

Laws and Regulations Related to Banking Sector

7

This Module Includes:

- 7.1 The Banking Regulation Act, 1949**
- 7.2 Role of Reserve Bank of India**
- 7.3 The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002**

Laws and Regulations Related to Banking Sector

SLOB Mapped against the Module

To obtain an overview of multiple specialised laws and regulations governing banking sectors in India.

Module Learning Objectives:

After studying the chapter, this module students will be able to -

- ✦ Understand function of banks under the Banking Regulation Act;
- ✦ The role of RBI in supervision and control of other banks;

The Banking Regulation Act, 1949

7.1

7.1.1. Overview

Parliament has the power to legislate on banking through entry 45 of Union List. The Banking Regulation Act, 1949 is a central legislation that regulates all banking firms in India. Initially, the law was applicable only to banking companies.

The Act provides a framework using which commercial banking in India is supervised and regulated. The Act supplements the Companies Act, 1956. Primary Agricultural Credit Society and cooperative land mortgage banks are excluded from the Act. There are two other legislations which effect banking regulations.

The Act gives the Reserve Bank of India (RBI) the power to license banks, have regulation over shareholding and voting rights of shareholders, supervise the appointment of the boards and management, regulate the operations of banks, lay down instructions for audits, impose moratorium, mergers and liquidation, issue directives in the interests of public good and on banking policy and impose penalties.

The important provisions under Banking Regulation Act, 1949 are as follows:

7.1.2. Forms of business in which banking companies may engage [Section 6]

‘Banking’ means accepting, for the purpose of lending and investment of deposit of money from the parties, repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise.

This section provides that a Banking Company may engage in addition to the business of banking, a list of activities as detailed below:

Banking company means any company which transacts the business of banking.

- (a) Agent for any government or local authority or persons but not as a managing agent or secretary and treasurer of a company.
- (b) May effect, insure/ guarantee/underwrite, participate in managing or carrying out of any issue of loans or any other securities made by state, local body, company, corporation, association and may also lend for the purpose.
- (c) May carry on or transact every kind of guarantee or indemnity business.
- (d) May manage, sell and realize any property which may come its possession in satisfaction of its claims.
- (e) May acquire, hold and deal with any property or any right, title or interest therein which forms the security for any loans or advances sanctioned.
- (f) May undertake and execute trusts.
- (g) May undertake the administration of estates as executor, trustee or otherwise.
- (h) May establish and support or aid in the establishment of associations, institutions, funds, trusts and conveniences for the benefit of its present or past employees and their dependents and may grant or guarantee moneys for charitable purposes.

- (i) May acquire, construct, maintain and alter any building or works necessary for its purposes.
- (j) May sell, improve, manage, develop, exchange, lease, mortgage dispose off or otherwise deal with any of its properties and rights.
- (k) May take over and undertake the whole or any part of the business of any person or company when such business is of a nature described above.
- (l) May do all such other things as are incidental or conducive to the promotion or advancement of its business.
- (m) May engage in any other form of business which the Central Govt. specifies to be lawful.

The above list of activities is exhaustive but not comprehensive. Of the several kinds of services listed above both under main business as well as ancillary business, some are 'agency services' and some are general utility services

7.1.3. Board of Directors to include persons with professional and other experience

Every company to ensure not less than 51% of the total number of the Board of Directors shall consist of persons who shall have specialized knowledge or practical experience in accountancy, agriculture and rural economy, banking, co-operation, finance, law, small scale industry or any other field which in the opinion of the Reserve Bank of India would be useful to the Banking company. Of these, there shall be minimum two persons with special knowledge or experience in agriculture and rural economy, co-operation and small scale industry. They may be connected with small industrial concern/firms. The intention behind this provision is that the Board should be perfectly balanced with specialists drawn from various streams should form part of the Board and can provide a broad spectrum of experience. The directors of a banking company other than Chairman and Whole time director shall hold office for a period of 8 years.

Directors shall not face any conflict of interest with any connected parties. RBI may order for reconstitution of Board of any bank. Removal of any director is appealable to Central Govt. shall fill up vacancies , if any, in nay bank, omits own. There shall be not be nay common director in banks.

7.1.4. Banking company to be managed by whole time Chairman [Section10B]

Every banking company in existence on the commencement of the Banking Regulation (Amendment) Act, 1994 or which comes into existence thereafter shall have one of its Directors, who may be appointed on a whole-time or a part-time basis, as Chairman of its board of Directors, and where he is appointed on a whole-time basis, as Chairman of its board of Directors, he shall be entrusted with the management of the whole of the affairs of the banking company.

Provided that the Chairman shall exercise his powers subject to the superintendence, control and direction of the Board of Directors. Where chairman is appointed on part time basis, management of whole affairs shall be entrusted to MD, both to be appointed with RBI approval. Such approval shall be for 5 years tenure at a time.

7.1.5. Power of Reserve Bank to appoint Chairman of the Board of Directors appointed on a whole-time basis or a Managing Director of a banking company [Section10BB].

Where the office, of the Chairman of the board of Directors appointed on a whole-time basis or a Managing Director of a banking company is vacant, the Reserve Bank may, if it is of opinion that the continuation of such vacancy is likely to adversely affect the interests of the banking company, appoint a person eligible to be so appointed, to be the Chairman of the board of Directors appointed on a whole- time basis or a Managing Director of the banking company and where the person so appointed is not a Director of such banking company, he shall, so long as he holds the office of the Chairman of the board of Directors appointed on a whole-time basis or a Managing Director, be deemed to be Director of the banking company. The Chairman of the Board of Directors of a Banking Company shall hold office for a period of 5 years.

7.1.6. Requirements regarding minimum paid up capital and reserves [Sections 11 & 12]

Under the provisions of Section 12, the subscribed capital of the company is not less than half of its authorized capital and the paid up capital is not less than half of its subscribed capital, provided when the capital is increased this proportion may be permitted to be secured within a period not exceeding two years or as per RBI guidelines from the date of increase. The shares can be equity or preference. While the concept of minimum capital as above is a statutory prescription, in the current context, Capital adequacy ratio is very much relevant to be understood as the banks have now been forced to provide for the non performing assets (NPAs) in their books of account while announcing the results. The banks are now compared on an international rating and no banks can today operate without having sufficient capital as banks are required to engage with other banks for their business relationship and the erosion of capital in one bank could impact the other banks with which it has relationship. The subject matter of capital adequacy in commercial banks has been discussed and recommended by the Basel Committee guidelines. As of now, Indian commercial banks are required to be compliant with the Basel III Recommendations. The major features of Basel III are as under:

No person can exercise voting rights of more than 10% regardless of his holding which may be increased to 20% in phased manner.

(i) The three pillars upon which the edifice of capital structure stands are:

Minimum Regulatory Capital requirements based on risk weighted assets (RWAs) maintaining capital worked out through credit, market and operational risk areas Supervisory Review Process – regulating tools and frameworks for dealing with peripheral risks that bank face Market discipline specifying the disclosures that banks need to make to increase the transparency of banks

(ii) The banks are expected to have better capital quality and buffers (capital conservation and counter cyclical) and specifications for Minimum common Equity tier I and Tier II.

(iii) The banks are required to be compliant with Basel III norms on January 1, 2019 and a minimum total capital of 9 % of total risk weighted assets is to be ensured.

It may be informed that during the last two quarters, the public sector banks in general have declared lower net profits or ran into losses in comparison to the previous years in compliance with the stipulations of the Reserve Bank of India. The rising non-performing assets of the Banks is a matter of concern for the banks as well as regulators.

7.1.7. Limiting the payment of dividends [Section 15]

Section 15 prohibits every banking company from paying any dividend on its shares unless it has completely written off the capitalized expenses specified therein.

According to this section no banking company shall pay any dividend on its shares until all its capitalized expenses such as Preliminary Expenses, Brokerage and Commission on issue of shares, etc., have been completely written off.

Banking Company may pay dividend, without writing off the following:

- (a) The depreciation in the value of investments in the approved securities provided such depreciation has not been actually capitalized or accounted for a loss.
- (b) The depreciation in the value of its investments in shares, debentures, bonds, etc., (other than approved securities) where adequate provision has been made for such depreciation. The auditor of the banking company should approve such provision.
- (c) The bad debts where the adequate provision has been made in this behalf and the auditor of the banking company should approve such provision.
- (d) Banks pay dividends after taking specific approval of the Reserve Bank of India.

7.1.8. Transfer to Reserve Fund [Section 17]

Under Section 17, Banking companies incorporated in India are obligated to transfer to the reserve fund a sum equivalent to not less than 20% of the profit each year, unless the amount in such fund together with the amount in the share premium account is more than or equal to its paid-up capital unless specific exemption is made by Central Govt. on recommendation of RBI.

Any appropriation of reserves shall have to be intimated to RBI within 21 days with reasons.

All scheduled commercial banks operating in India (including foreign banks) should transfer not less than 25 per cent of the 'net profit' (before appropriations) to the Reserve Fund.

7.1.9. Maintenance of cash reserve by non-scheduled banks [Section 18]

According to Section 18, every banking company not being a scheduled bank (i.e., a non-scheduled bank) has to maintain in India on daily basis by way of cash reserve with itself or in current account opened with the Reserve Bank or the State Bank of India or any notified Bank or partly in cash with itself and partly in such account or accounts a sum equivalent to at least 3% of its total time and demand liabilities and shall report within 20th of each month.

The requirement for maintenance of Cash Reserve Ratio (CRR) by Scheduled Banks is specified in the Section 42 of the Reserve Bank of India Act, 1934.

7.1.10. Restrictions on nature of companies [Section 19]

Section 19 of the Act restricts the scope of formation of subsidiary companies by a banking company, as well as the holding of shares in other companies. That is, this section prevents banking companies from carrying on any activities by acquiring a controlling interest in any non-banking companies. This section restricts the scope of formation of subsidiary companies by a banking company, as well as the holding of shares in other companies.

A banking company may form a subsidiary company for the purposes referred to in the section, as well as for other purposes as are incidental to the business of banking, subject to the previous permission in writing of the RBI.

7.1.11. Restrictions on loans and advances [Sections 20 & 21]

Section 20 lays down the restrictions on banking companies on granting any loan to any of its director or to any firm in which a director is interested or to any individual or whom a director stands as a guarantor. Further the banking companies are prohibited from granting loans or advances on the security of its own shares. RBI is also empowered to control advances by any bank, on public interest.

Under Section 21, the RBI has been empowered to determine the policy to be followed by the banks in relation to advances. Thus, RBI gives directions to banking companies on the following matters:

- (a) The purposes for which an advance may or may not be granted.
- (b) The margins to be maintained in case of secured advances.
- (c) The rate of interest charged on advances, other financial accommodation and commission on guarantees.
- (d) The maximum amount of advance or other financial accommodation that a bank may make to or guarantee that it may issue for, a single party, having regard to the paid-up capital, reserves and deposits of the concerned bank.

7.1.12. Licensing of banking companies [Section 22]

- a) No banking company can commence or carry on banking business in India unless it holds a licence granted to it by the Reserve Bank for the purpose. This section states the following requirements for granting licence:
 - (1) Necessity of licensing and mode of applying for it.
 - (2) Conditions for granting of licenses.

- (3) Cancellation of licenses and appeals from such orders.
- (b) Before granting any license under this section, the Reserve Bank may require to be satisfied by an inspection of the books of the company that the following conditions are satisfied:
- (1) that the company is in a position to pay its present or future depositors in full as their claims accrue.
 - (2) that the affairs of the company are not likely to be conducted in a manner detrimental to the interests of its present or future depositors.
 - (3) in the case of the carrying on of banking business by such company in India will be in the public interest and that the government or laws of the country in which it is incorporated does not discriminate in any way against banking companies registered in India and that the company complies with all the provisions of this Act, applicable to banking companies incorporated outside India. However, RRBs have been established under a separate Act of Parliament, viz., RRBs Act 1976 and not under Banking Regulation Act.
- (c) The Reserve Bank may cancel a license granted to a banking company under this section:
- (1) If the company ceases to carry on banking business in India, or
 - (2) If the company at any time fails to comply with any of the conditions imposed upon it, or
 - (3) Any banking company aggrieved by the decision of the Reserve Bank may, within thirty appeal to the Central Government where decision of the Central Government shall be final.

Thus, every banking company which likes to start banking business in India must obtain licence from RBI. While on this section, it would be relevant to take note of the guidelines announced by the Reserve Bank of India during 2016 for licensing of new Banks. It is stated that the licences from Reserve Bank of India would now be available on tap, meaning that there is no specific period when the applications could be made. During the year 2015, two licences were issued by the Reserve Bank of India viz. for Bandhan Bank Limited and IDFC Bank Limited. It is expected that some of the prominent Non Banking Finance Companies may apply for conversion as banks under this provision. During the last year, the Reserve Bank also announced a few licences for payment banks some of which have already started operation.

7.1.13. Control on the opening of new business [Section 23]

The RBI has been empowered to control the opening of new and transfer of existing places of business of banking companies. As such, no banking company shall open a new place of business in India or outside India and change the place without obtaining the prior permission of the RBI.

No permission is required for opening a branch within the same city, town or village and for opening a temporary place of business for a maximum period of 1 month within a city, where the banking company already has a place of business for the purpose of providing banking facilities to the public on the occasion of an exhibition, a conference, a mela, etc.

7.1.14. Maintenance of a percentage of liquid assets (SLR) [Section 24]

Under this section, every banking company shall maintain in India in liquid assets for an amount not less than such percentage not exceeding 40% of the total of its time and demand liabilities as on the last Friday of the second proceeding fortnight as the Reserve Bank of India may, by notification in the official gazette, specify from time to time and such assets shall be maintained, as may be specified in such notification. The liquid assets include cash, gold or unencumbered approved securities and they are valued at a price not exceeding the current market price.

7.1.15. Maintenance of Assets in India [Section 25]

Section 25 requires for the maintenance of assets equivalent to at least 75% of its demand and time liabilities in India, at the close of business of the last Friday of every quarter.

7.1.16. Submission of Returns of unclaimed Deposits [Section 26]

According to this section, every banking company shall submit a return in the prescribed form and manner to the RBI, giving particulars, regarding un-operated accounts in India for 10 years. This return is to be submitted within 30 days after the close of each calendar year.

In the case of fixed deposits, the 10 years period is counted from the date of expiry of such fixed period. RRBs are however required to forward such returns to National Bank for Agriculture and Rural Development (NABARD).

7.1.17. Submission of Return, Forms, etc., to RBI [Section 27]

Under this section, every banking company shall before the close of the month succeeding that to which it relates, submit to be RBI a return in the prescribed form and manner showing its assets and liabilities in India on the last Friday of every month,

Besides, the RBI may at any time direct a banking company to furnish the statements and information relating to the business or affairs of the banking company within the specified period mentioned therein.

Such directions may be issued when the RBI considers it is necessary or expedient to obtain for the purpose of the Act. And the RBI may call for information every half year, regarding the investments of banking company and the classifications of advance given in respect of industry, commerce and agriculture.

7.1.18. Audit of the Balance Sheet and Profit & Loss Account [Section 30]

Annual accounts of the banking company shall be prepared on as per the format and shall be audited. Under this section RBI is entrusted with wide powers to cause an inspection of any banking company and its books and accounts. Every banking company shall, before appointing, re-appointing or removing any auditor or auditors, obtain the previous approval of the Reserve Bank. The accounts and balance sheet together with the auditor's report shall be published in the prescribe manner and three copies thereof shall be furnished to the Reserve Bank within three months from the end of the period to which it refer.

7.1.19. Giving directions to Banking Companies [Section 35A]

Under Section on 35A, the Reserve Bank may caution or prohibit banking companies generally or any banking company in particular against entering into certain types of operations, where the Reserve Bank is satisfied that (a) in the public interest or (b) in the interest of banking policy. or to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company. or to secure the proper management of any banking company generally, it is necessary to issue directions to banking companies generally or to any banking company in particular, it may, from time to time, issue such directions as it deems fit, and the banking companies or the banking company, as the case may be, shall be bound to comply with such directions.

7.1.20. Power of Central Government

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

7.1.21. Power of RBI

1) Power to issue direction in respect of stressed assets (35AB)

RBI may issue direction to bank for resolution of stressed assets and may from authorities/committees for the same.

2) Prior approval from RBI for appointment of Managing Director, etc. [Section 35B]

According to this section, prior approval of RBI should be obtained for the maximum permissible number of directors or appointment, re-appointment, remuneration and removal of the chairman or a director of a banking company and also for the amendments of provisions in the Memorandum or Articles or Resolutions of a General Meeting or Board of Directors.

3) Removal of managerial and any other persons from office [Section 36AA and Section 36AB]

Under these sections, the RBI has power to remove managerial and other persons from office and to appoint additional directors.

4) Suspension of Board of Directors in certain cases.

RBI/Central Government may in consultation of RBI on satisfaction what affairs of the banks conducted in a manner detrimental to the depositors and is against public interest. U/s 36(E), Central Government has the power to acquire the undertaking of the banking company, under above situation.

5) Suspension of Business [Section 37]

According to this section when a banking company is temporarily unable to meet its obligations it may apply to the High Court requesting an order for staying the commencement or continuance of all legal actions and proceedings against it for a period of not exceeding 6 months. Such stay is generally called a moratorium.

For such requisition, the banking company should submit an application along with a report of the RBI in this regard. In that report the RBI indicates that the banking company is able to pay its debts if the application is granted. If such report is not obtained from the RBI, the banking company cannot get the grant of moratorium.

7.1.22. Winding up of Banking Companies [Section 38 to 44]

Sections 38 to 44 of the Act lay down the provisions for winding up of a banking company. Notwithstanding anything contained in the Companies Act, the High Court shall order for the winding up of the banking company, if it is not able to pay its debt or an application has been made by the RBI under section 37 or 38 of this act. The RBI may apply for the winding up of a banking company if.

- (a) It fails to comply with the requirements as to minimum Paid-up capital and reserves as laid down in Section 11, or
- (b) Is disentitled to carry on the banking business for want of license under Section 22, or
- (c) It has been prohibited from receiving fresh deposits by the Central Government or the Reserve Bank, or
- (d) It has failed to comply with any requirement of the Act, and continues to do so even after the Reserve Bank calls upon it to do so, or
- (e) The Reserve Bank thinks that a compromise or arrangement sanctioned by the court cannot be worked satisfactorily, or
- (f) The Reserve Bank thinks that according to the returns furnished by the company it is unable to pay its debts or its continuance is prejudicial to the interests of the depositors.

The banking company cannot be voluntarily wound up unless the Reserve Bank certifies that it is able to pay its debts in full.

7.1.23. Power of CG to acquire a banking business.

CG may acquire a banking company by compulsorily transferring shares or otherwise.

7.1.24. Amalgamation of Banking Companies [Section 44A]

The procedures for amalgamation of banking companies are given under this section. As per this section the scheme of amalgamation (i.e., the terms and conditions of amalgamation) is to be approved by 2/3 majority in value of the shareholders of each of the said companies, present either in person or by proxy called for the purpose..

The unwilling shareholders are entitled to receive the value of their shares as may be determined by the RBI. The RBI has to sanction the scheme of amalgamation after the shareholders' approval.

The assets and liabilities are transferred to the acquiring bank according to the directions of RBI mentioned in the sanction order. The RBI issues order for the dissolution of the first bank on a specified date. During preparation of scheme of amalgamations RBI may suspend business with approval with Central Government.

As per the amendment in October, 2020, RBI may initiate a scheme for reconstruction and amalgamation without imposing moratorium.

Since its inception Reserve Bank has been playing key role in the formulation of monetary, banking and financial policies. To facilitate the transition process and in order to effectively perform its varying roles in the changing banking scenario, from 'regulator' to 'facilitator' over the period, Department has undergone various organizational changes and so also in its activities, approach and functioning.

(i) Inspection of banks

Reserve Bank of India has been empowered under Banking Regulation Act, 1949 to conduct the inspection of banks and regulate them in the interest of banking system, banking policy and depositors/public.

(ii) Regulatory role of commercial banks

Department of Banking Operations and Development exercises regulatory powers in respect of commercial banks and Local Area Banks (LABs). The Department of Banking Operations and Development is entrusted with the responsibility of regulation of commercial banks and LABs under the regulatory provisions contained in the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 and other related statutes besides enunciation of banking policies. Its functions broadly relate to prescription of regulations for compliance with various provisions of Banking Regulation Act on establishment of banks such as licensing and branch expansion, maintenance of statutory liquidity reserves, management and operations, amalgamation, reconstruction and liquidation of banking companies.

(iii) Anti - money laundering under PMLA

RBI has a role in PMLA by creating an anti money laundering Cell (AML Cell) for combating Financing of Terrorism (CFT) and tracking domestic and global developments in AML and CFT.

(iv) Approval/ monitoring of Board level appointments of commercial banks.

The key activity of the section, appropriately named as Appointments Section, relate

- Approval of proposals from the domestic private sector banks for appointment/ removal of part-time Chairman/Managing Director/ whole-time Chairman and Chief Executive Officers. Ensuring compliance with the provisions of the Banking Regulation Act, 1949 with regard to the composition of the Board of Directors of commercial banks in the private sector.
- Making recommendations to Government regarding appointment of Executive Directors/Chairmen & Managing Directors of public sector banks, fixation of their salaries, payment of superannuation benefits and other allied matters.
- Making recommendations to Government regarding appointment of non-official directors, non-workmen directors and RBI Nominee Directors on the Boards of Nationalised banks.

(v) licensing of branches

- (a) issue of authorisations to Indian commercial banks including Local Area Banks for opening of branches in pursuance to regulatory powers vested with Reserve Bank under the provisions of Banking Regulation Act, 1949.
- (b) To consider representations/complaints from institutions/VIPs and members of public for opening /shifting/

closure of bank offices.

- (c) Review of branch licensing policy periodically
- (d) Maintenance and updation of database on opening/substitution/closure/shifting of branches, Extension Counters, ATMs, etc.

(vi) Banking policy

It undertakes various new policy initiatives and reviews existing guidelines for progressive upgradation of prudential norms to move towards best practices. The major activities of the Section are as follows:

- Formulation of policy and issue of prudential guidelines pertaining to Capital adequacy; Income recognition; asset classification and provisioning pertaining to advances portfolio; Classification, valuation and operation of investment portfolio; and Credit exposure limits
- Formulation of policy and issues regarding capital structure of public sector banks, including raising of fresh equity, return of capital, recapitalisation.
- Formulation of policy and issuance of regulatory guidelines for implementation of the Basel II framework.
- Policy guidelines / clarifications on integrated risk management systems including Asset Liability Management and issue of guidance notes on various aspects.
- Policy issues/ guidelines pertaining to compromise settlement of NPAs of banks.
- Matters regarding Foreign Contributions Regulations Act – donations received by organizations from abroad..

(vii) Issue of directives to banks

Various directions are issued by RBI from time to time, on payment of Interest rates on various types of deposit accounts (including NRI deposit), maintenance of deposit accounts, prohibitions in respect of S.B. Accounts, matters relating to payment of additional interest and brokerage on deposits, appointment of agents for soliciting deposits, giving gifts/incentives to depositors/staff members, freezing of accounts, Resurgent India Bonds, Development Bonds, etc. RBI may also direct Capital Market Exposure of banks.

(viii) Collection and dissemination of information

Collection and dissemination of information from/to banks and notified All-India financial institutions (FIs) regarding defaulting borrowers with outstanding aggregating ₹1 crore and above, which have been classified by them as 'doubtful' or 'loss' (non-suit filed accounts) on half-yearly basis viz., as on March 31 and September 30.

(ix) Overseeing/ monitoring Indian banks operations abroad

- Policy formulation and issue of guidelines regarding overseas operations of Indian banks, examination of proposals and grant of approvals for opening their Joint Ventures / Representative Offices / branches and review of their overseas operations including closure of branches / joint ventures / representative offices.
- Approval of Indian banks' proposals for entering into Management Agreements and correspondent banking arrangements with foreign entities.
- Preparation of proposals for submission before IDC of GOI regarding opening of branches / representatives offices of Indian banks abroad.

(x) Authorisation for dealing in precious metals

Policy matters relating to Gold Deposit and Gold Import Schemes and dealing with references received from banks in this regard, issue and renewal of authorization for banks for import of gold / silver / platinum and acceptance of gold under Gold Deposit Scheme and collection of data relating to import of gold and Gold Deposit Scheme and collection of data relating to import of gold and gold deposits by banks in India.

(xi) Overseeing and monitoring offshore banking units

- Approvals for setting up of Offshore Banking Units (OBUs) and issue of policy guidelines for the operation

of OBU in Special Economic Zones (SEZs).

- Correspondence with Government and other agencies relating to setting up of Special Economic Zones, International Financial Services Centres.

(xii) Monitoring and policy making industrial and export credit

The industrial credit segment has been considerably liberalized / deregulated over the period. At present, various items of work currently undertaken by IECS are distributed amongst three desks viz. (i) Policy Desk (ii) Export Credit Desk and (iii) Industrial Rehabilitation Desk.

(xiii) Interpretation of regulations

- RBI is involved in interpretation of the various provisions of the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, etc. Examining and framing of rules/regulations and amendments thereto.

(xiv) Granting exemptions

- Dealing with applications received from banks for exemptions from the various provisions of the Banking Regulation Act, 1949, and Rules framed thereunder.

(xv) Role in management of foreign exchange.:

- a) Controlling dealings in foreign exchange by giving general or special permission for dealing in foreign exchange, excluding those cases where specific provisions have been made in Act, Rules or Regulations.
- b) RBI cannot impose any restrictions on current account transactions. These can be imposed only by Central Government in consultation with RB. In certain cases, prior approval of RBI is required for current account transactions as provided in Foreign Exchange Management (Current Account Transactions) Rules, 2000.
- c) Specifying conditions for payment in respect of capital account transaction – Section 6(2).
- d) Regulate/prohibit/restrict the following, by issuing Regulations:
 - Transfer or issue of foreign security to resident and Indian security to non-resident;
 - Borrowing and lending in foreign exchange or to a foreign person;
 - Export/import of currency or currency notes;
 - Transfer of immovable property outside India;
 - Giving guarantee or surety where foreign exchange transaction is involved – Section 6(3)
- e) Specify (by regulation) period and manner in which foreign exchange due from export of goods and services should be received – Section 8.
- f) To grant exemption from realisation and repatriation in cases specified under Section 9.
- g) Granting authorisation to ‘Authorised Person’ to deal in foreign exchange, to give directions to them and to inspect the authorised person – Sections 10, 11 & 12.

This post was last modified on June 25, 2021 12:38 pm

(xvi) Bankers bank

It extends loans and advances to commercial banks.

(xvii) Bankers to Central Govt./State Govt.

RBI is the banker to Central/ State Govt. where it also extends loan and keeps account. It also issues bonds on behalf of the Govt.

(xviii) Oversee payment and settlement system

RBI oversees payment and settlement system of commercial banks.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

7.3

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 was enacted with a view to regulate securitisation and reconstruction of financial assets and enforcement of security interest and for matters connected therewith or incidental thereto. The Act, 2002 came into force on the 21st day of June, 2002. The Act enables the banks and financial institutions to realise long-term assets, manage problems of liquidity, asset liability mis-match and improve recovery by exercising powers to take possession of securities, sell them and reduce non-performing assets by adopting measures for recovery or reconstruction.

The Act further provides for setting up of asset reconstruction companies which are empowered to take possession of secured assets of the borrower including the right to transfer by way of lease, assignment or sale and realise the secured assets and take over the management of the business of the borrower. The Securities and Reconstruction of Financial assets and enforcement of Security Interest Act, 2002 was amended in 2004 and 2012 respectively.

It is an Act to regulate securitisation and reconstruction of financial assets and enforcement of security interest and for matters connected therewith or incidental thereto. The legal framework for securitisation in India emerged with the above enactment. Its purpose is to promote the setting up of asset reconstruction/securitisation companies, which are supposed to take over the Non Performing Assets (NPA) accumulated with the banks and public financial institutions. Special powers under the Act have been given to lenders and securitisation/ asset reconstruction companies, to enable them to take over assets of borrowers without first resorting to courts.

Important Definitions

Asset Reconstruction

“Asset reconstruction” means acquisition by any securitisation company or reconstruction company of any right or interest of any bank or financial institution in any financial assistance for the purpose of realization of such financial assistance.

Asset Reconstruction Company

“Asset reconstruction company” means a company registered with Reserve Bank under section 3 for the purposes of carrying on the business of asset reconstruction or securitisation, or both.’

Borrower

“Borrower” means any person who has been granted financial assistance by any bank or financial institution or who has given any guarantee or created any mortgage or pledge as security for the financial assistance granted by any bank or financial institution and includes a person who becomes borrower of a securitisation company or reconstruction company consequent upon acquisition by it of any rights or interest of any bank or financial institution in relation to such financial assistance, or who has raised funds through issue of debt securities.

Default

- (a) non-payment of any debt or any other amount payable by the borrower to any secured creditor consequent upon which the account of such borrower is classified as non-performing asset in the books of account of the secured creditor; or
- (b) Non-payment of any debt or any other amount payable by the borrower with respect to debt securities after notice of ninety days demanding payment of dues served upon such borrower by the debenture trustee or any other authority in whose favour security interest is created for the benefit of holders of such debt securities.

Financial asset

“Financial asset” means debt or receivables and includes:

- (i) a claim to any debt or receivables or part thereof, whether secured or unsecured, or
- (ii) any debt or receivables secured by, mortgage of, or charge on, immovable property, or
- (iii) a mortgage, charge, hypothecation or pledge of movable property, or
- (iv) any right or interest in the security, whether full or part underlying such debt or receivables, or
- (v) any beneficial interest in property, whether movable or immovable, or in such debt, receivables, whether such interest is existing, future, accruing, conditional or contingent, or
- (va) any beneficial right, title or interest in any tangible asset given on hire or financial lease or conditional sale or under any other contract which secures the obligation to pay any unpaid portion of the purchase price of such asset or an obligation incurred or credit otherwise provided to enable the borrower to acquire such tangible asset; or
- (vb) any right, title or interest on any tangible asset or licence or assignment of such intangible asset, which secures the obligation to pay any unpaid portion of the purchase price of such intangible asset or an obligation incurred or credit otherwise extended to enable the borrower to acquire such intangible asset or obtain licence of the intangible asset;
- (vi) any financial assistance.

Non-performing asset

“Non-performing asset” means an asset or account of a borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, (a) in case such bank or financial institution is administered or regulated by any authority or body established, constituted or appointed by any law for the time being in force, in accordance with the directions or guidelines relating to assets classifications issued by such authority or body. (b) in any other case, in accordance with the directions or guidelines relating to assets classifications issued by the Reserve Bank.

Qualified buyer

“Qualified institutional buyer” means a financial institution, insurance company, bank, state financial corporation, state industrial development corporation, trustee or asset reconstruction company or reconstruction company which has been granted a certificate of registration under sub-section (4) of section 3 or any asset management company making investment on behalf of mutual fund or pension fund or a foreign institutional investor registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder, or any other body corporate as may be specified by the Board.

Securitisation

“Securitisation” means acquisition of financial assets by any asset reconstruction company from any originator, whether by raising of funds by such asset reconstruction company from qualified buyers by issue of security receipts representing undivided interest in such financial assets or otherwise.

7.3.1. Registration of Asset Reconstruction Companies. (Section 3)

A company can commence or carry on the business of securitisation or asset reconstruction only after obtaining a certificate of registration and having the owned fund of not less than two crore rupees or such other higher amount as the Reserve Bank, may by notification specify. The Reserve Bank may, by notification, specify different amounts of owned fund for different class or classes of asset reconstruction companies.

- (a) The requirement for registration of AMC is as under-
- (1) that the asset reconstruction company has not incurred losses in any of the three preceding financial years.
 - (2) that such asset reconstruction company has made adequate arrangements for realisation of the financial assets acquired for the purpose of securitisation or asset reconstruction and shall be able to pay periodical returns and redeem on respective due dates on the investments made in the company by the qualified institutional buyers or other persons.
 - (3) that the directors of asset reconstruction company have adequate professional experience in matters related to finance, securitisation and reconstruction.
 - (5) that any of its directors has not been convicted of any offence involving moral turpitude.
 - (6) that a sponsor of an asset reconstruction company is a fit and proper person in accordance with the criteria as may be specified in the guidelines issued by the Reserve Bank for such person.
 - (7) that the asset reconstruction company has complied with or is in a position to comply with prudential norms specified by the Reserve Bank.
 - (8) that the asset reconstruction company has complied with one or more conditions specified in the guidelines issued by the Reserve Bank for the said purpose.

- (b) RBI may impose restrictions/conditions as deemed fit.

Reserve Bank approval is further required for-

- (1) any substantial change in its management including appointment of any direction on the Board of Directors of the asset reconstruction company or managing director or Chief Executive Officer thereof.
- (2) change of location of its registered office.
- (3) change in its name.

The decision of the Reserve Bank, whether the change in management of an asset reconstruction company is a substantial change in its management or not, shall be final and binding. The expression “substantial change in management” means the change in the management by way of transfer of shares or change affecting the sponsorship in the company by way of transfer of shares or amalgamation or transfer of the business of the company.

7.3.2. Cancellation of certificate of registration (Section 4)

Reserve Bank has the power under Section 4 of the Securitisation Act to cancel the Certificate of Registration issued by it to any ARC, If the Company.

- (a) Ceases to receive or hold any investment from qualified buyer.
- (b) Ceases to carry on asset reconstruction business.
- (c) It fails to comply with the conditions of registration.
- (d) Fails to fulfill the conditions of Section 3(3).
- (e) Fails to comply with the directions of RBI.

- (f) Fails to maintain accounts.
- (g) Fails to submit documents on inspection by RBI.
- (h) Obtains approval from RBI for any substantial change in its management.

Before cancelling registration, Reserve Bank shall give an opportunity to such company on such terms as the Reserve Bank may specify for taking necessary steps to comply with such provisions or fulfilment of such conditions.

7.3.3. Acquisition of rights or interest in financial assets (Section 5)

Notwithstanding anything contained in any agreement or any other law for the time being in force, any asset reconstruction company may acquire financial assets of any bank or financial institution:

- (a) by issuing a debenture or bond or any other security in the nature of debenture, for consideration agreed upon between such company and the bank or financial institution, incorporating therein such terms and conditions as may be agreed upon between them, or
- (b) by entering into an agreement with such bank or financial institution for the transfer of such financial assets to such company on such terms and conditions as may be agreed upon between them.

Any document executed by any bank or financial institution in favour of the asset reconstruction company acquiring financial assets for the purpose of asset reconstruction or securitisation shall be exempted from stamp duty in accordance with the provisions of Indian Stamp Act.

7.3.4. Measures for assets reconstruction (Section 9)

An asset reconstruction company may for the purposes of asset reconstruction, provide for any one or more of the following measures, namely:

- (a) the proper management of the business of the borrower, by change in or takeover of, the management of the business of the borrower;
- (b) the sale or lease of a part or whole of the business of the borrower;
- (c) rescheduling of payment of debts payable by the borrower;
- (d) enforcement of security interest in accordance with the provisions of this Act.
- (e) settlement of dues payable by the borrower;
- (f) taking possession of secured assets in accordance with the provisions of this Act;
- (g) conversion of any portion of debt into shares of a borrower company.

Provided that conversion of any part of debt into shares of a borrower company shall be deemed always to have been valid, as if the provisions of this clause were in force at all material times.

The Reserve bank for this purpose shall determine the policy and issue necessary directions including the directions for regulation of management of the business of the borrower and fees to be changed. The asset reconstruction company shall take measures as per the directions of RBI.

7.3.5. Other functions of asset reconstruction company (Section 10)

Any asset reconstruction company may:

- (a) act as an agent for any bank or financial institution for the purpose of recovering their dues from the borrower on payment of such fees or charges as may be mutually agreed upon between the parties.
- (b) act as a manager referred to in clause (c) of sub-section (4) of section 13 on such fee as may be mutually agreed upon between the parties.
- (c) act as receiver if appointed by any court or tribunal.

Provided that no asset reconstruction company shall act as a manager if acting as such gives rise to any pecuniary liability.

Save as otherwise provided in sub-section (1), no asset reconstruction company which has been granted a certificate of registration under sub-section (4) of section 3, shall commence or carry on without prior approval of the Reserve Bank, any business other than that of securitisation or asset reconstruction.

Provided that an asset reconstruction company which is carrying on, on or before the commencement of this Act, any business other than the business of securitisation or asset reconstruction or business referred to in sub-section (1), shall cease to carry on any such business within one year from the date of commencement of this Act.

For the purposes of this section, 'securitisation company' or 'reconstruction company' does not include its subsidiary. RBI may call for information, carry out audit and inspection of ARCs. RBI may determine policy and issue directions to ARCs.

7.3.6. Resolution of disputes (Section 11)

Where any dispute relating to securitisation or reconstruction or non-payment of any amount due including interest arises amongst any of the parties, namely, the bank, or financial institution, or asset reconstruction company or qualified institutional buyer, such dispute shall be settled by conciliation or arbitration as provided in the Arbitration and Conciliation Act, 1996, as if the parties to the dispute have consented in writing for determination of such dispute by conciliation or arbitration and the provisions of that Act shall apply accordingly.

7.3.7. Enforcement of security interest (Section 13)

- (a) Any security interest created in favour of any secured creditor may be enforced, without the intervention of the court or tribunal, by such creditor in accordance with the provisions of this Act.
- (b) Where any borrower, who is under a liability to a secured creditor under a security agreement, makes any default in repayment of secured debt or any instalment thereof, and his account in respect of such debt is classified by the secured creditor as non-performing asset, then, the secured creditor may require the borrower by notice in writing to discharge in full his liabilities to the secured creditor within sixty days from the date of notice failing which the secured creditor shall be entitled to exercise all or any of the rights.
- (c) The notice shall give details of the amount payable by the borrower and the secured assets intended to be enforced by the secured creditor in the event of non-payment of secured debts by the borrower. If, on receipt of the notice, the borrower makes any representation or raises any objection, the secured creditor shall consider such representation and if the secured creditor comes to the conclusion that such representation or objection is not acceptable or tenable, he shall communicate within fifteen days of receipt of such representation or objection the reasons for non-acceptance of the representation or objection to the borrower. If, the management of whole of the business or part of the business is severable, the secured creditor shall take over the management of such business of the borrower which is relatable to the security for the debt.
- (d) In case the borrower fails to discharge his liability in full within the period specified above, the secured creditor may take recourse to one or more of the following measures to recover his secured debt, namely:
 - (1) take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment or sale for realising the secured asset.
 - (2) take over the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realising the secured asset. It may be noted that the right to transfer by way of lease, assignment or sale shall be exercised only where the substantial part of the business of the borrower is held as security for the debt.
 - (3) appoint any person (hereafter referred to as the manager), to manage the secured assets the possession of which has been taken over by the secured creditor.
 - (4) require at any time by notice in writing, any person who has acquired any of the secured assets from the borrower and from whom any money is due or may become due to the borrower, to pay the secured creditor, so much of the money as is sufficient to pay the secured debt.

- (e) Any payment made by any person to the secured creditor shall give such person a valid discharge.
- (1) Where the sale of an immovable property, for which a reserve price has been specified, has been postponed for want of a bid of an amount not less than such reserve price, it shall be lawful for any officer of the secured creditor, to bid for the immovable property on behalf of the secured creditor at any subsequent sale.
 - (2) Where the secured creditor, is declared to be the purchaser of the immovable property at any subsequent sale, the amount of the purchase price shall be adjusted towards the amount of the claim of the secured creditor.
- (f) Any transfer of secured asset after taking possession thereof or takeover of management, by the secured creditor or by the manager on behalf of the secured creditor shall vest in the transferee all rights in, or in relation to, the secured asset transferred as if the transfer had been made by the owner of such secured asset.
- (g) Where any action has been taken against a borrower, all costs, charges and expenses which, in the opinion of the secured creditor, have been properly incurred by him or any expenses incidental thereto, shall be recoverable from the borrower and the money which is received by the secured creditor shall, in the absence of any contract to the contrary, be held by him in trust, to be applied, firstly, in payment of such costs, charges and expenses and secondly, in discharge of the dues of the secured creditor and the residue of the money so received shall be paid to the person entitled thereto in accordance with his rights and interests.
- (h) Where the amount of dues of the secured creditor together with all costs, charges and expenses incurred by him is tendered to the secured creditor at any time before the date of publication of notice for public auction or inviting quotations or tender from public or private treaty for transfer by way of lease, assignment or sale of the secured assets:
- (i) the secured asset shall not be transferred by way of lease assignment or sale by secured creditor; and
 - (ii) in case, any step has been taken by the secured creditor for transfer by way of lease or assignment or sale of the asset before tendering of such amount, no further step shall be taken by such secured creditor for transfer by way of lease or assignment or sale of such secured assets.
- (i) In the case of financing of a financial asset by more than one secured creditors or joint financing of a financial asset by secured creditors, no secured creditor shall be entitled to exercise any or all of the rights conferred on him unless exercise of such right is agreed upon by the secured creditors representing not less than 60% in value of the amount outstanding as on a record date and such action shall be binding on all the secured creditors: However, in the case of a company in liquidation, the amount realised from the sale of secured assets shall be distributed in accordance with the provisions of section 529A of the Companies Act, 1956 (now section 326 of the Companies Act, 2013).
- In the case of a company being wound up on or after the commencement of this Act, the secured creditor of such company, who opts to realise his security instead of relinquishing his security and proving his debt may retain the sale proceeds of his secured assets after depositing the workmen's dues with the liquidator .
- (1) 'record date' means the date agreed upon by the secured creditors representing not less than sixty per cent in value of the amount outstanding on such date.
 - (2) 'amount outstanding' shall include principal, interest and any other dues payable by the borrower to the secured creditor in respect of secured asset as per the books of account of the secured creditor.
- (j) Where dues of the secured creditor are not fully satisfied with the sale proceeds of the secured assets, the secured creditor may file an application in the form and manner as may be prescribed to the Debts Recovery Tribunal having jurisdiction or a competent court, as the case may be, for recovery of the balance amount from the borrower.
- (k) Without prejudice to the rights conferred on the secured creditor under or by this section, the secured creditor

shall be entitled to proceed against the guarantors or sell the pledged assets without first taking any of the measures specified in point No.4.

- (l) The rights of a secured creditor under this Act may be exercised by one or more of his officers authorised in this behalf in such manner as may be prescribed.
- (m) No borrower shall, after receipt of notice from the secured creditor transfer by way of sale, lease or otherwise (other than in the ordinary course of his business) any of his secured assets referred to in the notice, without prior written consent of the secured creditor.

7.3.8. Manner and effect of takeover of management (Section 15)

Section 15 of the SARFAESI Act provides for the manner and effect of takeover of management. When the management of business of a borrower is taken over by an asset reconstruction company it can appoint as many persons as it thinks fit to be the directors, where the borrower is a company, or the administrators of the business of the borrower, in any other case. The secured creditor is required to publish a notice in a newspaper published in English language and in a newspaper published in an Indian language in circulation in the place where the principal office of the borrower is situated.

On the publication of the notice all persons who were directors of the company or administrators of the business, as the case may be, are deemed to have vacated their office. It also has the effect of termination of all contracts entered into by the borrower with such directors or administrators.

Where the management is taken over by the secured creditor, then, the shareholders shall not nominate or appoint any person to be director of the company unless approved by secured creditor

No proceeding for the winding up of such company or for the appointment of a receiver in respect thereof shall lie in any court, except with the consent of the secured creditor.

Where the management of the business of a borrower had been taken over by the secured creditor, the secured creditor shall, on realization of his debt in full, restore the management of the business of the borrower.

7.3.9. No compensation to directors for loss of office (Section 16)

No managing director or any other director or a manager or any person in charge of management of the business of the borrower shall be entitled to any compensation for the loss of office or for the premature termination under this Act.

Section 17 of the Act provides that any borrower or any other person aggrieved by the action of the secured creditors can file an appeal to the concerned Debt Recovery Tribunal (DRT).

7.3.10. Appeal to Appellate Tribunal (Section 18)

Section 18 provides that any person aggrieved, by any order made by the Debts Recovery Tribunal under section 17, may prefer an appeal to an Appellate Tribunal within thirty days from the date of receipt of the order of Debts Recovery Tribunal.

It may be noted that no appeal shall be entertained unless the borrower has deposited with the Appellate Tribunal fifty per cent. of the amount of debt due from him, as claimed by the secured creditors or determined by the Debts Recovery Tribunal, whichever is less. Appellate Tribunal may, for the reasons to be recorded in writing, reduce the amount but not less than twenty five per cent of debt referred above.

EXERCISE**Multiple Choice Questions (MCQs)**

1. NPA stands for:
 - a) Non Productive asset
 - b) Non Performance Asset
 - c) National Productivity asset
 - d) none of the above
2. Banking Regulation Act was enacted in the year:
 - a) 1940
 - b) 1942
 - c) 1947
 - d) 1949
3. Cash reserve ratio should bepercent of the total time and demand liabilities
 - a) 1
 - b) 2
 - c) 3
 - d) 4
4. SLR stands for:
 - a) Special Liquidity Ratio
 - b) Statutory Liquidity Reserve
 - c) Special Liquidity Reserve
 - d) None of the above
5. Banking companies cannot pay dividend unless following are completely written off.
 - a) preliminary expenses
 - b) brokerage
 - c) commission
 - d) all of the above
6. Asset Reconstruction Companies are to be registered with:
 - a) SEBI
 - b) RBI
 - c) MCA
 - d) none of the above

7. The judicial authority under SARFESI is:
 - a) SEBI
 - b) RBI
 - c) DRT
 - d) MCA
8. Amalgamation of banking companies require..... % voting of shareholders;
 - a) 3/4th
 - b) One half
 - c) two third
 - d) One fourth
9. Every banking company shall maintain liquid assets not less than% of the total time and demand liabilities.
 - a) 5
 - b) 10
 - c) 20
 - d) 25
10. Every Banking Company incorporated in India shall prepare a balance sheet and profit and loss account as on the last working day of the -
 - a) Calendar Year
 - b) Accounting Year
 - c) Month
 - d) None of the above
11. According to Banking Regulation Act 1949, no Banking Company shall pay dividend on its shares until all its -
 - a) Depreciation is fully written off.
 - b) "Capitalized expenses" have been completely written off
 - c) Bad debts are provided in full.
 - d) Contingent liability is settled.

State True or False

1. NBFCs come under Banking Regulation Act.
2. RBI approval is required for appointment of MD of a bank.
3. Banking companies cannot pay dividend unless it has written off capitalized expenses.

4. RBI can cancel banking license without any notice
5. Maintenance of cash reserve ratio by non-scheduled bank do not come under the preview of Banking Regulation Act.

Fill in the blanks

1. Banks can operate only with a licence by.....
2. From January 2019, banks are supposed to comply with Basel.....norms.
3. SLR stands for.....
4.can acquire shares of any bank in public interest
5. LAB stands for.....
6. OBU stands for
7. may acquire a banking company by compulsorily transferring shares or otherwise.
8. There is CBT cell in RBI. Here, CBT stands for.....

Short Essay Type Questions

1. Discuss role of RBI in licencing of banks.
2. Discuss provisions relating to cash reserve ratio for banks
3. List out 5 major functions of RBI

Essay Type Questions

1. Discuss the object of Banking Regulation Act.
2. Discuss the role of RBI in licencing of commercial banks.
3. Discuss the procedure of appointment and removal of Directors of Banks
4. Explain how RBI controls the monetary system .
5. What is purpose of SARFESI Act?
6. Discuss in brief, the functions of Asset Reconstruction company (ARC)

Case Study (Solved)

Mr. Krishnamurthy, a CA is now the CFO of large bank which is also a listed company. Mr. Aditya Kapoor, who was in the bank as MD since inception is retiring and the bank has to look for a M. The chairman of the bank is a retired IAS officer. The nomination and remuneration committee has considered few persons and feel that Mr. Krishnamurthy is the right candidate to take over as MD.

Discuss the steps to be taken to appoint him, under the provisions of Companies Act and Banking Regulation Act.

Solution

Appointment managerial person has to be done on the basis of recommendation of the Nomination and Remuneration Committee of the Board of directors. Based on the recommendation, The Board should appoint the Managing Director, subject to approval in ensuing General meeting of the shareholders.

However, in case of banking company, apart from Companies Act, the provisions of Banking Regulation Act would also apply. Section 10B of the Act requires that the MD of Bank shall be appointed with prior approval of RBI. Therefore, RBI approval has to be taken.

Answer**Multiple Choice Questions (MCQs)**

1	2	3	4	5	6	7	8	9	10	11
b	d	d	b	d	b	c	c	d	b	b

State True or False

1	2	3	4	5
F	T	T	F	F

Fill in the blanks

1	RBI	2	III
3	Statutory liquidity ratio	4	Central Govt.
5	Local area banks	6	Offshore Banking Units
7	Central Govt	8	combating Finance for Terrorism