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THE BANKING REGULATION ACT, 1949

Sec. 5(c) Banking Company - means any company which transacts the business of banking in India.

Sec. 7 - - No company other than banking Co. shall use words bank, banker or banking.
- No company shall carry on business of banking in India unless it uses at least one such word.
- Not applicable to association of banks.

Sec. 9. - No banking Co. shall hold any immovable property, except required for its own use for period exceeding 7 years from acquisition.
- RBI may extend the period by a period not exceeding 5 years.

Sec. 10A - 51% or more directors to be specialised in certain specified areas - agricultural & rural economy, accountancy, banking, economics, finance, law.
- Minimum 2 directors to be specialised in certain specified areas - agricultural & rural economy, co-operation and SSI
- Reconstruction of board if requirements not fulfilled.
- Retirement of directors by lots to ensure reconstitution

Sec. 17 - Creation of Reserve fund [20% of profit]
- C.G. on recommendation of RBI grant exemption.
- Condition - Reserve fund + Share premium A/c is not less than paid up capital

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Sec.18 - Cash Reserve = 3% of total demand & time liabilities on last friday of second preceding fortnight.

Sec.29 - Balance sheet and P&L in the form in III Schedule.
- Signed by manager or principle officer
- If more than 3 directors - by atleast 3 directors
- Not more than 3 directors - by all directors.

Sec.30 - Audit by duly qualified person
- Approval of RBI before appointment, non-appointment or removal
- Special audit by RBI, expenses borne by banking co

Sec.31 - Accounts & Balance sheet with auditor's report, 3 copies furnished to RBI within 3 months from the end of period
- RBI may extend period not exceeding 3 months.

Sec.35 - RBI may ~~or~~ order inspection of books.

Sec.35A - Powers of RBI to give directions

Sec.36 - Power to prohibit, caution or advise banking companies
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Sec.36AA - Power of Reserve Bank to remove managerial and other persons.
- in public interest, banking affairs are conducted in detrimental manner.
- Issue of show cause notice before removal.