

RESERVE BANK OF INDIA ACT, 1934 (2 OF 1934)

[6th March, 1934]

PREAMBLE

An Act to constitute a Reserve Bank of India

whereas it is expedient to constitute a Reserve Bank for India to regulate the issue of Bank

notes and the keeping of reserves with a view to securing monetary stability in 2 [India] and

generally to operate the currency and credit system of the country to its advantage;

And whereas in the present disorganisation of the monetary systems of the world it is not

possible to determine what will be suitable as a permanent basis for the Indian monetary

system;

But whereas it is expedient to make temporary provision on the basis of the existing

monetary system, and to leave the question of the monetary standard best suited to India to

be considered when the international monetary position has become sufficiently clear and

stable to make it possible to frame permanent measures;

It is hereby enacted as follows:-

1. For Statement of Objects and Reasons, see Gazette of India, 1933, Pt. V, p. 160; and for Report of Select

Committee, see Gazette of India, 1933. Pt. V, pp. 197-207.

For the functioning of the Reserve Bank in or in relation to Burma, after the separation of that country from India,

see the India and Burma (Burma Monetary Arrangements) Order, 1937.

This Act was extended to Berar by Act 4 of 1941; to Goa, Daman and Diu by Regulation 6 of 1962; to Dadra and

Nagar Haveli by Regulation 6 of 1963, section 2 and Schedule 1 (w.e.f. 1-7-1965); to the whole of the Union

Territory of Lakshadweep by Regulation 8 of 1965, section 3 and Schedule; to the State of Sikkim: vide

Notification No. S.O. 208 (E), dated 16th May, 1975, Extraordinary, Pt. II, Section 3 (ii), p. 1213 and came into

force in Sikkim (w.e.f. 14-8-1976); vide Notification No. S.O. 547 (E), dated 13th August, 1976.

This Act has been supplemented by Act 28 of 1964.

2. Substituted by the A.O. 1948, for 'British India'.

Section 1 - Short title, extent and commencement

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

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

(3) This section shall come into force at once, and the remaining provisions of this Act shall

come into force on such date or dates⁴ as the 5 [Central Government] may, by notification in

the Gazette of India, appoint.

1. Substituted by the A.O. 1950, for sub-section (2).

2. Substituted by Act 32 of 1951, section 3, for "Part B states".

3. The words "Except the State of Jammu and Kashmir" omitted by Act 62 of 1956, section 2 and Schedule (w.e.f.

1-11-1956).

4. Sections 2 to 1947, 50 to 52, 55 to 58 and 61 were brought into force on 1st January, 1935, see Gazette of

India, 1934, Pt. I, p. 1369, and the other sections on 1st April, 1935, see Gazette of India, 1935, Pt. I, p. 538.

5. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in

Council".

Section 2 - Definitions

2

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

1 [***]

2 [(aii)] "the Bank" means the Reserve Bank of India constituted by this Act;

3 [(aiii)] "Bank for International Settlements" means by body corporate established with

the said name under the law of Switzerland in pursuance of an agreement dated the 20th

January, 1930, signed at the Hague;]

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

4 [***]

5 [6 [(bvi)]] "Deposit Insertedurance Corporation" means the Deposit Insertedurance

Corporation established under section 3 of the Deposit Insertedurance Corporation Act,

1961 (47 of 1961);]

7 [8 [***]

9 [***]

10 [(bviii)] "Exim Bank" means the Export-Import Bank of India established under the

Export-Import Bank of India Act, 1981;]

11 [(bix) "foreign currency" and "foreign exchange" have the meanings respectively

assigned to them in the Foreign Exchange Regulation Act, 1973(46 of 1973);

(c) "Industrial Finance Corporation" means the Industrial Finance Corporation of India

established under the Industrial Finance Corporation Act, 1948 (15 of 1948);]

3 [(ca) "International Development Association" means the "Association" referred to in

the International Development Association (Status, Immunities and Privileges) Act, 1960

(32 of 1960);

(cb) "International Finance Corporation" means the "Corporation" referred to in the

International Finance Corporation (Status, Immunities and Privileges) Act, 1958 (42 of

1958);

(cc) "International Monetary Fund" and "International Bank for Reconstruction and

Development" means respectively the "International Fund" and the "International Bank",

referred to in the International Monetary Fund and Bank Act, 1945;]

12 [(ccc) "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);]

13 [cccc] "National Housing Bank" means the National Housing Bank established under

section 3 of the National Housing Bank Act, 1987;]

14 [***]

15 [(cv) "Reconstruction Bank" means the Industrial Reconstruction Bank of India

established under section 3 of the Industrial Reconstruction Bank of India Act, 1984;]

(d) "rupee coin" means 16 [***] rupees which are legal tender 17 [in 18 [India]] under the

provisions of the Indian Coinage Act, 1906 (3 of 1906);

19 [***]

(e) "scheduled bank" means a bank included in the Second Schedule;

3

20 [(el) "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;

21 [(ea) "Sponsor Bank" means a Sponsor Bank as defined in the Regional Rural Banks

Act, 1976;]

22 [23 [(eb)] "State Bank" means the State Bank of India constituted under the State

Bank of India Act, 1955 (23 of 1955);]

24 [***]

25 [(fi) "State Financial Corporation" means any State Financial Corporation established

under the State Financial Corporations Act, 1951 (63 of 1951);]

26 [(g) "Unit Trust" means the Unit Trust of India established under section 3 of the Unit

Trust of India Act, 1963 (52 of 1963);]

12 [(h) "agricultural operations", "central co-operative bank", "co-operative society",

"crops", "marketing of crops", "pisciculture", "regional rural bank" and "State co-operative

bank" shall have the meanings respectively assigned to them in the National Bank for

Agriculture and Rural Development Act, 1981;

(i) "co-operative bank", "co-operative credit society", "director", "primary agricultural credit society", "primary co-operative bank" and "primary credit society" shall have the meanings respectively assigned to them in Part V of the Banking Regulation Act, 1949 (10 of 1949).]

1. Clauses (a) and (ai) omitted by Act 61 of 1981, section 61 and Schedule II (w.e.f. 1-5-1966). Earlier clauses (a)

and (aa) were re-lettered as clauses (ai) and (aai) respectively and before clause (ai) so re-lettered clause (a) was

Inserted by Act 23 of 1965, section 2 (w.e.f. 1-3-1966).

2. Clause (aa) re-lettered as clause (aai) by Act 23 of 1965, section 2 (w.e.f. 1-3-1966).

3. Inserted by Act 51 of 1974, section 2 (w.e.f. 13-12-1974).

4. Clauses (bi), (bii), (biii), (biv) and (bv) omitted by Act 61 of 1981, section 61 and Schedule II (w.e.f. 1-5-1982)

Earlier clauses (bi), (bii), (biii), (biv) and (bv) were Substituted by Act 23 of 1965, section 2, for clause (bb)

(w.e.f. 1-5-1966).

5. Clause (bbb) Inserted by Act 47 of 1961, section 51 and Schedule IT (w.e.f. 1-1-1962).

6. Clauses (bbb) re-lettered as clause (bvi) by Act 23 of 1965, section 2 (w.e.f. 1-3-1966).

7. Clause (bbbb) Inserted by Act 18 of 1964, section 38 and Schedule II (w.e.f. 1-7-1964).

8. Clause (bbbb) re-lettered as clause '(bvii) "Development Bank" means the Industrial Development Bank of

India established under the Industrial Development Bank of India Act, 1964 (18 of 1964); by Act 23 of 1965,

section 2 (w.e.f. 1-3-1966) and omitted by Act 53 of 2003, section 12 and Schedule, Pt. I.

9. Clause (bviii) Inserted by Act 23 of 1965, section 2 (w.e.f. 1-3-1966) and omitted by Act 61 of 1981, section 61

and Schedule II (w.e.f. 12-7-1982).

10. Ins by Act 28 of 1981, section 40 and Schedule II (w.e.f. 1-1-1982).

11. Substituted by Act 24 of 1978, section 3, for clause (c) (w.e.f. 21-7-1978).

12. Inserted by Act 61 of 1981, section 61 and Schedule II (w.e.f. 1-5-1982).

13. Inserted by Act 53 of 1987, section 56 and the Second Schedule (w.e.f. 9-7-1988).

14. Clauses (ci), (cia), (cii), (ciii), (civ) and (cv) omitted by Act 61 of 1981, section 61 and Schedule II (w.e.f.

1-5-1982). Earlier clauses (ci), (cii), (ciii), (civ) were Inserted by Act 23 of 1965, section 2 (w.e.f. 1-3-1966) and

clause (cia) Inserted by Act 51 of 1974, section 2 (w.e.f. 13-12-1974) and clause (cv) Inserted by Act 21 of 1976,

4

section 33 (w.r.e.f. 26-9-1975).

15. Inserted by Act 62 of 1984, section 71 and Schedule III (w.e.f. 20-3-1985).

16. The word "silver" omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

17. Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937.

18. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951),

19. The word "and" omitted by the India and Burma (Burma Monetary Arrangements) Order, 1937.

20. Inserted by Act 39 of 1989, sec 57 and Schedule II.

21. Inserted by Act, 21 of 1976, section 33 (w.r.e.f. 26-9-1975).

22. Clause (ee) Inserted by Act 23 of 1955, section 52 and Schedule III (w.e.f. 1-7-1955). Earlier clause (ee) was

Inserted by the A.O. 1950 and was omitted by Act 32 of 1951, section 4 (w.e.f. 1-11-1951).

23. Clause (ei) re-lettered as clause (eb) by Act 21 of 1976, section 33 (w.e.f. 26-9-1975).

24. Clause (f) omitted by Act 61 of 1981, section 61 and Schedule II (w.e.f. 1-5-1982). Earlier clauses (f) to (k)

were Inserted by the India and Burma Monetary Arrangement Order, 1937 and were omitted by Act 11 of 1947,

section 2 (w.e.f. 1-4-1947).

25. Inserted by Act 24 of 1978, section 3 (w.e.f. 21-7-1978).

26. Inserted by Act 52 of 1963, section 44 and Schedule II (w.e.f. 1-2-1964). Earlier clause (g) was Inserted by

Act 32 of 1951, section 4 (w.e.f. 1-11-1951) and was omitted by Act 62 of 1956, section 2 and Schedule (w.e.f.

1-11-1951).

Chapter 2 - INCORPORATION, CAPITAL, MANAGEMENT AND BUSINESS

INCORPORATION,1[CAPITAL,] MANAGEMENT AND BUSINESS

1. Substituted by Act 62 of 1948, section 7 and Schedule, for "SHARE CAPITAL" (w.e.f.

1-1-1949).

Section 3 - Establishment and incorporation of Reserve Bank

(1) A bank to be called the Reserve Bank of India shall be constituted for the purposes of taking

over the management of the currency from the1[Central Government] and of carrying on the

business of banking in accordance with the provisions of this Act.

(2) The Bank shall be a body corporate by the name of the Reserve Bank of India, having perpetual

succession and a common seal, and shall by the said name sue and be sued.

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

Section 4 - Capital of the Bank

1[4. Capital of the Bank

The capital of the Bank shall be five crores of rupees.]

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1. Substituted by Act 62 of 1948, section 7 and Schedule, for section 4 (w.e.f. 1-1-1949).

Section 5 - Increase and reduction of share capital (Repealed)

[Rep. by Act 62 0/1948, section 7 and Schedule (w.e.f. 1-1-1949).]

Section 6 - Offices, branches and agencies

The Bank shall, as soon as may be, establish offices in Bombay, Calcutta, 1 [Delhi and

Madras]2 [***] and may establish branches or agencies in any other place in India 3 [***] or,

with the previous sanction of the 4 [Central Government] elsewhere,

- 1.Substituted by Act 11 of 1947, section 5, for "Delhi, Madras andRangoon"(w.e.f. 1-4-1947).
- 2.The words "and a branch in London " omitted by Act 24 of 1955, section3 (w.e.f. 8-5-1955).
- 3.The words "or Burma" Inserted by the India and Burma (Burma MonetaryArrangements) Order, 1937 and omitted by Act 11 of 1947, section 5 (w.e.f.1-4-1947).
- 4.Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937,for "Governor-General in Council".

Section 7 - Management

1 [7.Management

(1) The CentralGovernment may from time to time give such directions to the Bank as it

may,after consultation with the Governor of the Bank, consider necessary in thepublic interest.

(2) Subject to any suchdirections, the general superintendence and direction of the affairs

andbusiness of the Bank shall be entrusted to a Central Board of Directors whichmay

exercise all powers and do all acts and things which may be exercised ordone by the Bank.

2 [(3)Save as otherwise provided in regulations made by the Central Board, theGovernor and

in his absence the Deputy Governor nominated by him in his behalf,shall also have powers of

general superintendence and direction of the affairsand the business of the Bank, and may

exercise all powers and do all acts andthings which may be exercised or done by the Bank.]]

1.Substituted by Act 62 of 1948, section 7 and Schedule, for section 7 (w.e.f.1-1-1949).

2.Substituted by Act 32 of 1951, section 5, for sub-section (3) (w.r.e.f.1-1-1949).

Section 8 - Composition of the Central Board, and term of office of Directors

1 [(1)TheCentral Board shall consist of the following Directors, namely:-

(a) a Governor and 2 [notmore than four] Deputy Governors to be appointed by the

Central Government;

(b) four Directors to be nominated by the Central Government, one from each of the four

Local Boards as constituted by section 9;

(c) 3 [ten] Directors to be nominated by the Central Government; and

6

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

(2) The Governor and Deputy Governors shall devote their whole time to the affairs of the

Bank, and shall receive such salaries and allowances as may be determined by the

Central Board, with the approval of the 4 [Central Government]:

5 [Provided that the Central Board may, if in its opinion it is necessary in the

public interest so to do, permit the Governor or a Deputy Governor to undertake, at

the request of the Central Government or any State Government, such part-time honorary

work, whether related to the purposes of this Act or not, as is not likely to interfere with

his duties as Governor or Deputy Governor, as the case may be:]

6 [Provided further that the Central Government may, in consultation with the Bank,

appoint a Deputy Governor as the Chairman of the National Bank, on such terms

and conditions as that Government may specify.]

(3) A Deputy Governor and the Director nominated under clause (d) of subsection (1) may

attend any meeting of the Central Board and take part in its deliberations but shall not

be entitled to vote:

7 [Provided that when the Governor is, for any reason, unable to attend any such

meeting, a Deputy Governor authorised by him in this behalf in writing may vote for him

at that meeting.]

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

8 [A Director nominated under clause (c) of sub-section (1) shall 9 [***] hold office for a period of four years 10 [and thereafter until his successor shall have been nominated].]

A Director nominated under clause (d) of sub-section (1) shall hold office during the pleasure of the 4 [Central Government.]

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

11 [12 [***]]

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

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1. Substituted by Act, 62 of 1948, section 7 and Schedule, for sub-section (1) (w.e.f. 1-1-1949).
 2. Substituted by Act, 18 of 1964, section 38 and Schedule, II, for "three" (w.e.f. 1-7-1964).
 3. Substituted by Act 18 of 1964, section 38 and Schedule II, for "six" (w.e.f. 1-7-1964).
 4. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".
 5. Inserted by Act 35 of 1962, section 2 (w.e.f. 15-9-1962).
 6. Inserted by Act 61 of 1981, section 61 and Schedule II (w.e.f. 1-5-1982).
 7. Substituted by Act 54 of 1953, section 2, for the proviso (w.e.f. 30-12-1953).
 8. Substituted by Act 62 of 1948, section 7 and Schedule for the second paragraph (w.e.f. 1-1-1949).
 9. The words, "subject to the provisions of sub-section (6)" omitted by Act 18 of 1964, section 38 and Schedule II (w.e.f. 1-7-1964).
 10. Inserted by Act 51 of 1974, section 4 (w.e.f. 13-12-1974).

11. Inserted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

12. Sub-section (6) omitted by Act 18 of 1964, section 38 and Schedule II (w.e.f. 1-7-1964).

Section 9 - Local Boards, their constitution and functions

1[9. Local Boards, their constitution and functions

(1) A Local Board shall be constituted for each of the four areas specified in the First

Schedule and shall consist of five members to be appointed by the Central Government to

represent, as far as possible, territorial and economic interests and the interests of

cooperative and indigenous banks.

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

the chairman of the Board.

2[(3) Every member of a Local Board shall hold office for a term of four years and thereafter

until his successor shall have been appointed and shall be eligible for re-appointment.]

(4) A Local Board shall advise the Central Board on such matters as may be generally or

specifically referred to it and shall perform such duties as the Central Board may delegate to

it.]

1. Substituted by Act 62 of 1948, section 7 and Schedule, for section 9 (w.e.f. 1-1-1949).

2. Substituted by Act 51 of 1974, section 5, for sub-section (3) (w.e.f. 13-12-1974).

Section 10 - Disqualifications of Directors and members of Local Boards

(1) No person may be a Director or a member of a Local Board who-

(a) is a salaried Government official 1 [***] 2 [***], or

(b) is, or at any time has been, adjudicated an insolvent, or has suspended payment or

has compounded with his creditors, or

(c) is fund lunatic or becomes of unsound mind, or

(d) is an officer or employee of any bank, or

3 [(e) is a Director of banking company within the meaning of clause (c) of section 5 of

the 4 [Banking Regulation Act, 1949 (10 of 1949)], or of a co-operative bank.]

(2) No two persons who are partners of the same mercantile firm, or are Directors of the

same private company, or one of whom is the general agent of or holds a power of

procuration from the other, or from a mercantile firm of which the other is a partner, may be

Directors or members of the same Local Board at the same time.

(3) Nothing in clause (a), clause (d) or clause (e) of sub-section (1) shall apply to the

Governor, or to a Deputy Governor or to the Director nominated under clause (d) of

sub-section (1) of section 8.

1. The words "or a salaried official of a State in India" omitted by the A.O. 1950.

2. The words "or Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by Act 11 of 1947, section 8 (w.e.f. 1-4-1947).

8

3. Substituted by Act 23 of 1965, section 3, for clause (e) (w.e.f. 1-3-1966).

4. Substituted by Act 51 of 1974, section 3, for "Banking Companies Act, 1949" (w.e.f. 13-12-1974).

Section 11 - Removal from and vacation of office

(1) The 1 [Central Government] may remove from office the Governor, or a Deputy Governor

or 2 [any other Director or any member of Local Board]:

3 [***]

4 [(2) A Director nominated under clause (b) or clause (c) of sub-section(1) of section 8 shall

cease to hold office if without leave from the Central Board he absents himself from three

consecutive meetings of the Board convened under sub-section (1) of section 13.]

(3) The 1 [Central Government] shall remove from office any Director, and the Central Board

shall remove from office any member of a Local Board, if such Director or member becomes

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

10.

(4) A Director or member of a Local Board removed or ceasing to hold office under the

foregoing sub-sections shall not be eligible for re-appointment either as Director or as

member of a Local Board until the expiry of the term for which his appointment was made.

(5) The 5 [***] nomination 6 [***] as Director or member of a Local Board of any person

who is a member of 7 [Parliament or the Legislature 8 [of any State]] shall be void, unless

within two months of the date of his 5 [***] nomination 2 [***] he ceases to be such

member, and if any Director or member of a Local Board is elected or nominated as a

member of 9 [Parliament or any such Legislature], he shall cease to be a Director or member

of the Local Board as from the date of such election or nomination, as the case may be.

(6) A Director may resign his office to the 1 [Central Government], and a member of a Local

Board may resign his office to the Central Board, and on the acceptance of the resignation

the office shall become vacant.

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

2. Substituted by Act 32 of 1951, section 6, for "any other Director" (w.e.f. 1-11-1951).

3. The proviso omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

4. Substituted by Act 62 of 1948 section 7 and Schedule, for sub-section (2) (w.e.f. 1-1-1949).

5. The word "appointment," omitted by Act 62 of 1948 section 7 and Schedule (w.e.f. 1-1-1949).

6. The words "or election" omitted by Act 62 of 1948 section 7 and Schedule, (w.e.f. 1-1-1949).

7. Substituted by the A.O. 1950, for "the Central Legislature, a provincial legislature or the Coorg Legislature Council".

8. Substituted by Act 32 of 1951, section 6, for "of a Part A State or a Part C State" (w.e.f. 1-11-1951).

Section 12 - Casual vacancies and absences

(1) If the Governor or a Deputy Governor by infirmity or otherwise is rendered incapable of

executing his duties or is absent on leave or otherwise in circumstances not involving

the vacation of his appointment, the 1 [Central Government] may, after consideration of the

recommendations made by the Central Board in this behalf, appoint another person to

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officially for him, and such person may, notwithstanding anything contained in clause (d) or

sub-section (1) of section 10, be an officer of the Bank.

2 [***]

(3) Where any casual vacancy in the office of any member of a Local Board occurs 3 [***] the

Central Board may nominate thereto any 4 [***] person recommended by the 5 [other]

members of the Local Board.

(4) Where any casual vacancy occurs in the office of a Director other than the vacancies

provided for in sub-section (1), the vacancy shall be filled 6 [by the Central Government].

(5) A person nominated 7 [***] under this section to fill a casual vacancy shall 8 [***] hold

office for the unexpired portion of the term of his predecessor.

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

2. Sub-section (2) omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

3. Certain words omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

- 4.The word "qualified" omitted by Act 62 of 1948, section 7 and Schedule(w.e.f. 1-1-1949).
- 5.Substituted by Act 62 of 1948, section 7 and Schedule, for "elected"(w.e.f. 1-1-1949).
- 6.Substituted by Act 62 of 1948, section 7 and Schedule, for certain words (w.e.f.1-1-1949).
- 7.The words "or elected" omitted by Act 62 of 1948, section 7 andSchedule (w.e.f. 1-1-1949).
- 8.The words "subject to the proviso contained in sub-section (4)"omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

Section 13 - Meetings of the Central Board

- (1) Meetings of the Central Board shall be conveyed by the Governor at least six times in each year and at least once in each quarter.
- (2) Any¹[four Directors] may require the Governor to convene a meeting of the Central Board at any time and the Governor shall forthwith convene a meeting accordingly.
- (3) The Governor, or²[if for any reason, he is unable to attend,] the Deputy Governor authorised by the Governor under the proviso to sub-section (3) of section 8 to vote for him shall preside at meetings of the Central Board, and, in the event of an equality of votes, shall have a second or casting vote.

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1. Substituted by Act 18 of 1964, section 38 and Schedule II, for "three Directors" (w.e.f.1-7-1964).
2. Substituted by Act 24 of 1955, section 5, for "in his absence" (w.e.f. 8-5-1955).

Section 14 - General meetings (Repealed)

[Rep. by the Reserve Bank (Transfer of Public Ownership Act, 1948 (62 of 1948), section 7 and Schedule (w.e.f, 1-1-1949).]

Section 15 - First constitution of the Central Board (Repealed)

10

[Rep. by the Reserve Bank (Transfer of Public Ownership) Act, 1948 (62 of 1948), section 7

and Schedule (w.e.f. 1-1-1949).]

Section 16 - First constitution of local board (Repealed)

[Rep. by the Reserve Bank (Transfer of Public Ownership) Act, 1948 (62 of 1948), section 7

and Schedule (w.e.f. 1-1-1949).]

Section 17 - Business which the Bank may transact

The Bank shall be authorised to carry on and transact the several kinds of business

hereinafter specified, namely:-

(1) the accepting of money on deposit without interest from, and the collection of money

for, 1 [***] the 2 [Central Government]. 3 [4 [***] the 5 [State] Government] 6 [***] 7

[***]local authorities, banks and any other persons:

(2)(a) the purchase, sale and rediscount of bills of exchange and promissory notes, 8

[drawn on 9 [and payable in India]] and arising out of bona fide commercial or trade

transaction bearing two or more good signatures, one of which shall be that of a

scheduled bank 10 [or a State co-operative bank] 11 [or any financial institution, which is

predominantly engaged in the acceptance or discounting of bills of exchange and

promissory notes and which is approved by the Bank in this behalf] 12 [***] and 13

[maturing,-

(i) in the case of bills of exchange and promissory notes arising out of any such

transaction relating to the export of goods from India, within one hundred and

eighty days, and

(ii) in any other case, within ninety days,

from the date of such purchase or rediscount exclusive of days of grace;]

(b) the purchase, sale and rediscount of bills of exchange and promissory notes, 8

[drawn 14 [and payable in India]] and bearing two or more good signatures, one of

which shall be that of a scheduled bank 14 [or a 5 [(State] co-operative bank] 11 [or

any financial institution, which is predominantly engaged in the acceptance or discounting of bills of exchange and promissory notes and which is approved by the Bank in this behalf] and drawn or issued for the purpose of 15 [financing agricultural operations] or the marketing of crops, and maturing within 16 [fifteen months] from the date of such purchase or rediscount, exclusive of days of grace; 17 [***]

18 [(bb) the purchase, sale and rediscount of bills of exchange and promissory notes drawn and payable in India and bearing two or more good signatures, one of which shall be that of a State cooperative bank or a State financial corporation 6 [or any financial institution, which is predominantly engaged in the acceptance or discounting of bills of exchange and promissory notes and which is approved by the Bank in this behalf], and drawn or issued for the purpose of financing the production or marketing activities of cottage and small scale industries approved by the Bank and maturing within twelve months from the date of such purchase or rediscount, exclusive of days of grace, provided that the payment of the principal and interest of such bills of exchange or promissory notes is fully guaranteed by the State Government;]

(c) the purchase, sale and rediscount of bills of exchange and promissory notes 8 [drawn 14 [and payable in India]] and bearing the signature of a scheduled bank, 19 [***] and issued or drawn for the purpose of holding or trading in securities of 20 [the Central Government 12 [or a 5 [State] Government]] 21 [***] and maturing within

11

ninety days from the date of such purchase or rediscount, exclusive of days of grace;

(3) (a) the purchase from and sale to scheduled banks 12 [***] of 22
[foreign exchange]

23 [***];

24 [(b) the purchase sale and rediscount of bills of exchange
(including treasury bills)

drawn in or on any place in any country outside India which is a
member of the

International Monetary Fund and maturing,-

(i) in the case of bills of exchange arising out of any bona fide
transaction relating

to the export of goods from India, within one hundred and eighty
days, and

(ii) in any other case, within ninety days, from the date of such
purchase or

rediscount:

Provided that no such purchase, sale or rediscount shall be made in
India except

with a scheduled bank or a State co-operative bank;] 25 [***]

26 [(3A) the making to any scheduled bank or State co-operative
bank, or loans and

advances, against promissory notes or such bank, repayable on
demand or on the expiry

of fixed periods not exceeding one hundred and eighty days:

Provided that the borrowing bank furnishes a declaration in writing,
to the effect that-

(i) it holds bills of exchange arising out of any transaction relating to
the export of

goods from India of a value not less than the amount of such loans or
advances,-

(a) drawn in India and no any place in any country outside India
which is a

member of the International Monetary Fund or in any other country
notified in

this behalf by the Bank in the Gazette of India, and

27 [(b) maturing not later than one hundred and eighty days from
the date of the

loan or advance, and it will, so long as any part of such loans and
advances

remains unpaid, continue to hold such bills of exchange of a value not
less than

the amount of such loans or advances outstanding for the time being;
or]

28 [(ii) it has granted a pre-shipment loan or advance to an exporter
or any other

person in India in order to enable him to export goods from India, the
amount of

the loan or advance drawn and outstanding at any time being not less
than the

outstanding amount of the loan or advance obtained by the
borrowing bank from

the Bank.]]

11 [(3B) the making to any scheduled bank or State co-operative
bank or loans and

advances repayable on demand or on the expiry of fixed periods not
exceeding one

hundred and eighty days against promissory notes of such bank:

Provided that the borrowing bank furnished a declaration in writing
to the effect that

it has made loans and advances for bona fide commercial or trade
transactions or for

financing agricultural operations or the marketing of crops or for
other agricultural

purposes as set out in the declaration and the said declaration
includes such other

particulars as may be required by the Bank;]

(4) the making to 29 [***] local authorities, scheduled banks, 30 [31
[***] 5 [State]

co-operative banks 32 [and State Financial Corporations 33 [***]] or
loans and advances,

repayable on demand or on the expiry of fixed periods not exceeding
ninety days, against

the security of-

(a) stocks, funds and securities (other than immovable property) in
which a trustee is

authorized to invest trust money by any Act of Parliament 34 [of the
United Kingdom]

or by any law for time being in force in 35 [India] 36 [***];

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

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(c) such bills of exchange and promissory notes as are eligible for purchase or
 rediscount by the Bank 37 [or as are fully guaranteed as to the repayment of the
 principal and payment of interest by a State Government];
 (d) promissory notes of any scheduled bank 30 [38 [or 5 [State]] cooperative bank],
 supported by documents of title to goods 39 [such documents having been
 transferred], assigned, or pledged to any such bank as security for 40 [a loan or
 advance made] for bona fide commercial or trade transactions, or for the purpose of
 15 [financing agricultural operations] or the marketing of crops:
 26 [Provided that loans and advances made against the security of bills of
 exchange and promissory notes arising out of any transaction relating to the
 export of goods from India shall be repayable on demand or on the expiry of fixed
 periods not exceeding one hundred and eighty days;]
 41 [(4A) the making to any State Financial Corporation 33 [***] of loans and advances
 repayable on the expiry of fixed periods not exceeding eighteen months from the date of
 such loan or advance, against securities of the Central Government or of any State
 Government, of any maturity, or against bonds and debentures issued by that
 Corporation and guaranteed by the State Government concerned and maturing within a
 period not exceeding eighteen months from the date of such loan or advance:
 42 [Provided that the previous approval of the State Government shall be obtained for
 the borrowing by the State Financial Corporation and the amount of loans and
 advances granted to that Corporation under this clause shall not, at any time, exceed
 in the aggregate 43 [twice the paid-up share capital] thereof.]]
 44 [45 [(4AA)] the making of annual contributions to the National Rural Credit (Long Term

Operations) Fund and the National Rural Credit (Stabilisation) Fund established under

sections 42 and 43, respectively, of the National Bank for Agriculture and Rural

Development Act, 1981.]

(4B) the making to the Industrial Finance Corporation of India 46 [***] of loans and

advances,-

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days

from the date of such loan or advance, against securities of the Central Government

or of any State Government; or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the

date of such loan or advance, against securities of the Central Government of any

maturity or against bonds and debentures issued by the Corporation and guaranteed

by the Central Government and maturity within a period not exceeding eighteen

months from the date of such loan or advance:

47 [***]

48 [(4BB) the making to any financial institution notified by the Central Government in

this behalf, of loans and advances,-

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days

from the date of such loan or advance, against the securities of the Central

Government or of any State Government, or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the

date of such loan or advance, against securities of the Central Government or of any

State Government, of any maturity, or against bonds and debentures issued by that

financial institution and guaranteed by the Central Government or any State

Government, and maturing within a period not exceeding eighteen months from the

date of such loan or advance:

Provided that the amount of loans and advances granted to a financial institution

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under sub-clause (b) shall not, at any time, exceed in the aggregate sixty per cent

of the paid-up share capital thereof;]

49 [(4BBB) the making to the Unit Trust of loans and advances-

(i) repayable on demand or on the expiry of a fixed period not exceeding ninety days

from the date of such loan or advance against the security of stocks, funds and

securities (other than immovable property) in which a trustee is authorised to invest

trust money by any law for the time being in force in India; 50 [***]

(ii) repayable on demand or within a period of eighteen months from the date of such

loan or advance against the security of the bonds of the Unit Trust issued with the

approval of and guaranteed by the Central Government;]

51 [(iii) for the purpose of any scheme other than the first unit scheme under the Unit

Trust of India Act, 1963 (52 of 1963) on such terms and conditions and against the

security of such other property of the Unit Trust as may be specified in this behalf by

the Bank;]

52 [(4C) the making to a Warehousing Corporation established under the Agricultural

Produce (Development and Warehousing) Corporations Act, 1956 (28 of 1956) of loans

and advances,-

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days,

from the date of such loan or advance, against securities of the Central Government

or of any State Government, or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the

date of such loan or advance, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued by the corporation to which the loan or advance is made, and guaranteed by the Central or a State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance:

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

53 [(4D) the making to the Deposit Insurance Corporation of loans and advances; and generally assisting the Corporation in such manner and on such terms as may be determined by the Central Board;]

54 [(4DD) the making to the National Housing Bank of loans and advances and generally assisting the National Housing Bank in such manner and on such terms as may be determined by the Central Board;]

55 [(4E) the making to the National Bank of loans and advances repayable on demand or on the expiry of fixed period not exceeding eighteen months from the date of making of the loan or advance, either-

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

(ii) on such other terms and conditions as the Bank may specify;] 49 [(4F) contributing to the initial Capital of the Unit Trust;]

56 [(4G) the making of loans and advances to, and the purchasing of bonds and

debentures of, 57 [***] 58 [the Exim Bank] 59 [or the Reconstruction Bank] 60 [or the Small Industries Bank] out of the National Industrial Credit (Long Term Operations) Fund established under section 46C;]

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54 [(4GG) the making of loans and advances to, and the purchasing of bonds and

debentures of, the National Housing Bank out of the National Housing Credit (Long Term

Operations) Fund established under section 46D;]

(4H) the making 57 [***] 60 [the Small Industries Bank] of loans and advances-

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days

from the date of such loan or advance against the security of stocks, funds and

securities (other than immovable property) in which a trustee is authorised to invest

trust money by any law for the time being in force in India; or

(b) against the security of bills of exchange or promissory notes, arising out of bona

fide commercial or trade transactions bearing two or more good signatures and

maturing within five years from the date of such loan or advance;]

61 [(4-I) the making to scheduled banks, 62 [***] 58 [the Exim Bank] 63 [the

Reconstruction Bank or the Small Industries Bank] the Industrial Finance Corporation

and any other financial institution as may, on the recommendation of the Bank, be

approved in this behalf by the Central Government of loans and advances repayable on

demand or otherwise and against such security and on such other terms and conditions

as may be approved in this behalf by the Central Board for the purpose of enabling such

banks, or financial institution, as the case may be, to purchase foreign exchange from the

Bank for the purpose of financing the import of capital goods or for such other purposes

as may be approved by the Central Government;]

58 [(4)] the making to the Exim Bank of loans and advances-

(a) repayable on demand or on the expiry of a fixed period not exceeding ninety days,

from the date of such loan or advance against the security of stocks, funds and

securities (other than immovable property) in which a trustee is authorised to invest

trust money by any law for the time being in force in India; or

(b) against the security of bills of exchange or promissory notes, arising out of bona

fide commercial or trade transactions bearing two or more good signatures and

maturing within five years from the date of such loan or advance;]

59 [(4K)] the making to the Reconstruction Bank of loans and advances-

(a) repayable on demand or on the expiry of a fixed period not exceeding ninety days,

from the date of such loan or advance against the security of stocks, funds and

securities (other than immovable property) in which a trustee is authorised to invest

trust money by any law for the time being in force in India; or

(b) against the security of bills of exchange or promissory notes, arising out of bona

fide commercial or trade transactions bearing two or more goods signatures and

maturing within five years from the date of such loan or advance;]

(5) the making to the 2 [Central Government] 64 [4 [***]]65 [and 5 [State]

Governments]] of advances repayable in each case not later than three months from the

date of the making of the advance;

66 [(6)] the issue of demand drafts, telegraphic transfers and other kinds of remittances

made payable at its own offices or agencies, the purchase of telegraphic transfers, and

the making, issue and circulation of bank post bills;]

105 [(6A) dealing in derivatives, and, with the approval of the Central Board, in any other financial instrument.

Explanation.--For the purposes of this clause, "derivative" means an instrument, to be

settled at a future date, whose value is derived from change in one or a combination of

more than one of the following underlyings, namely:--

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(a) interest rate,

(b) price of securities of the Central Government or a State Government or of such

securities of a local authority as may be specified in this behalf by the Central

Government,

(c) price of foreign securities,

(d) foreign exchange rate,

(e) index of rates or prices,

(f) credit rating or credit index,

(g) price of gold or silver coins, or gold or silver bullion, or

(h) any other variable of similar nature;];

67 [***]

(8) the purchase and sale of securities 68 [of the Central 65 [Government or a 5 [State]

Government]] of any maturity or of such securities of a local authority 69 [***] as may

be specified in this behalf by the 2 [Central Government] on the recommendation of the

Central Board:

Provided that securities fully guaranteed as to principal and interest by 64 [any such

Government 70 [or authority]] shall be deemed for the purposes of this clause to be

securities of such Government 70 [or authority]; 71 [***]

72 [(8A) the purchase and sale of shares in, or the capital of 73 [the 74 [75 [National

Bank]] 53 [Deposit Insurance Corporation], 76 [***], the State Bank 77 [or any other

bank 78 [or financial institution] notified by the Central Government in this behalf;]

54 [(8AA) the promoting, establishing, supporting or aiding in the promotion,

establishment and support of any financial institution, whether as its subsidiary or

otherwise;]

79 [(8B) the keeping of deposits with the State Bank for such specific purposes as may be

approved by the Central Government in this behalf;]

(9) the custody of monies, securities and other articles of value, and the collection of the

proceeds, whether principal, interest or dividends, of any such securities;

(10) the sale realisation of all property, whether movable or immovable, which may in

any way come into the possession of the Bank in satisfaction, or part satisfaction, of any

of its claims;

(11) the acting as agent for 1 [***] the 2 [Central Government] 80 [or any 5 [State]

Government 81 [***] or any local authority 82 [***] 83 [or the Industrial Finance

Corporation of India 84 [***] 11 [or any other body corporate which is established or

constituted by or under any other law] 10 [or the Government of any such country

outside India or 85 [any such person or authority] is may be approved in this behalf by

the Central Government] in the transaction of any of the following kinds of business,

namely:-

(a) the purchase and sale of gold or silver 86 [or foreign exchange];

(b) the purchase, sale, transfer and custody of bills of exchange, securities or shares

in any company;

(c) the collection of the proceeds, whether principal, interest or dividends, of any

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securities or shares;

(d) the remittance of such proceeds, at the risk of the principal, by bills of exchange

payable either in India or elsewhere;

(e) the management of public debt;

87 [(f) 88 [***] the issue and management of 89 [***] bonds and debentures;]

90 [(11A) the acting as agent for the Central Government,-

(a) in guaranteeing the due performance by any small-scale industrial concern,

approved by the Central Government, of its obligations to any bank or other financial

institution in respect of loans and advances made, or other credit facilities provided,

to it by such bank or other financial institution and the making as such agent of

payments in connection with such guarantee, and

(b) in administering any scheme for subsidising the rate of interest or other charges

in relation to any loans or advances made, or other credit facilities provided, by banks

or other financial institutions for the purpose of financing or facilitating any export

from India and the making as such agent of payments on behalf of the Central

Government;]

91 [(12) the purchase and sale of gold or silver coins and gold and silver bullion and

foreign exchange and the opening of a gold account with the principal currency authority

of any foreign country or the Bank for International Settlements or any international or

regional bank or financial institution formed by such principal currency authority or

authorities or by the Government of any foreign country;]

92 [(12A) the purchase and sale of securities issued by the Government of any country

outside India or by any institution or body corporate established outside India and

expressed to be payable in a foreign currency or any international or composite currency

unit, being in the case of purchase by the Bank securities maturing within a period of ten

years from the date of purchase:

Provided that in the case of securities of an institution or body corporate, the

repayment of principal and payment of interest in respect of such securities shall be

guaranteed by the Government of the country concerned;]

105 [(12AA) lending or borrowing of securities of the Central Government or a State

Government or of such securities of a local authority as may be specified in this behalf

by the Central Government or foreign securities;

(12AB) dealing in repo or reverse repo:

Provided that lending or borrowing of funds by way of repo or reverse repo shall

not be subject to any limitation contained in this section.

Explanation.--For the purposes of this clause,--

(a) "repo" means an instrument for borrowing funds by selling securities of the Central

Government or a State Government or of such securities of a local authority as may be

specified in this behalf by the Central Government or foreign securities, with an

agreement to repurchase the said securities on a mutually agreed future date at an

agreed price which includes interest for the funds borrowed;

(b) "reverse repo" means an instrument for lending funds by purchasing securities of the

Central Government or a State Government or of such securities of a local authority as

may be specified in this behalf by the Central Government or foreign securities, with an

agreement to resell the said securities on a mutually agreed future date at an agreed

price which includes interest for the funds lent;].

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61 [(12B) the making of loans and advances in foreign currencies to scheduled banks, 62

[***], 58 [the Exim Bank], 59 [or 93 [the Reconstruction Bank or the Small Industries

Bank]] the Industrial Finance Corporation, any State Financial Corporation and any other

financial institution as may, on the recommendation of the Bank, be approved by the

Central Government and on such terms and conditions as may be specified by the Central

Board in this behalf, against promissory notes of such bank or financial institution, as the

case may be:

Provided that the borrowing bank or financial institution, as the case may be,

furnishes a declaration in writing to the effect that-

(a) it has made loans and advances in foreign currencies for financing international trade or for the import of capital goods or for such other purposes as

may be approved by the Central Government; and

(b) that the amount of loans or advances so made and outstanding at any time will

not be less than the outstanding amount of the loans or advances obtained by it

from the Bank;]

94 [(13) the opening of an account with an office outside India of any bank, including a

bank incorporated in India or the making of an agency agreement with, and the acting as

an agent or correspondent of, any bank incorporated outside India, or the principal

currency authority of any country under the law for the time being in force in that

country or any international or regional bank or financial institution formed by such

principal currency authorities or foreign governments, and the investing of the funds of

the Bank in the shares and securities of any such international or regional bank or

financial institution or of any other foreign institution as may be approved by the Central

Board in this behalf;]

95 [(13A) participation in any arrangement for the clearing and settlement of any
amounts due from, or to, any person or authority on account of the external trade of
India with any other country or group of countries or of any remittances to, or from, that
country or group of countries, including the advancing, or receiving, of any amount in
any currency in connection therewith, and, for that purpose, becoming, with the approval
of the Central Government, a member of any international or regional clearing union of
central banks monetary or other authorities, or being associated with any such clearing
arrangements, or becoming a member of any body or association formed by central
banks, monetary or other similar authorities, or being associated with the same in any
manner;]

(14) the borrowing of money for a period not exceeding one month for the purposes of

the business of the Bank, and the giving of security for money so borrowed:

Provided that no money shall be borrowed under this clause from any person in India

96 [***] other than a scheduled bank 12 [***] or from any person outside India 97

[***] other than a bank which is the principal currency authority of any country

under the law for the time being in force in that country:

Provided further that the total amount of such borrowings from persons in India 100

[***] shall not at any time exceed the amount of the 98 [capital] of the Bank;

99 [***]

(15) the making and issue of bank notes subject to the provisions of this Act 100 [***];

101 [***]

102 [(15A) the exercise of powers and functions and the performance of duties entrusted

to the Bank under this Act or under any other law for the time being in force;]

103 [15B) the providing of facilities for training in banking and for the promotion of

research, where, in the opinion of the Bank, such provision may facilitate the exercise by

the Bank of its powers and functions, or the discharge of its duties;]

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(16) generally, the doing of all such matters and things as may be incidental to or

consequential upon the exercise of its powers or the discharge of its duties under this Act

104 [***]

1. The words "the Secretary of State" omitted by the A.O. 1948.

2. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor General in Council".

3. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Lientenant Governor(s)".

4. The words "the Federal Railway Authority" omitted by the A.O. 1948.

5. Substituted by the A.O. 1950, for "Provincial".

6. The words "the Government of Burma, the Burma Railway Board" omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).

7. The words and letter "Part B States" omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).

8. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "drawn on and payable in India".

9. Substituted by Act 11 of 1947, section 11, for "India or Burma and payable in India or Burma" (w.e.f. 1-4-1947).

10. Inserted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).

11. Inserted by Act 51 of 1974, section 6 (w.e.f. 13-12-1974).

12. The words "or a Burma scheduled bank" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).

13. Substituted by Act 35 of 1962, section 3, for certain words.

14. Substituted by Act 11 of 1947, section 11, for certain words (w.e.f. 1-4-1947).
15. Substituted by Act 51 of 1974, section 6, for "financing seasonal agricultural operations" (w.e.f. 13-12-1974).
16. Substituted by Act 32 of 1951, section 7, for "nine months" (w.e.f. 1-11-1951).
17. Explanation added by Act 54 of 1953, section 3 (w.e.f. 30-12-1953) omitted by Act 23 of 1965, section 4 (w.e.f. 1-3-1966).
18. Inserted by Act 54 of 1953, section 3 (w.e.f. 30-12-1953).
19. The words "or a Burma scheduled bank" omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
20. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "the Government of India or a Lieutenant Governor".
21. Certain words omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).
22. Substituted by Act 62 of 1948, section 7 and Schedule, for "sterling" (w.e.f. 1-1-1949).
23. Certain words omitted by Act 24 of 1978, section 4 (w.e.f. 21-7-1978).
24. Substituted by Act 35 of 1962, section 3, for sub-clause (b) (w.e.f. 15-9-1962).
25. Sub-clause (c) omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).
26. Inserted by Act 35 of 1962, section 3 (w.e.f. 15-9-1962).
- 19
27. Substituted by Act 58 of 1968, section 24, for sub-clause (b) (w.e.f. 1-2-1969).
28. Substituted by Act 58 of 1968, section 24, for clause, (ii) (w.e.f. 1-2-1969).
29. The words "Part B States ," omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).
30. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "and Provincial Co-operative banks".
31. The words "Burma scheduled banks", omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
32. Substituted by Act 19 of 1957, section 2, for certain words (w.e.f. 8-6-1957).

33. The words "established under the State Financial Corporations Act, 1951 (63 of 1951)" omitted by Act 24 of 1978, section 4 (w.e.f. 21-7-1978).
34. Inserted by the A.O. 1950.
35. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951).
36. The words " or Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
37. Inserted by Act 24 of 1955, section 6 (w.e.f. 8-5-1955).
38. Substituted by Act 11 of 1947, section 11, for "Burma scheduled bank, Provincial Co-operative Bank, or Burma" (w.e.f. 1-4-1947).
39. Substituted by Act 32 of 1951, section 7, for "which have been transferred" (w.e.f. 1-11-1951).
40. Substituted by Act 24 of 1955, section for "a cash credit or overdraft granted" (w.e.f. 8-5-1955).
41. Inserted by Act 14 of 1960, section 2 (w.e.f. 30-4-1960).
42. Substituted by 51 of 1974, section 6, for the proviso (w.e.f. 13-12-1974).
43. Substituted by Act 81 of 1985, section 2, for "ninety per cent, of the paid up share capital" (w.e.f. 1-5-1986).
44. Clauses (4A) and (4B) Inserted by Act 54 of 1953, section 3 (w.e.f. 30-12-1953) clause (4A) renumbered as clause (4AA) by Act 14 of 1960, section 2 (w.e.f. 30-4-1960).
45. Substituted by Act 61 of 1981, section 61 and Schedule II, for clause (4AA) (w.e.f. 12-7-1982).
46. The words "established under the Industrial Finance Corporation Act, 1948 (15 of 1948)" omitted by Act 24 of 1978, section 4 (w.e.f. 21-7-1978).
47. The Proviso omitted by Act 66 of 1988, section 5 (w.e.f. 30-12-1988).
48. Substituted by Act 14 of 1960, section 2, for clause (4BB) (w.e.f. 30-4-1960). Earlier clause (4B) was Inserted by Act 19 of 1957, section 2 (w.e.f. 8-6-1957).
49. Inserted by Act 52 of 1963, section 44 and Schedule II (w.e.f. 1-2-1964).
50. The word "or" omitted by Act 17 of 1966, section 11 (w.e.f. 10-6-1966).
51. Inserted by Act 17 of 1966, section 11 (w.e.f. 10-6-1966).

52. Inserted by Act 28 of 1956, section 55 (w.e.f. 1-8-1956).
53. Inserted by Act 47 of 1961, section 51 and Schedule II (w.e.f. 1-1-1962).
54. Inserted by Act 53 of 1987, section 56 and the Second Schedule (w.e.f. 9-7-1988).
55. Substituted by Act 61 of 1981, section 61 and Schedule II, for clause (4E) (w.e.f. 1-5-1982).

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56. Inserted by Act 18 of 1964, section 38 and Schedule II (w.e.f. 1-7-1964).
57. The words "the Development Bank or" omitted by Act 53 of 2003, section 12 and Schedule, Pt. I.
58. Inserted by Act 28 of 1981, section 40 and Schedule II (w.e.f. 1-1-1982).
59. Inserted by Act 62 of 1984, section 71 and Schedule III (w.e.f. 20-3-1985).
60. Inserted by Act 39 of 1989, section 53 and Schedule II (w.e.f. 7-3-1990).
61. Inserted by Act 24 of 1978, section 4 (w.e.f. 21-7-1978).
62. The words "the Development Bank" omitted by Act 53 of 2003, section 12 and Schedule, Pt. I.
63. Substituted by Act 39 of 1989, section 53 and Schedule II, for "or the Reconstruction Bank" (w.e.f. 7-3-1990).
64. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for certain words.
65. Substituted by Act 11 of 1947, section 11, for "Government, a Provincial Government or the Government of Burma" (w.e.f. 1-4-1947).
66. Substituted by Act 32 of 1951, section 7 for clause (6) (w.e.f. 1-11-1951).
67. Clause (7) rep. by Act 2 of 1948, section 2 and Schedule (w.e.f. 5-1-1948).
68. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "of the Government of India or of a Local Government".
69. The words "or such Part B States" omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).
70. Substituted by Act 32 of 1951, section 7 for "authority or State" (w.e.f. 1-11-1951).

71. Second proviso omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).
72. Inserted by Act 23 of 1955, section 52 and Schedule III (w.e.f. 1-7-1955).
73. Inserted by Act 10 of 1963, section 47 and Schedule II (w.e.f. 1-5-1963).
74. Substituted by Act 24 of 1978, section 2, for "Agricultural Refinance Corporation" (w.e.f. 24-7-1978).
75. Substituted by Act 61 of 1981, section 61 and Schedule II, for "Agricultural Refinance and Development Corporation" (w.e.f. 1-5-1982).
76. The words "the Development Bank" Inserted by Act 18 of 1964, section 38 and Schedule II (w.e.f. 1-7-1964)
and omitted by Act 53 of 2003, section 12 and Schedule, Pt. I.
77. Substituted by Act 79 of 1956, section 43 and Schedule II, for "or any of its subsidiary banks" (w.e.f. 22-10-1956).
78. Inserted by Act 19 of 1957, section 2 (w.e.f. 8-6-1957).
79. Inserted by Act 38 of 1959, section 64 and Schedule III (w.e.f. 10-9-1959)
80. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "or any Local Government or Local Authority or State in India".
81. The words "or the Government of Burma" omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
82. The words "or any Part B State" omitted by Act 32 of 1951, section 7 (w.e.f. 1-11-1951).
83. Inserted by Act 44 of 1959, section 2 (w.e.f. 8-12-1949).
84. The words "established under the Industrial Corporation Act, 1948 (15 of 1948)" omitted by Act 24 of 1978, section 4 (w.e.f. 24-7-1978).

21

85. Substituted by Act 51 of 1974, section 6, for "any such person"(w.e.f. 13-12-1974).
86. Inserted by Act 23 of 1947, section 3 (w.e.f. 18-4-1947).
87. Inserted by Act 44 of 1949, section 2.
88. The words "in respect of the aforesaid Corporation" omitted by Act 51 1974, section 6 (w.e.f. 13-12-1974).

89. The word "its" omitted by Act 51 of 1974, section 6 (w.e.f. 13-12-1974).
90. Substituted by Act 58 of 1968, section 24, for clause (11A) (w.e.f. 1-2-1969). Earlier clause (11A) was
Inserted by Act 14 of 1960, section 2 (w.e.f. 30-4-1960).
91. Substituted by Act 24 of 1978, section 4, for clause (12) (w.e.f. 21-7-1978).
92. Substituted by Act 24 of 1978, section 4, for clause (12A) (w.e.f. 21-7-1978).
93. Substituted by Act 39 of 1989, section 53 and Schedule II, for "the Reconstruction Bank" (w.e.f. 7-3-1990).
94. Substituted by Act 24 of 1978, section 4, for clause (13) (w.e.f. 21-7-1978).
95. Inserted by Act 44 of 1973, section 2 (retrospectively).
96. The words "or Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and
omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
97. The words "and Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and
omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
98. Substituted by Act 32 of 1951, section 7, for "share capital" (w.e.f. 1-11-1951).
99. Clause (14A) Inserted by Act 79 of 1956, section 43 and Schedule II (w.e.f. 22-10-1956) and omitted by Act
38 of 1959, section 64 and Schedule III (w.e.f. 1-10-1959).
100. The words " and the making and issue of Burma notes in accordance with the law of Burma" Inserted by the
India and Burma (Burma Monetary Arrangements) Order, 1937 and
omitted by Act 11 of 1947, section 11 (w.e.f.
1-4-1947).
101. The word "and" omitted by Ordinance 47 of 1945, section 6.
102. Substituted by Act 23 of 1955, section 52 and Schedule III, for clause (15A) (w.e.f. 1-7-1955).
103. Inserted by Act 58 of 1968, section 24 (w.e.f. 1-2-1969).
104. The words "and the law of Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order,
1937 and omitted by Act 11 of 1947, section 11 (w.e.f. 1-4-1947).
105. Inserted by Reserve Bank of India (Amendment) Act, 2006 (26 of 2006), w.e.f. 9th January, 2007.

Section 18 - Power of direct discount

1 [***] When, in the opinion of the 2 [Bank] 3 [***] a special occasion has arisen making it necessary or expedient that action should be taken 4 [under this section] for the purposes of regulating credit in the interests of Indian 5 [***] trade, commerce, industry and agricultural, the Bank may, notwithstanding any limitation contained in 6 [***] section 17,-

22

7 [(1) purchase, sell or discount any bill of exchange or promissory note though such bill or

promissory note is not eligible for purchase or discount by the Bank under that section;

or]

8 [***]

9 [(3) make loans or advances to-

(a) a State co-operative bank, or

(b) on the recommendation of a State co-operative bank, to a cooperative society

registered within the area in which the State cooperative bank operates, or

(c) any other person,

repayable on demand or on the expiry of the fixed periods, not exceeding ninety days, on

such terms and conditions as the Bank may consider to be sufficient.]

10 [***]

11 [***]

1. The brackets and figure "(1)" omitted by Act 51 of 1974, section 7 (w.e.f. 13-12-1974).

2. Substituted by Act 32 of 1951, section 8, for "Central Board" (w.e.f. 1-1-1949).

3. Certain words omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).

4. Substituted by Act 51 of 1974, section 7, for "under this sub-section" (w.e.f. 13-12-1974).

5. The words "or Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted

by Act 11 of 1947, section 12 (w.e.f. 1-4-1947).

6. Certain words omitted by Act 51 of 1974, section 7 (w.e.f. 13-12-1974).
7. Substituted by Act 51 of 1974, section 7, for the clause (1) (w.e.f. 13-12-1974).
8. Clause (2) omitted by Act 24 of 1978, section 5 (w.e.f. 21-7-1978).
9. Substituted by Act 51 of 1974, section 7 for the clause (3) (w.e.f. 13-12-1974).
10. The proviso omitted by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).
11. Sub-section (2) omitted by Act 51 of 1974, section 7 (w.e.f. 13-12-1974).

Section 18A - Validity of loan or advance not to be questioned

1[18A. Validity of loan or advance not to be questioned

Notwithstanding anything to the contrary contained in any other law for the time being in

force,-

(a) the validity of any loan or advance granted by the Bank in pursuance of the

provisions of this Act shall not be called in question merely on the ground of

non-compliance with the requirements of such other law as aforesaid or of any resolution,

contract, memorandum, articles of association or other instrument:

Provided that nothing in this clause shall render valid any loan or advance obtained

by any company or co-operative society where such company or co-operative society

is not empowered by its memorandum to obtain loans or advances;

23

(b) where a loan or advance has been granted under clause (3A) or under clause (3B) or

section 17 or a loan or advance granted under clause (3) of section 18 by the Bank to

any person has been applied by such person, wholly or in part, in making a loan or

advance to any borrower, any sum received-

(i) by the borrowing bank on account of bills of exchange in respect of which the

declaration under clause (i) of the proviso to clause (3A) of section 17 has been

furnished or in repayment or realisation of the outstanding loans and advances

referred to in clause (ii) of the said proviso or in the proviso to clause (3B) of the said

section or

(ii) by the borrowing bank or any other person in repayment or realisation of loans

and advances granted to a borrower out of funds obtained by it or by him from the

Bank under section 18,

shall be utilised only for the repayment by the borrowing bank or other person, as the

case may be, of the amounts due to be repaid by it or by him to the Bank, and shall be

held by it or by him in trust for the Bank, until such time as the amounts are so repaid.]

1. Inserted by Act 51 of 1974, section 8 (w.e.f. 13-12-1974).

Section 19 - Business which the Bank may not transact

Save as otherwise provided in sections 17, 18,1[42] and 45, the Bank may not-

(1) engage in trade or otherwise have a direct interest in any commercial, industrial or

other undertaking except such interest as it may in any way acquire in the course of the

satisfaction of any of its claims: provided that all such interests shall be disposed of at the

earliest possible moment;

2[(2) purchase the shares of any banking company or of any other company, or grant

loans upon the security of any such shares;]

(3) advance money on mortgage of, or otherwise on the security of, immovable property

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

except so far as is necessary for its own business premises and residences for its officers

and servants;

(4) make loans or advances;

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

(6) allow interest on deposits or current accounts.

1. Inserted by Act 38 of 1956, section 2 (w.e.f. 6-10-1956).

2. Substituted by Act 32 of 1951, section 9, for clause (2) (w.e.f. 1-11-1951).

Chapter 3 - CENTRAL BANKING FUNCTIONS

Save as otherwise provided in sections 17, 18, 1[42] and 45, the Bank may not-

24

(1) engage in trade or otherwise have a direct interest in any commercial, industrial or

other undertaking except such interest as it may in any way acquire in the course of the

satisfaction of any of its claims: provided that all such interests shall be disposed of at the

earliest possible moment;

2[(2) purchase the shares of any banking company or of any other company, or grant

loans upon the security of any such shares;]

(3) advance money on mortgage of, or otherwise on the security of, immovable property

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

except so far as is necessary for its own business premises and residences for its officers

and servants;

(4) make loans or advances;

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

(6) allow interest on deposits or current accounts.

1. Inserted by Act 38 of 1956, section 2 (w.e.f. 6-10-1956).

2. Substituted by Act 32 of 1951, section 9, for clause (2) (w.e.f. 1-11-1951).

Section 20 - Obligation of the Bank to transact Government business

The Bank shall undertake to accept monies for account of 1 [2 [***]] the Central

Government 3 [***] and to make payments up to the amount standing to the credit of 4 [its

account], and to carry out 5 [its exchange], remittance and other banking operations,

including the management of the public debt 6 [of the Union].

7 [***]

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for certain words.

2. The words " the Secretary of State" omitted by the A.O. 1950.

3. The words "and the Governments of Part A States" omitted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

4. Substituted by Act 37 of 1956, section 104, for "their account respectively" (w.e.f. 1-11-1956).

5. Substituted by Act 37 of 1956, section 104, for "their exchange" (w.e.f. 1-11-1956).

6. Inserted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

7. Section 20A (Transaction of business for British Military Administration, Burma) which was temporarily Inserted

by Ordinance 19 of 1945 has been omitted owing to the repeal of the Ordinance by Act 11 of 1947, section 27

(w.e.f. 1-4-1947).

Section 21 - Bank to have the right to transact Government business in India

25

(1) The 1 [Central Government] 2 [***] shall entrust the Bank, on such conditions as may be

agreed upon, with all 3 [its] money, remittance, exchange and banking transaction in India,

and, in particular, shall deposit free of interest all 4 [its] cash balances with the Bank:

Provided that nothing in this sub-section shall prevent the 4 [Central Government] 5

[***] from carrying on money transactions at places where the Bank has no branches or

agencies, and the 4 [Central Government] 2 [***] may hold at such places such balances

as 6 [it] may require.

(2) The 4 [Central Government] 7 [***] shall entrust the Bank, on such conditions as may be

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

(3) In the event of any failure to reach agreement on the conditions referred to in this

section the 4 [Central Government] shall decide what the conditions shall be.

8 [(4) Any agreement made under this section shall be laid, as soon as may be after it is

made, before Parliament.]

9 [***]

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

2. The words "and the State Governments" omitted by Act 37 of 1956, section 104, (w.e.f. 1-11-1956).

3. Substituted by Act 37 of 1956, section 104, for "their" (w.e.f. 1-11-1956).

4. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

5. The words "or any State Government" omitted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

6. Substituted by Act 37 of 1956, section 104, for "they" (w.e.f. 1-11-1956).

7. The words "and each State Government" omitted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

8. Substituted by Act 37 of 1956, section 104, for sub-section (4) (w.e.f. 1-11-1956).

9. Sub-section (5) Inserted by Act 32 of 1951, section 11 (w.e.f. 1-11-1951) and omitted by Act 37 of 1956, section 10 (w.e.f. 1-11-1956).

Section 21A - Bank to transact Government business of States on agreement

1 [21A. Bank to transact Government business of States on agreement

(1) The Bank may by agreement with the Government of any 2 [***] State 3 [***]

undertake-

(a) all its money, remittance, exchange and banking transactions in India, including in

particular, the deposit, free of interest, of all its cash balances with the Bank; and

(b) the management of the public debt of, and the issue of any new loans by, that State.

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

26

1. Inserted by Act 32 of 1951, section 12 (w.e.f. 1-11-1951).

2. The words "Part B" omitted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

3. The words "(including the autonomous State of Meghalaya)"
Inserted by Act 54 of 1969, section 75 and omitted
by Act 81 of 1971, section 72 (w.e.f. 21-1-1972).

Section 21B - Effect of agreements made between the Bank and certain States before the

1st November, 1956

1 [21B. Effect of agreements made between the Bank and certain States before the 1st

November, 1956

(1) Any agreement made under section 21 or section 21A between the Bank and the

Government of a State specified in the Explanation below and in force immediately before

the 1st day of November, 1956, shall, as from that day have effect as if it were an

agreement made on that day under section 21A between the Bank and the Government of

the corresponding State subject to such modifications, if any, being of a character not

affecting the general operation of the agreement, as may be agreed upon between the Bank

and the Government of the corresponding State, or in default of such agreement, as may be

made therein by order of the Central Government.

Explanation.-In this sub-section "corresponding State" means,-

(a) in relation to the agreement between the Bank and the State of Andhra, the State

of Andhra Pradesh;

(b) in relation to the agreement between the Bank and any other Part A State as it

existed before the 1st day of November, 1956, the State with the same name; and

(c) in relation to the agreement between the Bank and the Part B State of Mysore or

Travancore-Cochin as it existed before the 1st day of November, 1956, the State of

Mysore of Kerala respectively.

(2) Any agreement made under section 21A between the Bank and the Government of the

Part B State of Hyderabad, Madhya Bharat or Saurashtra shall be deemed to have

terminated on the 31st day of October, 1956.]

1. Inserted by Act 37 of 1956, section 104 (w.e.f. 1-11-1956).

Section 22 - Right to issue bank notes

(1) The Bank shall have the sole right to issue bank notes in 1 [India], and may, for a period

which shall be fixed by the 2 [Central Government] on the recommendation of the Central

Board, issue currency notes of the Government of India supplied to it by the 2 [Central

Government], and the provisions of this Act applicable to bank notes shall, unless a contrary

intention appears, apply to all currency notes of the Government of India issued either by

the 2 [Central Government] or by the Bank in like manner as if such currency notes were

bank notes, and references in this Act to bank notes shall be construed accordingly.

(2) On and from the date on which this Chapter comes into force the 2 [Central Government]

shall not issue any currency notes.

1. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951).

27

2. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in

Council".

Section 23 - Issue Department

(1) The issue of bank notes shall be conducted by the Bank in an Issue Department which

shall be separated and kept wholly distinct from the Banking Department, and the assets of

the Issue Department shall not be subject to any liability other than the liabilities of the

Issue Department as hereinafter defined in section 34.

(2) The Issue Department shall not issue bank notes to the Banking Department or to any

other person except in exchange for other bank notes or for such coin, bullion or securities

as are permitted by this Act to form part of the Reserve.

1[***]

1. Sub-section (3) Inserted by the India and Burma (Burma Monetary Arrangements) Order,

1937 and omitted by Act 11 of 1947, section 13 (w.e.f. 1-4-1947).

Section 24 - Denominations of notes

1[24. Denominations of notes

(1) Subject to the provisions of sub-section (2) bank notes shall be of the denominational value to

two rupees, five rupees, ten rupees, twenty rupees, fifty rupees, one hundred rupees, five hundred

rupees, one thousand rupees, five thousand rupees and ten thousand rupees or of such other

denominational values, not exceeding ten thousand rupees, as the Central Government may, on the

recommendation of the Central Board, specify in this behalf.

(2) The Central Government may, on the recommendation of the Central Board, direct the

non-issue or the discontinuance of issue of bank notes of such denominational values as it may

specify in this behalf.]

1. Substituted by Act 58 of 1968, section 25, for section 24. (w.e.f. 1-2-1969).

Section 25 - Form of bank notes

The design, form the material of bank notes shall be such as may be approved by

the1[Central Government] after consideration of the recommendations made by the Central

Board.

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for

"Governor-General in Council".

Section 26 - Legal tender character of notes

(1) Subject to the provisions of subsection (2), every bank note shall be legal tender at any

place in 1 [India] in payment, or on account for the amount expressed therein, and shall be

guaranteed by the 2 [Central Government].

28

(2) On recommendation of the Central Board the 2 [Central Government] may, by

notification in the Gazette of India, declare that, with effect from such date as may be

specified in the notification, any series of bank notes of any denomination shall cease to be

legal tender 3 [save at such office or agency of the Bank and to such extent as may be

specified in the notification].

4 [***]

1. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951).

2. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

3. Substituted by Act 32 of 1951, section 13, for "save at an office or agency of the Bank" (w.e.f. 1-11-1951).

4. Sub-section (3) Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by

Act 11 of 1947, section 14 (w.e.f. 1-4-1947).

Section 26A - Certain bank notes to cease to be legal tender

1[26A. Certain bank notes to cease to be legal tender

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

1. Inserted by Act 62 of 1956, section 2 and Schedule (w.e.f. 1-11-1956).

Section 27 - Re-issue notes

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

Section 28 - Recovery of notes lost, stolen, mutilated or imperfect

1 [***] Notwithstanding anything contained in any enactment or rule of law to the contrary,

no person shall of right be entitled to recover from the 2 [Central Government] or the Bank,

the value of any lost, stolen, mutilated or imperfect currency note of the Government of

India or bank note:

Provided that the Bank may, with the previous sanction of the 2 [Central Government],

prescribed the circumstances in and the conditions and limitations subject to which the

value of such currency notes or bank notes may be refunded as of grace and the rules

made under this proviso shall be laid on the table 3 [***] of 4 [Parliament].

5 [***]

1. The brackets and figure "(1)" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and

omitted by Act 11 of 1947, section 15 (w.e.f. 1-4-1947).

2. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

29

3. The words " of both Houses" omitted by the A.O. 1948.

4. Substituted by the A.O. 1950, for "Central Legislature".

5. Sub-section (2) Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by

Act 11 of 1947, section 15 (w.e.f. 1-4-1947).

Section 28A - Issue of special bank notes and special one rupee notes in certain cases

1 [28A. Issue of special bank notes and special one rupee notes in certain cases

(1) For the purpose of controlling the circulation of bank notes without India, the Bank may,

notwithstanding anything contained in any other provision of this Act, issue bank notes of

such design, form and material as may be approved under sub-section (3) (hereinafter in this

section referred to as special bank notes) of the denominational values of five rupees, ten

rupees and one hundred rupees.

(2) For the purpose of controlling the circulation of Government of India one rupee notes

without India, the Central Government may, notwithstanding anything contained in any

other provision of this Act or in the Currency Ordinance, 1940, (Ord. 4 of 1940) issue

Government of India notes of the denominational value of one rupee of such design, form

and material as may be adopted under sub-section (3) (hereinafter in this section referred to

as special one rupee notes).

(3) The design, form and material of the special bank notes shall be such as may be

approved by the Central Government after consideration of the recommendations made by

the Governor and of the special one rupee notes shall be such as the Central Government

may think fit to adopt.

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

India.

(5) The special one rupee note shall be deemed to be included in the expression "rupee coin"

for all the purposes of this Act except section 39, but shall be deemed not to be a currency

note for any of the purposes of this Act.

(6) Where a special bank note is on its face expressed to be payable at a specified office or

branch of the Bank, the obligation imposed by section 39 shall be only on the specified "office

or branch and, further, shall be subject to such regulations as may be made under this

section.

(7) The Bank may, with the previous sanction of the Central Government, make regulations

to provide for all matters for which provision is necessary or convenient for the purpose of

giving effect to the provisions of this section, and, in particular, the manner in which, and

the conditions or limitations subject to which-

(i) bank notes and one rupee notes in circulation in any country outside India may be

replaced by special notes issued under this section;

(ii) any such special notes may be exchanged for any other bank notes or one rupee

notes.]

1. Inserted by Act 14 of 1959, section 2 (w.e.f. 1-5-1959).

Section 29 - Bank exempt from stamp duty on bank notes

The Bank shall not be liable to the payment of any stamp duty under the Indian Stamp Act,

1899 (2 of 1899) in respect of bank notes 1 [***] issued by it.

30

1. The words "or Burma notes" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and

omitted by Act 11 of 1947, section 16(w.e.f.1-4-1947).

Section 30 - Powers of Central Government to supersede Central Board

(1) If in the opinion of the 1 [Central Government] the Bank fails to carry out any of the

obligations imposed on it by or under this Act 2 [***] 3 [the Central Government] may, by

notification in the Gazette of India, declare the Central Board to be superseded, and
thereafter the general superintendence and direction of the affairs of the Bank shall be
entrusted to such agency as the 1 [Central Government] may determine, and such agency
may exercise the powers and do all acts and things which may be exercised or done by the
Central Board under this Act.
(2) When action is taken under this section the 1 [Central Government] shall cause a full
report of the circumstances leading to such action and of the action taken to be laid before 4
[Parliament] at the earliest possible opportunity and in any case within three months from
the issue of the notification superseding the Board.

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

2. The words "or by or under the law of Burma" Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by Act 11 of 1947, section 17 (w.e.f. 1-4-1947).

3. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "he".

4. Substituted by the A.O. 1950, for "the Central Legislature".

Section 31 - Issue of demand bills and notes

1 [(1)] No person in 2 [India] other than the Bank, or, as expressly authorized by this Act

the 3 [Central Government] shall draw, accept, make or issue any bill of exchange, hundi,

promissory note or engagement for the payment of money payable to bearer on demand, or

borrow, owe or take up any sum or sums of money on the bills, hundis or notes payable to

bearer on demand of any such person:

Provided that cheques or drafts, including hundis, payable to bearer on demand or

otherwise may be drawn on a person's account with a banker, shroff or agent.

4 [(2) Notwithstanding anything contained in the Negotiable Instruments Act, 1881, (26 of 1881) no person in 2 [India] other than the Bank or, as expressly authorised by this Act, the Central Government shall make or issue any promissory note expressed to be payable to the bearer of the instrument.]

1. Section 31 re-numbered as sub-section (1) of that section by Act 23 of 1946., section 2 (w.e.f. 16-11-1946).

2. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951).

3. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

4. Inserted by Act 23 of 1996, section 2 (w.e.f. 16-11-1946).

Section 32 - Penalty (repealed)

[Rep. by the Reserve Bank of India (Amendment) Act, 1974 (51 of 1974), section 9 w.e.f.

31

13-12-1974).]

Section 33 - Assets of the Issue Department

(1) The assets of the Issue Department shall consist of gold coin, gold bullion, 1 [foreign

securities], rupee coin and rupee securities to such aggregate amount as is not less than the

total of the liabilities of the Issue Department as hereinafter defined.

2 [(2) The aggregate value of the gold coin, gold bullion and foreign securities held as assets

and the aggregate value of the gold coin and gold bullion so held shall not at any time be

less than two hundred crores of rupees and one hundred and fifteen crores of rupees,

respectively.]

3 [(3) The remainder of the assets shall be held in rupee coin, Government of India rupee

securities of any maturity, promissory notes drawn by the National Bank for any loans or

advances under clause (4E) of section 17 and such bills of exchange and promissory notes

payable in India as are eligible for purchase by the Bank under sub-clause (a) or sub-clause

(b) or sub-clause (bb) of clause (2) of section 17 or under clause (1) of section 18.]

4 [*]

(4) For the purposes of this section, gold coin the gold bullion shall be valued at 5 [6 [a

price not exceeding the international market price for the lime being obtaining]], rupee coin

shall be valued at its face value, and securities shall be valued 7 [at rates not exceeding the

market rates] for the time being obtaining.

(5) Of the gold coin and gold bullion held as assets, not less than seventeen-twentieths shall

be held in 8 [India], and all gold coin and gold bullion held as assets shall be held in the

custody of the Bank or its agencies:

Provided that gold belonging to the Bank which is in any other bank or in any mint or

treasury or in transit may be reckoned as part of the assets.

9 [(6) For the purposes of this section, the foreign securities which may be held as part of

the assets shall be-

(i) securities of the following kinds payable in the currency of any foreign country

which is a member of the International Monetary Fund, namely:-

(a) balances with the bank which is the principal currency authority of that foreign

country and any other balances or securities in foreign currency maintained with

or issued by the International Monetary Fund, the International Bank for

Reconstruction and Development, the International Development Association or

the International Finance Corporation 10 [or Asian Development Bank] or the

Bank for International Settlements or 11 [any banking or financial institution 12

[approved] by the Central Government] in this behalf provided that they are

repayable within a 13 [period of ten years]:

(b) bills of exchange bearing two or more good signatures and drawn on and

payable at any place in that foreign country and having a maturity not exceeding

ninety days; and

(c) Government securities of that foreign country maturing 14 [within ten years];

(ii) any drawing rights representing a liability of the International Monetary Fund.

1. Substituted by Act 62 of 1948, section 7 and Schedule, for "Sterling securities" (w.e.f. 1-1-1949).

2. Substituted by Act 48 of 1957, section 2, for sub-section (2) (w.r.e.f. 31-10-1957).

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3. Substituted by Act 61 of 1981, section 61 and Schedule II, for sub-section (3) (w.e.f. 12-7-1982).

4. The proviso omitted by Ordinance 3 of 1941, section 2.

5. Substituted by Act 58 of 1968, sec 26 , for "2.88 grains" (w.e.f. 1-2-1969).

6. Substituted by Act 8 of 1991, section 2, for "0.118489 grammes of fine gold per rupee".

7. Substituted by Act 58 of 1968, section 26, for " at the market rate" (w.e.f. 1-2-1969).

8. Substituted by Act 32 of 1951, section 2, for "the States" (w.e.f. 1-11-1951).

9. Substituted by Act 51 of 1974, section 10, for sub-section (6) (w.e.f. 13-12-1974).

10. Inserted by Act 24 of 1978, section 6 (w.e.f. 21-7-1978).

11. Substituted by Act 24 of 1978, section 6, for certain words (w.e.f. 21-7-1978).

12. Substituted by Act 1 of 1984, section 4, for "notified" (w.e.f. 15-2-1984).

13. Substituted by Act 24 of 1978, section 6, for "period of five years" (w.e.f. 21-7-1978).

14. Substituted by Act 24 of 1978, section 6, for "within five years" (w.e.f. 21-7-1978).

Section 34 - Liabilities of Issue Department

(1) The Liabilities of the Issue Department shall be an amount equal to the total of the

amount of the currency notes of the Government of India and bank notes for the time being

in circulation.

1 [***]

2 [***]

1. Sub-section (2) omitted by Act 55 of 1963, sec 2 (w.e.f. 1-2-1964).

2. Sub-section (3) Inserted by the India and Burma (Burma Monetary Arrangements) Order, 1937 and omitted by

Act 11 of 1947, section 19 (w.e.f. 1-4-1947).

Section 35 - Initial assets and liabilities (Repealed)

[Rep. by Act 62 of 1948, section 7 and Schedule (w.e.f. 1-1-1949).]

Section 36 - Method of dealing with fluctuations in rupee coin assets (Repealed)

[Rep. by Act 55 of 1963, section 3 (w.e.f. 1-2-1964).]

Section 37 - Suspension of assets requirements as to foreign securities

1 [37. Suspension of assets requirements as to foreign securities

Notwithstanding anything contained in the foregoing provisions, the Bank may, with the

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previous sanction of the Central Government, for periods not exceeding six months in the

first instance, which may, with the like sanction, be extended from time to time by period not

exceeding three months at a time, hold as assets foreign securities of less amount in value

than that required by sub-section (2) of section 33:

2 [***]

1. Substituted by Act 38 of 1956, section 4, for section 37 (w.e.f. 6-10-1956).

2. Proviso omitted by Act 48 of 1957, section 3 (w.e.f. 31-10-1957).

Section 38 - Obligations of Government and the Bank in respect of rupee coin

The 1 [Central Government] shall undertake not 2 [***] to put into circulation any rupees,
except through the Bank, 3 [***] and the Bank shall undertake not to dispose of rupee coin
other-wise than for the purposes of circulation 4 [***].

1. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in Council".

2. The words "to re-issue any rupee coin delivered under section 36 nor" omitted by Act 55 of 1963, section 4
(w.e.f. 1-2-1964).

3. The words "and as provided in that section" omitted by Ordinance 4 of 1940, section 3.

4. The words "or by delivery to the Central Government under that section" omitted by Act 55 of 1963, section 4
(w.e.f. 1-2-1964).

Section 39 - Obligation to supply different forms of currency

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

notes of the Government of India and shall issue currency notes or bank notes on demand in

exchange for coin which is legal tender under the Indian Coinage Act, 1906 (3 of 1906).

(2) The Bank shall, in exchange for currency notes or bank notes of 1 [two] rupees or

upwards, supply currency notes or bank notes of lower value or other coins which are legal

tender under the Indian Coinage Act, 1906 (3 of 1906), in such quantities as may, in the

opinion of the Bank, be required for circulation; and the 2 [Central Government] shall supply

such coins to the Bank on demand. If the 2 [Central Government] at any time fails to supply

such coins, the Bank shall be released from its obligations to supply them to the public.

1. Substituted by Act 62 of 1948, section 7 and Schedule, for "five" (w.e.f. 1-1-1949).

2. Substituted by the India and Burma (Burma Monetary Arrangements) Order, 1937, for "Governor-General in

Council".

Section 40 - Transactions in foreign exchange

1 [40. Transactions in foreign exchange

The Bank shall sell to or buy from any authorized person who makes a demand in that behalf

at its office in Bombay, Calcutta, Delhi or Madras 2 [or at such or its branches as the Central

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Government may, by order determine], foreign exchange at such rates of exchange and on

such conditions as the Central Government may from time to time by general or special

order determine, having regard so far as rates of exchange are concerned to its obligations

to the International Monetary Fund:

Provided that no person shall be entitled to demand to buy or sell foreign exchange of a

value less than two lakhs of rupees.

Explanation,-In the section "authorized person" means a person who is entitled by or under

the 3 [Foreign Exchange Regulation Act, 1973 (46 of 1973)] to buy, or as the case may be,

sell, the foreign exchange to which his demand relates.]

1. Substituted by Act 23 of 1947, section 4, for sections 40 and 41 (w.e.f. 18-4-1947).

2. Inserted by Act 54 of 1953, section 5 (w.e.f. 30-12-1953).

3. Substituted by Act 1 of 1984, section 5, for "Foreign Exchange Regulation Act, 1947 (7 of 1947)" (w.e.f.

15-2-1984).

Section 41 - Obligation to buy sterling (Repealed)

Rep. By Act 23 of 1947, s. 4 (w.e.f. 18-4-1947).

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