

Rep. by Act 58 of 1960, s. 2 F.S.A. I (w/ 26.12.60).

THE RESERVE BANK OF INDIA (AMENDMENT)
ACT, 1956

ACT No. 38 OF 1956

An Act further to amend the Reserve Bank of India Act, 1934.

[1st September, 1956]

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

Short title
and com-
mencement.

1. (1) This Act may be called the Reserve Bank of India (Amendment) Act, 1956.

(2) It shall come into force on such date¹ as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

Amendment
of section 19.

2. In section 19 of the Reserve Bank of India Act, 1934 (herein-² after referred to as the principal Act), after the figures "18", the figures "42" shall be inserted.

¹ 6th October, 1956, *vide* notification No. S.R.O. 2228, dated 1-10-1956 Gazette of India, Pt. II, Sec. 3, p. 1682.

3. In section 33 of the principal Act,—

Amendment
of section 33.

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

“(2) Of the total amount of the assets, the amount of gold coin or gold bullion and the amount of foreign securities shall not at any time be less than one hundred and fifteen crores of rupees and four hundred crores of rupees respectively in value.”;

(b) in sub-section (4), for the figures “8.47512”, the figures “2.88” shall be substituted.

4. For section 37 of the principal Act, the following section shall be substituted, namely:—

Substitution
of new
section for
section 37.

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

Suspension
of assets re-
quirements
as to foreign
securities.

Provided that the amount of foreign securities so held shall not at any time be less than three hundred crores of rupees in value.”

5. In section 42 of the principal Act,—

Amendment
of section 42

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

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

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

Explanation.—For the purposes of this section,—

(a) ‘average daily balance’ shall mean the average of the balances held at the close of business on each day of a week;

(b) 'week' shall mean the period from Saturday to the following Friday, both days inclusive;

(c) 'liabilities' shall not include the paid-up capital or the reserves, or any credit balance in the profit and loss account of the bank or the amount of any loan taken from the Bank, the State Bank, or any other bank notified by the Central Government in this behalf.

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

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

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

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

(b) for sub-section (3), the following sub-section shall be substituted, namely:—

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

(c) in sub-section (3A), for the portion commencing with the words “if thereafter on the day fixed for the next return” and ending with the words “receiving after the said day any fresh deposit”, the following shall be substituted, namely:—

“if thereafter the average daily balance held at the Bank during the next succeeding week is still below the prescribed minimum,—

(a) every director, manager or secretary of the scheduled bank, who is knowingly and wilfully a party to the default, shall be punishable with fine which may extend to five hundred rupees and with a further fine which may extend to five hundred rupees for each subsequent week during which the default continues, and

(b) the Bank may prohibit the scheduled bank from receiving after the said week any fresh deposit.”.

6. In clause (b) of sub-section (2) of section 46A of the principal Act,— Amendment
of section
46A.

(a) the words “for agricultural purposes” shall be omitted; and

(b) after the words “by the Bank”, the words “and such loans and advances may be made for agricultural purposes or for such other purposes connected with the agricultural activities as the Central Board may, from time to time, by regulation or otherwise, determine” shall be inserted.

Rep. by Act 58 of 1960

730 Code of Criminal Procedure (Amendment) [ACTS 38, 39 & 40

Amendment
of section 24
of the
Banking
Companies
Act, 1949.

7. In sub-section (2) of section 24 of the Banking Companies Act, 1949, for the words, brackets and figures "sub-section (1) of section 10 of 1949. 42", the word and figures "section 42" shall be substituted.

1/11/60 (1960-12-12)