20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The Banking Regulation Act, 1949 was originally enacted as the Banking Companies Act, 1949.

TRUE

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

Question 2

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

TRUE

This is the exact statutory meaning of banking under the Act.

Question 3

Section 8 of the BR Act prohibits banks from trading in goods, except when realising security held by the bank.

TRUE

The prohibition keeps banks focused on banking rather than speculative trade.

Question 4

Under Section 9, RBI may extend a bank's non-banking asset holding period by up to 5 additional years.

TRUE

This extension is granted only when it serves depositors' interest.

Question 5

Section 18 of the BR Act prescribes the cash reserve requirement for non-scheduled banks, not scheduled banks.

TRUE

Scheduled banks instead follow CRR rules under Section 42 of the RBI Act, 1934.

Question 6

Section 20 of the BR Act prohibits banks from granting advances against the security of their own shares.

TRUE

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

Question 7

Section 24 of the BR Act deals with the Statutory Liquidity Ratio that banks must maintain.

TRUE

SLR under Section 24 is held in cash, gold and unencumbered approved securities.

Question 8

Section 45ZA of the BR Act deals with nomination for bank deposit accounts.

TRUE

It is one of three nomination sections, alongside 45ZC for safe custody and 45ZE for lockers.

Question 9

Section 45ZE of the BR Act deals with nomination for safe deposit lockers.

TRUE

This is separate from 45ZA, which covers deposit accounts.

Question 10

The Cash Reserve Ratio for scheduled banks is governed by Section 42 of the RBI Act, 1934.

TRUE

The BR Act's Section 18 cash reserve rule applies to non-scheduled banks instead.

Question 11

Section 24 of the BR Act deals with nomination facilities for bank deposit accounts.

FALSE

Section 24 governs the Statutory Liquidity Ratio; nomination for deposits is covered by Section 45ZA.

Question 12

Section 18 of the BR Act prescribes the cash reserve requirement specifically for scheduled banks.

FALSE

Section 18 applies to non-scheduled banks; scheduled banks follow CRR under Section 42 of the RBI Act, 1934.

Question 13

Section 9 of the BR Act permits a bank to hold non-banking immovable property indefinitely without any RBI approval.

FALSE

Section 9 caps such holding at 7 years, extendable by up to 5 more years only with RBI's satisfaction.

Question 14

Section 8 of the BR Act permits banks to freely trade in goods for commercial profit.

FALSE

Section 8 bars banks from trading in goods, except when realising security held by the bank.

Question 15

Section 45ZC of the BR Act deals with nomination for safe deposit lockers.

FALSE

Section 45ZC covers nomination for articles in safe custody; lockers are covered by Section 45ZE.

Question 16

The Banking Regulation Act, 1949 was renamed from the RBI Act, 1934.

FALSE

It was renamed from the Banking Companies Act, 1949, effective 1 March 1966.

Question 17

Section 21A of the BR Act allows courts to reopen a bank loan transaction solely because the interest rate charged was high.

FALSE

Section 21A instead bars courts from reopening a transaction merely on the ground of excessive interest.

Question 18

Section 17(1) of the BR Act requires banks to transfer at least 50% of annual profit to the reserve fund before declaring dividend.

FALSE

The statutory floor is 20% of profit, which RBI later enhanced to 25% by notification.

Question 19

Section 5(c) of the BR Act defines banking as the acceptance of deposits repayable on demand.

FALSE

That definition belongs to Section 5(b); Section 5(c) defines a banking company.

Question 20

Section 45Y of the BR Act deals with the return of paid instruments, such as cheques, to customers.

FALSE

Returning paid instruments is covered by Section 45Z; Section 45Y covers preservation of bank records.