

**PAPER-3**

**RESERVE BANK OF INDIA  
ACT - 1934**

**BANK PROMOTIONAL EXAM**



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# RBI Act 1934

- This Act may be called the Reserve Bank of India Act, 1934.
- It extends to the whole of India

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# Some important Sections of RBI Act, 1934

- **Sec 2(e)- Scheduled Bank-** A schedule bank means a bank whose name is included in the 2nd schedule of RBI Act 1934.
- Banks which are not included in the 2nd schedule of RBI are called Non schedule Bank.

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# Sec 4- Capital of the Bank

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

❖ Sec 5- Increase and reduction of share capital

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# Sec. 8- Composition of the Central Board, and term of office of Directors

The Central Board shall consist of the following Directors, namely:-

- (a) a **Governor** and [not more than 4] **Deputy Governors** to be appointed by the Central Government
- (b) 4 **Directors** to be nominated by the Central Government, one from each of the 4 **Local Boards**
- (c) 10 **Directors** to be nominated by the Central Government
- (d) 2 **Government officials** to be nominated by the Central Government

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# Sec.13- Meetings of the Central Board

- Meetings of the Central Board shall be convened by the Governor at least 6 times in each year and at least 1 in each quarter.

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# Sec. 17- Types of Business

- Defines various types of business which RBI may transact which include **acceptance of deposit without interest from Central/State Govt, any other person or institution, sale/purchase of foreign exchange, securities, rediscounting of bills/PN, grant loans etc.**

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# Sec. 20- Obligation of the bank to transact Government business

- Bank shall undertake to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of [its account]
- To carry out [its exchange]
- Remittance
- Other banking operations, including the management of the public debt

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# Sec. 21- RBI to have the right to transact Government business in India.

- RBI has the right to transact Govt. business in India i.e. remittance, exchange, keeping deposit free of interest etc.

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# Sec. 22- Right to issue bank notes

➤ RBI shall have the sole right to issue bank notes in India.

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## Sec. 23- Issue Department

- Bank notes will be issued by issue deptt. against security consisting of gold coins, bullion, foreign securities & other approved securities

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## Sec. 24- Denominations of notes

- RBI issues all currency notes of denomination 2, 5, 10, 20, 50, 100, ~~200~~, 500, 1000, ~~2000~~, 5000, 10000.
- It has power to discontinue or non issue of currency note of any denomination.
- The notes of 2 & 5 are already been discontinued.

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**Q. Requirements related to CRR to be maintained by a banking company are given in :**

- a) Sec 24 of RBI Act for non-scheduled banks
- b) Sec 18 of BR Act for non-scheduled banks
- c) Sec 42 of RBI Act for scheduled banks
- d) Both b & c

**Answer-**

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**Q. The Banks are required to maintain CRR on the NDTL of last Friday of the:**

- a) preceding fortnight
- b) 3rd preceding fortnight
- c) 2nd preceding fortnight
- d) preceding month

**Answer-**

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**Q. Under provision of RBI Act'1934, a scheduled commercial bank has to maintain CRR at prescribed % of its NDTL. Such liabilities do not include :**

- a) overdue time deposits with banks
- b) deposits at call
- c) refinance availed by a bank from RBI/SIDBI/NABARD
- d) None of These

**Answer-**

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**Q. Which of the following is/are exempted from provisions relating to CRR :**

- a) NRE balances
- b) NRNR balances
- c) FCNR (B) balances
- d) deposit liabilities of off shore banking units

**Answer-**

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**Q. As per RBI guidelines, banks are required to maintain a minimum of ..... % of required CRR amount on a daily basis during a fortnight which is applicable to all days of the reporting fortnight :**

- a) 80
- b) 90
- c) 51
- d) 70

**Answer-**

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