

  
**भारत का राजपत्र**  
**The Gazette of India**

असाधारण  
EXTRAORDINARY

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PART II—Section 2

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।  
Separate paging is given to this Part in order that it may be filed  
as a separate compilation

**LOK SABHA**

The following Bills were introduced in Lok Sabha on the 21st December, 1978:

BILL No. 183 OF 1978

*A Bill further to amend the Banker's Books Evidence Act, 1891, the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Regional Rural Banks Act, 1976*

BE it enacted by Parliament in the Twenty-ninth Year of the Republic of India as follows:—

**CHAPTER I**

**PRELIMINARY**

1. This Act may be called the Banking Laws (Amendment) Act, 1978.

Short  
title.

**CHAPTER II**

**AMENDMENTS TO THE BANKERS' BOOKS EVIDENCE ACT, 1891**

2. In the Bankers' Books Evidence Act, 1891,—

(a) in section 2,—

(i) for clause (4), the following clause shall be substituted, namely:—

Amend-  
ment  
of Act  
18 of  
1891.

'(4) "legal proceeding" means,—

(i) any proceeding or inquiry in which evidence is or may be given;

(ii) an arbitration; and

(iii) any investigation or inquiry under the Code of Criminal Procedure, 1973, or under any other law for the time being in force for the collection of evidence, conducted by a police officer or by any other person (not being a magistrate) authorised in this behalf by a magistrate or by any law for the time being in force;'

2 of 1974.

(ii) in clause (8), the following shall be inserted at the end, namely:—

"and where the copy was obtained by a mechanical or other process which in itself ensured the accuracy of the copy, a further certificate to that effect, but where the book from which such copy was prepared has been destroyed in the usual course of the bank's business after the date on which the copy had been so prepared, a further certificate to that effect";

(b) after section 7, the following section shall be inserted, namely:—

Order  
of court  
to be con-  
strued  
to be order  
made by  
specified  
officer.

'8. In the application of sections 5, 6 and 7 to investigation or inquiry referred to in sub-clause (iii) of clause (4) of section 2, the order of a Court or a Judge referred to in the said sections shall be construed as referring to an order made by an officer of a rank not lower than a Superintendent of Police as may be specified in this behalf by the appropriate Government.

*Explanation.*—In this section, "appropriate Government" means the Government by which the police officer or any other person conducting the investigation or inquiry is employed.'

### CHAPTER III

#### AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

Amend-  
ment of  
section 45.

3. In section 45 of the Reserve Bank of India Act, 1934 (hereafter in this Chapter referred to as "the Reserve Bank Act"), after sub-section (2) and before the *Explanation*, the following sub-section shall be inserted, namely:—

2 of 1934.

"(3) If the Bank appoints the State Bank or any other Bank as its agent, any payment required to be made into the Bank or any bills, hundis or other securities required to be delivered into the Bank, under any law or rule, regulation or other instrument having the force of law, may be delivered to or paid into the agency bank."

Amend-  
ment of  
section  
45I.

4. In section 45I of the Reserve Bank Act,—

(i) for clause (bb), the following clause shall be substituted, namely:—

'(bb) "deposit" includes and shall be deemed always to have included any receipt of money by way of deposit or loan or in any other form, but does not include,—

(i) amounts raised by way of share capital;

(ii) amounts contributed as capital by partners of a firm;

10 of 1949.

(iii) amounts received from a scheduled bank or a co-operative bank or any other banking company as defined in section 5 of the Banking Regulation Act, 1949;

(iv) any amount received from,—

63 of 1951.

(a) the Development Bank;

(b) a State Financial Corporation established under the State Financial Corporations Act, 1951;

18 of 1964.

(c) any financial institution specified in or under section 6A of the Industrial Development Bank of India Act, 1964; or

(d) any other financial institution that may be specified by the Bank in this behalf;

(v) amounts received, in the ordinary course of business, by way of security deposit or dealership deposit;

(vi) any amount received from an individual or a firm or an association of individuals not being a body corporate, registered under any enactment relating to money lending which is, for the time being in force in any State; and

(vii) any amount received by way of subscriptions in respect of a conventional chit.

*Explanation.*—"conventional chit" means a transaction, whether called a chit, chit fund, kuri or by any other name, by or under which a foreman enters into an agreement with a specified number of subscribers that everyone of them shall subscribe a certain sum of money in periodical instalments over a definite period and every one of such subscribers shall, in turn, as determined by lot or by auction or by tender or in such other manner as may be provided for in the chit agreement, be entitled to the prize amount, that is to say, the amount arrived at by deduction from out of the total amount subscribed at each instalment by all subscribers, the amount which the subscriber has agreed to forego, and which is set apart under the chit agreement for payment of commission charged by the foreman or for rateable distribution among the subscribers in terms of the chit agreement or for both;";

(ii) in clause (d), the words ", of which the capital subscribed by its partners exceeds one lakh of rupees" shall be omitted;

(iii) in clause (e), for the words "co-operative society or firm", the words "or co-operative society" shall be substituted.

5. After Chapter IIIB of the Reserve Bank Act, the following Chapter shall be inserted, namely:—

Insertion  
of new  
Chapter  
after  
Chapter  
IIIB.

#### "CHAPTER IIIC

##### PROHIBITION OF ACCEPTANCE OF DEPOSITS BY UNINCORPORATED BODIES

45R. The words and expressions used in this Chapter and defined in Chapter IIIB shall have the meanings respectively assigned to them therein.

Interpre-  
tation.

Deposits  
not to  
be  
accepted  
in certain  
cases.

45S. (1) No person, being an individual or a firm or an unincorporated association of individuals, shall, at any time, have deposits from more than the number of depositors specified against each, in the table below:—

TABLE

|                                  |                                                                                         |
|----------------------------------|-----------------------------------------------------------------------------------------|
| (i) Individual                   | —Not more than ten depositors.                                                          |
| (ii) Firm                        | —Not more than ten depositors per partner and not more than forty depositors in all.    |
| (iii) Association of individuals | —Not more than ten depositors per individual and not more than forty depositors in all. |

(2) Where at the commencement of the Banking Laws (Amendment) Act, 1978 the deposits held by any such person are not in accordance with sub-section (1), he shall repay such of the deposits as shall fall due for repayment immediately after the commencement of that Act so as to bring the number of depositors within the relative limit specified in that sub-section.

*Explanation.*—Where a deposit has been made by two or more persons, it shall, for the purposes of this section, be deemed to have been made by as many depositors as there are number of persons making such deposit.

Power  
to issue  
search-  
warrants.

45T. (1) Any court having jurisdiction to issue a search-warrant under the Code of Criminal Procedure, 1973 may, on an application by an officer of the Bank or of the State Government authorised in this behalf stating his belief that certain documents relating to acceptance of deposits in contravention of the provisions of section 45S are secreted in any place within the local limits of the jurisdiction of such court, issue a warrant to search for such documents.

2 of 1974.

(2) Such warrant shall be executed in the same way and shall have the same effect as a search-warrant issued under the Code of Criminal Procedure, 1973."

2 of 1974.

Amend-  
ment of  
section  
46B.

6. In section 46B of the Reserve Bank Act,—

(i) in sub-section (2)—

(a) for the word "five", the word "seven" shall be substituted;

(b) the provisos shall be omitted;

(ii) after sub-section (2), the following sub-sections shall be inserted, namely:—

"(3) Loans and advances may be made under sub-section (2) only for the purpose of enabling a State Co-operative Bank or a Regional Rural Bank,—

(a) to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of section 17 or loans and advances made to it by the Bank under clauses (3B) and (4) of section 17, for agricultural operations; or

(b) to make to central co-operative banks or primary agricultural credit societies loans or advances repayable on the expiry of fixed periods not being less than fifteen months and not exceeding seven years from the date of making such loan or advance, by way of reimbursement of loans and advances made by such co-operative banks or societies for agricultural operations or reimbursement of loans or advances granted for agricultural operations which have been converted into loans or advances repayable on expiry of fixed periods not being less than fifteen months and not exceeding seven years from the date of conversion.

(4) Loans and advances may not be made under sub-section (2) unless the Bank forms an opinion, that owing to drought, famine or other natural calamities or owing to military operations or enemy actions—

(a) the State co-operative bank or the Regional Rural Bank is unable to pay the said dues in time; or

(b) making of the said loans or advances to central co-operative banks or primary agricultural credit societies is rendered necessary.

(5) No loan or advance shall be made under sub-section (2) unless such loan or advance is fully guaranteed as to the repayment of the principal and payment of interest—

(a) in the case of loans and advances to State co-operative banks, by the State Government; and

(b) in the case of loans and advances to Regional Rural Banks by the Sponsor Bank.”.

7. In section 58B of the Reserve Bank Act, after sub-section (5), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section  
58B.

“(5A) If any person contravenes any provision of section 45S, he shall be punishable with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of deposit received by such person in contravention of that section or rupees two thousand, whichever is more, or with both.”.

8. In section 58E of the Reserve Bank Act, to sub-section (1), the following proviso shall be added, namely:—

Amend-  
ment of  
section  
58E.

“Provided that in respect of any offence punishable under sub-section (5A) of section 58B, a complaint in writing may also be filed by an officer of the State Government, generally or specially authorised in writing in this behalf by the State Government.”.

## CHAPTER IV

## AMENDMENTS TO THE BANKING REGULATION ACT, 1949

Amend-  
ment of  
section 5.

9. In the Banking Regulation Act, 1949 (hereafter in this Chapter referred to as "the Banking Regulation Act"), in section 5,—

10 of 1949.

(i) for clause (a), the following clauses shall be substituted, namely:—

'(a) "approved securities" means,—

(i) securities in which a trustee may invest money under clause (a), clause (b), clause (bb), clause (c) or clause (d) of section 20 of the Indian Trusts Act, 1882;

2 of 1882.

(ii) such of the securities authorised by the Central Government under clause (f) of section 20 of the Indian Trusts Act, 1882, as may be prescribed;

2 of 1882.

(aa) "Agricultural Refinance and Development Corporation" means the Agricultural Refinance and Development Corporation constituted under section 3 of the Agricultural Refinance and Development Corporation Act, 1963;'

10 of 1963.

(ii) after clause (d), the following clause shall be inserted, namely:—

'(dd) "corresponding new bank" means a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;'

5 of 1970.

(iii) clause (gg) shall be re-lettered as clause (gb), and before clause (gb) as so re-lettered, the following clause shall be inserted, namely:—

'(ga) "Industrial Development Bank of India" means the Industrial Development Bank of India constituted under section 3 of the Industrial Development Bank of India Act, 1964;'

18 of 1964.

(iv) after clause (j), the following clause shall be inserted, namely:—

'(k) "Regional Rural Bank" means a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976;'

21 of 1976.

(v) for clause (l), the following clause shall be substituted, namely:—

'(l) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;'

2 of 1934.

(vi) clause (nb) and clause (nc) shall be re-lettered as clause (nc) and clause (nd) respectively, and before clause (nc) as so re-lettered, the following clause shall be inserted, namely:—

'(nb) "State Bank of India" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955;'

23 of 1955.

5 of 1970.

10. In the Banking Regulation Act, for the words, figures and brackets "corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970", wherever they occur, except in section 51, the words "corresponding new bank" shall be substituted.

Substitution of "corresponding new bank" for "corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970".

11. In the Banking Regulation Act, for the words "Agricultural Refinance Corporation", wherever they occur, the words "Agricultural Refinance and Development Corporation" shall be substituted.

Change of name of "Agricultural Refinance Corporation".

12. In section 7 of the Banking Regulation Act, in sub-section (1), after the words "shall use as part of its name", the words "or in connection with its business" shall be inserted.

Amendment of section 7.

13. In section 8 of the Banking Regulation Act, for the proviso, the following proviso shall be substituted, namely:—

Amendment of section 8.

"Provided that this section shall not apply to any such business as is specified in pursuance of clause (o) of sub-section (1) of section 6."

14. In section 10B of the Banking Regulation Act, in sub-section (1),—

Amendment of section 10B.

(i) for the words "shall have a chairman of its Board of Directors", the words "shall have one of its directors as chairman of its Board of Directors" shall be substituted;

(ii) for the second proviso, the following proviso shall be substituted, namely:—

"Provided further that nothing in this sub-section shall apply to a banking company until the expiry of a period of three months from the date on which the aggregate of the outstanding deposits of such banking company becomes, at any time after the commencement of the Act aforesaid, ten crores of rupees or more, and where the provisions of this sub-section have become applicable to a banking company, such provisions shall continue to apply to such banking company, notwithstanding that the aggregate of the outstanding deposits of such banking company has, at any time thereafter, fallen below ten crores of rupees.";

(iii) in sub-section (5), the words "but shall continue in office until his successor assumes office" shall be omitted;

(iv) after sub-section (5), the following sub-section shall be inserted, namely:—

“(5A) A chairman whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the Reserve Bank, continue in office until his successor assumes office.”.

Insertion of new section 10BB.

Power of Reserve Bank to appoint whole-time chairman of a banking company.

15. After section 10B of the Banking Regulation Act, the following section shall be inserted, namely:—

“10BB. (1) Where the office of the chairman of a banking company is vacant, the Reserve Bank may, if it is of opinion that the continuation of such vacancy is likely to adversely affect the interests of the banking company, appoint a person, eligible under sub-section (4) of section 10B to be so appointed, to be the chairman of the banking company and where the person so appointed is not a director of such banking company, he shall, so long as he holds such appointment, be deemed to be a director of the banking company.

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

(3) The chairman so appointed by the Reserve Bank shall draw from the banking company such pay and allowances as the Reserve Bank may determine and shall be removed from office only by the Reserve Bank.

(4) Save as otherwise provided in this section, the provisions of section 10B shall, as far as may be, apply to the chairman appointed by the Reserve Bank under sub-section (1) as they apply to a chairman appointed by the banking company.”.

Substitution of new section for section 10C.

Chairman and certain directors not to be required to hold qualification shares.

16. For section 10C of the Banking Regulation Act, the following section shall be substituted, namely:—

“10C. A chairman of a banking company (by whomsoever appointed) and a director of a banking company (appointed by the Reserve Bank under section 10A) shall not be required to hold qualification shares in the banking company.”.

Substitution of new section for section 18. Cash reserve.

17. For section 18 of the Banking Regulation Act, the following section shall be substituted, namely:—

“18. Every banking company, not being a scheduled bank, shall maintain in India by way of cash reserve with itself or by way of balance in a current account with the Reserve Bank, or by way of net

26 of 1881.

balance in current accounts or in one or more of the said three ways, a sum equivalent to at least three per cent. of the total of its demand and time liabilities in India and shall submit to the Reserve Bank before the fifteenth day of every month a return showing the amount so held on Friday of each week of the preceding month with particulars of its demand and time liabilities in India on each such Friday, or if any such Friday is a public holiday under the Negotiable Instruments Act, 1881, at the close of business on the preceding working day.

*Explanation.*—In this section, and in section 24,—

(a) “liabilities in India” shall not include—

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

(ii) any advance taken from the Reserve Bank or from the Industrial Development Bank of India or from the Agricultural Refinance and Development Corporation;

(b) the aggregate of liabilities of a banking company to the State Bank of India, a subsidiary bank, a corresponding new bank or a Regional Rural Bank or another banking company or a co-operative bank or any other financial institution notified by the Central Government in this behalf, shall be reduced by the aggregate of the liabilities of all such banks and institutions to the banking company;

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

18. In section 19 of the Banking Regulation Act, for sub-section (1), the following sub-section shall be substituted, namely:—

Amend-  
ment of  
section 19.

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

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

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

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

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

Amend-  
ment of  
section 20.

19. In section 20 of the Banking Regulation Act, in sub-section (1), in clause (b), for sub-clause (iii), the following sub-clause shall be substituted, namely:—

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

1 of 1956.

Amend-  
ment of  
section 22.

20. In section 22 of the Banking Regulation Act, in sub-section (3),—

(i) after clause (b), the following clauses shall be inserted, namely:—

“(b1) that the general character of the proposed management of the company will not be prejudicial to the public interest or the interests of its depositors;

(b2) that the company has adequate capital structure and earning prospects;

(b3) that the public interest will be served by the grant of a licence to the company to carry on banking business in India;”;

(ii) after clause (c), the following clause shall be inserted, namely:—

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

Amend-  
ment of  
sections 24.  
34A and  
36AD.

21. In the Banking Regulation Act,—

(1) in section 24,—

(a) in sub-section (1), for the words “time and demand liabilities”, the words “demand and time liabilities” shall be substituted;

(b) in sub-section (2A),—

(i) in clause (a), after the figures and words “25 per cent.”, the words and figures “, or such other percentage not exceeding 40 per cent. as the Reserve Bank may, by notification in the Official Gazette, specify,” shall be inserted;

(ii) for clause (b), the following clause shall be substituted, namely:—

“(b) in computing the amount for the purposes of clause (a),—

(i) the deposit required under sub-section (2) of section 11 to be made with the Reserve Bank by a banking company incorporated outside India;

(ii) any cash or balances maintained in India by a banking company other than a scheduled bank with itself or with the Reserve Bank or by way of net balance in current account in excess of the aggregate of the cash or balance or net balance required to be maintained under section 18;

(iii) any balances maintained by a scheduled bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934;

(iv) the net balance in current accounts maintained in India by a scheduled bank;

(v) any balances maintained by a Regional Rural Bank in call or fixed deposit with its Sponsor Bank,

shall be deemed to be cash maintained in India;";

(c) in sub-section (2B), the words and figures "established under section 3 of the Regional Rural Banks Act, 1976" shall be omitted;

(d) in sub-section (3),—

(i) for the words "time and demand liabilities", the words "demand and time liabilities" shall be substituted; and

(ii) the words and figures "under the Negotiable Instruments Act, 1881," shall be omitted;

(e) after sub-section (3), the following sub-sections shall be inserted, namely:—

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

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

(5) (a) Without prejudice to the provisions of sub-section (3), the Reserve Bank may require a banking company to furnish to it a return in the form and manner specified by it

showing particulars of its assets maintained in accordance with this section and its demand and time liabilities in India, as at the close of business on each day during a month.

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

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

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

(7) When under the provisions of clause (b) of sub-section (4) penal interest at the increased rate of five per cent. above the bank rate has become payable by a banking company, if thereafter the amount required to be maintained on the next succeeding Friday, or if such Friday is a public holiday, the next preceding working day, is still below the prescribed minimum, every director, manager or secretary of the banking company, who is knowingly and wilfully a party to the default, shall be punishable with fine which may extend to five hundred rupees and with a further fine which may extend to five hundred rupees for each subsequent Friday or the preceding working day, as the case may be, on which the default continues.

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

*Explanation.*—In this section, the expression “public holiday” means a day which is a public holiday under the Negotiable Instruments Act, 1881.’;

26 of 1881.

(2) in sub-section (3) of section 34A and in sub-section (3) of section 36AD, the words and figures “established under section 3 of the Regional Rural Banks Act, 1976” shall be omitted.

21 of 1976.

22. In section 29 of the Banking Regulation Act, after sub-section (3), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section  
29.

1 of 1956.

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

23. In section 35B of the Banking Regulation Act,—

Amend-  
ment of  
section  
35B.

(i) in sub-section (1), in clause (a), after the words “any provision relating to”, the words “the maximum permissible number of directors or” shall be inserted;

(ii) in sub-section (2), for the words and figures “provisions of sections 310”, the words and figures “provisions of sections 269, 310” shall be substituted;

(iii) after sub-section (2), the following sub-section shall be inserted, namely:—

1 of 1956.

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

24. In section 36AB of the Banking Regulation Act, in sub-section (1), the proviso shall be omitted.

Amend-  
ment of  
section  
36AB.

25. In section 42 of the Banking Regulation Act,—

Amend-  
ment of  
section  
42.

(i) for the words and figures “sections 460, 464 and 465”, the word and figures “section 460” shall be substituted;

(ii) the words “or with the appointment of a committee of inspection” shall be omitted.

26. In section 45 of the Banking Regulation Act,—

Amend-  
ment of  
section 45.

(a) in sub-section (5), in clause (i),—

(i) in the first proviso, for the words “as are applicable”, in the two places where they occur, the words “as are, at the time of such payment or grant, applicable” shall be substituted;

(ii) after the second proviso, the following proviso shall be inserted, namely:—

“Provided also that any such doubt or difference shall be referred to the Reserve Bank before the expiry of a period of three years from the date of the payment or grant referred to in the first proviso;”;

(b) in sub-section (8), the following shall be inserted at the end, namely:—

“including the trustees or other persons managing, or connected in any other manner with, any provident fund or other fund maintained by any such company or the transferee bank”;

(c) in sub-section (9), for the words “On and from such date as may be specified by the Central Government in this behalf”, the words “On and from the date of the coming into operation of the scheme” shall be substituted;

(d) in sub-section (15), for the words and figures “any other banking institution notified by the Central Government under section 51”, the words “a subsidiary bank or a corresponding new bank” shall be substituted;

(e) after sub-section (15), the following *Explanation* shall be inserted, namely:—

“*Explanation.*—References in this section to the terms and conditions of service of an employee shall not be construed as extending to the rank and status of such employees.”.

Amend-  
ment of  
section  
45A.

27. In section 45A of the Banking Regulation Act, for the figures “1898”, the figures “1973” shall be substituted.

Amend-  
ment of  
section  
45J.

28. In section 45J of the Banking Regulation Act, for the figures “1898”, wherever they occur, the figures “1973,” shall be substituted.

Amend-  
ment of  
section  
45S.

29. In section 45S of the Banking Regulation Act, for the words “Chief Presidency Magistrate or the District Magistrate”, wherever they occur, the words “Chief Metropolitan Magistrate or the Chief Judicial Magistrate” shall be substituted.

Insertion  
of new  
Part IIIB.

30. After section 45X of the Banking Regulation Act, the following Part shall be inserted, namely:—

### “PART IIIB

#### PROVISIONS RELATING TO CERTAIN OPERATIONS OF BANKING COMPANIES

Power  
of Cen-  
tral Gov-  
ernment  
to make  
rules for  
the pre-  
servation  
of re-  
cords.

45Y. The Central Government may, after consultation with the Reserve Bank and by notification in the Official Gazette, make rules specifying the periods for which—

(a) a banking company shall preserve its books, accounts and other documents; and

(b) a banking company shall preserve and keep with itself different instruments paid by it.

45Z. (1) Where a banking company is required by its customer to return to him a paid instrument before the expiry of the period specified by rules made under section 45Y, the banking company shall not return the instrument except after making and keeping in its possession true copies of all relevant parts of such instrument, such copies being made by mechanical processes which in themselves ensure the accuracy of the copy.

Return  
of paid  
instru-  
ments to  
custo-  
mers.

(2) The banking company shall be entitled to recover from the customer the cost of making such copies of the instrument.

*Explanation.*—In this section, “customer” includes a Government department and a corporation incorporated by or under any law.

45ZA. (1) Where a deposit is held by a banking company to the credit of one or more persons, the depositor or, as the case may be, all the depositors together, may nominate, in the prescribed manner, one person to whom in the event of the death of the sole depositor or the death of all the depositors, the amount of deposit may be returned by the banking company.

Payment  
of depo-  
sitors’  
money.

(2) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such deposit, where a nomination made in the prescribed manner purports to confer on any person the right to receive the amount of deposit from the banking company, the nominee shall on the death of the sole depositor or, as the case may be, on the death of all the depositors, become entitled to all the rights of the sole depositor or, as the case may be, of the depositors, in relation to such deposit to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

(3) Where the nominee is a minor, it shall be lawful for the depositor making the nomination to appoint in the prescribed manner any person to receive the amount of deposit in the event of his death during the minority of the nominee.

(4) Payment by a banking company in accordance with the provisions of this section shall constitute a full discharge to the banking company of its liability in respect of the deposit:

Provided that nothing contained in this sub-section shall affect the right or claim which any person may have against the person to whom any payment is made under this section.

45ZB. No notice of the claim of any person, other than the person or persons in whose name a deposit is held by a banking company, shall be receivable by the banking company, nor shall the banking company be bound by any such notice even though expressly given to it:

Notice  
of claims  
of other  
persons  
regarding  
deposits  
not re-  
ceivable.

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to such deposit is produced before a banking company, the banking company shall take due note of such decree, order, certificate or other authority.

45ZC. (1) Where any person leaves any article in safe custody with a banking company, such person may nominate, in the prescribed manner, one person to whom, in the event of the death of

Return  
of arti-  
cles kept  
in safe

custody  
with  
banking  
company.

the person leaving the article in safe custody, such article may be returned by the banking company.

(2) Where the nominee is a minor, it shall be lawful for the person making the nomination to appoint in the prescribed manner any person to receive the article deposited in the event of his death during the minority of the nominee.

(3) The banking company shall, before returning any articles under this section to the nominee or the person appointed under sub-section (2), prepare, in such manner as may be directed by the Reserve Bank from time to time, an inventory of the said articles which shall be signed by such nominee or person and shall deliver a copy of the inventory so prepared to such nominee or person.

(4) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such article, where a nomination made in the prescribed manner purports to confer on any person the right to receive the article from the banking company, the nominee shall, on the death of the person leaving the article in safe custody, become entitled to the return of the article to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner:

Provided that nothing contained in this section shall affect the right or claim which any person may have against the person to whom the article is returned in pursuance of this sub-section.

Notice of  
Claims of  
other per-  
sons re-  
garding  
articles not  
receivable.

45ZD. No notice of the claim of any person other than the person or persons in whose name any article is held by a banking company in safe custody, shall be receivable by the banking company, nor shall the banking company be bound by any such notice even though expressly given to it:

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to such article is produced before a banking company, the banking company shall take due note of such decree, order, certificate or other authority.

Release of  
contents of  
safety  
lockers.

45ZE. (1) Where an individual is the sole hirer of a locker from a banking company, whether such locker is located in the safe deposit vault of such banking company or elsewhere, such individual may nominate one person to whom, in the event of the death of such individual, the banking company may give access to the locker and liberty to remove the contents of the locker.

(2) Where any such locker is hired from a banking company by two or more individuals jointly, and, under the contract of hire, the locker is to be operated under the joint signatures of two or more of such hirers, such hirers may nominate one or more persons to whom, in the event of the death of such joint hirer or hirers, the banking company may give, jointly with the surviving joint hirer or joint hirers, as the case may be, access to the locker and liberty to remove the contents of such locker.

(3) Every nomination under sub-section (1) or sub-section (2) shall be made in the prescribed manner.

(4) The banking company shall, before permitting the removal of the contents of any locker by any nominee or jointly by any nominee and survivors as aforesaid, prepare, in such manner as may

be directed by the Reserve Bank from time to time, an inventory of the contents of the locker which shall be signed by such nominee or jointly by such nominee and survivors and shall deliver a copy of the inventory so prepared to such nominee or nominee and survivors.

(5) On the removal of the contents of any locker by any nominee or jointly by any nominee and survivors as aforesaid, the liability of the banking company in relation to the contents of the locker shall stand discharged.

(6) No suit, prosecution or other legal proceeding shall lie against a banking company for any damage caused, or likely to be caused, for allowing access to any locker, and liberty to remove the contents of such locker, in pursuance of the provisions of sub-section (1), or sub-section (2), as the case may be.

45ZF. No notice of the claim of any person other than hirer or hirers of a locker shall be receivable by a banking company nor shall the banking company be bound by any such notice even though expressly given to it:

Notice of claims of other persons regarding safety lockers, not receivable.

Provided that where any decree, order, certificate or other authority from a court of competent jurisdiction relating to the locker or its contents is produced before the banking company, the banking company shall take due note of such decree, order, certificate or other authority."

31. In section 46 of the Banking Regulation Act, for sub-section (4), the following sub-section shall be substituted, namely:—

Amendment of section 46.

"(4) If any other provision of this Act is contravened or if any default is made in—

(i) complying with any requirement of this Act or of any order, rule or direction made or condition imposed thereunder, or

(ii) complying with any term, or any other provision contained in any such order, rule or direction, or

(iii) carrying out the terms of, or the obligations under, a scheme sanctioned under sub-section (7) of section 45,

any person guilty of such contravention or default shall be punishable with fine which may extend to two thousand rupees, and where a contravention or default is a continuing one, with a further fine which may extend to one hundred rupees for every day after the first, during which the contravention or default continues."

32. In section 47 of the Banking Regulation Act, for the words "no court inferior to that of a Presidency Magistrate or a Magistrate of the first class", the words "no court other than that of a Metropolitan Magistrate or a Judicial Magistrate of the first class or any court superior thereto" shall be substituted.

Amendment of section 47.

33. Section 51 of the Banking Regulation Act shall be re-numbered as sub-section (1) of that section, and—

Amendment of section 51.

(a) in sub-section (1) as so re-numbered,—

(i) for the figures and word "46 to 48", the figures, letters and words "45Y to 45ZF, 46 to 48" shall be substituted;

(ii) for the words, figures and brackets “or any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976, or any other banking institution notified by the Central Government in this behalf”, the words “or any corresponding new bank or a Regional Rural Bank or any subsidiary bank” shall be substituted;

5 of 1970.

21 of 1976.

(iii) in the proviso,—

(A) in clause (a), for the words “general manager”, the words “Managing Director” shall be substituted;

(B) for clauses (b) and (c), the following clauses shall be substituted, namely:—

“(b) nothing contained in sub-clause (iii) of clause (b) of sub-section (1) of section 20 shall apply to any bank referred to in sub-section (1), in so far as the said sub-clause (iii) of clause (b) precludes that bank from entering into any commitment for granting any loan or advance to or on behalf of a company (not being a Government company) in which not less than forty per cent. of the paid-up capital is held (whether singly or taken together) by the Central Government or the Reserve Bank or a corporation owned by that Bank; and

(c) nothing contained in section 46 or in section 47A shall apply to,—

(i) an officer of the Central Government or the Reserve Bank, nominated or appointed as director of the State Bank of India or any corresponding new bank or a Regional Rural Bank or any subsidiary bank or banking company, or

(ii) an officer of the State Bank of India or a corresponding new bank or a Regional Rural Bank or a subsidiary bank nominated or appointed as director of any of the said banks, not being the bank of which he is an officer, or of a banking company.”;

(b) after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

“(2) References to a banking company in any rule or direction relating to any provision of this Act referred to in sub-section (1) shall, except where such rule or direction provided otherwise, be construed as referring also to the State Bank of India, a corresponding new bank, a Regional Rural Bank and a subsidiary bank.”.

34. In section 52 of the Banking Regulation Act,—

(a) sub-section (3) shall be omitted;

(b) after sub-section (4), the following sub-section shall be inserted, namely:—

“(5) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total

Amend-  
ment of  
section 52.

period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule."

35. In section 56 of the Banking Regulation Act,—

(i) for clause (f), the following clause shall be substituted, namely:—

Amend-  
ment of  
section  
56.

'(f) for section 7, the following section shall be substituted, namely:—

Use of  
word  
"bank",  
"banker"  
or  
"banking".

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

(2) Nothing in this section shall apply to—

(a) a primary credit society, or

(b) a co-operative society formed for the protection of the mutual interests of co-operative banks or co-operative land mortgage banks, or

(c) any co-operative society, not being a primary credit society, formed by the employees of—

(i) a banking company or the State Bank of India or a corresponding new bank or a subsidiary bank of such banking company, State Bank of India or corresponding new bank, or

(ii) a co-operative bank or a primary credit society or a co-operative land mortgage bank, in so far as the word "bank", "banker" or "banking" appears as part of the name of the employer bank, or as the case may be, of the bank, whose subsidiary the employer bank is."';

(ii) after clause (f), the following clause shall be inserted, namely:—

'(fi) in section 8, for the proviso, the following proviso shall be substituted, namely:—

"Provided that this section shall not apply—

(a) to any such business as aforesaid which was in the course of being transacted on the commencement of the Banking Laws (Amendment) Act, 1978, so, however, that the said business shall be completed before the expiry of one year from such commencement, or

(b) to any business as is specified in pursuance of clause (o) of sub-section (1) of section 6;"';

(iii) after clause (fi), the following clause shall be inserted, namely:—

'(fii) in section 9, for the second proviso, the following provisos shall be substituted, namely:—

"Provided further that in the case of a primary credit society which becomes a primary co-operative bank after the commencement of the Banking Laws (Amendment) Act, 1978, the period of seven years shall commence from the day it so becomes a primary co-operative bank:

Provided also that the Reserve Bank may, in any particular case, extend the aforesaid period of seven years by such period as it may consider necessary where it is satisfied that such extension would be in the interests of the depositors of the co-operative bank."';

(iv) in clause (g), for the figures and letters "10B, 10C", the figures and letters "10B, 10BB, 10C" shall be substituted;

(v) for clause (j), the following clause shall be substituted, namely:—

'(j) for section 18, the following section shall be substituted, namely:—

Cash  
reserve.

"18. Every co-operative bank, not being a State co-operative bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 (hereinafter referred to as a "scheduled State co-operative bank"), shall maintain in India, by way of cash reserve with itself or in current account opened with the Reserve Bank or the State co-operative bank of the State concerned or by way of net balance in current accounts, or, in the case of a primary co-operative bank, with the central co-operative bank of the district concerned, or in one or more of such ways, a sum equivalent to at least three per cent. of the total of its demand and time liabilities in India, and shall submit to the Reserve Bank before the fifteenth day of every month a return showing the amount so held on Friday of each week of the preceding month with particulars of its demand and time liabilities in India on each such Friday, or, if any such Friday is a public holiday under the Negotiable Instruments Act, 1881, at the close of business on the preceding working day.

2 of 1934.

28 of 1881.

*Explanation.*—In this section, and in section 24,—

(a) "liabilities in India" shall not include,—

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

(ii) any advance taken from a State Government, the Reserve Bank, the Industrial Development Bank of India or the Agricultural Refinance and Development Corporation;

(iii) in the case of a State or central co-operative bank, also any deposit of money with it representing the reserve fund or any part thereof maintained with it by any other co-operative society within its area of operation, and in the case of a central co-operative bank, also an advance taken by it from the State co-operative bank of the State concerned;

(iv) in the case of a primary co-operative bank, also any advance taken by it from the State co-operative bank of the State concerned or the central co-operative bank of the district concerned;

(v) in the case of any co-operative bank, which has granted an advance against any balance maintained with it, such balance to the extent of the amount outstanding in respect of such advance; and

(vi) in the case of any co-operative bank, the amount of any advance or other credit arrangement drawn and availed of against approved securities;

(b) the aggregate of the liabilities of a co-operative bank to the State Bank of India, a subsidiary bank, a corresponding new bank or a Regional Rural Bank or a banking company or any other financial institution notified by the Central Government in this behalf shall be reduced by the aggregate of the liabilities of all such banks and institutions to the co-operative bank;

(c) any cash with a co-operative bank or any balance held by a co-operative bank with another bank, shall not, to the extent such cash or such balance represents the balance in, or investment of, Agricultural Credit Stabilisation Fund of such co-operative bank, be deemed to be cash maintained in India;

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

(vi) for clause (m), the following clause shall be substituted, namely:—

“(m) in section 20A, in sub-section (1),—

(i) the words and figures “Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956” shall be omitted;

(ii) in clause (a), for the words “any of its directors”, the words “any of its past or present directors” shall be substituted;”

(vii) for clause (o), the following clause shall be substituted, namely:—

‘(o) in section 22,—

(i) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) Every co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965, shall before the expiry of three months from such commencement, every co-operative bank which comes into existence as a result of the division of any other co-operative society, or the amalgamation of two or more co-operative societies carrying on business in either case as a co-operative bank or banks at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 or at any time thereafter shall before the expiry of three months from its so coming into existence, every primary credit society which becomes a primary co-operative bank after such commencement shall before the expiry of three months from the date on which it so becomes a primary co-operative bank and every co-operative society other than a primary credit society shall before commencing banking business in India, apply in writing to the Reserve Bank for a licence under this section;

23 of 1965.

Provided that nothing in clause (b) of sub-section (1) shall be deemed to prohibit—

(i) a co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965; or

23 of 1965.

(ii) a co-operative bank which has come into existence as a result of the division of any other co-operative society, or the amalgamation of two or more co-operative societies carrying on business, in either case, as a co-operative bank or banks at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 or at any time thereafter; or

23 of 1965.

(iii) a primary credit society which becomes a primary co-operative bank after such commencement,

from carrying on banking business until it is granted a licence in pursuance of this section or is, by a notice in writing, notified by the Reserve Bank that the licence cannot be granted to it.”;

(ii) in sub-section (3), clause (c) shall be omitted;:

(viii) for clause (q), the following clause shall be substituted, namely:—

‘(q) in section 24,—

(i) in sub-section (1), the words “After the expiry of two years from the commencement of this Act” shall be omitted;

(ii) for sub-sections (2) and (2A), the following sub-sections shall be substituted, namely:—

“(2) In computing the amount for the purposes of sub-section (1),—

(a) any balances maintained in India by a co-operative bank in current account with the Reserve Bank or by way of net balance in current accounts, and in the case of a scheduled State co-operative bank, also the balance required under section 42 of the Reserve Bank of India Act, 1934, to be so maintained;

(b) any balances maintained by a central co-operative bank with the State co-operative bank of the State concerned, and

(c) any balances maintained by a primary co-operative bank with the central co-operative bank of the district concerned or with the State co-operative bank of the State concerned,

shall be deemed to be cash maintained in India.

(2A) (a) Notwithstanding anything contained in sub-section (1) or in sub-section (2), after the expiry of two years from the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965, or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the co-operative bank concerned, may think fit in any particular case to allow,—

(i) a scheduled State co-operative bank, in addition to the average daily balance which it is, or may be, required to maintain under section 42 of the Reserve Bank of India Act, 1934, and

(ii) every other co-operative bank, in addition to the cash reserve which it is required to maintain under section 18,

shall maintain in India in cash, gold or unencumbered approved securities, valued at a price not exceeding the current market price, an amount which shall not at the close of business on any day be less than twenty-five per cent., or such other percentage not exceeding forty per cent., as the Reserve Bank may, by notification in the Official Gazette, specify of the total of its demand and time liabilities in India;

2 of 1934.

23 of 1965.

2 of 1934.

(b) in computing the amount for the purpose of clause (a), the following shall be deemed to be cash maintained in India, namely:—

(i) any cash or balances maintained in India by a co-operative bank, other than a scheduled State co-operative bank, with itself or in current account with the Reserve Bank or with the State co-operative bank of the State concerned, or by way of net balance in current accounts and, in the case of a primary co-operative bank, also any balances maintained with the central co-operative bank of the district concerned, in excess of the aggregate of the cash or balances required to be maintained under section 18;

(ii) any balance maintained by a scheduled State co-operative bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934;

2 of 1934.

(iii) any net balance in current accounts.

*Explanation.*—For the purposes of this sub-section—

(a) approved securities, or a portion thereof, representing investment of Agricultural Credit Stabilization Fund of a co-operative bank shall not be deemed to be unencumbered approved securities;

(b) in case a co-operative bank has taken an advance against any balance maintained with the State co-operative bank of the State concerned or with the central co-operative bank of the district concerned, such balance to the extent to which it has been drawn against or availed of shall not be deemed to be cash maintained in India.”;

(iii) in sub-section (6), in clause (a), for the words “fourteen days”, the words “thirty days” shall be substituted;”;

(ix) after clause (q), the following clause shall be inserted, namely:—

‘(qq) after section 24, the following section shall be inserted, namely:—

“24A. Without prejudice to the provisions of section 53, the Reserve Bank may, by notification in the Official Gazette, declare that, for such period and subject to such conditions as may be specified in such notification, the whole or any part of the provisions of section 18 or section 24, as may be specified therein, shall not apply to any co-operative bank or class of co-operative banks, with reference to all or any of the offices of such co-operative bank or banks, or with reference to the whole or any part of the assets and liabilities of such co-operative bank or banks.”’;

Power to  
exempt.

(x) in clause (w) relating to the modincation of section 35,—

(a) in sub-clause (i), for item (b), the following item shall be substituted, namely:—

‘(b) the following proviso shall be inserted at the end, namely:—

“Provided that the Reserve Bank may, if it considers it necessary or expedient so to do, cause an inspection to be made of a primary co-operative bank under this sub-section by one or more officers of a State co-operative bank in the State in which such primary co-operative bank is registered.”’;

(b) sub-clause (iii) shall be re-numbered as sub-clause (iv), and before sub-clause (iv) as so re-numbered, the following sub-clause shall be inserted, namely:—

‘(iii) after sub-section (4), the following sub-section shall be inserted, namely:—

“(4A) Without prejudice to the provisions of sub-section (4), the Reserve Bank may, if it considers it necessary and expedient so to do, supply a copy of the report on any inspection to the State co-operative bank and the Registrar of co-operative societies of the State in which the inspected bank is registered.”’;

(xi) for clause (z), the following clause shall be substituted, namely:—

‘(z) in section 36, in sub-section (1), clause (b) shall be omitted, and for clause (d), the following clause shall be substituted, namely:—

“(d) at any time, if it is satisfied that for the re-organisation or expansion of co-operative credit on sound lines it is necessary so to do, by an order in writing and on such terms and conditions as may be specified therein,—

(i) depute one or more of its officers to watch the proceedings at any meeting of the Board of Directors of the co-operative bank or of any other body constituted by it, require the co-operative bank to give an opportunity to the officers so deputed to be heard at such meetings and offer such advice on such matter as such officers may consider necessary or proper for the re-organisation and expansion of co-operative credit on sound lines, and also require such officer to send a report of such proceedings to the Reserve Bank;

(ii) appoint one or more of its officers to observe the manner in which the affairs of the co-operative bank or its offices or branches are being conducted and make a report thereon.”’;

(xii) for clause (zc), the following clause shall be substituted, namely:—

‘(zc) in section 46,—

(i) clause (iii) of sub-section (4) shall be omitted;

(ii) in clause (a) of the *Explanation*, after the words “includes a”, the words “co-operative society” shall be inserted;’.

## CHAPTER V

### AMENDMENTS TO THE STATE BANK OF INDIA ACT, 1955

Insertion of new section 35A. 36. In the State Bank of India Act, 1955 (hereafter in this Chapter referred to as “the State Bank Act”), after section 35, the following section shall be inserted, namely:— 23 of 1955.

Arrange-ment with the State Bank on appoint-ment of directors to prevail.

“35A. (1) Where any arrangement entered into by the State Bank with a company provides for the appointment by the State Bank of one or more directors of such company, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the company, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the State Bank in pursuance of the arrangement as aforesaid.

1 of 1956.

(2) Any director appointed as aforesaid shall—

(a) hold office during the pleasure of the State Bank and may be removed or substituted by any person by order in writing of the State Bank;

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

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.”.

Amend-ment of section 40.

37. In section 40 of the State Bank Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) The State Bank shall furnish to the Central Government and to the Reserve Bank its balance-sheet, together with the profit and loss account and the auditors’ report and a report by the Central Board on the working and activities of the State Bank during the period covered by the accounts.”;

(ii) after sub-section (3), the following sub-section shall be inserted, namely:—

“(4) The Central Government shall cause the auditors’ report and the report on the working and activities of the State Bank to be laid, as soon as may be after they are received, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions.”.

38. In section 42 of the State Bank Act, in sub-section (2), after the word “working”, the words “and activities” shall be inserted.

Amend-  
ment of  
section 42.

39. In section 43 of the State Bank Act, in sub-section (2), for the words “as may be”, the words “as may, by general or special order, be” shall be substituted.

Amend-  
ment of  
section 43.

40. In section 49 of the State Bank Act, after sub-section (2), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section 49.

“(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.”.

41. In section 50 of the State Bank Act, after sub-section (3), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section 50.

“(4) Every regulation shall, as soon as may be after it is made under this Act by the Central Board, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament while it is in session for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.”.

## CHAPTER VI

### AMENDMENTS TO THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

38 of 1959.

42. In the State Bank of India (Subsidiary Banks) Act, 1959 (hereafter in this Chapter referred to as “the Subsidiary Banks Act”), in Chapter VI,

Insertion  
of new  
section  
38A.

after section 38, the following section shall be inserted, namely:—

Arrange-  
ment  
with  
subsidiary  
banks on  
appoint-  
ment of direc-  
tors to  
prevail.

“38A. (1) Where any arrangement entered into by a subsidiary bank with a company provides for the appointment by the subsidiary bank of one or more directors of such company, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the company, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the subsidiary bank in pursuance of the arrangement as aforesaid.

1 of 1956.

(2) Any director appointed as aforesaid shall—

(a) hold office during the pleasure of the subsidiary bank and may be removed or substituted by any person by order in writing of the subsidiary bank;

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

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.”

Amend-  
ment of  
section 43.

43. In section 43 of the Subsidiary Banks Act,—

(i) in sub-section (1),—

(a) in the opening paragraph, for the words “and the Reserve Bank”, the words “, the Reserve Bank and the Central Government” shall be substituted;

(b) for clause (a), the following clause shall be substituted, namely:—

“(a) its balance-sheet, together with the profit and loss account and the auditor’s report and a report by the Board of Directors on the working and activities of the subsidiary bank during the period covered by the accounts; and”;

(ii) after sub-section (2), the following sub-section shall be inserted, namely:—

“(3) The Central Government shall cause the auditor’s report and the report on the working and activities of the subsidiary bank to be laid, as soon as may be after they are received, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions.”

44. In section 44 of the Subsidiary Banks Act, in sub-section (2), after the word "working", the words "and activities" shall be inserted.

Amend-  
ment of  
section 44

45. In section 53 of the Subsidiary Banks Act, after sub-section (2), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section 53.

"(3) Where the State Bank nominates any of its officers as director of a subsidiary bank, such director shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as director or anything in relation thereto."

46. In section 62 of the Subsidiary Banks Act, for sub-section (3), the following sub-section shall be substituted, namely:—

Amend-  
ment of  
section 62.

"(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule."

47. In section 63 of the Subsidiary Banks Act, after sub-section (3), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section  
63.

"(4) Every regulation shall, as soon as may be after it is made under this Act by the State Bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament while it is in session for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation."

## CHAPTER VII

### AMENDMENTS TO THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961

47 of 1961. 48. In section 2 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (hereafter in this Chapter referred to as "the Deposit Insurance Corporation Act"),—

Amend-  
ment of  
section 2.

(i) in clause (b), for the words and figures "a subsidiary bank and any other banking institution notified under section 51 of the Banking Regulation Act, 1949," the words "and a subsidiary bank"

shall be substituted;

(ii) in clause (i),—

(a) after the words “banking company”, the words “or a corresponding new bank” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 1971;

(b) for sub-clause (i), the following sub-clauses shall be substituted, and shall be deemed to have been substituted with effect from the 1st day of July, 1971, namely:—

“(i) a banking company referred to in clause (a) or clause (b) of sub-section (1) of section 13, or

(ia) a corresponding new bank to which the provisions of clause (a) of sub-section (1) of section 13 apply, or”;

(ii) in clause (k), the words and figures “, and includes any banking institution notified under section 51 of the said Act after such commencement” shall be omitted.

Amend-  
ment  
of sec-  
tion 6.

49. In section 6 of the Deposit Insurance Corporation Act—

(a) in sub-section (2), after the word, brackets and letter “clause (d)”, the words, brackets and letter “or clause (e)” shall be inserted;

(b) in sub-section (3), in the opening paragraph, after the word, brackets and letter “clause (d)”, the words, brackets and letter “or clause (e)” shall be inserted;

(c) after sub-section (4), the following sub-section shall be inserted, namely:—

“(5) If a director nominated under clause (e) of sub-section (1)—

(a) becomes subject to any of the disqualifications mentioned in clauses (a) to (d) of sub-section (3); or

(b) is absent without leave of the Board for more than three consecutive meetings thereof,

his seat shall thereupon become vacant.”.

Amend-  
ment of  
section  
11.

50. In section 11 of the Deposit Insurance Corporation Act, the words and figures “or, as the case may be, after it is notified under section 51 of the said Act” shall be omitted.

Amend-  
ment of  
section  
13.

51. In section 13 of the Deposit Insurance Corporation Act, in sub-section (2), the brackets and letter “(b)” shall be omitted.

Amend-  
ment of  
section  
32.

52. In section 32 of the Deposit Insurance Corporation Act, in sub-section (2), for the words “for not less than thirty days before each House of Parliament as soon as may be after each such report is received by the Central Government”, the words “as soon as may be after they are

received, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions" shall be substituted.

53. In section 50 of the Deposit Insurance Corporation Act, after sub-section (3), the following sub-section shall be inserted, namely:—

Amendment of section 50.

"(4) Every regulation shall, as soon as may be after it is made under this Act by the Board, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation, or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation."

## CHAPTER VIII

### AMENDMENTS TO THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1970

5 of 1970.

54. In the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (hereafter in this Chapter referred to as "the Bank Nationalisation Act"), in section 3, in sub-section (5), for the words "one or more forms of business", the words "one or more of the other forms of business" shall be substituted.

Amendment of section 3.

55. In the Bank Nationalisation Act, after section 5, the following section shall be inserted, namely:—

Insertion of new section 5A.

"5A. (1) Where any arrangement entered into by a corresponding new bank with a company provides for the appointment by the corresponding new bank of one or more directors of such company, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the company, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the corresponding new bank in pursuance of the arrangement as aforesaid.

Arrangement with corresponding bank on appointment of directors to prevail.

(2) Any director appointed as aforesaid shall—

(a) hold office during the pleasure of the corresponding new bank and may be removed or substituted by any person by order in writing of the corresponding new bank;

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

1 of 1956.

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.”.

Amend-  
ment of  
section 9.

56. In the Bank Nationalisation Act, in section 9, sub-section (5) shall be re-numbered as sub-section (6) and before sub-section (6) as so re-numbered, the following sub-section and *Explanation* shall be inserted, namely:—

‘(5) On and from the date of coming into operation of a scheme made under sub-section (1),—

(a) the scheme shall be binding on the corresponding new bank or corporation or corporations or banking institutions, and also on the members, if any, the depositors, and other creditors and employees of each of them and on any other person having any right or liability in relation to any of them including the trustees or other persons, managing or in any other manner connected with, any provident fund or other fund maintained by any of them;

(b) the properties and assets of the corresponding new bank or, as the case may be, of the banking institution shall, by virtue of and to the extent provided in the scheme, stand transferred to, and vested in, and the liabilities of the corresponding new bank or, as the case may be, of the banking institution shall, by virtue of, and to the extent provided in the scheme, stand transferred to, and become the liabilities of, the corporation or corporations brought into existence by reconstitution of the banking institution or the corresponding new bank, as the case may be.

*Explanation.*—In this section, “banking institution” means a banking company and includes the State Bank of India and a subsidiary bank.’.

Amend-  
ment of  
section 10.

57. In section 10 of the Bank Nationalisation Act,—

(i) after sub-section (4), the following *Explanations* shall be inserted, namely:—

“*Explanation I.*—For the purposes of this Act,—

(a) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the corresponding new bank, and

(b) the profit and loss account shall not be treated as not showing a true balance of profit or loss for the period covered by such account,

merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which are, by the provisions of the Banking Regulation Act, 1949, read with the relevant provisions of this Act or any other Act, not required to be disclosed.

*Explanation II.*—For the purposes of this Act, the accounts of the corresponding new bank shall not be deemed as having not been properly drawn up on the ground merely that they do not disclose certain matters if—

10 of 1949.

(i) those matters are such as the corresponding new bank is, by virtue of any provision contained in the Banking Regulation Act, 1949, read with the relevant provisions of this Act, or any other Act, not required to disclose; and

(ii) the provisions referred to in clause (i) are specified in the balance-sheet and profit and loss account of the corresponding new bank or in the auditor's report.”;

(ii) after sub-section (7), the following sub-section shall be inserted, namely:—

“(7A) Every corresponding new bank shall furnish to the Central Government the annual balance-sheet, the profit and loss account, and the auditor's report and a report by its Board of Directors on the working and activities of the bank during the period covered by the accounts.”;

(iii) in sub-section (8), for the words “for not less than thirty days before each House of Parliament as soon as may be after each such report is received by the Central Government”, the words “as soon as may be after they are received before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions” shall be substituted;

(iv) after sub-section (8), the following sub-section shall be inserted, namely:—

“(9) Without prejudice to the foregoing provisions, the Central Government may, at any time, appoint such number of auditors as it thinks fit to examine and report on the accounts of a corresponding new bank, and the auditors so appointed shall have all the rights, privileges and authority in relation to the audit of the accounts of the corresponding new bank which an auditor appointed by the corresponding new bank has under this section.”.

58. In section 19 of the Bank Nationalisation Act, after sub-section (3), the following sub-section shall be inserted, namely:—

Amend-  
ment of  
section 19.

“(4) Every regulation shall, as soon as may be after it is made under this Act by the Board of Directors of a corresponding new bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case

may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.”.

## CHAPTER IX

### AMENDMENTS TO THE REGIONAL RURAL BANKS ACT, 1976

Amend-  
ment of  
section 19.

59. In section 19 of the Regional Rural Banks Act, 1976,—

21 of 1976.

(i) in sub-section (1), for the words “Central Government”, the words and figures “Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934,” shall be substituted;

2 of 1934.

(ii) in sub-section (2), for the words “Regional Rural Bank may fix with the approval of the Central Government”, the words “Reserve Bank may, in consultation with the Central Government, fix” shall be substituted;

(iii) in sub-section (4),—

(a) in the opening paragraph, after the words “shall make a report to that bank”, the words “and the Central Government” shall be inserted;

(b) in clause (e), after the words “to the notice of the Regional Rural Bank”, the words “and the Central Government” shall be inserted.

Amend-  
ment of  
section  
20.

60. In section 20 of the Regional Rural Banks Act, 1976, the following proviso shall be inserted at the end, namely:—

21 of 1976.

“Provided that the Central Government may, if it considers it necessary so to do in any case, extend the said period of sixty days for the furnishing of the report by such further period or periods not exceeding sixty days in the aggregate.”.

Amend-  
ment of  
section  
30.

61. Section 30 of the Regional Rural Banks Act, 1976, shall be re-numbered as sub-section (1) thereof, and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

21 of 1976.

“(2) Every regulation shall, as soon as may be after it is made under this Act by the Board, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.”.

## STATEMENT OF OBJECTS AND REASONS

The Bill seeks to amend the Bankers' Books Evidence Act, 1891, the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Regional Rural Banks Act, 1976, in pursuance of the recommendations of the Banking Commission and of the Committee on Subordinate Legislation and also in the light of the experience gained in the administration of those Acts. The following are the more important of amendments proposed in the Bill:—

(i) It is proposed to provide for the facility of nomination to a 'depositor', to nominate a person who could be paid, on the depositor's death, the amount to the credit of the depositor's accounts. Likewise, the nominee of a person who has kept articles in safe custody with the bankers or has hired a locker will be able to get the articles kept in the bank's safe custody or locker in the event of the death of such a person. The banks will be required to keep an inventory of the articles returned to the persons concerned in the manner as may be directed by the Reserve Bank from time to time.

(ii) The scope of the purposes for which banks can form subsidiaries is being widened.

(iii) It is proposed to authorise the Reserve Bank of India to increase the liquidity ratio to be maintained in India by banks from 25 per cent. up to a maximum of 40 per cent. of the total demand and time liabilities of banks in India and also to empower the Reserve Bank to impose a penalty on banks which do not comply with the liquidity requirements of section 24 of the Banking Regulation Act, 1949, on the lines of similar provision regarding maintenance of cash reserves contained in section 42 of the Reserve Bank of India Act, 1934.

(iv) Sections 45R, 45S and 45T of new Chapter IIIC, sought to be inserted in the Reserve Bank of India Act, 1934, provide that no individual or firm or an unincorporated association of individuals shall, at any time, have deposits from more than the specified number of depositors mentioned therein. The officers of the Reserve Bank or the State Governments, authorised in this behalf, will have power to obtain search warrant from a court so as to enable them to enter into and search any premises suspected to be used for purposes connected with the receipt of deposits in contravention of the provisions of the Act and also to inspect and seize registers, books of accounts and other documents.

(v) Provision is being made to empower the Reserve Bank to grant medium term loans from the National Agricultural Credit (Stabilisation) Fund to State co-operative banks by way of reimbursement of medium term conversion loans granted by the latter owing to drought, famine or other natural calamities, if the State co-operative bank concerned has no dues in respect of the bills of exchange and promissory notes outstanding to the Reserve Bank. The Stabilisation Fund is also proposed to be utilised for giving relief

wherever crops are damaged on account of war or military operations with another country. The period of repayment is proposed to be extended from five years to seven years.

(vi) It is proposed to amend the State Bank of India Act, 1955 and the State Bank of India (Subsidiary Banks) Act, 1959 for laying before each House of Parliament, as in the case of nationalised banks, the auditors' report and the annual report on the working of the activities of the banks.

(vii) The Banking Regulation Act, 1949 is being amended—

(a) to empower the Central Government to frame rules specifying the periods of the preservation of the various types of records, such as, books of accounts and documents required to be maintained as also of the different instruments paid by it;

(b) to provide that banks may return at the request of a customer a paid instrument before the prescribed preservation period, only after making and keeping in the bank's possession a true copy thereof made by mechanical processes.

(viii) The Bankers' Books Evidence Act, 1891 is being amended—

(a) to provide that during police investigations it would be sufficient for a bank to produce before police authorities certified copies of relevant extracts from its books unless the production of copies is considered not adequate by an officer of a rank not lower than a Superintendent of Police;

(b) to make it clear that if the original documents are destroyed by a bank in the usual course of its business and documents have been microfilmed before such destruction, the positives of the films shall be admissible as evidence provided they are properly produced and proved in court.

(ix) It is further proposed to amend the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 so as to provide a certain measure of protection to the directors nominated by such banks on the boards of companies assisted by them against prosecution as a result of non-compliance with provisions, like, share qualification, age limit, number of directorships, removal from office, retirement by rotation, etc., contained in the Companies Act, 1956 or any other law or the memorandum or articles of association of the concerned unit.

(x) It is further proposed to include the usual provision for laying of rules and regulations made under Acts before Parliament in the Banking Regulation Act, 1949, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Regional Rural Banks Act, 1976.

2. The notes on clauses explain in detail the various provisions contained in the Bill.

NEW DELHI;

H. M. PATEL.

The 15th December, 1978.

*Notes on clauses*

*Clause 2.*—This clause seeks to substitute clause (4) of section 2 of the Bankers' Books Evidence Act, 1891 so as to amplify the definition of the term "legal proceeding" by including therein any investigation or inquiry under the Code of Criminal Procedure, 1973, or under any other law for the time being in force for the collection of evidence conducted by a police officer or by any other person (not being a magistrate) authorised in this behalf by a magistrate or by any law for the time being in force. This clause also seeks to amend clause (8) of the said section so as to provide that a copy made from the original document by mechanical or other process insuring the accuracy of such copy, together with a certificate to that effect, as also a copy prepared from the original document prior to the destruction of the original by a bank in the usual course of its business, together with a certificate to that effect, shall be admissible in evidence. These amendments are based on the recommendations of the Banking Commission. This clause further seeks to incorporate a new section in the Bankers' Books Evidence Act, 1891, so as to provide that the order of a court or judge for production and inspection of books of the Bank shall be construed as referring to an order made by an officer of a rank not lower than a Superintendent of Police as may be specified in this behalf by the Government by which the police officer or any other person conducting the investigation or inquiry is employed.

*Clause 3.*—Under section 45 of the Reserve Bank of India Act, 1934, the Reserve Bank may appoint any other bank, except the State Bank or a subsidiary bank, as its agent only under the direction of the Central Government. This clause seeks to amend this section permitting any payments required to be made into the Reserve Bank or in any bills, hundis or other securities, required to be delivered into the Reserve Bank under any law, to be delivered to, or paid into, the agency bank.

*Clause 4.*—This clause seeks to amend section 45I of the Reserve Bank of India Act, 1934, so as to revise the existing definition of the terms "deposit" and "firm" and make consequential amendments as a result of the insertion of new section 45S in the Act *vide* clause 5.

*Clause 5.*—This clause seeks to insert new sections 45R, 45S and 45T under new Chapter IIIC of the Reserve Bank of India Act, 1934, so as to provide that no individual or firm or an unincorporated association of individuals shall, at any time, have deposits from more than the number of depositors mentioned therein. It also seeks to vest in the officers of the Reserve Bank or the State Governments, authorised in this behalf, the power to obtain search warrants from a court so as to enable them to enter into and search any premises suspected to be used for the purposes connected with the receipt of deposits in contravention of these provisions as also to inspect and seize any registers, books of accounts and documents or any literature found therein. Such warrants shall be executed in the same way and shall have the same effect as a search warrant issued under the Code of Criminal Procedure.

*Clause 6.*—This clause seeks to amend section 46B of the Reserve Bank of India Act so as to empower it to grant medium term loans from the

National Agricultural Credit (Stabilisation) Fund to State co-operative banks by way of reimbursement of medium term conversion loans granted by the latter owing to drought, famine or other natural calamities, if the State co-operative bank concerned has no dues in respect of the bills of exchange and promissory notes outstanding to the Reserve Bank. The Stabilisation Fund is also proposed to be utilised for giving relief wherever crops are damaged on account of military operations with another country. The period of repayment of medium term loans sanctioned to the State co-operative banks is proposed to be extended from five years to seven years.

*Clauses 7 and 8.*—These clauses seek to amend respectively section 58B and section 58E of the Reserve Bank of India Act with a view to providing for penalties for contravening the provision of new section 45S of that Act.

*Clause 9.*—This clause seeks to amplify the existing definitions in section 5 of the Banking Regulation Act, 1949 of the term “approved securities”. It also seeks to incorporate in that section the definitions of the terms “Agricultural Refinance and Development Corporation”, “corresponding new bank”, “Industrial Development Bank of India”, “Regional Rural Bank”, “Reserve Bank”, and “State Bank of India”.

*Clause 10.*—This clause is consequential to the inclusion in section 5 of the Banking Regulation Act, 1949, of a definition of the term “corresponding new bank”.

*Clause 11.*—This clause is consequential to the amendment made by section 5 of the Agricultural Refinance Corporation (Amendment) Act, 1975 by which Agricultural Refinance Corporation has been renamed as Agricultural Refinance and Development Corporation.

*Clause 12.*—This clause seeks to amend section 7 of the Banking Regulation Act, 1949, so as to clarify therein that no company other than a banking company shall use any of the words, viz. “bank”, “banker” or “banking” as part of its name, or even in connection with its business.

*Clause 13.*—This clause seeks to amend section 8 of the Banking Regulation Act, 1949, in pursuance of the recommendation of the Banking Commission, to provide that the provisions of the said section do not hit the business which the Central Government may specify under section 6(1) (o) thereof as a form of business in which it is lawful for a banking company to engage.

*Clause 14.*—This clause seeks to amend section 10B of the Banking Regulation Act, 1949, so as to make inapplicable to banks with deposits of Rs. 10 crores or less, the mandatory provision of this section that every banking company shall have a whole-time chairman. This clause also seeks to provide that once the deposits of a bank have aggregated Rs. 10 crores or more, it shall always have such a whole-time chairman even though its deposits may, later, go below Rs. 10 crores. This clause further seeks to provide that a chairman whose term of office has come to an end in certain circumstances shall, subject to the approval of the Reserve Bank, continue in office until his successor assumes office.

*Clause 15.*—This clause seeks to insert a new section 10BB in the Banking Regulation Act, 1949, so as to empower the Reserve Bank to appoint, pending agreement between the Reserve Bank and the banking company concerned, any person as the chairman of that banking company when the office of its chairman remains vacant for a long time and when, in the opinion of the Reserve Bank, the interests of the said banking company are likely to be adversely affected by the said office so remaining vacant.

*Clause 16.*—This clause seeks to substitute section 10C of the Banking Regulation Act, 1949, so as to provide that a chairman of a banking company, whether appointed by the banking company itself or by the Reserve Bank, shall not be required to hold any qualification shares in the banking company.

*Clause 17.*—This clause seeks to substitute section 18 of the Banking Regulation Act, 1949, so as to provide, in accordance with the recommendations of the Banking Commission in this behalf, that the cash reserve which every non-scheduled banking company is required to maintain in India shall be maintained by it only with the Reserve Bank and not, with the Reserve Bank or the State Bank of India or any other bank notified by the Central Government in this behalf. At the same time, it seeks to introduce the concept of "net balance" for the purpose of arriving at the amount of "balance in current account" which is to be treated as liquid asset. In terms of this provision, each bank will be required to work out the difference between the balances held by it in current account with the public sector banks and the balances which the public sector banks may have in current account with it and include in its liquid assets only the excess, if any, of the former over the latter. The clause further seeks to modify the definition of the term "liabilities in India" occurring in the "Explanation" below existing section 18 of the aforesaid Act in respect of which minimum cash balances are to be maintained by every banking company, not being a scheduled bank. In the case of a banking company, not being a scheduled bank, only the net liability of that bank to the entire banking system, that is, after deduction of the balances maintained by it with all other banks from its gross liabilities to all those other banks, will be deemed to be its liability to these banks, for the purposes of sections 18 and 24 of the said Act.

*Clause 18.*—This clause seeks to amend section 19 of the Banking Regulation Act, 1949, so as to amplify, in pursuance of the recommendations of the Banking Commission, the scope of the said section with a view to enabling the banks to form subsidiaries for carrying on one or more kinds of business which they are permitted to engage in, or which may be conducive to the spread of banking in India. At present, the power of the banks is confined only to formation of subsidiaries for undertaking and executing trusts, administration of estates as executor, trustees or otherwise, the providing of safe deposit vaults etc.

*Clause 19.*—This clause seeks to amend section 20(1) (b) (iii) of the Banking Regulation Act, 1949, so as to provide that a banking company is precluded from granting any loans or advances to a subsidiary or holding company even when the banking company's director is only interested in the holding company's subsidiary or in the holding company

of the subsidiary as director, managing agent, manager, employee or guarantor or in which he holds substantial interests.

*Clause 20.*—This clause seeks to amend sub-section (3) of section 22 of the Banking Regulation Act, 1949 so as to widen the scope of the matters which the Reserve Bank may consider before granting a licence to a company to carry on banking business in India.

*Clause 21.*—This clause seeks to amend section 24 of the Banking Regulation Act, 1949, so as to empower the Reserve Bank to increase the liquidity ratio which the scheduled and non-scheduled banks are required to maintain in India, from the present statutory minimum limit of 25 per cent. to a maximum of 40 per cent. of their total demand and time liabilities in India. The clause also includes amendments consequential to the amendments proposed to section 18 of the Act; *vide* clause 17 of the Bill.

*Clause 22.*—This clause seeks to amend section 29 of the Banking Regulation Act, 1949, so as to clarify that the period specified in sub-section (3) of section 210 of the Companies Act, 1956, relating to preparation of the balance-sheet and profit and loss account shall, in the case of a banking company, be the period ending with the last working day of the year immediately preceding the year in which its annual general meeting is held.

*Clause 23.*—This clause seeks to amend section 35B of the Banking Regulation Act, 1949, so as to make the Reserve Bank's approval necessary for any change in the maximum permissible number of directors of a banking company. It also seeks to remove the existing dual control in regard to the managerial remuneration in the case of a banking company, one by the Reserve Bank under section 35B of the Banking Regulation Act, 1949 and the other by the Government of India in the circumstances mentioned in sub-section (4) of section 198 of the Companies Act, 1956.

*Clause 24.*—This clause seeks to amend section 36AB of the Banking Regulation Act, 1949, so as to remove the limit on the number of additional directors which the Reserve Bank can appoint under that section.

*Clause 25.*—Under section 464 of the Companies Act, 1956, as amended in 1960, the High Court may dispense with the appointment of a committee of inspection. This clause seeks to make consequential amendments to section 42 of the Banking Regulation Act, 1949.

*Clause 26.*—In addition to making some textual changes in section 45 of the Banking Regulation Act, 1949, this clause seeks to amend:

(i) sub-section (8) of the aforesaid section so as to make it clear that the scheme of amalgamation of one banking company with any banking institution shall also be binding on the trustees or other persons managing, or in any other manner connected with, any provident fund or other fund maintained by any such company or the transferee bank;

(ii) sub-section (15) of the said section with a view to confining the scope of the definition of the term "banking institution" to any banking company, State Bank of India, a subsidiary bank or a corresponding new bank; and

(iii) the said section by adding an *Explanation* thereto so as to avoid a claim by an employee of the transferor bank that he should be given in the transferee bank the same "rank or status" as he had in the transferor bank at the time of amalgamation.

*Clauses 27 and 28.*—These clauses seek to amend respectively section 45A and section 45J of the Banking Regulation Act, 1949, so as to replace the reference to Code of Criminal Procedure, 1898, by a reference to the Code of Criminal Procedure, 1973.

*Clause 29.*—This clause seeks to amend section 45S of the Banking Regulation Act, 1949 so as to replace the reference to Chief Presidency Magistrate or the District Magistrate by a reference to Chief Metropolitan Magistrate or the Chief Judicial Magistrate respectively. These amendments are necessitated by the coming into force of the Code of Criminal Procedure, 1973.

*Clause 30.*—This clause seeks to insert new sections 45Y, 45Z, 45ZA, 45ZB, 45ZC, 45ZD, 45ZE and 45ZF in the Banking Regulation Act, 1949, based on the recommendations of the Banking Commission, so as—

(i) to empower the Central Government to frame rules specifying the periods of preservation of various types of records such as books, accounts and documents required to be maintained by a banking company as also of the different instruments paid by it (section 45Y);

(ii) to enable a bank to return at the request of a customer (including Government Departments and statutory corporations) a paid instrument, before the prescribed preservation period, only after making and keeping in the bank's possession a true copy thereof made by mechanical processes (section 45Z);

(iii) to empower a bank to make payment to the nominee of a depositor of the amount to his credit, in the event of the latter's death (section 45ZA);

(iv) to protect a bank against any claim of the third party to the deposit (section 45ZB);

(v) to enable a bank to return the articles kept by a person in the bank's safe custody to the nominee or the person appointed under sub-section (2) of new section 45ZC in the event of the death of the person leaving the articles in safe custody, after making inventory of the articles in the manner directed by the Reserve Bank, the inventory being signed by the person receiving the articles (section 45ZC);

(vi) to protect a bank against any claim, to any articles, made by any person other than the person who placed the article in safe custody with the banking company (section 45ZD);

(vii) to enable a bank to release the contents of a safety locker to the nominee or survivor of the hirer of such locker in the event of the death of the hirer, by making an inventory of the contents of a safety locker in the manner directed by the Reserve Bank, the inventory being signed by the nominee or the survivor as also to protect the bank against any liability for so releasing the contents of the locker (section 45ZE);

(viii) to protect a bank against any claim to the contents of a safety locker, made by any person other than the hirer (or his nominee) of such locker who placed the articles in the safe custody with the banking company (section 45ZF).

*Clause 31.*—This clause seeks to substitute sub-section (4) of section 46 of the Banking Regulation Act, 1949, so as to make a failure to comply with any term contained in, or condition imposed by, any order, rule or direction, and a failure to carry out the terms of an amalgamation sanctioned under section 45, as offences punishable under section 46.

*Clause 32.*—This clause seeks to amend section 47 of the Banking Regulation Act, 1949, consequent on the coming into force of the Code of Criminal Procedure, 1973.

*Clause 33.*—This clause seeks to amend section 51 of the Banking Regulation Act so as:

(i) to make the prohibition contained in section 20 thereof against making advances to companies having a common director, inapplicable to advances by the public sector banks to companies in which the Central Government or the Reserve Bank or a Corporation owned by that bank holds 40 per cent. or more of the paid-up capital;

(ii) to extend the statutory protection given by clause (c) of the proviso to section 51 thereof also to an officer who may be nominated on the Board of a corresponding new bank or a Regional Rural Bank or of a banking company and also to an officer of a corresponding new bank or a Regional Rural Bank or a subsidiary bank who may be nominated on the Board of another bank; and

(iii) to provide that a rule or direction made under the Act shall also apply to the State Bank of India, any corresponding new bank, a Regional Rural Bank and a subsidiary bank.

Other amendments proposed to be made by this clause are of a consequential nature.

*Clause 34.*—This clause seeks to amend section 52 of the Banking Regulation Act, 1949, so as to provide for laying of rules made by the Central Government under the aforesaid Act before each House of Parliament. The amendment also seeks to dispense with the condition of previous publication of the rules to be framed under this section.

*Clause 35.*—Section 56 of the Banking Regulation Act, 1949, specifies the modifications to certain sections of the Act in their application to co-operative banks. This clause deals with the modifications of the relevant sections as a result of the proposed amendments to the Banking Regulation Act. The important modifications are:

(i) the proviso proposed to be substituted for the existing proviso to section 8 (relating to prohibition of trading) provides that the period for completing any business referred to in that section will be extended only up to the expiry of one year from the commencement of the amending legislation.

(ii) the proviso proposed to be substituted for the second proviso to section 9 empowers the Reserve Bank to extend the period of seven years for disposal of non-banking assets of a co-operative bank, if the Reserve Bank is satisfied that such extension would be in the interests of the depositors of the co-operative bank.

(iii) a new section—section 24A—is proposed to be inserted empowering the Reserve Bank to exempt, by notification, any co-operative bank or class of co-operative banks from the applicability of the whole or any part of the provisions of section 18 or section 24 of the Act with reference to all or any of the offices of such co-operative bank or co-operative banks or with reference to the whole or any part of the assets and liabilities of such co-operative bank or co-operative banks and for such period and subject to such conditions as may be specified in the notification.

(iv) clause (d) of sub-section (1) of section 36 is proposed to be substituted by a new clause which would enable the Reserve Bank to depute one or more of its officers to watch the proceedings at any meeting of the Board of Directors of a co-operative bank or to appoint its officers to observe the manner in which the affairs of the co-operative bank or its offices or branches are conducted and make a report thereon.

*Clause 36.*—This clause seeks to insert a new section 35A in the State Bank of India Act, 1955, with a view to providing certain protection to directors appointed by the State Bank on the boards of companies assisted by it against prosecution as a result of non-compliance with the provisions contained in the Companies Act, 1956, or any other law or the Memorandum or Articles of Association. It further seeks to provide that such a director shall hold office during the pleasure of the State Bank and may be removed by it. Further, such a director will not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duty as a director.

*Clause 37.*—In addition to making some textual changes in section 40 of the State Bank of India Act, 1955, this clause seeks to amend that section so as:

(i) to dispense with the period within which the accounts of the bank are to be submitted to the Central Government and the Reserve Bank; and

(ii) to provide for laying before each House of Parliament the auditors' report and the report on the working and activities of the State Bank of India, as is done in the case of the nationalised banks.

*Clause 38.*—The amendment to section 42 of the State Bank of India Act, 1955, is consequential to the amendment proposed to section 40 of the Act by clause 37.

**Clause 39.**—This clause seeks to amend section 43 of the State Bank of India Act, 1955, so as to empower the Central Board of the Bank to delegate by general or special order the powers to the officers of the Bank.

**Clauses 40 and 41.**—These clauses seek to amend section 49 and section 50 respectively of the State Bank of India Act, 1955, so as to provide for laying of rules and regulations made under the aforesaid Act before each House of Parliament.

**Clause 42.**—This clause seeks to insert a new section 38A in the State Bank of India (Subsidiary Banks) Act, 1959 (on the lines of new section 35A proposed to be inserted in the State Bank of India Act, 1955, by clause 36) with a view to providing certain protection to directors appointed by a subsidiary bank on the boards of companies assisted by it against prosecution as a result of non-compliance with the provisions contained in the Companies Act, 1956 or any other law or the Memorandum or Articles of Association. It further seeks to provide that such a director shall hold office during the pleasure of the subsidiary bank and may be removed by it. Further, such a director will not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duty as a director.

**Clause 43.**—This clause seeks to make some verbal amendments to section 43 of the State Bank of India (Subsidiary Banks) Act, 1959 and also to provide for the auditors' report and the report on the working and activities of a subsidiary bank being laid before each House of Parliament.

**Clause 44.**—The amendment to section 44 of the State Bank of India (Subsidiary Banks) Act, 1959 is consequential to clause 43.

**Clause 45.**—This clause seeks to amend section 53 of the State Bank of India (Subsidiary Banks) Act, 1959, with a view to providing that the officer nominated by the State Bank as a director of its subsidiary bank shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duty as a director.

**Clauses 46 and 47.**—These clauses seek to amend section 62 and section 63 respectively of the State Bank of India (Subsidiary Banks) Act, 1959, so as to provide for laying of rules and regulations made under the aforesaid Act before each House of Parliament.

**Clause 48.**—This clause seeks to amend the definition of the term "banking company" in clause (b) of section 2 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 by omitting the expression "and any other banking institution notified under section 51 of the Banking Regulation Act, 1949". This clause also seeks to amend the definition of the term "insured bank" in clause (i) of that section so as to include therein "a corresponding new bank", with retrospective effect from the 1st July, 1971, since clause (i) of section 2, as substituted by the Deposit Insurance Corporation (Amendment) Act, 1968 which came into force from the 1st July, 1971 did not include a reference to corresponding new banks. This clause also makes amendments consequent on clause 33.

*Clause 49.*—This clause seeks to amend sub-section (2) of section 6 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 with a view to providing that the additional directors appointed under section 6(1) (e) of the Act shall hold office for a term not exceeding four years as may be specified by the Central Government. Further, it seeks to amend sub-section (3) of section 6 of the Act so as to provide that a director nominated by Central Government under clause (e) of sub-section (1, of section 6 shall not be capable of being nominated as a director in the circumstances indicated in sub-section (3). It further seeks to insert a new sub-section (5) so as to provide that the seat of a director nominated under sub-section (1) (e) of section 6 shall become vacant in specified circumstances.

*Clause 50.*—The amendment is consequential to clause 33.

*Clause 51.*—This clause seeks to amend section 13(2) of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 so as to omit the reference to clause (b) in that section on the ground that the provisions of section 22 of the Banking Regulation Act, 1949, are not applicable to the corresponding new bank *vide* section 51 of that Act.

*Clause 52.*—This clause seeks to make textual changes in sub-section (2) of section 32 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

*Clause 53.*—This clause seeks to amend section 50 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, so as to provide for laying of regulations made under the aforesaid Act before each House of Parliament.

*Clause 54.*—This clause seeks to make textual changes in section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

*Clause 55.*—This clause seeks to insert a new section 5A in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (on the lines of new section 35A proposed to be inserted in the State Bank of India Act, 1955, by clause 36) with a view to providing certain protection to directors appointed by a nationalised bank on the boards of companies assisted by it against prosecution as a result of non-compliance with the provisions contained in the Companies Act, 1956 or any other law or the Memorandum or Articles of Association. It further seeks to provide that such a director shall hold office during the pleasure of the nationalised bank and may be removed by it. Further, such a director will not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duty as a director.

*Clause 56.*—This clause seeks to insert a new sub-section in section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 so as to specifically provide that a scheme made under section 9(2) (c) of that Act shall be binding on the creditors, depositors, employees and other persons affected by it. This clause further seeks to incorporate a definition of the term "banking institution" in the said section on the lines of definition in sub-section (15) of section 45 of the Banking Regulation Act, 1949, as proposed to be amended by clause 26.

*Clause 57.*—This clause seeks to introduce two “*Explanations*” in section 10 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on the lines of the corresponding provisions in the Companies Act, 1956 dealing with the scope of the auditors’ reports in the matter of certifying that the balance-sheet exhibits a true and fair view of the affairs of the nationalised bank concerned. This clause further seeks to insert new sub-section (7A) in section 10 so as to rationalise the existing arrangements regarding the furnishing of its annual balance-sheet and accounts together with the auditors’ report and the annual report on its working and activities by each nationalised bank to the Central Government and to make textual changes in sub-section (8) of the said section. It also seeks to insert new sub-section (9) in section 10 of the Act so as to empower the Central Government to appoint, at any time, such number of auditors as it thinks fit to examine and report on the accounts of a nationalised bank.

*Clause 58.*—This clause seeks to amend section 19 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 so as to provide for the laying of regulations made by the Board of Directors of a corresponding new bank under the aforesaid Act before each House of Parliament.

*Clause 59.*—This clause seeks to amend sub-sections (1) and (2) of section 19 of the Regional Rural Banks Act, 1976 so as to vest the power of approving the appointment of auditors of a regional rural bank and fixation of their remuneration, in the Reserve Bank instead of in the Central Government. It further seeks to amend sub-section (4) of section 19 so as to provide that every auditor shall make a report also to the Central Government.

*Clause 60.*—This clause seeks to amend section 20 of the Regional Rural Banks Act, 1976, so as to empower the Central Government to grant extension up to a maximum of sixty days for furnishing the annual report and the balance-sheet, etc., to each shareholder of a regional rural bank.

*Clause 61.*—This clause seeks to amend section 30 of the Regional rural Banks Act, 1976, so as to provide that regulations made under the aforesaid Act shall be placed before each House of Parliament.

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9 of the Bill seeks to amend the definition of "approved securities" in section 5 of the Banking Regulation Act, 1949, as meaning, *inter alia*, such of the securities authorised by the Central Government under clause (f) of section 20 of the Indian Trusts Act, 1882 as may be prescribed by rules made by the Central Government under the Banking Regulation Act, 1949. This is a matter of detail necessary for the effective administration of the statutory provisions relating to maintenance by banks of the requisite percentage of assets.

At present, every bank is required to maintain the liquidity ratio of not less than 25 per cent. of the total of its demand and time liabilities under section 24(2A) (a) of the Banking Regulation Act, 1949. Clause 21 of the Bill and clause 35, as applicable to co-operative societies, seek to amend that section so as to empower the Reserve Bank to increase the said ratio from the present statutory minimum limit of 25 per cent. up to a limit not exceeding 40 per cent. as may be specified by the Reserve Bank in the notification.

Clause 30 of the Bill seeks to insert a new section 45Y in the Banking Regulation Act, 1949, which empowers the Central Government, after consultation with the Reserve Bank, to make rules specifying the periods for which banks shall preserve and keep their books of accounts and other documents as well as different instruments paid by them. Different periods may have to be fixed for different types of records, depending upon the nature of each record, and keeping in view the needs and practical difficulties of the banks, and usefulness in connection with tax and other regulatory proceedings. It is not possible to visualise at this stage as to what should be the various minimum periods for preservation of various records.

This clause further seeks to insert new sections 45ZA, 45ZC and 45ZE in the Banking Regulation Act, 1949, in pursuance whereof, the depositors of banks, persons leaving articles in safe custody with banks, and hirers of safety lockers from bank, are given the right of nomination in the manner prescribed under rules made by the Central Government under the said Act. The nomination so made can also be varied or cancelled in the prescribed manner.

Clause 35 of the Bill seeks to insert a new section 24A as applicable to co-operative societies for empowering the Reserve Bank to exempt, by notification, any co-operative bank or class of co-operative banks from the applicability of the whole or any part of the provisions of section 18 or section 24 of the Act, with reference to all or any of the offices of such co-operative bank or co-operative banks, or with reference to the whole or any part of the assets and liabilities of such co-operative bank or co-operative banks, and for such period and subject to such conditions as may be specified in the notification. This is a matter relating to implementation of policy, in suitable cases.

Clause 39 of the Bill seeks to amend section 43 of the State Bank of India Act, 1955 so as to provide for delegation of powers to the officers of the Bank also by general or special orders made by the Central Board of the Bank.

The matters in respect of which an authority is empowered to issue any authorisation, notification or order or to make rules relate to matters of procedure and administrative detail. It is not practicable to provide for them in the relevant enactment. The delegation of legislative power is, therefore, of a normal character.

## BILL No. 172 OF 1978

*A Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 1978-79.*

Be it enacted by Parliament in the Twenty-ninth Year of the Republic of India as follows:—

1. This Act may be called the Appropriation (No. 5) Act, 1978.

Short  
title.

2. From and out of the Consolidated Fund of India there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate to the sum of eleven thousand eight hundred and sixty crores, seventy-four lakhs and fifty-five thousand rupees towards defraying the several charges which will come in the course of payment during the financial year 1978-79, in respect of the services specified in column 2 of the Schedule.

Issue of  
Rs. 11,860,  
74,55,000  
out of the  
Consoli-  
dated  
Fund of  
India for  
the year  
1978-79.

3. The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

Appro-  
priation

**THE SCHEDULE**  
(See sections 2 and 3)

| 1<br>No. of<br>Vote | 2<br>Services and purposes                                                   | 3<br>Sums not exceeding |                                           |                  |
|---------------------|------------------------------------------------------------------------------|-------------------------|-------------------------------------------|------------------|
|                     |                                                                              | Voted by<br>Parliament  | Charged on<br>the<br>Consolidated<br>Fund | Total            |
|                     |                                                                              | Rs.                     | Rs.                                       | Rs.              |
| 2                   | Agriculture . . . Revenue                                                    | 41,19,00,000            | ..                                        | 41,19,00,000     |
|                     | Capital                                                                      | 202,15,00,000           | 25,00,00,000                              | 227,15,00,000    |
| 6                   | Department of Food . . Revenue                                               | ..                      | 2,40,80,000                               | 2,40,80,000      |
| 12                  | Foreign Trade and Ex-<br>port Production . . . Revenue                       | 87,00,00,000            | ..                                        | 87,00,00,000     |
| 18                  | Capital Outlay on Posts<br>and Telegraphs . . . Capital                      | 5,000                   | 63,000                                    | 68,000           |
| 29                  | Power Development . . Capital                                                | 19,00,00,000            | ..                                        | 19,00,00,000     |
| 33                  | Customs . . . . . Revenue                                                    | 1,11,49,000             | ..                                        | 1,11,49,000      |
|                     | Capital                                                                      | 51,00,000               | ..                                        | 51,00,000        |
| 41                  | Transfers to State and<br>Union Territory Go-<br>vernments . . . . . Revenue | 75,56,65,000            | ..                                        | 75,56,65,000     |
|                     | Capital                                                                      | ..                      | 274,43,35,000                             | 274,43,35,000    |
| 42                  | Other Expenditure of<br>the Ministry of Fin-<br>ance . . . . . Revenue       | 1,000                   | ..                                        | 1,000            |
|                     | Capital                                                                      | 57,26,00,000            | ..                                        | 57,26,00,000     |
|                     | CHARGED— <i>Repayment of<br/>Debt</i> . . . . . Capital                      | ..                      | 11,000,00,00,000                          | 11,000,00,00,000 |
| 35                  | Andaman and Nicobar<br>Islands . . . . . Revenue                             | ..                      | 4,000                                     | 4,000            |
| 39                  | Industries . . . . . Capital                                                 | 11,00,00,000            | ..                                        | 11,00,00,000     |
| 60                  | Village and Small In-<br>dustries . . . . . Revenue                          | 1,000                   | ..                                        | 1,000            |
| 61                  | Textiles, Handloom<br>and Handicrafts . . . Revenue                          | 26,00,00,000            | ..                                        | 26,00,00,000     |
|                     | Capital                                                                      | 3,53,00,000             | ..                                        | 3,53,00,000      |
| 63                  | Information and Publi-<br>city . . . . . Revenue                             | 1,000                   | ..                                        | 1,000            |
| 68                  | Administration of Justice Revenue                                            | ..                      | 4,66,000                                  | 4,66,000         |
| 71                  | Chemicals and Fertilis-<br>ers Industries . . . . . Revenue                  | 1,000                   | ..                                        | 1,000            |
|                     | Capital                                                                      | 1,000                   | ..                                        | 1,000            |

| 1              | 2                                                | 3                      |                                        |                  |
|----------------|--------------------------------------------------|------------------------|----------------------------------------|------------------|
| No. of<br>Vote | Services and purposes                            | Sumas not exceeding    |                                        |                  |
|                |                                                  | Voted by<br>Parliament | Charged on the<br>Consolidated<br>Fund | Total            |
|                |                                                  | Rs.                    | Rs.                                    | Rs.              |
| 77             | Ports, Lighthouses and<br>Shipping . . . Revenue | 19,71,31,000           | ..                                     | 19,71,31,000     |
|                | Capital                                          | 2,31,00,000            | ..                                     | 2,31,00,000      |
| 79             | Department of Steel . Revenue                    | 7,00,00,000            | ..                                     | 7,00,00,000      |
|                | Capital                                          | 1,000                  | ..                                     | 1,000            |
| 81             | Mines and Minerals . Revenue                     | ..                     | 45,000                                 | 45,000           |
|                | Capital                                          | 5,50,01,000            | ..                                     | 5,50,01,000      |
| 90             | Public Works . . . Capital                       | 1,000                  | ..                                     | 1,000            |
| 92             | Housing and Urban<br>Development . . . Capital   | 1,000                  | ..                                     | 1,000            |
| 103            | Department of Space . Revenue                    | ..                     | 3,000                                  | 3,000            |
|                | TOTAL . . .                                      | 558,84,59,000          | 11,301,89,96,000                       | 11,860,74,55,000 |

## STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114(1) of the Constitution of India, read with article 115 thereof, to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the supplementary expenditure charged on the Consolidated Fund of India and the grants made by the Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year 1978-79.

H. M. PATEL.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF  
THE CONSTITUTION OF INDIA

[Copy of letter No. F.5(33)-B (SE)/78, dated the 30th November, 1978 from Shri H. M. Patel, Minister of Finance to the Secretary, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the year ending on the 31st day of March, 1979, recommends the introduction of the Appropriation Bill, 1978 in the Lok Sabha and also recommends to the Sabha the consideration of the Bill under article 117 (1) and (3) of the Constitution read with article 115(2) thereof.

2. The Bill will be introduced in Lok Sabha after all the Supplementary Demands for Grants for 1978-79 have been voted.

AVTAR SINGH RIKHY,  
*Secretary.*