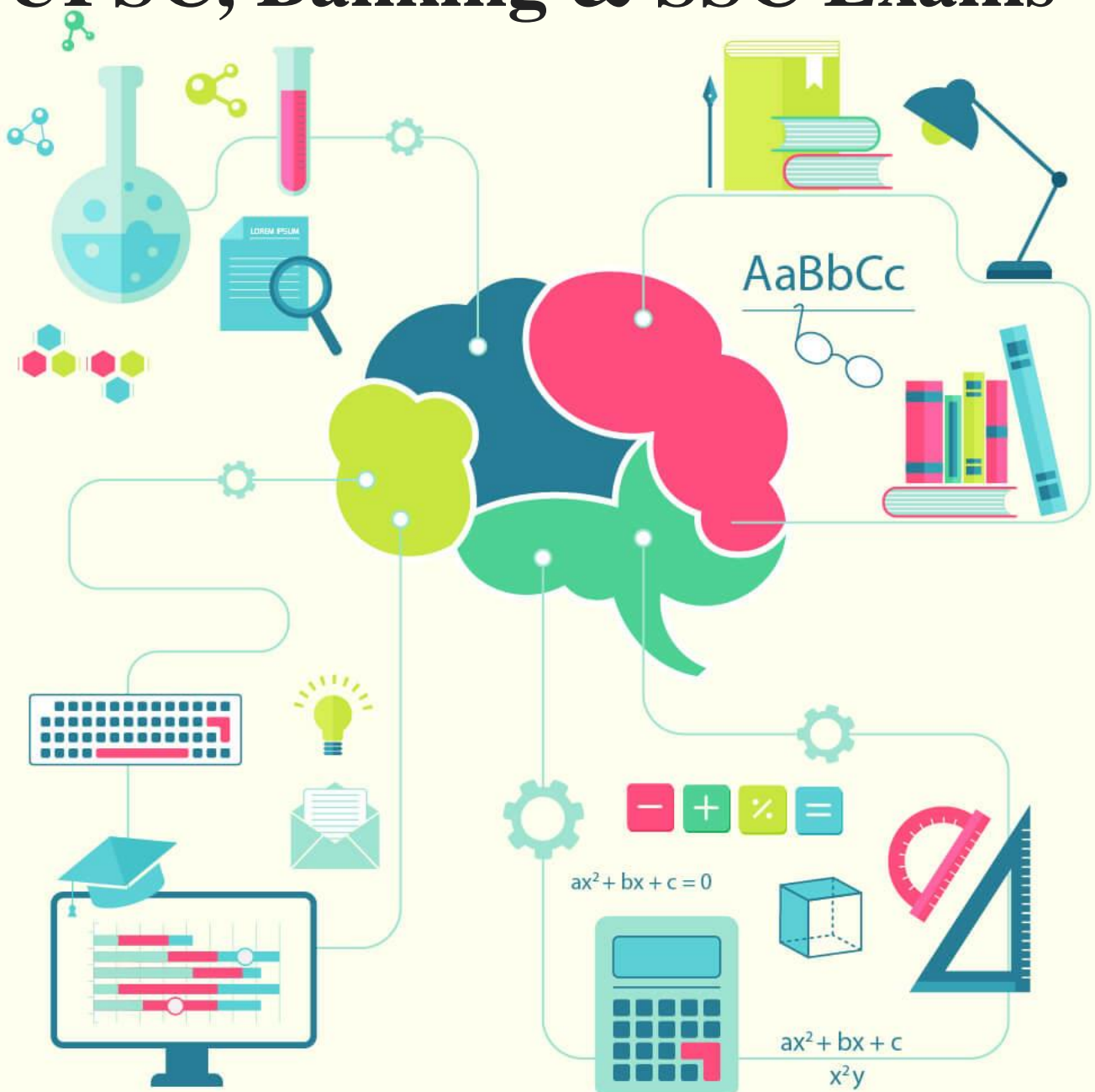


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Section 7 of the RBI Act, 1934

For

UPSC, Banking & SSC Exams



Section 7 of the RBI Act, 1934:

Row over Section 7 of the RBI act, 1934 started between the RBI & the Central government after the Central government has written three letters to the RBI threatening to exercise its powers under the Section 7.

Three letters:

1. While Allahabad High court was dealing with the petition of the power companies against the February 12 notification of the RBI that imposed stringent norms in relation to the NPA norms, **Allahabad High Court** directed the Central Government to hold consultations with the RBI under Section 7. The Central government has written the first letter to the RBI for easing the norms in the **February 12 Circular**.
2. Second letter was written to seek the views of the RBI on deploying **capital reserves of the RBI** for the liquidity infusion in the economy, specially for the struggling NBFCs.
3. Third letter was penned seeking the relaxation of the **Promptive Corrective Action Framework** for some of the **State-run banks**.

What is the Section 7 of the RBI Act, 1934?

1. Section 7(1) of the Act says, "The Central Government may from time to time give such directions to the RBI as it may, after consultation with the Governor, consider necessary in the **Public interest**".
2. Section 7(2) of the Act says that the Central Government can entrust the business of the RBI to the **Central Board of Directors** formed by it.

When was the Section 7 of the RBI Act, 1934 invoked?

Section 7 of the RBI Act, 1934 has never been invoked before neither during the Financial Crisis of 1991 nor during the 2008 Global Recession, therefore there was no clarity on how the Section works.

Similar laws for other regulators:

Regulator	Law	Powers
Insurance Regulatory and Development Authority of India	1. Section 18 of the Insurance Regulatory and Development Authority of India Act, 1999	1. The central government can issue directions to the IRDAI wherein the centre's decision is deemed to be final.
IRDAI	2. Section 19 of the IRDAI Act	2. The central government can supersede IRDAI for a period of six months.
Securities & Exchange Board Of India	1. Section 16 of the SEBI Act, 1992	1. The central government can issue binding directions to the SEBI.
SEBI	2. Section 17 of the SEBI Act, 1992	2. The central government can supersede the SEBI.
Pension Fund Regulatory and Development Authority of India	1. Section 43 of the PFRDA Act, 2013	1. The central government can issue directions to the PFRDA.
PFRDA	2. Section 44 of the PFRDA Act, 2013	2. The central government can supersede the PFRDA.
Telecom Regulatory Authority Of India	Section 25 of the TRAI Act, 1997	1. The central government can issue directions to the TRAI which are binding on the TRAI.
TRAI		

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