

Banking Regulation Act, 1949

Section 11 - Requirement as to Minimum Paid-up Capital and Reserves

(1) Notwithstanding anything contained in [1](#) [section 149 of the Companies Act, 1956 (1 of 1956)], no banking company in existence on the commencement of this Act, shall, after the expiry of three years from such commencement or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the company, may think fit in any particular case to allow, carry on business [2](#) [in India], and no other banking company shall after the commencement of this Act, commence or carry on business [2](#) [in India] [3](#) [unless it complies with such of the requirements of this section as are applicable to it].

[4](#) [(2) In the case of a banking company incorporated outside India-

(a) the aggregate value of its paid-up capital and reserves shall not be less than fifteen lakhs of rupees and if it has a place or places of business in the city of Bombay or Calcutta or both, twenty lakhs of rupees; and

(b) [5](#) [the banking company shall deposit and keep deposited with the Reserve Bank either in cash or in the form of unencumbered approved securities, or partly in cash and partly in the form of such securities-

(i) an amount which shall not be less than the minimum required by clause (a); and

(ii) as soon as may be after the expiration of each [6](#) [* * *] year, an amount calculated at twenty percent of its profit for that year in respect of all business transacted through its branches in India, as disclosed in the profit and loss account prepared with reference to that year under section 29:]

Provided that any such banking company may at any time replace-

(i) any securities so deposited by cash or by any other unencumbered approved securities or partly by cash and partly by other such securities, so however, that the total amount deposited is not affected;

(ii) any cash so deposited by unencumbered approved securities of an equal value.]

[7](#) [(2A) Notwithstanding anything contained in sub-section (2), the Central Government may, on the recommendation of the Reserve Bank, and having regard to the adequacy of the amounts already deposited and kept deposited by a banking company under sub-section (2), in relation to its deposit liabilities in India, declare by order in writing that the provisions of sub-clause (ii) of clause (b) of sub-section (2) shall not apply to such banking company for such period as may be specified in the order.]

(3) In the case of any banking company to which the provisions of sub-section (2) do not apply, the aggregate value of its paid-up capital and reserves shall not be less than-

(i) if it has places of business in more than one State, five lakhs of rupees, and if any such place or places of business is or are situated in the city of Bombay or Calcutta or both, ten lakhs of rupees;

(ii) if it has all its places of business in one State none of which is situated in the city of Bombay or Calcutta, one lakh of rupees in respect of its principal place of business, plus ten thousand rupees in respect of each of its other places of business situated in the same district in which it has its principal place of business, plus twenty-five thousand rupees in respect of each place of business situated elsewhere in the State otherwise than in the same district:

Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of five lakhs of rupees:

Provided further that no banking company to which this clause applies and which has only one place of business, shall be required to have paid-up capital and reserves exceeding an aggregate value of fifty thousand rupees:

[8](#) [Provided further that in the case of every banking company to which this clause applies and which commences banking business for the first time after the commencement of the Banking Companies (Amendment) Act, 1962 (36 of 1962), the value of its paid-up capital shall not be less than five lakhs of rupees;]

(iii) if it has all its places of business in one State, one or more of which is or are situated in the city of Bombay or Calcutta, five lakhs of rupees, plus twenty-five thousand rupees in respect of each place of business situated outside the city of Bombay or Calcutta, as the case may be:

Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of ten lakhs of rupees.

Explanation.--For the purposes of this sub-section, a place of business situated [9](#) [in a State] other than that in which the principal place of business of the banking company is situated shall, if it is not more than twenty-five miles distant from such principal place of business, be deemed to be situated within the same State as such principal place of business.

(4) Any amount deposited and kept deposited with the Reserve Bank under [10](#) [* * *] sub-section (2) by any banking company incorporated [11](#) [outside India] shall, in the event of the company ceasing for any reason to carry on banking business [12](#) [in India], be an asset of the company on which the claims of all the creditors of the company [12](#) [in India] shall be a first charge.

[13](#) [(5) For the purposes of this section,-

(a) "place of business" means any office, sub-office, sub-pay office and any place of business at which deposits are received, cheques cashed, or moneys lent;

(b) "value" means the real or exchangeable value, and not the nominal value which may be shown in the books of the banking company concerned.]

(6) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any banking company, a determination thereof by the Reserve Bank shall be final for the purposes of this section.

1. Substituted by Act 95 of 1956, Section 14 and Schedule, for "section 103 of the Indian Companies Act, 1913 (7 of 1913)" w.e.f. 14-1-1957.

2. Substituted by Act 20 of 1950, Section 3, for "in any state".

3. Substituted by Act 33 of 1959, Section 7, for certain words w.e.f. 1-10-1959.

4. Substituted by Act 33 of 1959, Section 7, for sub-section (2)w.e.f. 1-10-1959.
5. Substituted by Act 36 of 1962, Section 2, for certain words.
6. The word "calendar" omitted by Act 66 of 1988, Section 7 w.e.f.31-12-1988.
7. Inserted by Act 36 of 1962, Section 2.
8. Inserted by Act 36 of 1962, Section 2.
9. Substituted by Act 62 of 1956, Section 2 andSchedule, for "in India".
10. The words "the proviso to" omitted by Act 33 of 1959, Section 7w.e.f. 1-10-1959.
11. Substituted by Act 20 of 1950, Section 3, for "elsewhere than in aState".
12. Substituted by Act 20 of 1950, Section 3, for "in the States".
13. Substituted by Act 33 of 1959, Section 7, for sub-section (5)w.e.f. 1-10-1959.