Reserve Bank in relation to any regional rural bank whenever it considers necessary so to do) be exercised by the National Bank in relation to the regional rural banks, and accordingly, sub-sections (1) to (5) shall apply in relation to regional rural banks as if every reference therein to the Reserve Bank included also a reference to the National Bank.]

[1] Subs. by Act 95 of 1956, s. 14 and Sch., for "section 138 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-10-1957).
[2] Ins. by Act 1 of 1984, s. 29 (retrospectively).
[3] Ins. by Act 55 of 1963, s. 17 (w.e.f. 1-2-1964).
[4] Ins. by Act 1 of 1984, s. 29 (w.e.f. 15-2-1984).
[5] Added by Act 33 of 1959, s. 20 (w.e.f. 1-10-1959).
[6] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 12-7-1982).

## Section 35A. Power of the Reserve Bank to give directions

[1][(1) Where the Reserve Bank is satisfied that-

(a) in the [2][public interest]; or

[3][(aa) in the interest of banking policy; or]

(b) to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the

depositors or in a manner prejudicial to the interests of the banking company; or

(c) to secure the proper management of any banking company generally, it is necessary to issue directions to banking companies generally or to any banking company in particular, it may, from time to time, issue such directions as it deems fit, and the banking companies or the banking company, as the case may be, shall be bound to comply with such directions.

(2) The Reserve Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1), and in so modifying or cancelling any direction may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect.]

[1] Ins. by Act 95 of 1956, s. 7 (w.e.f. 14-1-1957).
[2] Subs. by Act 7 of 1961, s. 2, for "national interest" (w.e.f. 24-3-1961).
[3] Ins. by Act 58 of 1968, s. 10 (w.e.f. 1-2-1969).

## Section 35AA. Power of Central Government to authorise Reserve Bank for issuing directions to banking companies to initiate insolvency resolution process

[1][The Central Government may, by order, authorise the Reserve Bank to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016 (31 of 2016).

Explanation.-For the purposes of this section, "default" has the same meaning assigned to it in clause (12) of section 3 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016).

[1] Ins. by Act 30 of 2017, s. 2 (w.e.f. 4-5-2017).

## Section 35AB. Power of Reserve Bank to issue directions in respect of stressed assets

(1) Without prejudice to the provisions of section 35A, the Reserve Bank may, from time to time, issue directions to any banking company or banking companies for resolution of stressed assets.

(2) The Reserve Bank may specify one or more authorities or committees with such members as the Reserve Bank may appoint or approve for appointment to advise any banking company or banking companies on resolution of stressed assets.]

## Section 35B. Amendments of provisions relating to appointments of managing directors, etc., to be subject to previous approval of the Reserve Bank

(1) In the case of a banking company-

(a) no amendment of any provision relating to [1][the maximum permissible number of directors or] the [2][appointment or re-appointment or termination of appointment or remuneration of a chairman, a] [3][managing director or any other director, whole-time or otherwise] or of a manager or a chief executive officer by whatever name called, whether that provision be contained in the company's memorandum or articles of association, or in an agreement entered into by it, or in any resolution passed by the company in general meeting or by its Board of directors shall have effect unless approved by the Reserve Bank;

[4][(b) no appointment or re-appointment or termination of appointment of a chairman, a managing or whole-time director, manager or chief executive officer by whatever name called, shall have effect unless such appointment, re-appointment or termination of appointment is made with the previous approval of the Reserve Bank.]

[5][Explanation.-For the purposes of this sub-section, any provision conferring any benefit or providing any amenity or perquisite, in whatever form, whether during or after the termination of the term of office [6][of the chairman or the manager] or the chief executive officer by whatever name called or the managing director, or any other director, whole-time or otherwise, shall be deemed to be a provision relating to his remuneration.]

(2) Nothing contained in sections [7][268 and 269, the proviso to sub-section (3) of section 309, sections 310 and 311, the proviso to section 387, and section 388] (in so far as section 388 makes the [8][provisions of sections 269, 310] and 311 apply in relation to the manager of a company) of the Companies Act, 1956 (1 of 1956), shall [9][apply to any matter in respect of which the approval of the Reserve Bank has to be obtained under sub-section (1)].

[10][(2A) Nothing contained in section 198 of the Companies Act, 1956 (1 of 1956) shall apply to a banking company and the provisions of sub-section (1) of section 309 and of section 387 of that Act shall, in so far as they are applicable to a banking company, have effect as if no reference had been made in the said provisions to section 198 of that Act.]

(3) No act done by a person [11][as chairman or a managing or whole-time director] or a director not liable to retire by rotation or a manager or a chief executive officer by whatever name called, shall be deemed to be invalid on the ground that it is subsequently discovered that his [12][appointment or re-appointment] had not taken effect by reason

of any of the provisions of this Act; but nothing in this sub-section shall be construed as rendering valid any act done by such person after his [12][appointment or re-appointment] has been shown to the banking company not to have had effect.]

[1] Ins. by Act 1 of 1984, s. 30 (w.e.f. 15-2-1984).
[2] Subs. by Act 58 of 1968, s. 11, for "appointment or re-appointment or remuneration of a" (w.e.f. 1-2-1969).
[3] Subs. by Act 33 of 1959, s. 21, for "managing or whole-time director or of a director not liable to retire by rotation" (w.e.f. 1-10-1959).
[4] Subs. by Act 58 of 1968, s. 11, for clause (b) (w.e.f. 1-2-1969).
[5] Added by Act 33 of 1959, s. 21 (w.e.f. 1-10-1959).
[6] Subs. by Act 58 of 1968, s. 11, for "of the manager" (w.e.f. 1-2- 1969).
[7] Subs. by Act 36 of 1962, s. 7, for "268, 269, 310, 311 and 388" (w.e.f. 16-9-1962).
[8] Subs. by Act 1 of 1984, s. 30, for "provisions of section 310" (w.e.f. 15-2-1984).
[9] Subs. by Act 33 of 1959, s. 21, for certain words (w.e.f. 1-10-1959).
[10] Ins. by Act 1 of 1984, s. 30 (w.e.f. 15-2-1984).
[11] Subs. by Act 58 of 1968, s. 11, for "as a managing or whole-time director" (w.e.f. 1-2-1969).
[12] Subs. by s. 11, ibid., for "appointment" (w.e.f. 1-2-1969).

## Section 36. Further powers and functions of Reserve Bank

(1) The Reserve Bank may-

(a) caution or prohibit banking companies generally or any banking company in particular against entering into any particular transaction or class of transactions, and generally give advice to any banking company;

(b) on a request by the companies concerned and subject to the provisions of section [1][44A], assist, as intermediary or otherwise, in proposals for the amalgamation of such banking companies;

(c) give assistance to any banking company by means of the grant of a loan or advance to it under clause (3) of sub-section (1) of section 18 of the Reserve Bank of India Act, 1934 (2 of 1934);

[2][(d) [3][at any time, if it is satisfied that in the public interest or in the interest of banking policy or for preventing the affairs of the banking company being conducted in a manner detrimental to the interests of the banking company or its depositors it is necessary so to do,] by order in writing and on such terms and conditions as may be specified therein-

(i) require the banking company to call a meeting of its directors for the purpose of considering any matter relating to or arising out of the affairs of the banking company; or require an officer of the banking company to discuss any such matter with an officer an officer of the Reserve Bank;

(ii) depute one or more of its officers to watch the proceedings at any meeting of the Board of directors of the banking company or of any committee or of any other body constituted by it; require that banking company to give an opportunity to the officers so deputed to be heard at such meetings and also require such officers to send a report of such proceedings to the Reserve Bank;

(iii) require the Board of directors of the banking company or any committee or any other body constituted by it to give in writing to any officer specified by the Reserve Bank in this behalf at his usual address all notices of, and other communications relating to, any meeting of the Board, committee or other body constituted by it;

(iv) appoint one or more of its officers to observe the manner in which the affairs of the banking company or of its offices or branches are being conducted and make a report thereon;

(v) require the banking company to make, within such time as may be specified in the order, such changes in the management as the Reserve Bank may consider necessary [4]***.]

(2) The Reserve Bank shall make an annual report to the Central Government on the trend and progress of banking in the country, with particular reference to its activities under clause (2) of section 17 of the Reserve Bank of India Act, 1934 (2 of 1934), including in such report its suggestions, if any, for the strengthening of banking business throughout the country.

(3) The Reserve Bank may appoint such staff at such places as it considers necessary for the scrutiny of the returns, statements and information furnished by banking companies under this Act, and generally to ensure the efficient performance of its functions under this Act.

[1] Subs. by Act 33 of 1959, s. 22, for "45" (w.e.f. 1-10-1959).
[2] Subs. by Act 95 of 1956, s. 8, for clause (d) (w.e.f. 14-1-1957).
[3] Subs. by Act 58 of 1968, s. 12, for certain words (w.e.f. 1-2- 1969).
[4] Certain words omitted by Act 58 of 1968, s. 12 (w.e.f. 1-2-1969).

### Section 36A. Certain provisions of the Act not to apply to certain banking companies

[1][(1) The provisions of section 11, sub-section (1) of section 12, and sections 17, 18, 24 and 25 shall not apply to a banking company-

(a) which, whether before or after the commencement of the Banking Companies (Amendment) Act, 1959 (33 of 1959), has been refused a licence under section 22, or prohibited from accepting fresh deposits by a compromise, arrangement or scheme sanctioned by a court or by any order made in any proceeding relating to such compromise, arrangement or scheme, or prohibited from accepting deposits by virtue of any alteration made in its memorandum; or

(b) whose licence has been cancelled under section 22, whether before or after the commencement of the Banking Companies (Amendment) Act, 1959 (33 of 1959). (2) Where the Reserve Bank is satisfied that any such banking company as is referred to in sub-section (1) has repaid, or has made adequate provision for repaying all deposits accepted by the banking company, either in full or to the maximum extent possible, the Reserve Bank may, by notice published in the Official Gazette, notify that the banking company has ceased to be a banking company within the meaning of this Act, and thereupon all the provisions of this Act applicable to such banking company shall cease to apply to it, except as respects things done or omitted to be done before such notice.]

[1] Ins. by Act 33 of 1959, s. 23 (w.e.f. 1-10-1959).

## PART IIA CONTROL OVER MANAGEMENT

### Section 36AA. Power of Reserve Bank to remove managerial and other persons from office

(1) Where the Reserve Bank is satisfied that in the public interest or for preventing the affairs of a banking company being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of any banking company it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order, remove from office, with effect from such date as may be specified in the order, [1][any chairman, director,] chief executive officer (by whatever name called) or other officer or employee of the banking company.

(2) No order under sub-section (1) shall be made [2][unless the chairman, director] or chief executive officer or other officer or employee concerned has been given a reasonable opportunity of making a representation to the Reserve Bank against the proposed order:

Provided that if, in the opinion of the Reserve Bank, any delay would be detrimental to the interests of the banking company or its depositors, the Reserve Bank may, at the time of giving the opportunity aforesaid or at any time thereafter, by order direct that, pending the consideration of the representation aforesaid, if any, [3][the chairman or, as the case may be, director or chief executive officer] or other officer or employee, shall not, with effect from the date of such order-

(a) [4][act as such chairman or director] or chief executive officer or other officer or employee of the banking company;

(b) in any way, whether directly or indirectly, be concerned with, or take part in the management of, the banking company.

(3) (a) Any person against whom an order of removal has been made under sub-section (1) may, within thirty days from the date of communication to him of the order, prefer an appeal to the Central Government.

(b) The decision of the Central Government on such appeal, and subject thereto, the order made by the Reserve Bank under sub-section (1), shall be final and shall not be called into question in any court.

(4) Where any order is made in respect of [5][a chairman, director] or chief executive officer or other officer or employee of a banking company under sub-section (1), he shall cease to be [6][a chairman or, as the case may be, a director,] chief executive officer or other officer or employee of the banking company and shall not, in any way, whether directly or indirectly, be concerned with, or take part in the management of, any banking company for such period not exceeding five years as may be specified in the order.

(5) If any person in respect of whom an order is made by the Reserve Bank under sub-section (1) or under the proviso to sub-section (2) contravenes the provisions of this section, he shall be punishable with fine which may extend to two hundred and fifty rupees for each day during which such contravention continues.

(6) Where an order under sub-section (1) has been made, the Reserve Bank may, by order in writing, appoint a suitable person in place of [7][the chairman or director] or chief executive officer or other officer or employee who has been removed from his office under that sub-section, with effect from such date as may be specified in the order.

(7) Any person appointed as [8][chairman, director or chief executive officer] or other officer or employee under this section, shall-

(a) hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the Reserve Bank may specify;

(b) not incur any obligation or liability by reason only of his being a [8][chairman, director or chief executive officer] or other officer or employee or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto.

(8) Notwithstanding anything contained in any law or in any contract, memorandum or articles of association, on the removal of a person from office under this section, that person shall not be entitled to claim any compensation for the loss or termination of office.

[1] Subs. by Act 58 of 1968, s. 13, for "any director" (w.e.f. 1-2-1969).
[2] Subs. by s. 13, ibid., for "unless the director" (w.e.f. 1-2-1969).
[3] Subs. by Act 58 of 1968, s. 13, for "the director or, as the case may be, chief executive officer" (w.e.f. 1-2-1969).
[4] Subs. by s. 13, ibid., for "act as such director" (w.e.f. 1-2- 1969).
[5] Subs. by s. 13, ibid., for "a director" (w.e.f. 1-2-1969).
[6] Subs. by s. 13, ibid., for "a director or, as the case may be," (w.e.f. 1-2-1969).
[7] Subs. by s. 13, ibid., for "the director" (w.e.f. 1-2-1969).
[8] Subs. by s. 13, ibid., for "director or chief executive officer" (w.e.f. 1-2-1969).

### Section 36AB. Power of Reserve Bank to appoint additional directors

(1) If the Reserve Bank is of [1][opinion that in the interest of banking policy or in the public interest or] in the interests of the banking company or its depositors it is necessary so to do, it may, from time to time by order in writing, appoint, with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the banking company.

[2]* * * * *

(2) Any person appointed as additional director in pursuance of this section-

(a) shall hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the Reserve Bank may specify;

(b) shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto; and

(c) shall not be required to hold qualification shares in the banking company.

(3) For the purpose of reckoning any proportion of the total number of directors of the banking company, any additional director appointed under this section shall not be taken into account.

[1] Subs. by Act 58 of 1968, s. 14, for "opinion that" (w.e.f. 1-2-1969).
[2] Proviso omitted by Act 1 of 1984, s. 31 (w.e.f. 15-2-1984).

### Section 36AC. Part IIA to override other laws

Any appointment or removal of a director, chief executive officer or other officer or employee in pursuance of section 36AA or section 36AB shall have effect notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), or any other law for the time being in force or in any contract or any other instrument.]

## PART IIAB SUPERSESSION OF BOARD OF DIRECTORS OF BANKING COMPANY

### Section 36ACA. Supersession of Board of Directors in certain cases

(1) Where the Reserve Bank is satisfied, in consultation with the Central Government, that in the public interest or for preventing the affairs of any banking company being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company, it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order, supersede the Board of Directors of such banking company for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) The Reserve Bank may, on supersession of the Board of Directors of the banking company under sub-section (1) appoint in consultation with the Central Government for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.

(3) The Reserve Bank may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of a banking company, notwithstanding anything contained in the Companies Act, 1956 (1 of 1956),-

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of the Companies Act, 1956 (1 of 1956) or this Act, or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such banking company, or by a resolution passed in general meeting of such banking company, shall, until the Board of Directors of such banking company is reconstituted, be exercised and discharged by the Administrator appointed by the Reserve Bank under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of such banking company.

(5) The Reserve Bank may constitute, in consultation with the Central Government, a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties.

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Reserve Bank.

(7) The salary and allowances to the Administrator and the members of the committee constituted under sub-section (5) by the Reserve Bank shall be such as may be specified by the Reserve Bank and be payable by the concerned banking company.

(8) On and before the expiration of two months before the expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the banking company, shall call the general meeting of the company to elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of such banking company has been reconstituted.]

## PART IIB PROHIBITION OF CERTAIN ACTIVITIES IN RELATION TO BANKING COMPANIES

### Section 36AD. Punishments for certain activities in relation to banking companies

(1) No person shall-

(a) obstruct any person from lawfully entering or leaving any office or place of business of a banking company or from carrying on any business there, or

(b) hold, within the office or place of business of any banking company, any demonstration which is violent or which prevents, or is calculated to prevent, the transaction of normal business by the banking company, or

(c) act in any manner calculated to undermine the confidence of the depositors in the banking company.

(2) Whoever contravenes any provision of sub-section (1) without any reasonable excuse shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

[1][(3) For the purposes of this section "banking company" includes the Reserve Bank, [2]*** the Exim Bank, [3][the Reconstruction Bank], [4][the National Housing Bank], the National Bank, [5][the Small Industries Bank [6][, the National Bank for Financing Infrastructure and Development or the other development financial institution,]] the State Bank of India, a corresponding new bank, a regional rural bank and a subsidiary bank].

[1] Subs. by Act 1 of 1984, s. 32, for sub-section (3) (w.e.f. 15-2-1984).

[2] The words "the Development Bank" omitted by Act 53 of 2003, s. 12 and Sch. (w.e.f. 2-7-2004).

[3] Ins. by Act 62 of 1984, s. 71 and Sch. III (w.e.f. 20-3-1985).

[4] Ins. by Act 53 of 1987 s. 56 and Sch. II (w.e.f. 9-7-1988).

[5] Ins. by Act 39 of 1989, s. 53 and Sch. II (w.e.f. 7-3-1990).

[6] Ins. by Act 17 of 2021, s. 48 and Sch. III (w.e.f. 19-4-2021).

# PART IIC ACQUISITION OF THE UNDERTAKINGS OF BANKING COMPANIES IN CERTAIN CASES

## Section 36AE. Power of Central Government to acquire undertakings of banking companies in certain cases

(1) If, upon receipt of a report from the Reserve Bank, the Central Government is satisfied that a banking company-

(a) has, on more than one occasion, failed to comply with the directions given to it in writing under section 21 or section 35A, in so far as such directions relate to banking policy, or

(b) is being managed in a manner detrimental to the interests of its depositors,-

and that-

(i) in the interests of the depositors of such banking company, or

(ii) in the interest of banking policy, or

(iii) for the better provision of credit generally or of credit to any particular section of the community or in any particular area,

it is necessary to acquire the undertaking of such banking company, the Central Government may, after such consultation with the Reserve Bank as it thinks fit, by notified order, acquire the undertaking of such company (hereinafter referred to as the acquired bank) with effect from such date as may be specified in this behalf by the Central Government (hereinafter referred to as the appointed day):

Provided that no undertaking of any banking company shall be so acquired unless such banking company has been given a reasonable opportunity of showing cause against the proposed action.

Explanation.-In this Part,-

(a) "notified order" means an order published in the Official Gazette;

(b) "undertaking", in relation to a banking company incorporated outside India, means the undertaking of the company in India.

(2) Subject to the other provisions contained in this Part, on the appointed day, the undertaking of the acquired bank and all the assets and liabilities of the acquired bank shall stand transferred to, and vest in, the Central Government.

(3) The undertaking of the acquired bank and its assets and liabilities shall be deemed to include all rights, powers, authorities and privileges and all property, whether movable or immovable, including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in, or arising out of, such property as may be in the possession of, or held by, the acquired bank immediately before the appointed day and all books, accounts and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations, of whatever kind, then existing of the acquired bank.

(4) Notwithstanding anything contained in sub-section (2), the Central Government may, if it is satisfied that the undertaking of the acquired bank and its assets and liabilities should, instead of vesting in the Central Government, or continuing to so vest, vest in a company established under any scheme made under this Part or in any corporation (hereinafter in this Part and in the Fifth Schedule referred to as the transferee bank) that Government may, by order, direct that the said undertaking, including the assets and liabilities thereof, shall vest in the transferee bank either on the publication of the notified order or on such other date as may be specified in this behalf by the Central Government.

(5) Where the undertaking of the acquired bank and the assets and liabilities thereof vest in the transferee bank under sub-section (4), the transferee bank, shall, on and from the date of such vesting, be deemed to have become the transferee of the acquired bank and all the rights and liabilities in relation to the acquired bank shall, on and from the date of such vesting, be deemed to have been the rights and liabilities of the transferee bank.

(6) Unless otherwise expressly provided by or under this Part, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed day and to which the acquired bank is a party or which are in favour of the acquired bank shall be of as full force and effect against or in favour of the Central Government, or as the case may be, of the transferee bank, and may be enforced or acted upon as fully and effectually as if in the place of the acquired bank the Central Government or the transferee bank had been a party thereto or as if they had been issued in favour of the Central Government or the transferee bank, as the case may be.

(7) If, on the appointed day, any suit, appeal or other proceeding of whatever nature is pending by or against the acquired bank, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the

transfer of the undertaking of the acquired bank or of anything contained in this Part, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Central Government or the transferee bank, as the case may be.

### Section 36AF. Power of the Central Government to make scheme

(1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the purposes of this Part in relation to any acquired bank.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:-

(a) the corporation, or the company incorporated for the purpose, to which the undertaking including the property, assets and liabilities of the acquired bank may be transferred, and the capital, constitution, name and office thereof;

(b) the constitution of the first Board of management (by whatever name called) of the transferee bank, and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;

(c) the continuance of the services of all the employee of the acquired bank (excepting such of them as, not being workmen within the meaning of the Industrial Disputes Act, 1947 (14 of 1947), are specifically mentioned in the scheme) in the Central Government or in the transferee bank, as the case may be, on the same terms and conditions so far as may be, as are specified in clauses (i) and (j) of sub-section (5) of section 45;

(d) the continuance of the right of any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit, from the acquired bank or any provident, pension or other fund or any authority administering such fund, to be paid by, and to receive from, the Central Government or the transferee bank, as the case may be, or any provident, pension or other fund or any authority administering such fund, the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final;

(e) the manner of payment of the compensation payable in accordance with the provisions of this Part to the shareholders of the acquired bank, or where the acquired bank is a banking company incorporated outside India, to the acquired bank in full satisfaction of their, or as the case may be, its, claims;

(f) the provision, if any, for completing the effectual transfer to the Central Government or the transferee bank of any asset or any liability which forms part of the undertaking of the acquired bank in any country outside India;

(g) such incidental, consequential and supplemental matters as may be necessary to secure that the transfer of the business, property, assets and liabilities of the acquired bank to the Central Government or transferee bank, as the case may be, is effectual and complete.

(3) The Central Government may, after consultation with the Reserve Bank, by notification in the Official Gazette, add to, amend or vary any scheme made under this section.

(4) Every scheme made under this section shall be published in the Official Gazette.

(5) Copies of every scheme made under this section shall be laid before each House of Parliament as soon as may be after it is made.

(6) The provisions of this Part and of any scheme made thereunder shall have effect notwithstanding anything to the contrary contained in any other provisions of this Act or in any other law or any agreement, award or other instrument for the time being in force.

(7) Every scheme made under this section shall be binding on the Central Government or, as the case may be, on the transferee bank and also on all members, creditors, depositors and employees of the acquired bank and of the transferee bank and on any other person having any right, liability, power or function in relation to, or in connection with, the acquired bank or the transferee bank, as the case may be.

### Section 36AG. Compensation to be given to shareholders of the acquired bank

(1) Every person who, immediately before the appointed day, is registered as a holder of shares in the acquired bank or, where the acquired bank is a banking company incorporated outside India, the acquired bank, shall be given by the Central Government, or the transferee bank, as the case may be, such compensation in respect of the transfer of the undertaking of the acquired bank as is determined in accordance with the principles contained in the Fifth Schedule.

(2) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of any share in the acquired bank and any other person who may have any interest in such shares and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share, but not against the Central Government, or the transferee bank.

(3) The amount of compensation to be given in accordance with the principles contained in the Fifth Schedule shall be determined in the first instance by the Central Government, or the transferee bank, as the case may be, in consultation with the Reserve Bank, and shall be offered by it to all those to whom compensation is payable under sub-section (1) in full satisfaction thereof.

(4) If the amount of compensation offered in terms of sub-section (3) is not acceptable to any person to whom the compensation is payable, such person may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government in writing, to have the matter referred to the Tribunal constituted under section 36AH.

(5) If, before the date notified under sub-section (4), the Central Government receives requests, in terms of that sub-section, from not less than one-fourth in number of the shareholders holding not less than one-fourth in value of the paid-up share capital of the acquired bank, or, where the acquired bank is a banking company incorporated outside India, from the acquired bank, the Central Government shall have the matter referred to the Tribunal for decision.

(6) If, before the date notified under sub-section (4), the Central Government does not receive requests as provided in that sub section, the amount of compensation offered under sub-section (3), and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.

### Section 36AH. Constitution of the Tribunal

(1) The Central Government may, for the purpose of this Part, constitute a Tribunal which shall consist of a Chairman and two other members.

(2) The Chairman shall be a person who is, or has been, a Judge of a High Court or of the Supreme Court, and, of the two other members, one shall be a person, who, in the opinion of the Central Government, has had experience of commercial banking and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants' Act, 1949 (38 of 1949).

(3) If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government may fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2), and any proceeding may be continued before the Tribunal, so constituted, from the stage at which the vacancy occurred.

(4) The Tribunal may, for the purpose of determining any compensation payable under this Part, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

### Section 36AI. Tribunal to have powers of a civil court

(1) The Tribunal shall have the powers of a civil court, while trying a suit, under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters, namely:-

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of documents;

(c) receiving evidence on affidavits;

(d) issuing commissions for the examination of witnesses or documents.

(2) Notwithstanding anything contained in sub-section (1), or in any other law for the time being in force, the Tribunal shall not compel the Central Government or the Reserve Bank,-

(a) to produce any books of account or other documents which the Central Government, or the Reserve Bank, claims to be of a confidential nature;

(b) to make any such books or documents part of the record of the proceedings before the Tribunal; or

(c) to give inspection of any such books or documents to any party before it or to any other person.

### Section 36AJ. Procedure of the Tribunal

(1) The Tribunal shall have power to regulate its own procedure.

(2) The Tribunal may hold the whole or any part of its inquiry in camera.

(3) Any clerical or arithmetical error in any order of the Tribunal or any error arising therein from any accidental slip or commission may, at any time, be corrected by the Tribunal either of its own motion or on the application of any of the parties.]

## PART III SUSPENSION OF BUSINESS AND WINDING UP OF BANKING COMPANIES

### Section 36B. ] High Court defined

[1][ [2][In this Part and in Part IIIA, "High Court", in relation to a banking company, means the High Court exercising Jurisdiction in the place where the registered office of the banking company is situated or, in the case of a banking company incorporated outside India, where its principal place of business in India is situated.]

[1] Ins. by Act 52 of 1953, s. 3 (w.e.f. 30-12-1953).

[2] S. 36A renumbered as section 36B by Act 33 of 1959, s. 24 (w.e.f. 1-10-1959).

### Section 37. Suspension of business

(1) The [1][High Court] may on the application of a banking company which is temporarily unable to meet its obligations make an order (a copy of which it shall cause to be forwarded to the Reserve Bank) staying the commencement or continuance of all actions and proceedings against the company for a fixed period of time on such terms and conditions as it shall think fit and proper, and may from time to time extend the period so however that the total period of moratorium shall not exceed six months.

(2) No such application shall be maintainable unless it is accompanied by a report of the Reserve Bank indicating that in the opinion of the Reserve Bank the banking company will be able to pay its debts if the application is granted:

Provided that the [2][High Court] may, for sufficient reasons, grant relief under this section even if the application is not accompanied by such report, and where such relief is granted, the [2][High Court] shall call for a report from the Reserve Bank on the affairs of the banking company, on receipt of which it may either rescind any order already passed or pass such further orders thereon as may be just and proper in the circumstances.

[3][(3) When an application is made under sub-section (1), the High Court may appoint a special officer who shall forthwith take into his custody or under his control all the assets, books, documents, effects and actionable claims to which the banking company is or appears to be entitled and shall also exercise such other powers as the High Court may deem fit to confer on him, having regard to the interests of the depositors of the banking company.]

[4][(4) Where the Reserve Bank is satisfied that the affairs of a banking company in respect of which an order under sub-section (1) has been made, are being conducted in a manner detrimental to the interests of the depositors, it may make an application to the High Court for the winding up of the company, and where any such application is made, the High Court shall not make any order extending the period for which the commencement or continuance of all actions and proceedings against the company were stayed under that sub-section.]

[1] Subs. by Act 52 of 1953, s. 4, for "Court" (w.e.f. 30-12-1953).

[2] Subs. by Act 52 of 1953, s. 4, for "Court" (w.e.f. 30-12-1953).

[3] Ins. by s. 5, ibid. (w.e.f. 30-12-1953).

[4] Ins. by Act 33 of 1959, s. 25 (w.e.f. 1-10-1959).

### Section 38. Winding up by High Court

[1][(1) Notwithstanding anything contained in section 391, section 392, section 433 and section 583 of the Companies Act, 1956 (1 of 1956), but without prejudice to its powers under sub-section (1) of section 37 of this Act, the High Court shall order the winding up of a banking company-

(a) if the banking company is unable to pay its debts; or

(b) if an application for its winding up has been made by the Reserve bank under section 37 or this section.

(2) The Reserve Bank shall make an application under this section for the winding up of a banking company if it is directed so to do by an order under clause (b) of sub-section (4) of section 35.

(3) The Reserve Bank may make an application under this section for the winding up of a banking company-

(a) if the banking company-

(i) has failed to comply with the requirements specified in section 11; or

(ii) has by reason of the provisions of section 22 become disentitled to carry on banking business in India; or

(iii) has been prohibited from receiving fresh deposits by an order under clause (a) of sub-section (4) of section 35 or under clause (b) of sub-section (3A) of section 42 of the Reserve Bank of India Act, 1934 (2 of 1934); or

(iv) having failed to comply with any requirement of this Act other than the requirements laid down in section 11, has continued such failure, or, having contravened any provision of this Act has continued such contravention beyond such period or periods as may be specified in that behalf by the Reserve Bank from time to time, after notice in writing of such failure or contravention has been conveyed to the banking company; or (b) if in the opinion of the Reserve Bank-

(i) a compromise or arrangement sanctioned by a court in respect of the banking company cannot be worked satisfactorily with or without modifications; or

(ii) the returns, statements or information furnished to it under or in pursuance of the provisions of this Act disclose that the banking company is unable to pay its debts; or

(iii) the continuance of the banking company is prejudicial to the interests of its depositors.

(4) Without prejudice to the provisions contained in section 434 of the Companies Act, 1956 (1 of 1956), a banking company shall be deemed to be unable to pay its debts if it has refused to meet any lawful demand made at any of its offices or branches within two working days, if such demand is made at a place where there is an office, branch or agency of the Reserve Bank, or within five working days, if such demand is made elsewhere, and if the Reserve Bank certifies in writing that the banking company is unable to pay its debts.

(5) A copy of every application made by the Reserve Bank under sub-section (1) shall be sent by the Reserve Bank to the registrar.]

[1] Subs. by s. 26, ibid., for section 38 (w.e.f. 1-10-1959).

## Section 38A. Court Liquidator

[1][(1) There shall be attached to every High Court a court liquidator to be appointed by the Central Government for the purpose of conducting all proceedings for the winding up of banking companies and performing such other duties in reference thereto as the High Court may impose.

[2]* * * * *

(4) Where having regard to the number of banking companies wound up and other circumstances of the case, the Central Government is of opinion that it is not necessary or expedient to attach for the time being a court liquidator to a High Court, it may, from time to time, by notification in the Official Gazette, direct that this section shall not have effect in relation to that High Court.]

[1] Ins. by Act 52 of 1953, s. 6 (w.e.f. 30-12-1953).

[2] Sub-sections (2) and (3) omitted by Act 95 of 1956, s. 14 and Sch. (w.e.f. 14-1-1957).

## Section 39. Reserve Bank to be official liquidator

[1][[2][(1)] Notwithstanding anything contained in section 38A of this Act or in section 448 or section 449 of the Companies Act, 1956 (1 of 1956), where in any proceeding for the winding up by the High Court of a banking company, an application is made by the Reserve Bank in this behalf, the Reserve Bank, the State Bank of India or any other bank notified by the Central Government in this behalf or any individual, as stated in such application shall be appointed as the official liquidator of the banking company in such proceeding and the liquidator, if any, functioning in such proceeding shall vacate office upon such appointment.]

[3][(2) Subject to such directions as may be made by the High Court, the remuneration of the official liquidator appointed under this section, the cost and expenses of his establishment and the cost and expenses of the winding up shall be met out of the assets of the banking company which is being wound up, and notwithstanding anything to the contrary contained in any other law for the time being in force, no fees shall be payable to the Central Government, out of the assets of the banking company.]

[1] S. 39 has been amended by Acts 52 of 1953, ss. 4 and 7; Act, s. 53 and the IV Sch.; Act 79 of 1956, s. 43 and the Sch. II; Act 95 of 1956, s. 14 and Sch.; Act 33 of 1959, s. 27 and Act 37 of 1960, s. 2 to read as above.

[2] S. 39 re-numbered as sub-section (1) thereof by Act 58 of 1968, s. 16 (retrospectively).

[3] Ins. by s. 16, ibid. (with retrospective effect).

## Section 39A. Application of Companies Act to liquidators

[1][(1) All the provisions of the Companies Act, 1956 (1 of 1956), relating to a liquidator, in so far as they are not inconsistent with this Act, shall apply to or in relation to a liquidator appointed under section 38A or section 39.

(2) Any reference to the "official liquidator" in this Part and Part IIIA shall be construed as including a reference to any liquidator of a banking company.]

[1] Ins. by Act 33 of 1959, s. 28 (w.e.f. 1-10-1959).

## Section 40. Stay of proceedings

Notwithstanding anything to the contrary contained in [1][section 466 of the Companies Act, 1956 (1 of 1956)], the [2][High Court] shall not make any order staying the proceedings in relation to the winding up of a banking company, unless the [2][High Court] is satisfied that an arrangement has been made whereby the company can pay its depositors in full as their claims accrue.

[1] Subs. by Act 95 of 1956, s. 14 and Sch., for "section 173 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

[2] Subs. by Act 52 of 1953, s. 4, for "Court" (w.e.f. 30-12-1953).

## Section 41. Preliminary report by official liquidator

[1][Notwithstanding anything to the contrary contained in section 455 of the Companies Act, 1956 (1 of 1956), where a winding up order has been made in respect of a banking company whether before or after the commencement of the Banking Companies (Second Amendment) Act, 1960 (37 of 1960), the official liquidator shall submit a preliminary report to the High Court within two months from the date of the winding up order or where the winding up order has been made before such commencement, within two months from such commencement, giving the information required by that section so far as it is available to him and also stating the amount of assets of the banking company in cash which are in his custody or under his control on the date of the report and the amount of its assets which are likely to be collected in cash before the expiry of that period of two months in order that such assets may be applied speedily towards the making of preferential payments under section 530 of the Companies Act, 1956 and in the discharge, as far as possible, of the liabilities and obligations of the banking company to its depositors and other creditors in accordance with the provisions hereinafter contained; and the official liquidator shall make for the purposes aforesaid every endeavour to collect in cash as much of the assets of the banking company as practicable.

[1] Subs. by Act 37 of 1960, s. 3, for s. 41 (w.e.f. 19-9-1960).

## Section 41A. Notice to preferential claimants and secured and unsecured creditors

(1) Within fifteen days from the date of the winding up order of a banking company or where the winding up order has been made before the commencement of the Banking Companies (Second Amendment) Act, 1960 (37 of 1960), within one month from such commencement, the official liquidator shall, for the purpose of making an estimate of the debts and liabilities of the banking company (other than its liabilities and obligations to its depositors), by notice served in such manner as the Reserve Bank may direct, call upon-

(a) every claimant entitled to preferential payment under section 530 of the Companies Act, 1956 (1 of 1956), and

(b) every secured and every unsecured creditor,

to send to the official liquidator within one month from the date of the service of the notice a statement of the amount claimed by him.

(2) Every notice under sub-section (1) sent to a claimant having a claim under section 530 of the Companies Act, 1956 (1 of 1956), shall state that if a statement of the claim is not sent to the official liquidator before the expiry of the period of one month from the date of the service, the claim shall not be treated as a claim entitled to be paid under section 530 of the Companies Act, 1956, in priority to all other debts but shall be treated as an ordinary debt due by the banking company.

(3) Every notice under sub-section (1) sent to a secured creditor shall require him to value his security before the expiry of the period of one month from the date of the service of the notice and shall state that if a statement of the claim together with the valuation of the security is not sent to the official liquidator before the expiry of the said period, then, the official liquidator shall himself value the security and such valuation shall be binding on the creditor.

(4) If a claimant fails to comply with the notice sent to him under sub-section (1), his claim will not be entitled to be paid under section 530 of the Companies Act, 1956 (1 of 1956), in priority to all other debts but shall be treated as an ordinary debt due by the banking company; and if a secured creditor fails to comply with the notice sent to him under sub-section (1), the official liquidator shall himself value the security and such valuation shall be binding on the creditor.]

## Section 42. Power to dispense with meetings of creditors, etc

Notwithstanding anything to the contrary contained in [1][ [2][section 460] of the Companies Act, 1956 (1 of 1956)], the [3][High Court] may, in the proceedings for winding up a banking company, dispense with any meetings of creditors or contributories [4]*** if it considers that no object will be secured thereby sufficient to justify the delay and expense.

[1] Subs. by Act 95 of 1956, s. 14 and Sch., for "sections 178A and 183 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

[2] Subs. by Act 1 of 1984, s. 33, for "sections 460, 464, and 465" (w.e.f. 15-2-1984).
[3] Subs. by Act 52 of 1953, s. 4, for "Court" (w.e.f. 30-12-1953).
[4] The words "or with the appointment of a committee of inspection" omitted by Act 1 of 1984, s. 33 (w.e.f. 15-2-1984).

## Section 43. Booked depositors' credits to be deemed proved

[1][In any proceeding for the winding up of a banking company, every depositor of the banking company shall be deemed to have filed his claim for the amount shown in the books of the banking company as standing to his credit and, notwithstanding anything to the contrary contained in [2][section 474 of the Companies Act, 1956 (1 of 1956)] the High Court shall presume such claims to have been proved, unless the official liquidator shows that there is reason for doubting its correctness.]

[1] Subs. by Act 52 of 1953, s. 8, for section 43 (w.e.f. 30-12-1953).
[2] Subs. by Act 95 of 1956, s. 14 and Sch., for "section 191 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

## Section 43A. Preferential payments to depositors

[1][(1) In every proceeding for the winding up of a banking company where a winding up order has been made, whether before or after the commencement of the Banking Companies (Second Amendment) Act, 1960 (37 of 1960), within three months from the date of the winding up order or where the winding up order has been made before such commencement, within three months therefrom, the preferential payments referred to in section 530 of the Companies Act, 1956 (1 of 1956), in respect of which statements of claims have been sent within one month from the date of the service of the notice referred to in section 41A, shall be made by the official liquidator or adequate provision for such payments shall be made by him.

(2) After the preferential payments as aforesaid have been made or adequate provision has been made in respect thereof, there shall be paid within the aforesaid period of three months-

(a) in the first place, to every depositor in the savings bank account of the banking company a sum of two hundred and fifty rupees or the balance at his credit, whichever is less; and thereafter,

(b) in the next place, to every other depositor of the banking company a sum of two hundred and fifty rupees or the balance at his credit, whichever is less,

in priority to all other debts from out of the remaining assets of the banking company available for payment to general creditors:

Provided that the sum total of the amounts paid under clause (a) and clause (b) to any one person who in his own name (and not jointly with any other person) is a depositor in the savings bank account of the banking company and also a depositor in any other account, shall not exceed the sum of two hundred and fifty rupees.

(3) Where within the aforesaid period of three months full payment cannot be made of the amounts required to be paid under clause (a) or clause (b) of sub-section (2) with the assets in cash, the official liquidator shall pay within that period to every depositor under that clause (a) or, as the case may be, clause (b) of that sub-section on a pro rata basis so much of the amount due to the depositor under that clause as the official liquidator is able to pay with those assets; and shall pay the rest of that amount to every such depositor as and when sufficient assets are collected by the official liquidator in cash.

(4) After payments have been made first to depositors in the savings bank account and then to the other depositors in accordance with the foregoing provisions, the remaining assets of the banking company available for payment to general creditors shall be utilised for payment on a pro rata basis of the debts of the general creditors and of the further sums, if any, due to the depositors; and after making adequate provision for payment on a pro rata basis as aforesaid of the debts of the general creditors, the official liquidator shall, as and when the assets of the company are collected in cash, make payment on a pro rata basis as aforesaid, of the further sums, if any, which may remain due to the depositors referred to in clause (a) and clause (b) of sub-section (2).

(5) In order to enable the official liquidator to have in his custody or under his control in cash as much of the assets of the banking company as possible, the securities given to every secured creditor may be redeemed by the official liquidator-

(a) where the amount due to the creditor is more than the value of the securities as assessed by him or, as the case may be, as assessed by the official liquidator, on payment of such value; and

(b) where the amount due to the creditor is equal to or less than the value of the securities as so assessed, on payment of the amount due: Provided that where the official liquidator is not satisfied with the valuation made by the creditor, he may apply to the High Court for making a valuation.

(6) When any claimant, creditor or depositor to whom any payment is to be made in accordance with [2][the provisions of this section], cannot be found or is not readily traceable, adequate provision shall be made by the official

liquidator for such payment.

(7) For the purposes of this section, the payments specified in each of the following clauses shall be treated as payments of a different class, namely:-

(a) payments to preferential claimants under section 530 of the Companies Act, 1956 (1 of 1956);

(b) payments under clause (a) of sub-section (2) to the depositors in the savings bank account;

(c) payments under clause (b) of sub-section (2) to the other depositors;

(d) payments to the general creditors and payments to the depositors in addition to those specified in clause (a) and clause (b) of sub-section (2). (8) The payments of each different class specified in sub-section (7) shall rank equally among themselves and be paid in full unless the assets are insufficient to meet them, in which case they shall abate in equal proportion.]]

[3][(9) Nothing contained in sub-sections (2), (3), (4), (7) and (8) shall apply to a banking company in respect of the depositors of which the Deposit Insurance Corporation is liable under section 16 of the Deposit Insurance Corporation Act, 1961 (47 of 1961).

(10) After preferential payments referred to in sub-section (1) have been made or adequate provision has been made in respect thereof, the remaining assets of the banking company referred to in sub-section (9) available for payment to general creditors shall be utilised for payment on pro rata basis of the debts of the general creditors and of the sums due to the depositors:

Provided that where any amount in respect of any deposit is to be paid by the liquidator to the Deposit Insurance Corporation under section 21 of the Deposit Insurance Corporation Act, 1961 (47 of 1961), only the balance, if any, left after making the said payment shall be payable to the depositor.]

[1] Subs. by Act 37 of 1960, s. 4, for section 43A (w.e.f. 19-9-1960).

[2] Subs. by Act 47 of 1961, s. 51 and Sch. II, for "the foregoing provisions" (w.e.f. 1-1-1962).

[3] Ins. by s. 51 and the II Sch., ibid. (w.e.f. 1-1-1962).

## Section 44. Powers of High Court in voluntary winding up

[1][(1) Notwithstanding anything to the contrary contained in section 484 of the Companies Act, 1956 (1 of 1956), no banking company may be voluntarily wound up unless the Reserve Bank certifies in writing that the company is able to pay in full all its debts to its creditors as they accrue.

(2) The High Court may, in any case where a banking company is being wound up voluntarily, make an order that the voluntary winding up shall continue, but subject to the supervision of the court.

(3) Without prejudice to the provisions contained in sections 441 and 521 of the Companies Act, 1956 (1 of 1956), the High Court may of its own motion and shall on the application of the Reserve Bank, order the winding up of a banking company by the High Court in any of the following cases, namely:-

(a) where the banking company is being wound up voluntarily and at any stage during the voluntary winding up proceedings the company is not able to meet its debts as they accrue; or

(b) where the banking company is being wound up voluntarily or is being wound up subject to the supervision of the court and the High Court is satisfied that the voluntary winding up or winding up subject to the supervision of the court cannot be continued without detriment to the interests of the depositors.]

[1] Subs. by Act 33 of 1959, s. 30, for section 44 (w.e.f. 1- 10-1959).

## Section 44A. Procedure for amalgamation of banking companies

[1][(1) Notwithstanding anything contained in any law for the time being in force, no banking company shall be amalgamated with another banking company, unless a scheme containing the terms of such amalgamation has been placed in draft before the shareholders of each of the banking companies concerned separately, and approved by a resolution passed by a majority in number representing two-thirds in value of the shareholders of each of the said companies, present either in person or by proxy at a meeting called for the purpose.

(2) Notice of every such meeting as is referred to in sub-section (1) shall be given to every shareholder of each of the banking companies concerned in accordance with the relevant articles of association indicating the time, place and object of the meeting, and shall also be published at least once a week for three consecutive weeks in not less than two newspapers which circulate in the locality or localities where the registered offices of the banking companies concerned are situated, one of such newspapers being in a language commonly understood in the locality or localities.

(3) Any shareholder, who has voted against the scheme of amalgamation at the meeting or has given notice in writing at or prior to the meeting to the company concerned or to the presiding officer of the meeting that he dissents from

the scheme of amalgamation, shall be entitled, in the event of the scheme being sanctioned by the Reserve Bank, to claim from the banking company concerned, in respect of the shares held by him in that company, their value as determined by the Reserve Bank when sanctioning the scheme and such determination by the Reserve Bank as to the value of the shares to be paid to the dissenting share holder shall be final for all purposes.

(4) If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section it shall be submitted to the Reserve Bank for sanction and shall, if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be bindings on the banking companies concerned and also on all the shareholders thereof.

[2]* * * * *

(6) On the sanctioning of a scheme of amalgamation by the Reserve Bank, the property of the amalgamated banking company shall, by virtue of the order of sanction, be transferred to and vest in, and the liabilities of the said company shall, by virtue of the said order be transferred to, and become the liabilities of, the banking company which under the scheme of amalgamation is to acquire the business of the amalgamated banking company, subject in all cases to [3][the provisions of the scheme as sanctioned].]

[4][(6A) Where a scheme of amalgamation is sanctioned by the Reserve Bank under the provisions of this section, the Reserve Bank may, by a further order in writing, direct that on such date as may be specified therein the banking company (hereinafter in this section referred to as the amalgamated banking company) which by reason of the amalgamation will cease to function, shall stand dissolved and any such direction shall take effect notwithstanding anything to the contrary contained in any other law.

(6B) Where the Reserve Bank directs a dissolution of the amalgamated banking company, it shall transmit a copy of the order directing such dissolution to the Registrar before whom the banking company has been registered and on receipt of such order the Registrar shall strike off the name of the company.

(6C) An order under sub-section (4) whether made before or after the commencement of section 19 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963) shall be conclusive evidence that all the requirements of this section relating to amalgamation have been complied with, and a copy of the said order certified in writing by an officer of the Reserve Bank to be true copy of such order and a copy of the scheme certified in the like manner to be a true copy thereof shall, in all legal proceedings (whether in appeal or otherwise and whether instituted before or after the commencement of the said section 19), be admitted as evidence to the same extent as the original order and the original scheme.]

[5][(7) Nothing in the foregoing provisions of this section shall affect the power of the Central Government to provide for the amalgamation of two or more banking companies [6]*** under section 396 of the Companies Act, 1956 (1 of 1956):

Provided that no such power shall be exercised by the Central Government except after consultation with the Reserve Bank.]

[1] Ins. by Act 20 of 1950, s. 8 (w.e.f. 18-3-1950).
[2] Sub-section (5) omitted by Act 55 of 1963, s. 19 (w.e.f. 1-2- 1964).
[3] Subs. by Act 55 of 1963, s. 19, for "the terms of the order sanctioning the scheme" (w.e.f. 1-2-1964).
[4] Ins. by s. 19, ibid. (w.e.f. 1-2-1964).
[5] Ins. by Act 37 of 1960, s. 5 (w.e.f. 19-9-1960).
[6] The words "in national interest" omitted by Act 7 of 1961, s. 3 (w.e.f. 24-3-1961).

## Section 44B. ] Restriction on compromise or arrangement between banking company and creditors

[1][ [2][[3][(1)] Notwithstanding anything contained in any law for the time being in force, no [4][High Court] shall sanction a compromise or arrangement between a banking company and its creditors or any class of them or between such company and its members or any class of them [5][or sanction any modification in any such compromise or arrangement unless the compromise or arrangement or modification, as the case may be,] is certified by the Reserve Bank [6][in writing as not being incapable of being worked and as not being detrimental to the interests of the depositors of such banking company].]

[7][(2) Where an application under [8][section 391 of the Companies Act, 1956 (1 of 1956)], is made in respect of a banking company, the High Court may direct the Reserve Bank to make an inquiry in relation to the affairs of the banking company and the conduct of its directors and when such a direction is given, the Reserve Bank shall make such inquiry and submit its report to the High Court.]

[1] Subs. by Act 20 of 1950, s. 9, for section 45 (w.e.f. 18-3-1950).
[2] S. 45 re-numbered as section 44B by Act 37 of 1960, s. 6 (w.e.f.19-9-1960).
[3] S. 44B re-numbered as sub-section (1) thereof by Act 52 of 1953, s. 9 (w.e.f. 30-12-1953).

[4] Subs. by s. 4, ibid., for "Court" (w.e.f. 30-12-1953).
[5] Subs. by Act 55 of 1963, s. 20, for "unless the compromise or arrangement" (w.e.f. 1-2-1964).
[6] Subs. by Act 52 of 1953, s. 9, for "as not being detrimental to the interests of the depositors of such company" (w.e.f. 30- 12-1953).
[7] Ins. by s. 9, ibid. (w.e.f. 30-12-1953).
[8] Subs. by Act 95 of 1956, s. 14 and Sch., for "section 153 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1- 1957).

## Section 45. Power of Reserve Bank to apply to Central Government for suspension of business by a banking company and to prepare scheme of [1][reconstruction] or amalgamation

[2][(1) Notwithstanding anything contained in the foregoing provisions of this Part or in any other law or [3][any agreement or other instrument], for the time being in force, where it appears to the Reserve Bank that there is good reason so to do, the Reserve Bank may apply to the Central Government for an order of moratorium in respect of [4][a banking company].

(2) The Central Government, after considering the application made by the Reserve Bank under sub-section (1), may make an order of moratorium staying the commencement or continuance of all actions and proceedings against the company for a fixed period of time on such terms and conditions as it thinks fit and proper and may from time to time extend the period so however that the total period of moratorium shall not exceed six months.

(3) Except as otherwise provided by any directions given by the Central Government in the order made by it under sub-section (2) or at any time thereafter, the banking company shall not during the period of moratorium make any payment to any depositors or discharge any liabilities or obligations to any other creditors [5][or grant any loans or advances or make investments in any credit instruments].

[6][(4) During the period of moratorium [5][or at any other time], if the Reserve Bank is satisfied that-

(a) in the public interest; or

(b) in the interests of the depositors; or

(c) in order to secure the proper management of the banking company; or

(d) in the interests of the banking system of the country as a whole,

it is necessary so to do, the Reserve Bank may prepare a scheme-

(i) for the reconstruction of the banking company, or

(ii) for the amalgamation of the banking company with any other banking institution (in this section referred to as "the transferee bank").]

(5) The scheme aforesaid may contain provisions for all or any of the following matters, namely:-

(a) the constitution, name and registered office, the capital, assets, powers, rights, interests, authorities and privileges, the liabilities, duties and obligations of the banking company on its reconstruction or, as the case may be, of the transferee bank;

(b) in the case of amalgamation of the banking company, the transfer to the transferee bank of the business, properties, assets and liabilities of the banking company on such terms and conditions as may be specified in the scheme;

(c) and change in the Board of directors, or the appointment of a new Board of directors, of the banking company on its reconstruction or, as the case may be, of the transferee bank and the authority by whom, the manner in which, and the other terms and conditions on which, such change or appointment shall be made and in the case of appointment of a new Board of directors or of any director, the period for which such appointment shall be made;

(d) the alteration of the memorandum and articles of association of the banking company on its reconstruction or, as the case may be, of the transferee bank for the purpose of altering the capital thereof or for such other purposes as may be necessary to give effect to the reconstruction or amalgamation;

(e) subject to the provisions of the scheme, the continuation by or against the banking company on its reconstruction or, as the case may be, the transferee bank, of any actions or proceedings pending against the banking company immediately before the [7][reconstruction or amalgamation];

(f) the reduction of the interest or rights which the members, depositors and other creditors have in or against the banking company before its reconstruction or amalgamation to such extent as the Reserve Bank considers necessary in the public interest or in the interests of the members, depositors and other creditors or for the maintenance of the business of the banking company;

(g) the payment in cash or otherwise to depositors and other creditors in full satisfaction of their claim-

(i) in respect of their interest or rights in or against the banking company before its reconstruction or amalgamation; or

(ii) where their interest or rights aforesaid in or against the banking company has or have been reduced under clause (f), in respect of such interest or rights as so reduced; (h) the allotment to the members of the banking company for shares held by them therein before its reconstruction or amalgamation [whether their interest in such shares has been reduced under clause (f) or not], of shares in the banking company on its reconstruction or, as the case may be, in the transferee bank and where any members claim payment in cash and not allotment of shares, or where it is not possible to allot shares to any members, the payment in cash to those members in full satisfaction of their claim-

(i) in respect of their interest in shares in the banking company before its reconstruction or amalgamation; or

(ii) where such interest has been reduced under clause (f) in respect of their interest in shares as so reduced; (i) the continuance of the services of all the employees of the banking company (excepting such of them as not being workmen within the meaning of the Industrial Disputes Act, 1947 (14 of 1947) are specifically mentioned in the scheme) in the banking company itself on its reconstruction or, as the case may be, in the transferee bank at the same remuneration and on the same terms and conditions of service, which they were getting or, as the case may be, by which they were being governed, immediately before the [7][reconstruction or amalgamation]:

Provided that the scheme shall contain a provision that-

(i) the banking company shall pay or grant not later than the expiry of the period of three years from the date on which the scheme is sanctioned by the Central Government, to the said employees the same remuneration and the same terms and conditions of service [8][as are, at the time of such payment or grant, applicable] to employees of corresponding rank or status of a comparable banking company to be determined for this purpose by the Reserve Bank (whose determination in this respect shall be final);

(ii) the transferee bank shall pay or grant not later than the expiry of the aforesaid period of three years, to the said employees the same remuneration and the same terms and conditions of service [8][as are, at the time of such payment or grant, applicable] to the other employees of corresponding rank or status of the transferee bank subject to the qualifications and experience of the said employees being the same as or equivalent to those of such other employees of the transferee bank:

Provided further that if in any case under clause (ii) of the first proviso any doubt or difference arises as to whether the qualification and experience of any of the said employees are the same as or equivalent to the qualifications and experience of the other employees of corresponding rank or status of the transferee bank, [9][the doubt or difference shall be referred, before the expiry of a period of three years from the date of the payment or grant mentioned in that clause,] to the Reserve Bank whose decision thereon shall be final;

(j) notwithstanding anything contained in clause (i) where any of the employees of the banking company not being workmen within the meaning of the Industrial Disputes Act, 1947 (14 of 1947) are specifically mentioned in the scheme under clause (i), or where any employees of the banking company have by notice in writing given to the banking company or, as the case may be, the transferee bank at any time before the expiry of the one month next following the date on which the scheme is sanctioned by the Central Government, intimated their intention of not becoming employees of the banking company on its reconstruction or, as the case may be, of the transferee bank, the payment to such employees of compensation if any, to which they are entitled under the Industrial Disputes Act, 1947 and such pension, gratuity, provident fund and other retirement benefits ordinarily admissible to them under the rules or authorisations of the banking company immediately before the [10][reconstruction or amalgamation];

(k) any other terms and conditions for the reconstruction or amalgamation of the banking company;

(l) such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction or amalgamation shall be fully and effectively carried out.

(6) (a) A copy of the scheme prepared by the Reserve Bank shall be sent in draft to the banking company and also to the transferee bank and any other banking company concerned in the [11][reconstruction or amalgamation], for suggestions and objections, if any, within such period as the Reserve Bank may specify for this purpose.

(b) The Reserve Bank may make such modifications, if any, in the draft scheme as it may consider necessary in the light of the suggestions and objections received from the banking company and also from the transferee bank, and any other banking company concerned in the amalgamation and from any members, depositors or other creditors of each of those companies and the transferee bank.

(7) The scheme shall thereafter be placed before the Central Government for its sanction and the Central Government may sanction the scheme without any modifications or with such modifications as it may consider necessary; and the scheme as sanctioned by the Central Government shall come into force on such date as the Central Government may specify in this behalf:

Provided that different dates may be specified for different provisions of the scheme.

[12][(7A) The sanction accorded by the Central Government under sub-section (7), whether before or after the commencement of section 21 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963), shall be conclusive evidence that all the requirements of this section relating to reconstruction, or, as the case may be, amalgamation have been complied with and a copy of the sanctioned scheme certified in writing by an officer of the Central Government to be a true copy thereof, shall, in all legal proceedings (whether in appeal or otherwise and whether instituted before or after the commencement of the said section 21), be admitted as evidence to the same extent as the original scheme.]

(8) On and from the date of the coming into operation of the scheme or any provision thereof, the scheme or such provision shall be binding on the banking company or, as the case may be, on the transferee bank and any other banking company concerned in the amalgamation and also on all the members, depositors and other creditors and employees of each of those companies and of the transferee bank, and on any other person having any right or liability in relation to any of those companies or the transferee bank [13][including the trustees or other persons managing, or connected in any other manner with, any provident fund or other fund maintained by any of those companies or the transferee bank.]

(9) [14][On and from the date of the coming into operation of, or as the case may be, the date specified in this behalf in, the scheme], the properties and assets of the banking company shall, by virtue of and to the extent provided in the scheme, stand transferred to, and vest in, and the liabilities of the banking company shall, by virtue of and to the extent provided in the scheme, stand transferred to, and become the liabilities of the transferee bank.

(10) If any difficulty arises in giving effect to the provisions of the scheme, the Central Government may by order do anything not inconsistent with such provisions which appears to it necessary or expedient for the purpose of removing the difficulty.

(11) Copies of the scheme or of any order made under sub-section (10) shall be laid before both Houses of Parliament, as soon as may be, after the scheme has been sanctioned by the Central Government, or, as the case may be, the order has been made.

(12) Where the scheme is a scheme for amalgamation of the banking company, any business acquired by the transferee bank under the scheme or under any provision thereof shall, after the coming into operation of the scheme or such provision, be carried on by the transferee bank in accordance with the law governing the transferee bank, subject to such modifications in that law or such exemptions of the transferee bank from the operation of any provisions thereof as the Central Government on the recommendation of the Reserve Bank may, by notification in the Official Gazette, make for the purpose of giving full effect to the scheme:

Provided that no such modification or exemption shall be made so as to have effect for a period of more than seven years from the date of the acquisition of such business.

(13) Nothing in this section shall be deemed to prevent the amalgamation with a banking institution by a single scheme of several banking companies in respect of each of which an order of moratorium has been made under this section.

(14) The provisions of this section and of any scheme made under it shall have effect notwithstanding anything to the contrary contained in any other provisions of this Act or in any other law or any agreement, award or other instrument for the time being in force.

(15) In this section, "banking institution" means any banking company and includes the State Bank of India [15]*** [14][or a corresponding new bank].

[13][Explanation.-References in this section to the terms and conditions of service of as applicable to an employee shall not be construed as extending to the rank and status of such employee.]

[1] Subs. by Act 39 of 2020, s. 3, for "reconstitution" (w.e.f. 26-6-2020).
[2] Ins. by Act 37 of 1960, s. 6 (w.e.f. 19-9-1960).
[3] Subs. by Act 7 of 1961, s. 4, for "any agreement" (w.e.f. 24-3-1961).
[4] Subs. by s. 4, ibid., for "the banking company" (w.e.f. 24-3-1961).
[5] Ins. by Act 39 of 2020, s. 3 (w.e.f. 26-6-2020).
[6] Subs. by Act 7 of 1961, s. 4, for sub-sections (4) to (9) (w.e.f. 24-3-1961).
[7] Subs. by Act 39 of 2020, s. 3, for "date of the order of moratorium" (w.e.f. 26-6-2020).
[8] Subs. by Act 1 of 1984, s. 34, for "as are applicable" (w.e.f. 15-2-1984).
[9] Subs. by Act 1 of 1984, s. 34, for "the doubt or difference shall be referred" (w.e.f. 15-2-1984).
[10] Subs. by Act 39 of 2020, s. 3, for "date of the order of moratorium" (w.e.f. 26-6-2020).
[11] Subs. by s. 3, ibid., for "amalgamation" (w.e.f. 26-6-2020).
[12] Ins. by Act 55 of 1963, s. 21 (w.e.f. 1-2-1964).

[13] Ins. by Act 1 of 1984, s. 34 (w.e.f. 15-2-1984).
[14] Subs. by s. 34, ibid., for certain words (w.e.f. 15-2-1984).
[15] The words "or a subsidiary bank" omitted by Act 39 of 2020, s. 3 (w.e.f. 26-6-2020).

# PART IIIA SPECIAL PROVISIONS FOR SPEEDY DISPOSAL OF WINDING UP PROCEEDINGS

## Section 45A. Part IIIA to override other laws

The provisions of this Part and the rules made thereunder shall have effect notwithstanding anything inconsistent therewith contained in the [1][Companies Act, 1956 (1 of 1956)] or the Code of Civil Procedure, 1908 (5 of 1908) of the [2][Code of Criminal Procedure, 1973 (2 of 1974)] or any other law for the time being in force or any instrument having effect by virtue of any such law; but the provisions of any such law or instrument in so far as the same are not varied by, or inconsistent with, the provisions of this Part or rules made thereunder shall apply to all proceedings under this Part.

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[2] Subs. by Act 1 of 1984, s. 35, for "Code of Criminal Procedure 1898 (5 of 1898)" (w.e.f. 15-2-1984).

## Section 45B. Power of High Court to decide all claims in respect of banking companies

The High Court shall, save as otherwise expressly provided in section 45C, have exclusive jurisdiction to entertain and decide any claim made by or against a banking company which is being wound up (including claims by or against any of its branches in India) or any application made under [1][section 391 of the Companies Act, 1956 (1 of 1956)] by or in respect of a banking company or any question of priorities or any other question whatsoever, whether of law or fact, which may relate to or arise in the course of the winding up of a banking company, whether such claim or question has arisen or arises or such application has been made or is made before or after the date of the order for the winding up of the banking company or before or after the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953).

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "section 153 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

## Section 45C. Transfer of pending proceedings

(1) Where a winding up order is made or has been made in respect of a banking company, no suit or other legal proceeding, whether civil or criminal, in respect of which the High Court has jurisdiction under this Act and which is pending in any other court immediately before the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953), or the date of the order for the winding up of the banking company, whichever is later, shall be proceeded with except in the manner hereinafter provided.

(2) The official liquidator shall, within three months from the date of the winding up order or the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953), whichever is later, or such further time as the High Court may allow, submit to the High Court a report containing a list of all such pending proceedings together with particulars thereof.

(3) On receipt of a report under sub-section (2), the High Court may, if it so thinks fit, give the parties concerned an opportunity to show cause why the proceedings should not be transferred to itself and after making an inquiry in such manner as may be provided by rules made under section 45U, it shall make such order as it deems fit transferring to itself all or such of the pending proceedings as may be specified in the order and such proceedings shall thereafter be disposed of by the High Court.

(4) If any proceeding pending in a court is not so transferred to the High Court under sub-section (3), such proceeding shall be continued in the court in which the proceeding was pending.

(5) Nothing in this section shall apply to any proceeding pending in appeal before the Supreme Court or a High Court.

## Section 45D. Settlement of list of debtors

(1) Notwithstanding anything to the contrary contained in any law for the time being in force, the High Court may settle in the manner hereinafter provided a list of debtors of a banking company which is being wound up.

(2) Subject to any rules that may be made under section 52, the official liquidator shall, within six months from the date of the winding up order or the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953), whichever is later, from time to time, file to the High Court lists of debtors containing such particulars as are specified in the Fourth Schedule:

Provided that such lists may, with the leave of the High Court, be filed after the expiry of the said period of six months.

(3) On receipt of any list under sub-section (2), the High Court shall, wherever necessary, cause notices to be issued

on all persons affected and after making an inquiry in such manner as may be provided by rules made under section 45U, it shall make an order settling the list of debtors:

Provided that nothing in this section shall debar the High Court from settling any such list in part as against such of the persons whose debts have been settled without settling the debts of all the persons placed on the list.

(4) At the time of the settlement of any such list, the High Court shall pass an order for the payment of the amount due by each debtor and make such further orders as may be necessary in respect of the relief claimed, including reliefs against any guarantor or in respect of the realisation of any security.

(5) Every such order shall, subject to the provisions for appeal, be final and binding for all purposes as between the banking company on the one hand and the person against whom the order is passed and all persons claiming through or under him on the other hand, and shall be deemed to be a decree in a suit.

(6) In respect of every such order, the High Court shall issue a certificate specifying clearly the reliefs granted and the names and descriptions of the parties against whom such reliefs have been granted, the amount of costs awarded and by whom, and out of what funds and in what proportions, such costs are to be paid; and every such certificate shall be deemed to be a certified copy of the decree for all purposes including execution.

(7) At the time of settling the list of debtors or at any other time prior or subsequent thereto, the High Court shall have power to pass any order in respect of a debtor on the application of the official liquidator for the realisation, management, protection, preservation or sale of any property given as security to the banking company and to give such powers to the official liquidator to carry out the aforesaid directions as the High Court thinks fit.

(8) The High Court shall have power to sanction a compromise in respect of any debt and to order the payment of any debt by instalments.

(9) In any case in which any such list is settled ex parte as against any person, such person may, within thirty days from the date of the order settling the list, apply to the High Court for an order to vary such list, so far as it concerns him, and if the High Court is satisfied that he was prevented by any sufficient cause from appearing on the date fixed for the settlement of such list and that he has a good defence to the claim of the banking company on merits, the High Court may vary the list and pass such orders in relation thereto as it thinks fit:

Provided that the High Court may, if it so thinks fit, entertain the application after the expiry of the said period of thirty days.

(10) Nothing in this section shall-

(a) apply to a debt which has been secured by a mortgage of immovable property, if a third party has any interest in such immovable property; or

(b) prejudice the rights of the official liquidator to recover any debt due to a banking company under any other law for the time being in force.

## Section 45E. Special provisions to make calls on contributories

Notwithstanding that the list of the contributories has not been settled under [1][section 467 of the Companies Act, 1956 (1 of 1956)], the High Court may, if it appears to it necessary or expedient so to do, at any time after making a winding up order, make a call on and order payment thereof by any contributory under sub-section (1) of [2][section 470 of the Companies Act, 1956] if such contributory has been placed on the list of contributories by the official liquidator and has not appeared to dispute his liability.

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "section 184 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[2] Subs. by s. 14 and the Sch., ibid., for "section 187 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

## Section 45F. Documents of banking company to be evidence

(1) Entries in the books of account or other documents of a banking company which is being wound up shall be admitted in evidence in all [1][legal proceedings]; and all such entries may be proved either by the production of the books of account or other documents of the banking company containing such entries or by the production of a copy of the entries, certified by the official liquidator under his signature and stating that it is a true copy of the original entries and that such original entries are contained in the books of account or other documents of the banking company in his possession.

(2) Notwithstanding anything to the contrary contained in the Indian Evidence Act, 1872 (1 of 1872) all such entries in the books of account or other documents of a banking company shall, as against the directors [2][officers and other employees] of the banking company in respect of which the winding up order has been made [3]***, be prima facie evidence of the truth of all matters purporting to be therein recorded.

[1] Subs. by Act 55 of 1963, s. 22, for "proceedings by or against the banking company" (w.e.f. 1-2-1964).

[2] Ins. by s. 22, ibid. (w.e.f. 1-2-1964).

[3] The words, brackets and figures "before the commencement of the Banking Companies (Amendment) Act, 1953" omitted by s. 22, ibid. (w.e.f. 1-2-1964).

## Section 45G. Public examination of directors and auditors

(1) Where an order has been made for the winding up of a banking company, the official liquidator shall submit a report whether in his opinion any loss has been caused to the banking company since its formation by any act or omission (whether or not a fraud has been committed by such act or omission) of any person in the promotion or formation of the banking company or of any director or auditor of the banking company.

(2) If, on consideration of the report submitted under sub-section (1), the High Court is of opinion that any person who has taken part in the promotion or formation of the banking company or has been a director or an auditor of the banking company should be publicly examined, it shall hold a public sitting on a date to be appointed for that purpose and direct that such person, director or auditor shall attend thereat and shall be publicly examined as to the promotion or formation or the conduct of the business of the banking company, or as to his conduct and dealings, in so far as they relate to the affairs of the banking company:

Provided that no such person shall be publicly examined unless he has been given an opportunity to show cause why he should not be so examined.

(3) The official liquidator shall take part in the examination and for that purpose may, if specially authorised by the High Court in that behalf, employ such legal assistance as may be sanctioned by the High Court.

(4) Any creditor or contributory may also take part in the examination either personally or by any person entitled to appear before the High Court.

(5) The High Court may put such questions to the person examined as it thinks fit.

(6) The person examined shall be examined on oath and shall answer all such questions as the High Court may put or allow to be put to him.

(7) A person ordered to be examined under this section may, at his own cost, employ any person entitled to appear before the High Court who shall be at liberty to put to him such questions as the High Court may deem just for the purpose of enabling him to explain or qualify any answer given by him:

Provided that if he is, in the opinion of the High Court, exculpated from any charges made or suggested against him, the High Court may allow him such costs in its discretion as it may deem fit.

(8) Notes of the examination shall be taken down in writing, and shall be read over to or by, and signed by, the person examined and may thereafter be used in evidence against him in any proceeding, civil or criminal, and shall be open to the inspection of any creditor or contributory at all reasonable times.

(9) Where on such examination, the High Court is of opinion (whether a fraud has been committed or not)-

(a) that a person, who has been a director of the banking company, is not fit to be a director of a company, or

(b) that a person, who has been an auditor of the banking company or a partner of a firm acting as such auditor, is not fit to act as an auditor of a company or to be a partner of a firm acting as such auditor,

the High Court may make an order that person shall not, without the leave of the High Court, be a director of, or in any way, whether directly or indirectly, be concerned or take part in the management of any company or, as the case may be, act as an auditor of, or be a partner of a firm acting as auditors of, any company for such period not exceeding five years as may be specified in the order.

## Section 45H. Special provisions for assessing damages against delinquent directors, etc

(1) Where an application is made to the High Court under [1][section 543 of the Companies Act, 1956 (1 of 1956)] against any promoter, director, manager, liquidator or officer of a banking company for repayment or restoration of any money or property and the applicant makes out a prima facie case against such person, the High Court shall make an order against such person to repay and restore the money or property unless he proves that he is not liable to make the repayment or restoration either wholly or in part:

Provided that where such an order is made jointly against two or more such persons, they shall be jointly and severally liable to make the repayment or restoration of the money or property.

(2) Where an application is made to the High Court under [1][section 543 of the Companies Act, 1956 (1 of 1956)] and the High Court has reason to believe that a property belongs to any promoter, director, manager, liquidator or officer of the banking company, whether the property stands in the name of such person or any other person as an ostensible owner, then the High Court may, at any time, whether before or after making an order under sub-section (1), direct the attachment of such property, or such portion thereof, as it thinks fit and the property so attached shall

remain subject to attachment unless the ostensible owner can prove to the satisfaction of the High Court that he is the real owner and the provisions of the Code of Civil Procedure, 1908 (5 of 1908) relating to attachment of property shall, as far as may be, apply to such attachment.

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "section 235 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

## Section 45I. Duty of directors and officers of banking company to assist in the realisation of property

Every director or other officer of a banking company which is being wound up shall give such assistance to the official liquidator as he may reasonably require in connection with the realisation and distribution of the property of the banking company.

## Section 45J. Special provisions for punishing offences in relation to banking companies being wound up

(1) The High Court may, if it thinks fit, take cognizance of and try in a summary way any offence alleged to have been committed by any person who has taken part in the promotion or formation of the banking company which is being wound up or by any director, manager or officer thereof:

Provided that the offence is one punishable under this Act or under the [1][Companies Act, 1956 (1 of 1956)].

(2) When trying any such offence as aforesaid, the High Court may also try any other offence not referred to in sub-section (1) which is an offence with which the accused may, under the [2][Code of Criminal Procedure, 1973 (2 of 1974)] be charged at the same trial.

(3) In any case tried summarily under sub-section (1), the High Court-

(a) need not summon any witness, if it is satisfied that the evidence of such witness will not be material;

(b) shall not be bound to adjourn a trial for any purpose unless such adjournment is, in the opinion of the High Court, necessary in the interests of justice;

(c) shall, before passing any sentence, record judgment embodying the substance of the evidence and also the particulars specified in section 263 of the [2][Code of Criminal Procedure, 1973 (2 of 1974)] so far as that section may be applicable,

and nothing contained in sub-section (2) of section 262 of the [2][Code of Criminal Procedure, 1973 (2 of 1974)] shall apply to any such trial.

(4) All offences in relation to winding up alleged to have been committed by any person specified in sub-section (1) which are punishable under this Act or under the [3][Companies Act, 1956 (1 of 1956)] and which are not tried in a summary way under sub-section (1) shall, notwithstanding anything to the contrary contained in that Act or the [2][Code of Criminal Procedure, 1973 (2 of 1974)] or in any other law for the time being in force, be taken cognizance of and tried by a Judge of the High Court other than the Judge for the time being dealing with the proceedings for the winding up of the banking company.

(5) Notwithstanding anything to the contrary contained in the [2][Code of Criminal Procedure, 1973 (2 of 1974)], the High Court may take cognizance of any offence under this section without the accused being committed to it for trial [4]***.

[1] Subs. by s. 14 and the Sch., ibid., for "Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

[2] Subs. by Act 1 of 1984, s. 35, for "Code of Criminal Procedure, 1898 (5 of 1898)" (w.e.f. 15-2-1984).

[3] Subs. by Act 95 of 1956, s. 14 and the Sch., for "Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

[4] The words "and all such trials shall be without the aid of a jury" omitted by Act 1 of 1984, s. 35 (w.e.f.15-2-1984).

## Section 45K. Power of High Court to enforce schemes of arrangements, etc

[Power of High Court to enforce schemes of arrangements, etc.] Omitted by the Banking Companies (Amendment) Act, 1959 (33 of 1959), s. 31 (w.e.f. 1-10-1959).

## Section 45L. Public examination of directors and auditors, etc., in respect of a banking company under schemes of arrangement

(1) Where an application for sanctioning a compromise or arrangement in respect of a banking company is made under [1][section 391 of the Companies Act, 1956 (1 of 1956)] or where such sanction has been given and the High Court is of opinion, whether on a report of the Reserve Bank or otherwise, that any person who has taken part in the promotion or formation of the banking company or has been a director or auditor of the banking company should be publicly examined, it may direct such examination of such person and the provisions of section 45G shall, as far as may be, apply to the banking company as they apply to a banking company which is being wound up.

(2) Where a compromise or arrangement is sanctioned under [1][section 391 of the Companies Act, 1956 (1 of 1956)] in respect of a banking company, the provisions of [2][section 543 of the said Act] and of section 45H of this Act shall, as far as may be, apply to the banking company as they apply to a banking company which is being wound up as if the order sanctioning the compromise or arrangement were an order for the winding up of the banking company.

[3][(3) Where [4][a scheme of reconstruction or amalgamation of a banking company] has been sanctioned by the Central Government under section 45 and the Central Government is of opinion that any person who has taken part in the promotion or formation of the banking company or has been a director or auditor of the banking company should be publicly examined, that Government may apply to the High Court for the examination of such person and if on such examination the High Court finds (whether a fraud has been committed or not) that person is not fit to be a director of a company or to act as an auditor of a company or to be a partner of a firm acting as such auditors, the Central Government shall make an order that that person shall not, without the leave of the Central Government, be a director of, or in any way, whether directly or indirectly, be concerned or take part in the management of any company or, as the case may be, act as an auditor of, or be a partner of a firm acting as auditors of, any company for such period not exceeding five years as may be specified in the order.

(4) Where [4][a scheme of reconstruction or amalgamation of a banking company] has been sanctioned by the Central Government under section 45, the provisions of section 543 of the Companies Act, 1956 (1 of 1956), and of section 45H of this Act shall, as far as may be, apply to the banking company as they apply to a banking company which is being wound up as if the order sanctioning the scheme of reconstruction or amalgamation as the case may be, were an order for the winding up of the banking company; and any reference in the said section 543 to the application of the official liquidator shall be construed as a reference to the application of the Central Government.]

[1] Subs. by s. 14, ibid., and the Sch., for "section 153 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

[2] Subs. by s. 14 and the Sch., ibid., for "section 235 of the said Act" (w.e.f. 14-1-1957).

[3] Ins. by Act 37 of 1960, s. 7 (w.e.f. 19-9-1960).

[4] Subs. by Act 7 of 1961, s. 5, for "a scheme of reconstruction of a banking company or its amalgamation with another banking company" (w.e.f. 24-3-1961).

## Section 45M. Special provisions for banking companies working under schemes of arrangement at the commencement of the Amendment Act

Where any compromise or arrangement sanctioned in respect of a banking company under [1][section 391 of the Companies Act, 1956 (1 of 1956),] is being worked at the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953), the High Court may, if it so thinks fit on the application of such banking company,-

(a) excuse any delay in carrying out any of the provisions of the compromise or arrangement; or

(b) allow the banking company to settle the list of its debtors in accordance with the provisions of section 45D and in such a case, the provisions of the said section shall, as far as may be, apply to the banking company as they apply to a banking company which is being wound up as if the order sanctioning the compromise or arrangement were an order for the winding up of the banking company.

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "section 153 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).

## Section 45N. Appeals

(1) An appeal shall lie from any order or decision of the High Court in a civil proceeding under this Act when the amount or value of the subject-matter of the claim exceeds five thousand rupees.

(2) The High Court may by rules provide for an appeal against any order made under section 45J and the conditions subject to which any such appeal would lie.

(3) Subject to the provisions of sub-section (1) and sub-section (2) and notwithstanding anything contained in any other law for the time being in force, every order or decision of the High Court shall be final and binding for all purposes as between the banking company on the one hand, and all persons who are parties thereto and all persons claiming through or under them or any of them, on the other hand.

## Section 45O. Special period of limitation

(1) Notwithstanding anything to the contrary contained in the Indian Limitation Act, 1908 (9 of 1908) or in any other law for the time being in force, in computing the period of limitation prescribed for a suit or application by a banking company which is being wound up, the period commencing from the date of the presentation of the petition for the winding up of the banking company shall be excluded.

(2) Notwithstanding anything to the contrary contained in the Indian Limitation Act, 1908 (9 of 1908) or [1][section 543 of the Companies Act, 1956 (1 of 1956)] or in any other law for the time being in force, there shall be no period of

limitation for the recovery of arrears of calls from any director of a banking company which is being wound up or for the enforcement by the banking company against any of its directors of any claim based on a contract, express or implies; and in respect of all other claims by the banking company against its directors, the period of limitation shall be twelve years from the date of the accrual of such claims [2][or five years from the date of the first appointment of the liquidator, whichever is longer].

(3) The provisions of this section, in so far as they relate to banking companies being wound up, shall also apply to a banking company in respect of which a petition for the winding up has been presented before the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953).

[1] Subs. by Act 95 of 1956, s. 14 and the Sch., for "section 235 of the Indian Companies Act, 1913 (7 of 1913)" (w.e.f. 14-1-1957).
[2] Ins. by Act 33 of 1959, s. 32 (w.e.f. 1-10-1959).

### Section 45P. Reserve Bank to tender advice in winding up proceedings

Where in any proceeding for the winding up of a banking company in which any person other than the Reserve Bank has been appointed as the official liquidator and the High Court has directed the official liquidator to obtain the advice of the Reserve Bank on any matter (which it is hereby empowered to do), it shall be lawful for the Reserve Bank to examine the record of any such proceeding and tender such advice on the matter as it may think fit.

### Section 45Q. Power to inspect

(1) The Reserve Bank shall, on being directed so to do by the Central Government or by the High Court, cause an inspection to be made by one or more of its officers of a banking company which is being wound up and its books and accounts.

(2) On such inspection, the Reserve Bank shall submit its report to the Central Government and the High Court.

(3) If the Central Government, on consideration of the report of the Reserve Bank, is of opinion that there has been a substantial irregularity in the winding up proceedings, it may bring such irregularity to the notice of the High Court for such action as the High Court may think fit.

(4) On receipt of the report of the Reserve Bank under sub-section (2) or on any irregularity being brought to its notice by the Central Government under sub-section (3), the High Court may, if it deems fit, after giving notice to and hearing the Central Government in regard to the report, give such directions as it may consider necessary.

### Section 45R. Power to call for returns and information

The Reserve Bank may, at any time by a notice in writing, require the liquidator of a banking company to furnish it, within such time as may be specified in the notice or such further time as the Reserve Bank may allow, any statement or information relating to or connected with the winding up of the banking company; and it shall be the duty of every liquidator to comply with such requirements.

Explanation.-For the purposes of this section and section 45Q, a banking company working under a compromise or arrangement but prohibited from receiving fresh deposits, shall, as far as may be, be deemed to be a banking company which is being wound up.

### Section 45S. Chief presidency magistrate and district magistrate to assist official liquidator in taking charge of property of banking company being wound up

(1) For the purpose of enabling the official liquidator or the special officer appointed under sub-section (3) of section 37 to take into his custody or under his control, all property, effects and actionable claims to which a banking company [1]*** is or appears to be entitled, the official liquidator or the special officer, as the case may be, may request in writing the [2][Chief Metropolitan Magistrate or the Chief Judicial Magistrate], within whose jurisdiction any property, books of account or other documents of such banking company may be situate or be found, to take possession thereof, and the [2][Chief Metropolitan Magistrate or the Chief Judicial Magistrate], as the case may be, shall, on such request being made to him,-

[3][(a) take possession of such property, books of accounts or other documents, and

(b) forward them to the official liquidator or the special officer].

[4][(2) Where any such property and effects are in the possession of the [2][Chief Metropolitan Magistrate or the Chief Judicial Magistrate], as the case may be, such Magistrate shall, on request in writing being made to him by the official liquidator or the special officer referred to in sub-section (1), sell such property and effects and forward the net proceeds of the sale to the official liquidator or the special officer:

Provided that such sale shall, as far as practicable, be effected by public auction.

(3) For the purpose of securing compliance with the provisions of sub-section (1), the [2][Chief Metropolitan Magistrate or the Chief Judicial Magistrate] may take or cause to be taken such steps and use or cause to be used such force as may, in his opinion, be necessary.

(4) No act of the [2][Chief Metropolitan Magistrate or the Chief Judicial Magistrate] done in pursuance of this section shall be called in question in any court or before any authority.]

[1] The words "which has been ordered to be wound up" omitted by Act 55 of 1963, s. 23 (w.e.f. 1-2-1964).
[2] Subs. by Act 1 of 1984, s. 36, for "Chief Presidency Magistrate or the District Magistrate" (w.e.f. 15-2-1984).
[3] Subs. by Act 55 of 1963, s. 23, for certain words (w.e.f. 1-2-1964).
[4] Subs. by s. 23, ibid., for sub-section (2) (w.e.f. 1-2-1964).

### Section 45T. Enforcement of orders and decisions of High Court

(1) All orders made in any civil proceeding by a High Court may be enforced in the same manner in which decrees of such court made in any suit pending therein may be enforced.

(2) Notwithstanding anything to the contrary contained in the Code of Civil Procedure, 1908 (5 of 1908), a liquidator may apply for the execution of a decree by a court other than the one which made it on production of a certificate granted under sub-section (6) of section 45D and on his certifying to such other court in writing the amount remaining due or relief remaining unenforced under the decree.

(3) Without prejudice to the provisions of sub-section (1) or sub-section (2), any amount found due to the banking company by an order or decision of the High Court may, with the leave of the High Court, be recovered [1][by the liquidator in the same manner as an arrear of land revenue and for the purpose of such recovery the liquidator may forward to the Collector within whose jurisdiction the property of the person against whom any order or decision of the High Court has been made is situate, a certificate under his signature specifying the amount so due and the person by whom it is payable].

[2][(4) On receipt of a certificate under sub-section (3), the Collector shall proceed to recover from such person the amount specified therein as if it were an arrear of land revenue:

Provided that without prejudice to any other powers of the Collector, he shall, for the purposes of recovering the said amount, have all the powers, which, under the Code of Civil Procedure, 1908 (5 of 1908), a civil court has for the purpose of the recovery of an amount due under a decree.]

[1] Subs. s. 24, ibid., for "in the same manner as an arrear of land revenue" (w.e.f. 1-2- 1964).
[2] Ins. by s. 24, ibid. (w.e.f. 1-2-1964).

### Section 45U. Power of High Court to make rules

The High Court may make rules consistent with this Act and the rules made under section 52 prescribing-

(a) the manner in which inquiries and proceedings under Part III or Part IIIA may be held;

(b) the offences which may be tried summarily;

(c) the authority to which, and the conditions subject to which, appeals may be preferred and the manner in which such appeals may be filed and heard;

(d) any other matter for which provision has to be made for enabling the High Court to effectively exercise its functions under this Act.

### Section 45V. References to directors, etc., shall be construed as including references to past directors, etc

For the removal of doubts it is hereby declared that any reference in this Part to a director, manager, liquidator, officer or auditor of a banking company shall be construed as including a reference to any past or present director, manager, liquidator, officer or auditor of the banking company.

### Section 45W. Part II not to apply to banking companies being wound up

Nothing contained in Part II shall apply to a banking company which is being wound up.

### Section 45X. Validation of certain proceedings

Notwithstanding anything contained in section 45B or any other provision of this Part or in section 11 of the Banking Companies (Amendment) Act, 1950 (20 of 1950), no proceeding held, judgment delivered or decree or order made before the commencement of the Banking Companies (Amendment) Act, 1953 (52 of 1953), by any court other than the High Court in respect of any matter over which the High Court has jurisdiction under this Act shall be invalid or be deemed ever to have been invalid merely by reason of the fact that such proceeding, judgment, decree or order was

held, delivered or made by a court other than the High Court.]

## PART IIIB PROVISIONS RELATING TO CERTAIN OPERATIONS OF BANKING COMPANIES

### Section 45Y. Power of Central Government to make rules for the preservation of records

The Central Government may, after consultation with the Reserve Bank and by notification in the Official Gazette, make rules specifying the periods for which-

(a) a banking company shall preserve its books, accounts and other documents; and

(b) a banking company shall preserve and keep with itself different instruments paid by it.

### Section 45Z. Return of paid instruments to customers

(1) Where a banking company is required by its customer to return to him a paid instrument before the expiry of the period specified by rules made under section 45Y, the banking company shall not return the instrument except after making and keeping in its possession a true copy of all relevant parts of such instrument, such copy being made by a mechanical or other process which in itself ensures the accuracy of the copy.

(2) The banking company shall be entitled to recover from the customer the cost of making such copies of the instrument.

Explanation.-In this section, "customer" includes a Government department and a corporation incorporated by or under any law.

### Section 45ZA. Nomination for payment of depositors' money

(1) Where a deposit is held by a banking company to the credit of one or more persons, the depositor or, as the case may be, all the depositors together, may nominate, in the prescribed manner, [1][one or more persons not exceeding four, either successively or simultaneously] to whom in the event of the death of the sole depositor or the death of all the depositors, the amount of deposit may be returned by the banking company.

[2][(1A) Where the nomination is made successively in favour of more than one person under sub-section (1), the nomination shall be effective only in favour of one person in the order of priority specified in section 45ZG.

(1B) Where the nomination is made simultaneously in favour of more than one person under sub-section (1), the nomination shall be effective in favour of all such persons in proportion to which it is declared, and the following terms and conditions shall apply, namely:-

(a) the nomination shall not be made in favour of more than four persons;

(b) the nomination shall explicitly state the proportion of amount of deposit in percentage in favour of each nominee;

(c) the nomination shall be made in respect of the whole amount of deposit;

(d) if any nominee dies before receiving deposit from the banking company, the nomination in respect of such nominee alone shall become ineffective and the amount of deposit purported to be nominated in favour of deceased nominee shall be treated as if nomination had not been made in respect of that portion of deposit,

and any nomination which does not comply with any of the terms and conditions specified in clauses (a) to (c), shall be invalid, as if nomination had not been made by the depositor or all the depositors together, as the case may be.]

(2) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such deposit, where a nomination made in the prescribed manner purports to confer on any person the right to receive the amount of deposit from the banking company, the nominee shall, on the death of the sole depositor or, as the case may be, on the death of all the depositors, become entitled to all the rights of the sole depositor or, as the case may be, of the depositors, in relation to such deposit to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

(3) Where the nominee is a minor, it shall be lawful for the depositor making the nomination to appoint in the prescribed manner any person to receive the amount of deposit in the event of his death during the minority of the nominee.

(4) Payment by a banking company in accordance with the provisions of this section shall constitute a full discharge to the banking company of its liability in respect of the deposit:

Provided that nothing contained in this sub-section shall affect the right or claim which any person may have against the person to whom any payment is made under this section.

[1] Subs. by Act 16 of 2025, s. 10, for "one person" (w.e.f. 1-11-2025).
[2] Ins. by s. 10, ibid. (w.e.f. 1-11-2025).

## Section 45ZB. Notice of claims of other persons regarding deposits not receivable

No notice of the claim of any person, other than the person or persons in whose name a deposit is held by a banking company, shall be receivable by the banking company, nor shall the banking company be bound by any such notice even though expressly given to it:

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to such deposit is produced before a banking company, the banking company shall take due note of such decree, order, certificate or other authority.

## Section 45ZC. Nomination for return of articles kept in safe custody with banking company

(1) Where any person leaves any article in safe custody with a banking company, such person may nominate, in the prescribed manner, [1][one or more persons not exceeding four, successively,] to whom, in the event of the death of the person leaving the article in safe custody, such article may be returned by the banking company.

(2) Where the nominee is a minor, it shall be lawful for the person making the nomination to appoint in the prescribed manner any person to receive the article deposited in the event of his death during the minority of the nominee.

(3) The banking company shall, before returning any articles under this section to the nominee or the person appointed under sub-section (2), prepare, in such manner as may be directed by the Reserve Bank from time to time, an inventory of the said articles which shall be signed by such nominee or person and shall deliver a copy of the inventory so prepared to such nominee or person.

(4) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such article, where a nomination made in the prescribed manner purports to confer on any person the right to receive the article from the banking company, the nominee shall, on the death of the person leaving the article in safe custody, become entitled to the return of the article to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner:

Provided that nothing contained in this section shall affect the right or claim which any person may have against the person to whom the article is returned in pursuance of this sub-section.

[1] Subs. by Act 16 of 2025, s. 11, for "one person" (w.e.f. 1-11-2025).

## Section 45ZD. Notice of claims of other persons regarding articles not receivable

No notice of the claim of any person, other than the person or persons in whose name any article is held by a banking company in safe custody, shall be receivable by the banking company, nor shall the banking company be bound by any such notice even though expressly given to it:

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to such article is produced before a banking company, the banking company shall take due note of such decree, order, certificate or other authority.

## Section 45ZE. Release of contents of safety lockers

[1][(1) Where one or more individuals hire a locker from a banking company, whether such locker is located in the safe deposit vault of such banking company or elsewhere, the individual or, as the case may be, all the individuals together, may nominate one or more persons not exceeding four, successively, to whom, in the event of the death of the sole hirer or the death of all the hirers, the banking company may give access to the locker and liberty to remove the contents of the locker.]

(2) Where any such locker is hired from a banking company by two or more individuals jointly, and, under the contract of hire, the locker is to be operated under the joint signatures of two or more of such hirers, such hirers may nominate one or more persons to whom, in the event of the death of such joint hirer or hirers, the banking company may give, jointly with the surviving joint hirer or joint hirers, as the case may be, access to the locker and liberty to remove the contents of such locker.

(3) Every nomination under sub-section (1) or sub-section (2) shall be made in the prescribed manner.

(4) The banking company shall, before permitting the removal of the contents of any locker by any nominee or jointly by any nominee and survivors as aforesaid, prepare, in such manner as may be directed by the Reserve Bank from time to time, an inventory of the contents of the locker which shall be signed by such nominee or jointly by such nominee and survivors and shall deliver a copy of the inventory so prepared to such nominee or nominee and survivors.

(5) On the removal of the contents of any locker by any nominee or jointly by any nominee and survivors as aforesaid, the liability of the banking company in relation to the contents of the locker shall stand discharged.

(6) No suit, prosecution or other legal proceeding shall lie against a banking company for any damage caused or likely to be caused, for allowing access to any locker, and liberty to remove the contents of such locker, in pursuance of the provisions of sub-section (1) or sub-section (2), as the case may be.

[1] Subs. by Act 16 of 2025, s. 12, for sub-section (1) (w.e.f. 1-11-2025).

### Section 45ZF. Notice of claims of other persons regarding safety lockers not receivable

No notice of the claim of any person, other than hirer or hirers of a locker, shall be receivable by a banking company nor shall the banking company be bound by any such notice even though expressly given to it:

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to the locker or its contents is produced before the banking company, the banking company shall take due note of such decree, order, certificate or other authority.]

### Section 45ZG. Priority of successive nominations

[1][(1) Where the nomination is made in favour of more than one person successively under sub-section (1) of section 45ZA or sub-section (1) of section 45ZC or sub-section (1) of section 45ZE, the nomination shall be effective only in favour of one person in the following order of priority, namely:--

(a) nomination of the first nominee shall be effective if that nominee survives the person or persons who made the nomination;

(b) nomination of the second nominee shall become effective only after the death of the first nominee;

(c) nomination of any nominee lower in the order of nomination shall become effective only after the death of all the nominees whose names are higher in the order of nomination.

(2) Where the order of nomination is not mentioned, persons shall be deemed to have been nominated in the order in which their names appear in the nomination.

(3) The provisions of this section shall not apply to the nominations made simultaneously in favour of more than one person under sub-section (1) of section 45ZA.]

[1] Ins. by Act 16 of 2025, s. 13 (w.e.f. 1-11-2025).

## PART IV MISCELLANEOUS

### Section 46. Penalties

(1) Whoever in any return, balance-sheet or other document [1][or in any information required or furnished] by or under or for the purposes of any provision of this Act, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, shall be punishable with imprisonment for a term which may extend to three years and [2][or with fine, which may extend to one crore rupees or with both].

(2) If any person fails to produce any book, account or other document or to furnish any statement or information which under sub-section (2) of section 35 it is his duty to produce or furnish, or to answer any question relating to the business of a banking company which is asked by [3][an officer making an inspection or scrutiny under that section] he shall be punishable with a fine which may extend to [4][twenty lakh rupees] in respect of each offence, and if he persists in such refusal, to a further fine which may extend to [5][fifty thousand rupees] for every day during which the offence continues.

(3) If any deposits are received by a banking company in contravention of an order under clause (a) of sub-section (4) of section 35, every director or other officer of the banking company, unless he proves that the contravention took place without his knowledge or that he exercised all due diligence to prevent it, shall be deemed to be guilty of such contravention and shall be punishable with a fine which may extend to twice the amount of the deposits so received.

[6][(4) If any other provision of this Act is contravened or if any default is made in-

(i) complying with any requirement of this Act or of any order, rule or direction made or condition imposed thereunder, or

(ii) carrying out the terms of, or the obligations under, a scheme sanctioned under sub-section (7) of section 45,

by any person, such person shall be punishable with fine which may extend to [7][ [8][one crore rupees] or twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more, and where a contravention or default is a continuing one, with a further fine which may extend to [9][one lakh rupees]] for every day, during which the contravention or default continues.]

(5) Where a contravention or default has been committed by a company, every person who, at the time the contravention or default was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act if he proves that the contravention or default was committed without his knowledge or that he exercised all due diligence to prevent the contravention or default.

(6) Notwithstanding anything contained in sub-section (5), where a contravention or default has been committed by a company, and it is proved that the same was committed with the consent or connivance of, or is attributable to any gross negligence on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that contravention or default and shall be liable to be proceeded against and punished accordingly.

Explanation.-For the purposes of this section,-

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm.]

[1] Subs. by Act 95 of 1956, s. 9, for "required" (w.e.f. 14-1-1957).
[2] Subs. by Act 4 of 2013, s. 11, for "and shall also be liable to fine" (w.e.f. 18-1-2013).
[3] Subs. by Act 1 of 1984, s. 38, for "an officer making an inspection under that section" (w.e.f. 15-2-1984).
[4] Subs. by Act 4 of 2013, s. 11, for "two thousand rupees" (w.e.f. 18-1-2013).
[5] Subs. by s. 11, ibid., for "one hundred rupees" (w.e.f. 18-1-2013).
[6] Subs. by Act 1 of 1984, s. 38, for sub-section (4) (w.e.f. 15-2-1984).
[7] Subs. by Act 20 of 1994, s. 8, for certain words (w.e.f. 31-1-1994).
[8] Subs. by Act 4 of 2013, s. 11, for "fifty thousand rupees" (w.e.f. 18-1-2013).
[9] Subs. by s. 11, ibid., for "two thousand and five hundred rupees" (w.e.f. 18-1-2013).

## Section 46A. Chairman, director, etc., to be public servants for the purposes of Chapter IX of the Indian Penal Code

[1][[2][Every chairman who is appointed on a whole-time basis, managing director, director, auditor], liquidator, manager and any other employee of a banking company shall be deemed to be a public servant for the purposes of Chapter IX of the Indian Penal Code (45 of 1860).]

[1] Ins. by Act 95 of 1956, s. 10 (w.e.f. 14-1-1957).
[2] Subs. by Act 20 of 1994, s. 9, for "Every chairman, director, auditor" (w.e.f. 31-1-1994).

## Section 47. Cognizance of offences

No Court shall take cognizance of any offence punishable under [1][sub-section (5) of section 36AA or] section 46 except upon complaint in writing made by an officer of [2][the Reserve Bank or, as the case may be, the National Bank] generally or specially authorised in writing in this behalf by [3][the Reserve Bank or, as the case may be, the National Bank], and [3][no court other than that of a Metropolitan Magistrate or a Judicial Magistrate of the first class or any court superior thereto] shall try any such offence.

[1] Ins. by Act 55 of 1963, s. 26 (w.e.f. 1-2-1964).
[2] Subs. by Act 61 of 1981, s. 61 and Sch. II, for "the Reserve Bank" (w.e.f. 12-7-1984).
[3] Subs. by Act 1 of 1984 s. 39, for certain words (w.e.f. 15-2-1984).

## Section 47A. Power of Reserve Bank to impose penalty

[1][(1) Notwithstanding anything contained in section 46, if a contravention or default of the nature referred to in [2][sub-section (2) or sub-section (3) or sub-section (4)] of section 46, as the case may be, is made by a banking company, then, the Reserve Bank may impose on such banking company-

[3][(a) where the contravention or default is of the nature referred to in sub-section (2) of section 46, a penalty not exceeding twenty lakh rupees in respect of each offence if the contravention or default persists, a further penalty not exceeding fifty thousand rupees for everyday, after the first day, during which the contravention or deafult continues;

(b) where the contravention is of the nature referred to in sub-section (3) of section 46, a penalty not exceeding twice the amount of the deposits in respect of which such contravention was made;

(c) where the contravention or default is of the nature referred to in sub-section (4) of section 46, a penalty not exceeding one crore rupees or twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more, and where such contravention or default is a continuing one, a further penalty

which may extend to one lakh rupees for everyday, after the first day, during which the contravention or default continues.] [4][(2) For the purpose of adjudging the penalty under sub-section (1), the Reserve Bank shall serve notice on the banking company requiring it to show cause why the amount specified in the notice should not be imposed and a reasonable opportunity of being heard shall also be given to such banking company.]

(4) No complaint shall be filed against any banking company in any court of law in respect of any contravention or default in respect of which any penalty has been imposed by the Reserve Bank under this section.

(5) Any penalty imposed by the Reserve Bank under this section shall be payable within a period of fourteen days from the date on which notice issued by the Reserve Bank demanding payment of the sum is served on the banking company and in the event of failure of the banking company to pay the sum within such period, may be levied on a direction made by the principal civil court having jurisdiction in the area where the registered office of the banking company is situated; or, in the case of a banking company incorporated outside India, where its principal place of business in India is situated:

Provided that no such direction shall be made except on an application made to the court by the Reserve Bank or any officer authorised by that Bank in this behalf.

(6) The court which makes a direction under sub-section (5) shall issue a certificate specifying the sum payable by the banking company and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a civil suit.

(7) Where any complaint has been filed against any banking company in any court in respect of the contravention or default of the nature referred to in sub-section (3) or, as the case may be, sub-section (4) of section 46, then, no proceedings for the imposition of any penalty on the banking company shall be taken under this section.]

[1] Ins. by Act 58 of 1968, s. 17 (w.e.f. 1-2-1969).
[2] Subs. by Act 4 of 2013, s. 12, for "sub-section (3) or sub-section (4)" (w.e.f. 18-1-2013).
[3] Subs. by s. 12, ibid., for sub-clauses (a) and (b) (w.e.f. 18-1-2013).
[4] Subs. by Act 20 of 1994, s. 10, for sub-sections (2) and (3) (w.e.f. 31-1-1994).

## Section 48. Application of fines

A court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in or towards payment of the costs of the proceedings, or in or towards the rewarding of the person on whose information the fine is recovered.

## Section 49. Special provisions for private banking companies

The exemptions, whether express or implied, in favour of a private company in [1][sections 90, 165, 182, 204 and 255, clauses (a) and (b) of sub-section (1) of section 293 and sections 300, 388A and 416 of the Companies Act, 1956 (1 of 1956)], shall not operate in favour of a private company which is a banking company.

[1] The words, figures, letters and brackets "sections 17, 77, 83B, 86H, 91B and 91D and sub-section (5) of section 144 of the Indian Companies Act, 1913 (7 of 1913)" have successively been amended by Act 95 of 1956, s. 11, Act 33 of 1959, s. 34 and Act 55 of 1963, s. 27 to read as above.

## Section 49A. Restriction on acceptance of deposits withdrawable by cheque

[1][No person other than a banking company, the Reserve Bank, the State Bank of India or any other [2][banking institution, firm or other person notified by the Central Government in this behalf on the recommendation of the Reserve Bank] shall accept from the public deposits of money withdrawable by cheque:

Provided that nothing contained in this section shall apply to any savings bank scheme run by the Government.

[1] Ins. by Act 33 of 1959, s. 35 (w.e.f. 1-10-1959).
[2] Subs. by Act 55 of 1963, s. 28, for certain words (w.e.f. 1-2-1964).

## Section 49B. Change of name by a banking company

Notwithstanding anything contained in section 21 of the Companies Act, 1956 (1 of 1956), the Central Government shall not signify its approval to the change of name of any banking company unless the Reserve Bank certifies in writing that it has no objection to such change.

## Section 49C. Alteration of memorandum of a banking company

Notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), no application for the confirmation of the alteration of the memorandum of a banking company shall be maintainable unless the Reserve Bank certifies that there is no objection to such alteration.]

## Section 50. Certain claims for compensation barred

No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any of the provisions [1][contained in sections 10, 12A, 16, 35A, 35B, [2][36, 43A and 45] or by reason of the compliance by a banking company with any order or direction given to it under this Act].

[1] Subs. by Act 95 of 1956, s. 12, for certain words (w.e.f. 14-1-1957).
[2] Subs. by Act 37 of 1960, s. 8, for "and 36" (w.e.f. 19-9-1960).

## Section 51. Application on of certain provisions to the State Bank of India and other notified banks

[1][[2][(1)] Without prejudice to the provisions of the State Bank of India Act, 1955 (23 of 1955), or any other enactment, the provisions of sections 10, 13 to 15, 17, [3][19 to 21A, 23 to 28, 29 [excluding sub-section (3)], [4][29A] [5][sub-sections (1B), (1C) and (2) of section 30, 31], 34, 35, 35A, [6][35AA, 35AB,] 36 [excluding clause (d) of sub-section (1)], 45Y to 45ZF, 46 to 48] 50, 52 and 53 shall also apply; so far as may be, to and in relation to the State Bank of India [7][or any corresponding new bank or a Regional Rural Bank or any subsidiary bank] as they apply to and in relation to banking companies:

[8][Provided that-

(a) nothing contained in clause (c) of sub-section (1) of section 10 shall apply to the chairman of the State Bank of India or to a [9][managing director] of any subsidiary bank in so far as the said clause precludes him from being a director of, or holding an office in, any institution approved by the Reserve Bank;

[10][(b) nothing contained in sub-clause (iii) of clause (b) of sub-section (1) of section 20 shall apply to any bank referred to in sub-section (1), in so far as the said sub-clause (iii) of clause (b) precludes that bank from entering into any commitment for granting any loan or advance to or on behalf of a company (not being a Government company) in which not less than forty per cent. of the paid-up capital is held (whether singly or taken together) by the Central Government or the Reserve Bank or a corporation owned by that bank; and

(c) nothing contained in section 46 or in section 47A shall apply to,-

(i) an officer of the Central Government or the Reserve Bank, nominated or appointed as director of the State Bank of India or any corresponding new bank or a Regional Rural Bank or any subsidiary bank or a banking company; or

(ii) an officer of the State Bank of India or a corresponding new bank or a Regional Rural Bank or a subsidiary bank nominated or appointed as director of any of the said banks (not being the bank of which he is an officer) or of a banking company.] [11]* * * * *

[12][(2) References to a banking company in any rule or direction relating to any provision of this Act referred to in sub-section (1) shall, except where such rule or direction provides otherwise, be construed as referring also to the State Bank of India, a corresponding new bank, a Regional Rural Bank and a subsidiary bank.]

[1] Subs. by Act 79 of 1956, s. 43 and Sch. , for s. 51 (w.e.f. 22-10-1956).
[2] S. 51 renumbered as sub-section (1) thereof by Act 1 of 1984, s. 40 (w.e.f. 15-2-1984).
[3] Subs. by s. 40, ibid., for certain words (w.e.f. 15-2-1984).
[4] Ins. by Act 4 of 2013, s. 13 (w.e.f. 18-1-2013).
[5] Subs. by Act 66 of 1988, s. 10, for "31" (w.e.f. 30-12-1988).
[6] Ins. by Act 30 of 2017, s. 3 (w.e.f. 4-5-2017).
[7] Subs. by Act 1 of 1984, s. 40, for certain words (w.e.f. 15-2-1984).
[8] Subs. by Act 38 of 1959, s. 64 and Sch. , for the former proviso (w.e.f. 10-9-1959).
[9] Subs. by Act 1 of 1984, s. 40, for "general manager" (w.e.f. 15-2-1984).
[10] Subs. by Act 1 of 1984, s. 40, for clauses (b) and (c) (w.e.f. 15-2-1984).
[11] Explanation omitted by Act 58 of 1968, s. 18 (w.e.f. 1-2-1969).
[12] Ins. by Act 1 of 1984, s. 40 (w.e.f. 15-2-1984).

## Section 51A. Powers of Reserve Bank not to apply to International Financial Services Centre

[1][ Notwithstanding anything contained in any other law for the time being in force, the powers exercisable by the Reserve Bank under this Act,-

(a) shall not extend to an International Financial Services Centre set up under sub-section (1) of section 18 of the Special Economic Zones Act, 2005 (28 of 2005);

(b) shall be exercisable by the International Financial Services Centres Authority established under sub-section (1) of section 4 of the International Financial Services Centres Authority Act, 2019 (50 of 2019), in so far as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.]

[1] Ins. by Act 50 of 2019, s. 33 and Sch. II (w.e.f. 1-10-2020).

## Section 52. Power of Central Government to make rules

(1) The Central Government may, after consultation with the Reserve Bank, make rules to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act and all such rules shall be published in the Official Gazette.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for the details to be included in the returns required by this Act and the manner in which such returns shall be submitted [1][and the form in which the official liquidator may file lists of debtors to the court having jurisdiction under Part III or Part IIIA and the particulars which such lists may contain and any other matter which has to be, or may be, prescribed].

[2]* * * * *

[3][(4) The Central Government may by rules made under this section annul, alter or add to, all or any of the provisions of the Fourth Schedule.]

[4][(5) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.]

[1] Added by Act 52 of 1953, s. 11 (w.e.f. 30-12-1953).
[2] Sub-section (3) omitted by Act 1 of 1984, s. 41 (w.e.f. 15-2-1984).
[3] Ins. by Act 52 of 1953, s. 11 (w.e.f. 30-12-1953).
[4] Ins. by Act 1 of 1984, s. 41 (w.e.f. 15-2-1984).

## Section 53. Power to exempt in certain cases

[1][(1)] The Central Government may, on the recommendation of the Reserve Bank, declare, by notification in the Official Gazette, that any or all of the provisions of this Act shall not apply to any [2][banking company or institution or to any class of banking companies [3]***] either generally or for such period as may be specified.

[4][(2) [5][A copy of every notification proposed to be issued under sub-section (1) relating to any banking company or institution or any class of banking companies or any branch of a banking company or an institution, as the case may be, functioning or located in any Special Economic Zone established under the Special Economic Zones Act, 2005 (28 of 2005) shall be laid in draft before each House of Parliament], while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.]

[1] S. 53 renumbered as sub-section (1) thereof by Act 28 of 2005, s. 57 and Sch. III (w.e.f. 10-2-2006).
[2] Subs. by s. 57 and Sch., III ibid., for "banking company or institution or to any class of banking companies".
[3] The words "or any of their branches functioning or located in any Special Economic Zone established under the Special Economic Zones Act, 2005 (28 of 2005)" omitted by Act 17 of 2007, s. 3 (w.e.f. 23-1-2007).
[4] Ins. by Act 28 of 2005, s. 57 and Sch. III (w.e.f. 10-2-2006).
[5] Subs. by Act 17 of 2007, s. 3, for "A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament" (w.e.f. 23-1-2007).

## Section 54. Protection of action taken under Act

(1) No suit or other legal proceeding shall be lie against the Central Government, the Reserve Bank or any officer for anything which is in good faith done or intended to be done in pursuance of this Act.

(2) Save as otherwise expressly provided by or under this Act, no suit or other legal proceeding shall lie against the Central Government, the Reserve Bank or any officer for any damage caused or likely to be caused by anything in good faith done or intended to be done in pursuance of this Act.

## Section 55. Amendment of Act 2 of 1934

The Reserve Bank of India Act, 1934, shall be amended in the manner specified in the fourth column of the First Schedule, and the amendments to section 18 thereof as specified in the said Schedule shall be deemed to have had effect on and from the 20th day of September, 1947.

### Section 55A. Power to remove difficulties

[1][If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, as occasion requires, do anything (not inconsistent with the provisions of this Act) which appears to it to be necessary for the purpose of removing the difficulty:

Provided that no such power shall be exercised after the expiry of a period of three years from the commencement of section 20 of the Banking Laws (Amendment) Act, 1968 (58 of 1968).]

[1] Ins. by Act 58 of 1968, s. 20 (w.e.f. 1-2-1969).

## PART V APPLICATION OF THE ACT TO CO-OPERATIVE BANKS

### Section 56. Act to apply to co-operative societies subject to modifications

[1][Notwithstanding anything contained in any other law for the time being in force, the provisions of this Act], shall apply to, or in relation to, co-operative societies as they apply to, or in relation to, banking companies subject to the following modifications, namely:-

(a) throughout this Act, unless the context otherwise requires,-

(i) references to a "banking company" or "the company" or "such company" shall be construed as references to a co-operative bank;

(ii) references to "commencement of this Act" shall be construed as references to commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965);

[2][(iii) references to "memorandum of association" or "articles of association" shall be construed as references to bye-laws;

(iv) references to the provisions of the Companies Act, 1956 (1 of 1956), except in Part III and Part IIIA, shall be construed as references to the corresponding provisions, if any, of the law under which a co-operative bank is registered;

(v) references to "Registrar" or "Registrar of Companies" shall be construed as references to "Central Registrar" or "Registrar of Co-operative Societies", as the case may be, under the law under which a co-operative bank is registered;]

(b) in section 2, the words and figures "the Companies Act, 1956 (1 of 1956), and" shall be omitted;

(c) in section 5,-

[3][(i) after clause (cc), the following clauses shall be inserted namely:-

(cci) "co-operative bank" means a state co-operative bank, a central co-operative bank and a primary co-operative bank;

(ccii) "co-operative credit society" means a co-operative society, the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank;

[4][(cciia) "co-operative society" means a society registered or deemed to have been registered under any Central Act for the time being in force relating to the multi-State co-operative societies, or any other Central or State law relating to co-operative societies for the time being in force;]

(cciii) "director", in relation to a co-operative society, includes a member of any committee or body for the time being vested with the management of the affairs of that society;

[4][(cciiia) "multi-State co-operative bank" means a multi-State co-operative society which is a primary co-operative bank;

(cciiib) "multi-State co-operative society" means a multi-State co-operative society registered as such under any Central Act for the time being in force relating to the multi-State co-operative societies but does not include a national co-operative society and a federal co-operative;]

(cciv) "primary agricultural credit society" means a co-operative society,-

(1) the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops); and

(2) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccv) "primary co-operative bank" means a co-operative society, other than a primary agricultural credit society,-

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are not less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccvi) "primary credit society" means a co-operative society, other than a primary agricultural credit society,-

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member:

Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.

Explanation.-If any dispute arises as to the primary object or principal business of any co-operative society referred to in clauses (cciv), (ccv) and (ccvi), a determination thereof by the Reserve Bank shall be final;

(ccvii) "central co-operative bank", [5]*** "primary rural credit society" and "state co-operative bank" shall have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981);]

[6][(ii) clause (nb) shall be omitted;]

[7]* * * * * *

(e) in section 6, in sub-section (1),-

**[8]* * * * * ***

(ii) in clause (d), after the word "company", the words "co-operative society," shall be inserted;

[9]* * * * *

[10][(f) for section 7, the following section shall be substituted, namely:-

"7. Use of words "bank", "banker" or "banking".-(1) No co-operative society other than a co-operative bank shall use as part of its name or in connection with its business any of the words "bank", "banker" or "banking", and no co-operative society shall carry on the business of banking in India unless it uses as part of its name at least one of such words.

(2) Nothing in this section shall apply to-

(a) a primary credit society, or

(b) a co-operative society formed for the protection of the mutual interest of co-operative banks or [11]***, or

(c) any co-operative society, not being a primary credit society, formed by the employees of-

(i) a banking company or the State Bank of India or a corresponding new bank or a subsidiary bank of such banking company, State Bank of India or a corresponding new bank, or

(ii) a co-operative bank or a primary credit society or a [11]***,

in so far as the word "bank", "banker" or "banking" appears as part of the name of the employer bank, or as the case may be, of the bank, whose subsidiary the employer bank is."];

[12]* * * * * *

(h) for section 11, the following section shall be substituted, namely:-

'11. Requirement as to minimum paid-up capital and reserves.-(1) Notwithstanding any law relating to co-operative societies for the time being in force, no co-operative bank shall commence or carry on the business of banking in India unless the aggregate value of its paid-up capital and reserves is not less than one lakh of rupees:

Provided that nothing in this sub-section shall apply to-

(a) any such bank which is carrying on such business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), for a period of three years from such commencement; or

(b) to a primary credit society which becomes a primary co-operative bank after such commencement, for a

period of two years from the date it so becomes a primary co-operative bank or for such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the primary co-operative bank, may think fit in any particular case to allow.

(2) For the purposes of this section, "value" means the real of exchangeable value and not the nominal value which may be shown in the books of the co-operative bank concerned.

(3) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any such co-operative bank, a determination thereof by the Reserve Bank shall be final for the purposes of this section.';

[13][(i) for section 12, the following section shall be substituted, namely:-

"12. Issue and regulation of paid-up share capital and securities by co-operative banks.-

(1) A co-operative bank may, with the prior approval of the Reserve Bank, issue, by way of public issue or private placement,-

(i) equity shares or preference shares or special shares, on face value or at premium; and

(ii) unsecured debentures or bonds or other like securities with initial or original maturity of not less than ten years,

to any member of such co-operative bank or any other person residing within its area of operation, subject to such conditions and ceiling, limit or restriction on its issue or subscription or transfer, as may be specified by the Reserve Bank in this behalf.

(2) Save as otherwise provided in this Act,-

(i) no person shall be entitled to demand payment towards surrender of shares issued to him by a co-operative bank; and

(ii) a co-operative bank shall not withdraw or reduce its share capital, except to the extent and subject to such conditions as the Reserve Bank may specify in this behalf.";]

[14][(j) for section 18, the following section shall be substituted:-

"18. Cash reserve.-(1) Every co-operative bank, not being [15][a co-operative bank] for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 [16][(hereinafter referred to as a "scheduled co-operative Bank")], shall maintain in India by way of cash reserve with itself or by way of balance in a current account with the Reserve Bank or the State Co-operative Bank of the State concerned or by way of net balance in current accounts, or, in the case of a primary co-operative bank, with the central co-operative bank of the district concerned, or in one or more of the aforesaid ways, a sum equivalent to [17][such per cent.] of the total of its demand and time liabilities in India, as on the [18][last day] of the second preceding fortnight [19][as the Reserve Bank may specify, by notification in the official Gazette, from time to time having regard to the needs for securing the monetary stability in the country] and shall submit to the Reserve Bank before the fifteenth day of every month a return showing the amount so held on [20][the last day of the fortnight] during a month with particulars of its demand and time liabilities in India on [21][the last day of the fortnight or if the last day of any such fortnight] is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day.

Explanation.-In this section and in section 24-

(a) "liabilities in India" shall not include-

(i) the paid-up capital or the reserves or any credit balance in the profit and loss account of the co-operative bank;

(ii) any advance taken from a State Government, the Reserve Bank, [22]*** the Exim Bank, [23][the Reconstruction Bank], [24][the National Housing Bank]], the National Bank [25][, the Small Industries Bank,] or from the National Co-operative Development Corporation established under section 3 of the National Co-operative Development Corporation Act, 1962 (26 of 1962) by the co-operative bank;

(iii) in the case of a State or Central co-operative bank, also any deposit of money with it representing the reserve fund or any part thereof maintained with it by any other co-operative society within its area of operation, and in the case of a central co-operative bank, also an advance taken by it from the State co-operative bank of the State concerned;

(iv) in the case of a primary co-operative bank, also any advance taken by it from the [26][co-operative bank] of the State concerned or the central co-operative bank of the district concerned;

(v) in the case of any co-operative bank, which has granted an advance against any balance maintained with it, such balance to the extent of the amount outstanding in respect of such advance; and

(vi) in the case of any co-operative bank, the amount of any advance or other credit arrangement drawn and availed of against approved securities;

[27][(b) "fortnight" shall mean the period from the first day to the fifteenth day of each calendar month or sixteenth day to the last day of each calendar month, both days inclusive;]

(c) "net balance in current accounts" shall, in relation to a co-operative bank, mean the excess, if any, of the aggregate of the credit balances in current account maintained by that co-operative bank with the State Bank of India or a subsidiary bank or [28][a corresponding new bank or IDBI Bank Ltd.], over the aggregate of the credit balances in current accounts held by the said banks with such co-operative bank;

(d) for the purpose of computation of liabilities, the aggregate of the liabilities of a co-operative bank to the State Bank of India, a subsidiary bank, a corresponding new bank, a Regional Rural Bank, a banking company or any other financial institution notified by the Central Government in this behalf shall be reduced by the aggregate of the liabilities of all such banks and institutions to the co-operative bank;

(e) any cash with a co-operative bank or any balance held by a co-operative bank with another bank, shall not, to the extend such cash or such balances represents the balance in, or investment of, Agricultural Credit Stabilisation Fund of such co-operative bank, be deemed to be cash maintained in India.

[29][(1A) If the balance held by co-operative bank referred to in sub-clause (cci) of clause (c) of section 56 of the Banking Regulation Act, 1949 (10 of 1949), at the close of business on any day is below the minimum specified under sub-section (1), such co-operative bank shall, without prejudice to the provisions of any other law for the time being in force, be liable to pay to the Reserve Bank, in respect of that day, penal interest at a rate of three per cent. above the bank rate on the amount by which such balance falls short of the specified minimum, and if the shortfall continues further, the penal interest so charged shall be increased to a rate of five per cent. above the bank rate in respect of each subsequent day during which the default continues.

(1B) Notwithstanding anything contained in this section, if the Reserve Bank is satisfied, on an application in writing by the defaulting co-operative bank, that such defaulting co-operative bank had sufficient cause for its failure to comply with the provisions of sub-section (1), it may not demand the payment of the penal interest.

(1C) The Reserve Bank may, for such period and subject to such conditions as may be specified, grant to any co-operative bank such exemptions from the provisions of this section as it thinks fit with reference to all or any of its officers or with reference to the whole or any part of its assets and liabilities.]

(2) The Reserve Bank may, for the purposes of this section and section 24, specify from time to time, with reference to any transaction or class of transactions, that such transaction or transactions shall be regarded as liability in India of a co-operative bank, and, if any question arises as to whether any transaction or class of transactions shall be regarded for the purposes of this section and section 24, as liability in India of a co-operative bank, the decision of the Reserve Bank thereon, shall be final.";]

(k) for section 19, the following section shall be substituted, namely:-

"19. Restriction on holding shares in other co-operative societies.-No co-operative bank shall hold shares in any other co-operative society except to such extent and subject to such conditions as the Reserve Bank may specify in that behalf:

Provided that nothing contained in this section shall apply to-

(i) shares acquired through funds provided by the State Government for that purpose;

(ii) in the case of a Central co-operative bank, the holding of shares in the State co-operative bank to which it is affiliated;

(iii) in the case of a primary co-operative bank, the holding of shares in the Central co-operative bank to which it is affiliated or in the State co-operative bank of the State in which it is registered:

Provided further that where any shares are held by a co-operative bank in contravention of this section at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965) the co-operative bank shall without delay report the matter to the Reserve Bank and shall, notwithstanding anything contained in this section, be entitled to hold the shares for such period and on such conditions as the Reserve Bank may specify.";

[30]* * * * *

[31][(m) in section 20A, in sub-section (1),-

(i) the words and figures "Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956 (1 of 1956)," shall be omitted;

(ii) in clause (a), for the words "any of its directors" the words "any of its past or present directors" shall be substituted;]

[30]* * * * *

(o) in section 22,-

(i) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely:-

"(1) Save as hereinafter provided, no co-operative society shall carry on banking business in India unless-

[32]* * * * *

(b) it is a co-operative bank and holds a licence issued in that behalf by the Reserve Bank, subject to such conditions, if any, as the Reserve Bank may deem fit to impose:

Provided that nothing in this sub-section shall apply to a co-operative society, not being a primary credit society or a co-operative bank carrying on banking business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), for a period of one year from such commencement:

[33][Provided further that nothing in this sub-section shall apply to a primary credit society carrying on banking business on or before the commencement of the Banking Laws (Amendment) Act, 2012 (4 of 2013), for a period of one year or for such further period not exceeding three years, as the Reserve Bank may, after recording the reasons in writing for so doing, extend.]

[34][(2) Every co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), shall before the expiry of three months from such commencement, every co-operative bank which comes into existence as a result of the division of any other co-operative society carrying on business as a co-operative bank, or the amalgamation of two or more co-operative societies carrying on banking business shall, before the expiry of three months from its so coming into existence, [35][every primary credit society which had become a primary co-operative bank on or before the commencement of the Banking Laws (Amendment) Act, 2012 (4 of 2013), shall before the expiry of three months from the date on which it had become a primary co-operative bank] and every co-operative society [36]*** shall before commencing banking business in India, apply in writing to the Reserve Bank for a licence under this section:

Provided that nothing in clause (b) of sub-section (1) shall be deemed to prohibit-

(i) a co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965); or

(ii) a co-operative bank which has come into existence as a result of the division of any other co-operative society carrying on business as a co-operative bank, or the amalgamation of two or more co-operative societies carrying on banking business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965) or at any time [37][thereafter];

[38]* * * * *

from carrying on banking business until it is granted a licence in pursuance of this section or is, by a notice in writing, notified by the Reserve Bank that the licence cannot be granted to it.";]

[39][(ii) sub-section (3A) shall be omitted;

(iii) in sub-section (4), in clause (iii), the words, brackets, figure and letter "and sub-section (3A)" shall be omitted;]

[40][22A. Validation of licences granted by Reserve Bank to multi-State co-operative societies.- Notwithstanding anything contained in any law or, judgment delivered or decree or order of any court made,-

(a) no licence, granted to a multi-State co-operative society by the Reserve Bank under section 22, which was subsisting on the date of commencement of the Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (24 of 2004), shall be invalid or be deemed ever to have been invalid merely by the reason of such judgment, decree or order;

(b) every licence, granted to a multi-State co-operative society by the Reserve Bank under section 22, which was subsisting on the date of commencement of the Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (24 of 2004), shall be valid and be deemed always to have been validly granted in accordance with law;

(c) a multi-State co-operative society whose application for grant of licence for carrying on banking business was pending with the Reserve Bank on the date of commencement of the Banking Regulation (Amendment) and

Miscellaneous Provisions Act, 2004 (24 of 2004) shall be eligible to carry on banking business until it is granted a licence in pursuance of section 22 or is, by a notice in writing notified by the Reserve Bank that the licence cannot be granted to it;]

[41]* * * * *

[42][(q) in section 24,-

[43]* * * * *

[44]* * * * *

(iii) in sub-section (3), for the proviso, the following proviso shall be substituted, namely:-

"Provided that every co-operative bank, other than a primary co-operative bank, shall also furnish within the said period, a copy of the said return to the National Bank.";

**[44]* * * * * ***

[45][(qq) after section 24, the following section shall be inserted, namely:-

"24A. Power to exempt.-Without prejudice to the provisions of section 53, the Reserve Bank may, by notification in the Official Gazette, declare that, for such period and subject to such conditions as may be specified in such notification the whole or any part of the provisions of section 18 or section 24, as may be specified therein, shall not apply to any co-operative bank or class of co-operative banks, with reference to all or any of the offices of such co-operative bank or banks, or with reference to the whole or any part of the assets and liabilities of such co-operative bank or banks];

[46]* * * * *

[47][(ri) in the second proviso to section 26, for the expression "regional rural Bank" the expression "co-operative bank, other than a primary cooperative bank" shall be substituted;

[46]* * * * *

(rii) in section 27, for sub-section (3), the following sub-section shall be substituted, namely:-

"(3) Every co-operative bank, other than a primary co-operative bank, shall submit a copy of the return which it submits to the Reserve Bank, under sub-section (1) also to the National Bank and the powers exercisable by the Reserve Bank under sub-section (2) may also be exercised by the National Bank in relation to co-operative banks, other than primary co-operative banks.";

(s) for [48][section 29], the following section shall be substituted, namely:-

"29. Accounts and balance-sheet.-(1) At the expiration of each year ending with the 30th day of June [49][or at the expiration of a period of twelve months ending with such date as the Central Government may, by notification in the Official Gazette, specify in this behalf,] every co-operative bank, in respect of all business transacted by it, shall prepare with reference to that year [48][or the period] a balance-sheet and profit and loss account as on the last working day of the year [48][or the period] in the Forms set out in the Third Schedule or as near thereto as circumstances admit.

(2) The balance-sheet and profit and loss account shall be signed by the manager or the principal officer of the bank and where there are more than three directors of the bank, by at least three of those directors, or where there are not more than three directors, by all the directors.

(3) The Central Government, after giving not less than three months' notice of its intention so to do by a notification in the Official Gazette, may from time to time by a like notification amend the Forms set out in the Third Schedule:]

[50][Provided that with a view to facilitating the transition from one period of accounting to another period of accounting under this sub-section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the preparation of, or for other matters relating to, the balance-sheet or profit and loss account in respect of the concerned year or period, as the case may be.] [51]* * * * * [52][(t) in section 31,-

[53]* * * * *

(ii) for the second proviso, the following proviso shall be substituted, namely:-

"Provided further that a co-operative bank, other than a primary co-operative bank shall furnish such returns also to the National Bank.";]

[54]* * * * * *

[54]* * * * * *

(w) in section 35,-

(i) in sub-section (1),-

(a) for the words and figures "section 235 of the Companies Act, 1956 (1 of 1956)", the words "any law relating to co-operative societies for the time being in force" shall be substituted;

[55][(b) the following proviso shall be inserted at the end, namely:-

"Provided that the Reserve Bank may, if it considers it necessary or expedient so to do, cause an inspection to be made of a primary co-operative bank under this sub-section by one or more officers of a State co-operative bank in the State in which such primary co-operative bank is registered."];

(ii) in sub-section (4), clause (b) shall be omitted;

[56][(iii) after sub-section (4), the following sub-section shall be inserted, namely:-

"(4A) Without prejudice to the provisions of sub-section (4), the Reserve Bank may, if it considers it necessary or expedient so to do supply a copy of the report on any inspection or scrutiny to the State co-operative bank and the Registrar of co-operative societies of the State in which the bank which has been inspected or whose affairs have been scrutinised is registered."];

[57][(iv)] in sub-section (6), for the expressions "regional rural banks" and "regional rural bank", wherever they occur, the expressions "co-operative banks other than primary co-operative banks" and "co-operative bank other than a primary co-operative bank" shall, respectively be substituted;]

[58][(v)] the Explanation shall be omitted;

**[59]* * * * * [59]* * * * * [59]* * * * * [59]* * * * ***

[60][(zaa) after section 36AA of the principal Act, the following sections shall be inserted, namely:-

"36AAA.-Supersession of Board of directors of a [61][co-operative bank].-(1) Where the Reserve Bank is satisfied that in the public interest or for preventing the affairs of a [61][co-operative bank] being conducted in a manner detrimental to the interest of the depositors or of the [61][co-operative bank] or for securing the proper management of the [61][co-operative bank], it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order, supersede the Board of directors of such [61][co-operative bank] for a period not exceeding five years as may be specified in the order, which may be extended from time to time, so, however, that total period shall not exceed five years;

[62][Provided that in the case of a co-operative bank registered with the Registrar of Co-operative Societies of a State, the Reserve Bank shall issue such order in consultation with the concerned State Government seeking its comments, if any, within such period as the Reserve Bank may specify.]

(2) The Reserve Bank may, on supersession of the Board of directors of the [61][co-operative bank] under sub-section (1) appoint an Administrator for such period as it may determine.

(3) The Reserve Bank may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of directors of a [61][co-operative bank],-

(a) the chairman, managing director and other directors as from the date of supersession of the Board shall vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of the Multi-State Co-operative Societies Act, 2002 (39 of 2002) or this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of directors of such a [63][co-operative bank] or by a resolution passed in general meeting of such co-operative bank, shall, until the Board of directors of such co-operative bank is reconstituted, be exercised and discharged by the Administrator appointed by the Reserve Bank under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of such multi-State co-operative bank.

(5) (a) The Reserve Bank may constitute a committee of three or more persons who have experience in law, finance, banking, administration or accountancy to assist the Administrator in discharge of his duties.

(b) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Reserve Bank.

(6) The salary and allowances to the Administrator and the members of the committee constituted by the Reserve Bank shall be such as may be specified by the Reserve Bank and be payable by the concerned [63][co-operative bank].

(7) On and before expiration of period of supersession of the Board of directors as specified in the order issued under sub-section (1), the Administrator of the [63][co-operative bank] shall call the general meeting of the society to elect new directors.

(8) Notwithstanding anything contained in any other law or in any contract, or bye-laws of a [63][co-operative bank], no person shall be entitled to claim any compensation for the loss or termination of his office.

(9) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of directors of the multi-State co-operative society has been constituted.

[64][(10) The provisions of section 36ACA shall not apply to a co-operative bank.]

[65]* * * * *

36AAC. Reimbursement to Deposit Insurance Corporation by liquidator or transferee bank.-Where a multi-State co-operative bank, being an insured bank within the meaning of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (47 of 1961), is wound up and the Deposit Insurance Corporation has become liable to the depositors of the insured bank under sub-section (1) or sub-section (2) of section 16 of that Act, the Deposit Insurance Corporation shall be reimbursed by the liquidator or such other person in the circumstances, to the extent and in the manner provided in section 21 of that Act.";

(zab) In section 36AD, sub-section (3) shall be omitted;

[66][(zb) Part IIC shall be omitted;]

[67][(zc) in section 46,-

**[68]* * * * ***

(ii) in clause (a) of the Explanation, after the words "includes a", the words "co-operative society" shall be inserted;]

[69]* * * * * *

(ze) section 49 shall be omitted;

[69]* * * * * *

[70][(zg) in section 49B, references to "Central Government" shall be construed as references to "Central Registrar" or "Registrar of Co-operative Societies", as the case may be, under the law under which a co-operative bank is registered;]

[71]* * * * * *

(zi) section 51 shall be omitted;

[72][(zj) after section 53, the following section shall be inserted, namely:-

"53A. Powers to exempt co-operative banks in certain cases.-Notwithstanding anything contained in any other provisions of this Act, the Reserve Bank may, from time to time, on being satisfied that it is necessary so to do, declare, by notification in the Official Gazette, that the provisions of item (iii) of clause (b) of sub-section (1) and sub-section (2), of section 10, clause (a) of sub-section (2) of section 10A, sub-section (1A) of section 10B and clause (b) of sub-section (1) of section 35B of this Act shall not apply to a co-operative bank or class of co-operative banks, either generally or for such period as may be specified therein, subject to such conditions, limitations or restrictions as it may think fit to impose.",]

[73][(zji) in section 54, after the expression "Reserve Bank", wherever it occurs, the expression "or the National Bank" shall be inserted;]

(zk) for section 55 and the First Schedule, the following section shall be substituted, namely:-

"55. Act 18 of 1891 and Act 46 of 1949 to apply in relation to co-operative banks.-(1) The Bankers' Books Evidence Act, 1891(18 of 1891) shall apply in relation to a co-operative bank as it applies in relation to a bank as defined in section 2 of that Act.

(2) The Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949 (46 of 1949) (shall apply in relation to a co-operative bank as it applies in relation to a banking company as defined in section 2 of that Act.";

(zl) for the Third Schedule and the Fourth Schedule, the following Schedule shall be substituted, namely:-

"THE THIRD SCHEDULE

(see section 29)

FORM A FORM OF BALANCE-SHEET

| 1. CAPITAL: (i) Authorised Capital .....Shares of Rs.....each .....Shares of Rs. ...Each | CAPITAL AND LIABILITIES | Rs. P. | Rs. P |
|---|---|---|---|
| 1. CASH: In hand with Reserve Bank [74][National Bank] State Bank of India, State Co-operative Bank and Central Co-operative | | | |

Bank.... | PROPERTY AND ASSETS | Rs. .P. Rs. P.

(ii) Subscribed Capital

2. BALANCES WITH OTHER .....Shares of Rs.....each

BANKS: .....Shares of Rs.....each

(i) Current deposits..... .....

(ii) Savings bank deposits ....

(iii) Amount called up

(iii) Fixed deposits..... On.....Shares at Rs.....each

3. MONEY AT CALL AND less called unpaid

SHORT NOTICE On.....Shares at Rs.....each less called

4. INVESTMENTS: unpaid of .....

(i) In Central and State

(iii) above, held by

Government securities (at book

(a) Individuals .....

value).....

(b) Co-operative institutions ..... (c) State Government..... 2. RESERVE FUND AND OTHER RESERVES: (i) Statutory Reserve..... | Face value Rs. ..... Market value Rs. ..... (ii) Other Trustee securities..... (iii) institutions other than in item (5) below..... | Shares | in co-operative

(ii) Agricultural (Credit Stabilization Fund).....

(iv) Other investments (to be

(iii) Building Fund.....

specified) .....

(iv) Dividend Equalization Fund.....

5. INVESTMENT OUT OF

(v) Special Bad Debts Reserve.....

THE PRINCIPAL

(vi) Bad and Doubtful Debts Reserve..... (vii) Investment Depreciation Reserve..... | /SUBSIDIARY STATE PARTNERSHIP FUNDS: In shares of:

(viii) Other Funds and Reserves (to be specified)

(i) Central co-operative banks.....

3. PRINCIPAL/SUBSIDIARY STATE

(ii) Primary agricultural credit PARTNERSHIP FUND ACCOUNT:

societies..... For share capital of:

...

(i) Central co-operative banks

(iii) Other societies.....

(ii) Primary agricultural credit societies.....

6. ADVANCES :.

(iii) Other societies.....

(i) Short-term loans, cash credits,

4. DEPOSITS AND OTHER ACCOUNTS:

(i) Fixed deposits*..... (a) Individuals**..... (b) Central co-operative banks..... | overdrafts discounted..... Of which secured against: (a) Government approved securities..... | and and | bills other

(c) Other societies.....

(b) Other tangible securities@

(ii) Savings Bank Deposits.....

of the advances, amount due from

(a) Individuals**.....

individuals.....

(b) Central co-operative banks.....

Of the advances, amount overdue

(c) Other societies.....

Considered bad and doubtful of recovery.

(ii) Medium-term loans

Of which secured against:

CAPITAL AND LIABILITIES | | PROPERTY AND ASSETS

(iii) Current deposits..... (a) Individuals**..... (b) Central co-operative banks..... (c) Other societies..... (iv) Money at call and short notice..... | (a) Government and other approved (b) Other tangible securities@ Of the advances, amount due from individuals ..... | securities

Rs. P. Rs. P

5. BORROWINGS: (i) From the Reserve Bank of India | Of overdue:..... | the | advances, | amount

**Rs. P. Rs. P [75][the National Bank]/State/Central Considered bad and doubtful of co-operative bank: recovery.....**

(a) Short-term loans, cash credits and overdrafts..... Of which secured against: (A) Government and other approved securities. (B) Other tangible securities@..... (b) Medium-term loans of which secured against: (A) Government and other approved securities. (B) Other tangible securities@..... (c) Long-term loans Of which secured against: (A) Government and other approved securities (B) Other tangible securities@..... (ii) From the State Bank of India (a) Short-term loans, cash credits and overdrafts..... Of which secured against: (A) Government and other approved securities. (B) Other tangible securities@..... (b) Medium-term loans Of which secured against (A) Government and other approved securities (B) Other tangible securities@ (c) Long-term loans Of which secured against: | (iii) long-term loans Of which secured against: (a) government and other approved (b) other tangible securities@ Of the advances, amount due from individuals..... Of the advances, amount overdue: Considered bad and doubtful of recovery..... 7. INTEREST RECEIVABLE: Of which overdue Considered bad and doubtful of recovery 8. BILLS RECEIVABLE BEING 9. BRANCH ADJUSTMENTS..... 10. DEPRECIATION..... 11. FURNITURE AND FIXTURES 12. OTHER ASSETS (to be specified)..... 13. ACQUIRED SATISFACTION OF CLAIMS (stating mode of valuation)..... 14. PROFIT AND LOSS ..... | securities..... BILLS FOR COLLECTION AS per contra..... PREMISES LESS DEPRECIATION. NON-BANKING | LESS | ASSETS | IN

(A) Government and other approved securities.

(B) Other tangible securities@.....

CAPITAL AND LIABILITIES | PROPERTY AND ASSETS

Rs. P. Rs. P Rs. P. Rs. P

(iii) From the State Government

(a) Short-term loans Of which secured against

(A) Government and other approved securities.

(B) Other tangible securities@.....

(b) Medium-term loans Of which secured against:

(A) Government and other approved securities.....

(B) Other tangible securities@.....

(c) Long-term loans Of which secured against:

(A) Government and other approved securities.

(B) Other tangible securities@.....

(iv) Loan from other sources (source and security to be specified) 6.BILLS FOR COLLECTION BEING BILLS RECEIVABLE As per contra .....

7. BRANCH ADJUSTMENTS.....

8. OVERDUE INTEREST RESERVE.....

9. INTEREST PAYABLE .....

10. OTHER LIABILITIES

(i) Bills payable.....

(ii) Unclaimed dividends.....

(iii) Suspense. . . . . ..

(iv) Sundries . . . . . ..

11. PROFIT AND LOSS

Profit as per last balance-sheet Less appropriations Add profit for the year brought from the Profit and Loss Account

Total . . . . . CONTINGENT LIABILITIES

(i) Outstanding liabilities for guarantees

Total . . . . . issued.....

.

(ii) Others .....

Total. . . . . ..

**NOTES**

*"Fixed deposits" will include reserve fund deposits of societies, employees provident fund deposits, staff security deposits, recurring deposits, cash certificates, etc.

** Under the item "individuals" deposits from institutions other than cooperative banks and societies may be included.

"Borrowings" and "Advances".-Short-term loans will be for periods up to 15 months, medium-term loans from 15 months to 5 years and long-term loans over 5 years.

@ "other tangible security" will include borrowings against gold and gold ornaments, repledge of goods, mortgage of land, etc.

General Instructions.- The corresponding figures (to the nearest rupees, if so desired) for the year immediately preceding the year to which the balance-sheet relates should be shown in separate columns.

[1] Subs. by Act 39 of 2020, s. 4, for certain words (w.e.f. 1-4-2021).
[2] Ins. by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[3] Subs. by Act 61 of 1981, s. 61 and Sch., II for sub-clause (i) (w.e.f. 1-5-1982).
[4] Ins. by Act 24 of 2004, s. 2 (w.e.f. 1-3-1966).
[5] The words "co-operative society," omitted by Act 24 of 2004, s. 2 (w.e.f. 1-3-1966).
[6] Cl. (d) omitted by Act 16 of 2025, s. 14 (w.e.f. 15-12-2025).
[7] Cl. (d) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[8] Sub-clause (i) omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[9] Sub-clause (iii) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[10] Subs. by Act 1 of 1984, s. 42, for clause (f) (w.e.f. 15-2-1984).
[11] The words "or co-operative land mortgage bank" omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[12] Cls. (fi), (fii) and (g) omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[13] Subs. by s. 4, ibid., for clause (i) (w.e.f. 1-4-2021).
[14] Subs. by Act 1 of 1984, s. 42, for clause (j) (w.e.f. 29-3-1985).
[15] Subs. by Act 4 of 2013, s. 14, for "State Co-operative Bank" (w.e.f. 18-1-2013).
[16] Subs. by s. 14, ibid., for "(hereinafter referred to as a "scheduled State Co-operative Bank)" (w.e.f. 18-1-2013).
[17] Subs. by s. 14, ibid., for "at least three per cent." (w.e.f. 18-1-2013).
[18] Subs. by Act 16 of 2025, s. 14, for "last Friday" (w.e.f. 15-12-2025).
[19] Ins. by Act 4 of 2013, s. 14 (w.e.f. 18-1-2013).
[20] Subs. by Act 16 of 2025, s. 14, for "alternate Friday" (w.e.f. 15-12-2025).
[21] Subs. by s. 14, ibid., for "such Fridays or if any such Friday" (w.e.f. 15-12-2025).
[22] The words "the Development Bank" omitted by Act 4 of 2013, s. 14 (w.e.f. 18-1-2013).
[23] Ins. by Act 62 of 1984, s. 71 and Sch. III (w.e.f. 20-3-1985).
[24] Ins. by Act 53 of 1987, s. 56 and Sch. II (w.e.f. 9-7-1988).
[25] Ins. by Act 39 of 1989, s. 53 and Sch. II (w.e.f. 7-3-1990).
[26] Subs. by Act 4 of 2013, s. 14, for "State Co-operative Bank" (w.e.f. 18-1-2013).
[27] Subs. by Act 16 of 2025, s. 14, for Clause (b) (w.e.f. 15-12-2025).
[28] Subs. by s. 14, ibid., for "a corresponding new bank" (w.e.f. 18-1-2013).
[29] Ins. by s. 14, ibid. (w.e.f. 18-1-2013).
[30] Cls. (l) and (n) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[31] Subs. by Act 1 of 1984, s. 42, for clause (m) (w.e.f. 15-2-1984).
[32] Cl. (a) omitted by Act 4 of 2013, s. 14 (w.e.f. 18-1-2013).
[33] Ins. by Act 4 of 2013, s. 14 (w.e.f. 18-1-2013).
[34] Subs. by Act 1 of 1984, s. 42, for sub-section (2) (w.e.f. 15-2-1984).
[35] Subs. by Act 4 of 2013, s. 14, for "every primary credit society which becomes a primary co-operative bank after such commencement shall

before the expiry of three months from the date on which it so becomes a primary co-operative bank" (w.e.f. 18-1-2013).
[36] The words "other than a primary credit society" omitted by s. 14, ibid. (w.e.f. 18-1-2013).
[37] Subs. by s. 14, ibid., for "thereafter; or" (w.e.f. 18-1-2013).
[38] Cl. (iii) omitted by s. 14, ibid. (w.e.f. 18-1-2013).
[39] Subs. by Act 1 of 1984, s. 42, for sub-clause (ii) (w.e.f. 15-2-1984).
[40] Ins. by Act 24 of 2004, s. 2 (w.e.f. 24-9-2004).
[41] Cl. (p) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[42] Subs. by Act 1 of 1984, s. 42, for clause (g) (w.e.f. 29-3-1985).
[43] Sub-clause (i) omitted by Act 4 of 2013, s. 14 (w.e.f. 18-1-2013).
[44] Sub-clause (ii) and (iv) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[45] Ins. by Act 1 of 1984, s. 42 (w.e.f. 15-2-1984).
[46] Cls. (r), (ria) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[47] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).
[48] Subs. by Act 4 of 2013, s. 14, for "sections 29 and 30" (w.e.f. 18-1-2013).
[49] Ins. by Act 54 of 1991, s. 2 (w.e.f. 20-12-1991).
[50] Ins. by s. 2, ibid. (w.e.f. 20-12-1991).
[51] Cl. (sa) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[52] Subs. by Act 61 of 1981, s. 61 and Sch. II, for clause (t) (w.e.f. 12-7-1982).
[53] Sub-clause (i) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[54] Cls. (u) and (v) omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[55] Subs. by Act 1 of 1984, s. 42, for item (b) (w.e.f. 15-2-1984).
[56] Ins. by Act 1 of 1984, s. 42 (w.e.f. 15-2-1984).
[57] Sub-clause (iii) renumbered as sub-clause (iv) by s. 42, ibid. (w.e.f. 15-2-1984).
[58] Sub-clause (iv) renumbered as sub-clause (v) by s. 42, ibid. (w.e.f. 15-2-1984).
[59] Cls. (x), (y), (z) and (za) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[60] Subs. by Act 24 of 2004, s. 2, for clause (zaa) (w.e.f. 24-9-2004).
[61] Subs. by Act 39 of 2020, s. 4, for "multi-State co-operative bank" (w.e.f. 1-4-2021).
[62] Ins. by s. 4, ibid. (w.e.f. 1-4-2021).
[63] Subs. by Act 39 of 2020, s. 4, for "multi-State co-operative bank" (w.e.f. 1-4-2021).
[64] Ins. by s. 4, ibid. (w.e.f. 1-4-2021).
[65] S. 36AAB omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[66] Subs. by s. 4, ibid., for cl. (zb) (w.e.f. 1-4-2021).
[67] Subs. by Act 1 of 1984, s. 42, for clause (zc) (w.e.f. 15-2-1984).
[68] Sub-cl. (i) omitted by Act 39 of 2020, s. 4 (w.e.f. 1-4-2021).
[69] Cls. (zd) and (zf) omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[70] Subs. by s. 4, ibid., for clause (zg) (w.e.f. 1-4-2021).
[71] Cl. (zh) omitted by s. 4, ibid. (w.e.f. 1-4-2021).
[72] Subs. by s. 4, ibid., for clause (zj) (w.e.f. 1-4-2021).
[73] Ins. by Act 61 of 1981, s. 61 and II Sch. (w.e.f. 1-5-1982).
[74] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).
[75] Ins. by Act 61 of 1981, s. 61 and Sch. II (w.e.f. 1-5-1982).

## Schedules

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