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20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1 **The Banking Regulation Act, 1949 was originally enacted as the Banking Companies Act, 1949.**

It was renamed the Banking Regulation Act with effect from 1 March 1966.

2 **The Banking Regulation Act applies to the whole of India alongside the RBI Act, 1934 and the Companies Act.**

These three laws together form the core legal framework governing Indian banks.

3 **Section 5(b) of the BR Act defines banking as accepting deposits for lending or investment, repayable on demand or otherwise.**

The deposit must also be withdrawable by cheque, draft, order or otherwise.

4 **Section 5(c) of the BR Act defines a banking company as any company transacting the business of banking in India.**

A company qualifies once it carries on banking as defined under Section 5(b).

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5 **Section 8 of the BR Act bars a banking company from directly or indirectly trading in goods.**
The only exception is dealing connected with realising security held by the bank.

6 **Section 9 of the BR Act bars a bank from holding immovable property beyond 7 years, except property for its own use.**
The rule stops banks from turning into real-estate holders of acquired assets.

7 **Under Section 9, RBI may extend a bank's non-banking asset holding period by up to 5 more years.**
RBI grants this extension only when it protects depositors' interest.

8 **Section 17(1) requires every banking company to transfer at least 20% of yearly profit to a reserve fund before declaring dividend.**
This statutory floor exists to build up each bank's capital cushion.

9 **RBI has, by notification, raised the reserve fund transfer requirement for banks to 25% of net profit.**
The higher figure applies via RBI notification on top of the 20% statutory floor in the Act.

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10 **Section 18 of the BR Act requires a non-scheduled bank to maintain a cash reserve of 3% of its demand and time liabilities.**

This reserve can be held as cash in hand or as a balance with RBI, or both.

11 **The Cash Reserve Ratio for scheduled banks is governed by Section 42 of the RBI Act, 1934, not Section 18 of the BR Act.**

Section 18 of the BR Act applies only to non-scheduled banking companies.

12 **Section 20 of the BR Act bars a banking company from granting loans against the security of its own shares.**

Such lending would effectively let a bank finance the purchase of its own capital.

13 **Section 21A protects banks from courts reopening a loan transaction merely because the interest rate charged was high.**

It shields lending decisions from challenge on excessive-interest grounds alone.

14 **Section 24 of the BR Act governs the Statutory Liquidity Ratio, or SLR, that banks must maintain.**

SLR is a mandated share of a bank's demand and time liabilities kept in specified safe assets.

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15 **Under Section 24, SLR must be held in cash, gold, and unencumbered approved securities.**

This differs from CRR, which is held purely as a cash balance with RBI.

16 **Section 45Y lets the Central Government, in consultation with RBI, frame rules on how long banks must preserve records.**

It covers the preservation period for books, accounts and other bank documents.

17 **Section 45Z lays down how banks must return paid instruments, such as cheques, to customers.**

The bank retains a true copy of the instrument for its own records.

18 **Section 45ZA of the BR Act covers nomination facilities for bank deposit accounts.**

It lets a depositor name a nominee to receive the deposit on their death.

19 **Section 45ZC of the BR Act covers nomination for articles kept in safe custody with a bank.**

It is distinct from the deposit-account and locker nomination provisions.

20 **Section 45ZE of the BR Act covers nomination facilities for safe deposit lockers.**

Together with 45ZA and 45ZC, it completes the Act's nomination trio.

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