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THE STATE BANK OF INDIA ACT, 1955

ACT No. 23 OF 1955

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THE STATE BANK OF INDIA ACT, 1955

ACT No. 23 OF 1955

[8th May, 1955]

See India Code
Vol. I

An Act to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto.

WHEREAS for the extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for diverse other public purposes it is expedient to constitute a State Bank for India, and to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto;

BE it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title
and com-
mencement.

1. (1) This Act may be called the State Bank of India Act, 1955.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. In this Act, unless the context otherwise requires,—

Definitions.

(a) "appointed day" means the date on which this Act comes into force;

(b) "Central Board" means the Central Board of Directors of the State Bank;

(c) "goods" includes bullion, wares and merchandise;

(d) "Imperial Bank" means the Imperial Bank of India constituted under the Imperial Bank of India Act, 1920;

(e) "prescribed" means prescribed by regulations made under this Act;

(f) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;

(g) "State Bank" means the State Bank of India constituted under this Act.

CHAPTER II

INCORPORATION AND SHARE CAPITAL OF STATE BANK.

3. (1) A Bank to be called the State Bank of India shall be constituted to carry on the business of banking and other business in accordance with the provisions of this Act and for the purpose of taking over the undertaking of the Imperial Bank.

Establishment of the State Bank.

(2) The Reserve Bank, together with such other persons as may from time to time become shareholders in the State Bank in accordance with the provisions of this Act, shall, so long as they are shareholders in the State Bank, constitute a body corporate with perpetual succession and a common seal under the name of the State Bank of India, and shall sue and be sued in that name.

(3) The State Bank shall have power to acquire and hold property, whether movable or immovable, for the purposes for which it is constituted and to dispose of the same.

4. Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of rupees divided into twenty lakhs of fully paid up shares of one hundred rupees each:

Authorised capital.

Provided that the Central Government may increase or reduce the authorised capital as it thinks fit so however that the shares in all cases shall be fully paid up shares of one hundred rupees each.

5. (1) The issued capital of the State Bank shall, on the appointed day, be five crores, sixty-two lakhs and fifty thousand rupees divided into five lakhs, sixty-two thousand and five hundred shares, all of which shall, on the appointed day, stand allotted to the Reserve Bank in lieu of the shares of the Imperial Bank transferred to it by paragraph 2 of the First Schedule.

Issued capital.

¹1st July, 1955, *Vide* Notification No. S.R.O. 1077, dated the 14th May, 1955, Gazette of India, Pt. II, Sec. 3, Page 869.
1005 M of Law.

(2) The Central Board may from time to time increase the issued capital but no increase in the issued capital shall be made in such a manner that the Reserve Bank holds at any time less than fifty-five per cent. of the issued capital of the State Bank.

(3) No increase in the issued capital beyond twelve crores and fifty lakhs of rupees shall be made under sub-section (2) without the previous sanction of the Central Government.

CHAPTER III

Transfer of assets and liabilities of the Imperial Bank to the State Bank.

✓ TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK

6. (1) Subject to the other provisions contained in this Act, on the appointed day,

(a) all shares in the capital of the Imperial Bank shall be transferred to, and shall vest in, the Reserve Bank, free of all trusts, liabilities and encumbrances, and

(b) the undertaking of the Imperial Bank shall be transferred to, and shall vest in, the State Bank.

(2) The undertaking of the Imperial Bank shall be deemed to include all rights, powers, authorities and privileges, and all property, movable and immovable, including cash balances, reserve funds, investments and all other interests and rights in, or arising out of, such property as may be in the possession of that Bank immediately before the appointed day, and all books, accounts, and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations of whatever kind then existing of that Bank.

(3) Without prejudice to the provisions contained in section 7, all contracts and other instruments of whatever nature, subsisting or having effect immediately before the appointed day and to which the Imperial Bank is a party, shall be of as full force and effect against or in favour of the State Bank, as the case may be, and may be enforced as fully and effectually as if instead of the Imperial Bank the State Bank had been a party thereto.

✓ (4) If on the appointed day any suit, appeal or other legal proceeding of whatever nature, is pending by or against the Imperial Bank, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the State Bank of the undertaking of the Imperial Bank or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the State Bank.

Transfer of service of existing officers and employees of the Imperial Bank to the State Bank

7. (1) Every officer or other employee of the Imperial Bank (excepting the managing director, the deputy managing director and other directors) in the employment of the Imperial Bank immediately before the appointed day shall, on and from the appointed day, become an officer or other employee, as the case may be, of the State Bank, and shall hold his office or service

therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same on the appointed day if the undertaking of the Imperial Bank had not vested in the State Bank, and shall continue to do so unless and until his employment in the State Bank is terminated or until his remuneration, terms or conditions are duly altered by the State Bank.

(2) Any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit from the Imperial Bank or any provident, pension or other fund or any authority administering such fund shall be entitled to be paid by, and to receive from, the State Bank or any provident, pension or other fund or any authority administering such fund the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), no appointment made or promotion, increment in salary, pension, allowance or any other benefit granted to any person after the 19th day of December, 1954, and before the appointed day which would not ordinarily have been made or granted or which would not ordinarily have been admissible under the rules or authorisations of the Imperial Bank or of any provident, pension or other fund in force prior to the 19th day of December, 1954, shall have effect or be payable or claimable from the State Bank or from any provident, pension or other fund or from any authority administering the fund, unless the Central Government has, by general or special order, confirmed the appointment, promotion or increment or has directed the continued grant of the pension, allowance or other benefit as the case may be.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any officer or other employee of the Imperial Bank from that Bank to the State Bank shall not entitle such officer or other employee to any compensation under that Act or other law, and no such claim shall be entertained by any court, tribunal or other authority.

(5) Any person holding office as managing director, deputy managing director, director or member of any Local Board of the Imperial Bank immediately before the appointed day shall be deemed to have vacated his office as such on the appointed day, and notwithstanding anything contained in this Act or in any other law

for the time being in force or in any agreement or contract, he shall not be entitled to any compensation from the Imperial Bank or the State Bank for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit which the State Bank may grant to him, having regard to what that person would have received as an officer of the Imperial Bank if this Act had not been passed and if he had retired from his employment in the ordinary course.

(6) Where any managing director, deputy managing director, director, officer or other employee of the Imperial Bank has, after the 19th day of December, 1954, and before the appointed day, been paid any sum by way of compensation or gratuity, the State Bank shall be entitled to claim refund of any sum so paid if the payment is not confirmed by the Central Government by general or special order.

Existing provident and other funds of the Imperial Bank.

8. For the persons who immediately before the appointed day are the trustees of the following funds, that is to say,—

- (a) the Imperial Bank of India Employees Provident Fund;
- (b) the Imperial Bank of India Employees Pension and Guarantee Fund;
- (c) the Bank of Bombay Officers Pension and Guarantee Fund;
- (d) the Bank of Madras Pension and Gratuity Fund; and
- (e) the Bank of Madras Officers Provident and Mutual Guarantee Fund;

there shall be substituted as trustees such persons as the Central Government may, by general or special order, specify.

Compensation to be given to shareholders of Imperial Bank.

9. (1) Every person who immediately before the appointed day is registered as a holder of shares in the Imperial Bank shall be entitled to compensation in accordance with the provisions contained in the First Schedule.

(2) Nothing contained in sub-section (1) shall affect the rights *inter se* between the holder of any share in the Imperial Bank and any other person who may have an interest in such share, and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share, but not against the Reserve Bank.

CHAPTER IV

SHARES

Transferability of shares.

10. (1) Save as otherwise provided in sub-section (2), the shares of the State Bank shall be freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the Reserve Bank to transfer any shares held by it in the State Bank if such

transfer will result in reducing the shares held by it to less than fifty-five per cent. of the issued capital of the State Bank.

11. (1) No person shall be registered as a shareholder in respect of any shares held by him, whether in his own name or jointly with any other person, in excess of two hundred shares, or be entitled to payment of any dividend on the excess shares held by him, or to exercise any of the rights of a shareholder in respect of such excess shares otherwise than for the purpose of selling them: Restrictions on individual holdings.

Provided that nothing contained in this sub-section shall apply to—

- (a) the Reserve Bank;
- (b) a corporation;
- (c) an insurer as defined in the Insurance Act, 1938;
- (d) a local authority;
- (e) a co-operative society; and
- (f) a trustee of a public or private religious or charitable trust.

(2) Notwithstanding anything contained in sub-section (1), no person referred to in the proviso to that sub-section, other than the Reserve Bank, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent. of the issued capital.

12. Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of the State Bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, and also to be approved securities for the purposes of the Insurance Act, 1938, and the Banking Companies Act, 1949. Shares to be approved securities.

13. The State Bank shall keep at its Central Office a register in one or more books of the shareholders (in this Act referred to as the principal register), and shall enter therein the following particulars so far as they may be available:— Principal register of shareholders.

(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(ii) the date on which each person is so entered as a shareholder;

(iii) the date on which any person ceases to be a shareholder;

and

(iv) such other particulars as may be prescribed.

14. (1) The State Bank shall cause to be kept at its local head offices branch registers which shall be deemed to be part of the Branch registers.

principal register, and in which shall be entered the particulars as in the principal register of shareholders whose registered addresses are within the areas prescribed with reference to each register.

(2) Any shareholder may apply to have his name transferred from one branch register to another in respect of the whole, but not any part, of the shares standing in his name, and the State Bank shall, subject to such conditions as may be prescribed, cause the registers to be amended accordingly.

Trusts not
to be entered
on the regis-
ter.

15. Notwithstanding anything contained in section 11, no notice of any trust, express, implied or constructive, shall be entered on the principal or any branch register or be receivable by the State Bank.

CHAPTER V

MANAGEMENT

Offices, bran-
ches and
agencies.

16. (1) Unless otherwise provided by the Central Government, by notification in the Official Gazette, the Central Office of the State Bank shall be at Bombay.

(2) The State Bank shall have local head offices in Bombay, Calcutta and Madras and at such other places in India as the Central Government, in consultation with the Central Board, may determine.

(3) The State Bank shall maintain as its branches or agencies all branches or agencies of the Imperial Bank which were in existence immediately before the appointed day, and no such branch may be closed without the previous approval of the Reserve Bank.

(4) The State Bank may establish branches or agencies at any place in or outside India in addition to the branches or agencies referred to in sub-section (3).

(5) Notwithstanding anything contained in sub-section (4), the State Bank shall establish not less than four hundred branches in addition to the branches referred to in sub-section (3) within five years of the appointed day or such extended period as the Central Government may specify in this behalf, and the places where such additional branches are to be established shall be determined in accordance with any such programme as may be drawn up by the Central Government from time to time in consultation with the Reserve Bank and the State Bank, and no branch so established shall be closed without the previous approval of the Reserve Bank.

Management.

17. (1) The general superintendence and direction of the affairs and business of the State Bank shall be entrusted to the Central Board which may exercise all powers and do all such acts and things as may be exercised or done by the State Bank and are not by this Act expressly directed or required to be done by the State Bank in general meeting.

(2) The Central Board in discharging its functions shall act on business principles, regard being had to public interest.

18. (1) In the discharge of its functions, the State Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the Reserve Bank and the chairman of the State Bank, give to it.

Central Board to be guided by directions of Central Government.

(2) All directions given by the Central Government shall be given through the Reserve Bank and, if any question arises whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

19. (1) The Central Board shall consist of the following, namely:—

Composition of the Central Board.

(a) a chairman and a vice-chairman to be appointed by the Central Government in consultation with the Reserve Bank and after consideration, except in the case of first appointments, of the recommendations made by the Central Board in that behalf;

(b) not more than two managing directors, if any, appointed by the Central Board with the approval of the Central Government;

(c) six directors to be elected in the prescribed manner by the shareholders, other than the Reserve Bank, whose names are entered in the various branch registers:

Provided that if the total amount of the holdings of all such shareholders on any branch register three months before the date fixed for election is below two and a half per cent. of the total issued capital, all the directors to be elected by the shareholders on that register shall be nominated by the Reserve Bank, and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause;

(d) eight directors to be nominated by the Central Government in consultation with the Reserve Bank to represent, as far as possible, territorial and economic interests and in such manner that not less than two of them have special knowledge of the working of co-operative institutions and or rural economy and the others have experience in commerce, industry, banking or finance;

(e) one director to be nominated by the Central Government; and

(f) one director to be nominated by the Reserve Bank.

(2) Notwithstanding anything contained in clauses (b) and (c) of sub-section (1), on the first constitution of the Central Board all the directors referred to in the said clauses shall be appointed by the Central Government, and the directors so appointed shall, for the

purposes of this Act, be deemed to have been appointed or elected, as the case may be, within the meaning of the said clauses.

(3) All directors of the Central Board first constituted, other than the chairman, vice-chairman and managing directors, shall retire at the expiry of two years from the appointed day.

Term of
office of
chairman,
managing
director,
etc.

20. (1) The chairman and the vice-chairman shall hold office for such term, not exceeding five years, as the Central Government may fix when appointing them and shall be eligible for reappointment.

(2) A managing director shall hold office for such term, not exceeding five years, as the Central Board or in the case of the first two appointments, the Central Government, may fix when appointing him, and shall be eligible for reappointment.

(3) Subject to the provisions contained in section 19 and in sub-section (5), a director elected under clause (c) of sub-section (1) of section 19 or nominated under clause (d) of that sub-section shall hold office for four years and thereafter until his successor shall have been duly elected or nominated, and shall be eligible for re-election or renomination.

(4) A director nominated under clause (e) or clause (f) of sub-section (1) of section 19 shall hold office during the pleasure of the authority nominating him.

(5) The following provisions shall have effect in relation to directors elected or nominated to the Central Board after the expiration of two years from the appointed day:—

(i) out of the six directors elected under clause (c) of sub-section (1) of section 19, two shall retire at the end of one year, two at the end of two years and two at the end of three years from such expiration;

(ii) out of the eight directors nominated under clause (d) of sub-section (1) of section 19, two shall retire at the end of one year, two at the end of two years, two at the end of three years and two at the end of four years from such expiration.

(iii) the directors to retire at the end of each year under clauses (i) and (ii) shall be determined by lot.

Local Board
and Local
Committees.

21. (1) There shall be constituted at each place where the State Bank has a local head office, a Local Board which shall consist of the following members, namely:—

(a) all the directors elected or nominated to the Central Board under clause (c) or clause (d) of sub-section (1) of section 19 and ordinarily resident in the area served by the branch register of the local head office; and

(b) such number not exceeding four to be elected by the shareholders whose names are entered on the branch register or nominated by the Central Government in consultation with the Reserve Bank as may be prescribed.

(2) A Local Committee may be constituted by the Central Board for any area consisting of such number of members as it may determine.

(3) A Local Board and a Local Committee shall exercise such powers and perform such functions and duties as the Central Board may assign to the Local Board or Local Committee.

22. (1) No person shall be qualified to be a director of the Central Board or a member of a Local Board or of a Local Committee if—

Disqualifications for directorship of Central Board or membership of Local Boards or Committees.

(a) he holds the office of director, provisional director, promoter, agent or manager of any banking company already established or advertised as about to be established; or

(b) he is a salaried officer of Government not specially authorised by the Central Government to be a director or member; or

(c) he has been removed or dismissed from the service of Government on a charge of corruption or bribery; or

(d) he holds any office of profit under the State Bank other than the office of chairman, vice-chairman or managing director; or

(e) he is or at any time has been adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or

(f) he is declared lunatic or becomes of unsound mind; or

(g) he is or has been convicted of any offence involving moral turpitude; or

(h) in the case of an elected director, he is not registered as a holder in his own right of unencumbered shares in the State Bank of a nominal value of at least five thousand rupees and in the case of an elected member of a nominal value of at least one thousand rupees:

Provided that in the case of a director or member deemed to have been elected to the Central Board or a Local Board, as the case may be, on its first constitution, the disqualification mentioned in clause (h) shall not operate for a period of six months from his becoming such director or member.

(2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of

the other or holds a power of attorney from a firm of which the other is a partner may be directors of the Central Board or members of the same Local Board or Local Committee at the same time.

(3) The appointment, nomination or election as director or member of a Local Board or of a Local Committee of any person who is a member of Parliament or the Legislature of any State shall be void unless within two months of the date of his appointment, nomination or election he ceases to be a member of Parliament or the State Legislature, and if any director or member of a Local Board or of a Local Committee is elected or nominated as a member of Parliament or any State Legislature, he shall cease to be a director or member of the Local Board or of the Local Committee as from the date of such election or nomination, as the case may be.

Vacation of
office of
directors,
etc.

23. If a director of the Central Board or a member of a Local Board or a Local Committee—

(a) becomes subject to any of the disqualifications mentioned in section 22; or

(b) resigns his office by giving notice in writing under his hand, in the case of the chairman and vice-chairman, to the Central Government and in the case of other directors or members of Local Boards or Committees, to the Central Board, and the resignation is accepted; or

(c) is absent without leave of the Central Board, the Local Board or the Local Committee of which he is a director or member, as the case may be, for more than three consecutive meetings thereof;

his seat shall thereupon become vacant.

Removal
from office
of directors,
etc.

24. (1) The Central Government may, after consulting the Reserve Bank, remove from office the chairman or the vice-chairman.

(2) The Central Board may, with the approval of the Central Government, remove from office a managing director.

(3) The Central Government, after consulting the Reserve Bank, may remove from office any director nominated under clause (d) of sub-section (1) of section 19 and nominate in his stead another person to fill the vacancy.

(4) The shareholders, other than the Reserve Bank, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders, remove any director elected under clause (c) of sub-section (1) of section 19 and elect in his stead another person to fill the vacancy.

(5) The shareholders whose names are entered on a branch register, other than the Reserve Bank, may, by a resolution passed

by the votes of the shareholders holding in the aggregate not less than one-half of the share capital on the branch register held by such shareholders, remove any elected member of a Local Board and elect in his stead another person to fill the vacancy.

(6) No person shall be removed from his office under sub-section (1) or sub-section (2) or sub-section (3) unless he has been given an opportunity of showing cause against his removal.

25. (1) If the chairman, vice-chairman or a managing director is rendered incapable of discharging his duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, in the case of the chairman or vice-chairman, in consultation with the Reserve Bank and after considering the recommendations of the Central Board, and the Central Board may, in the case of a managing director, with the approval of the Central Government, appoint another person to officiate in the vacancy. Casual vacancies.

(2) Where any vacancy occurs before the expiry of the term of office of a director, other than the chairman, vice-chairman or a managing director, the vacancy shall be filled—

(a) in the case of an elected director, by election; and

(b) in the case of a director nominated under clause (d) of sub-section (1) of section 19, by nomination in consultation with the Reserve Bank:

Provided that where the duration of the vacancy in the office of an elected director is likely to be less than six months, the vacancy may be filled by the remaining directors by co-opting a person not disqualified under section 22.

(3) A person elected or nominated or co-opted, as the case may be, under this section shall hold office for the unexpired portion of the term of his predecessor.

26. (1) Without prejudice to the provisions contained in sections 27, 28 and 29, the directors shall be paid such fees and allowances for attending the meetings of the Central Board or of any of its Committees and for attending to any other work of the State Bank as may be prescribed. Remuneration of directors.

(2) Notwithstanding anything contained in sub-section (1), no fees shall be payable to a managing director or any other director who is an officer of the Central Government or the Reserve Bank.

27. (1) The chairman shall preside at all meetings of the Central Board and, subject to such general or special directions as the Central Board may give, exercise all such powers and do all such acts and things as may be exercised or done by the State Bank. Powers and remuneration of chairman.

(2) The chairman shall receive such salary, fees, allowances and perquisites as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first chairman, the Central Government may determine his salary, fees, allowances and perquisites.

Powers and remuneration of vice-chairman.

28. (1) The vice-chairman shall preside at the meetings of the Central Board in the absence of the chairman and, subject to the general control of the chairman, exercise such powers and perform such duties as may be entrusted or delegated to him by the Central Board.

(2) The vice-chairman shall receive such salary, fees, allowances and perquisites as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first vice-chairman, the Central Government may determine his salary, fees, allowances and perquisites.

(3) The fact that the vice-chairman exercises any of the powers and does any act or thing for or on behalf of the State Bank shall be conclusive proof of his authority to do so.

Powers and remuneration of managing director.

29. (1) A managing director—

(a) shall be a whole-time officer of the State Bank; and

(b) subject to the general control of the chairman and the vice-chairman, shall exercise such powers and perform such duties as may be entrusted or delegated to him by the Central Board.

(2) A managing director shall receive such salary and allowances as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first managing director or directors, the Central Government may determine the salary and allowances payable to him or them.

Executive and other committees of the Central Board.

30. The Central Board may constitute such and so many committees, including an executive committee, of itself as it deems fit to exercise such powers and perform such duties as may, subject to such conditions, if any, as the Central Board may impose, be delegated to them by the Central Board.

Meetings of the Central Board.

31. (1) The Central Board shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of (business at its meetings as may be prescribed.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors present and in the case of equality of votes, the chairman or, in his absence, the vice-chairman shall have a second or casting vote.

(3) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the State Bank shall at the earliest possible opportunity disclose the nature of his interest to the Central Board and shall not be present at any meeting of the Central Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information, and no director so required to be present shall vote on any such contract, loan, arrangement or proposal.

(4) If for any reason neither the chairman nor the vice-chairman is able to be present at a meeting of the Central Board, any director, other than a managing director, authorised by the chairman in writing in this behalf, and in the absence of such authorization, any such director elected by the directors present from amongst themselves, shall preside at the meeting and, in the event of equality of votes, shall have a second or casting vote.

CHAPTER VI

BUSINESS OF THE STATE BANK

32. (1) The State Bank shall, if so required by the Reserve Bank, State Bank to act as agent of the Reserve Bank. act as agent of the Reserve Bank at all places in India where it has a branch, and where there is no branch of the banking department of the Reserve Bank, for—

(a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and

(b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.

(2) The terms and conditions on which any such agency business shall be carried on by the State Bank on behalf of the Reserve Bank shall be such as may be agreed upon.

(3) If no agreement can be reached on any matter referred to in sub-section (2) or if a dispute arises between the State Bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

(4) The State Bank may transact any business or perform any functions entrusted to it under sub-section (1) either by itself or through an agent approved by the Reserve Bank.

Other business which the State Bank may transact.

33. Subject to the other provisions contained in this Act, the State Bank may carry on and transact any of the following kinds of business, namely:—

(i) the advancing and lending of money and the opening of cash credits upon the security of—

(a) stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India or in any other country in which the State Bank has a branch;

(b) debentures or other securities for money issued by or on behalf of a district board, municipal board, committee or other local authority under the authority of any Central Act, Provincial Act or State Act or of any law for the time being in force in any other country in which the State Bank has a branch;

(c) subject to such directions as may be issued by the Central Board, debentures of companies with limited liability registered either in India or in such other country as the Central Government may approve in this behalf;

(d) subject to such directions as may be issued by the Central Board, shares and debentures of corporations established under any law for the time being in force in India;

(e) goods which, or the documents of title to which, are deposited with or assigned to the State Bank as security for such advances, loans or credits;

(f) goods which are hypothecated to the State Bank as security for such advances, loans or credits, if so authorised by special directions of the Central Board;

(g) accepted bills of exchange and promissory notes endorsed by payees, and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership;

(h) fully paid shares of companies with limited liability or immovable property or documents of title relating thereto as collateral security only where the original security is one of those specified in sub-clauses (a) to (e) and, subject to such directions as may be issued by the Central Board, where the original security is one of the kinds specified in sub-clauses (f) and (g):

Provided that where the Central Government or a State Government or any Government or authority outside India, which the Central Government may approve in this behalf, may accept from the State Bank any advances or loans under

any law for the time being in force, the Central Board may, if it thinks fit, make such advances or loans without any specific security;

(ii) the selling and realisation of the proceeds of sale of any promissory notes, debentures, stock-receipts, bonds, annuities, stock, shares, securities or goods which, or the documents of title to which, have been deposited with, or pledged, hypothecated, assigned or transferred to the State Bank as security for such advances, loans or credits or which are held by the State Bank or over which the State Bank is entitled to any lien or charge in respect of any loan, advance, credit or claim of the State Bank, and which have not been redeemed in due time in accordance with the terms and conditions of such deposit, pledge, hypothecation, assignment or transfer;

(iii) the drawing, accepting, discounting, buying and selling of bills of exchange and other negotiable securities;

(iv) the investing of the funds of the State Bank upon any of the securities specified in sub-clauses (a) to (d) of clause (i) and the conversion of the same into money whenever required, and the alteration, conversion or transposition of any such investment for or into any of the other investments above specified;

(v) the issuing of demand drafts, telegraphic transfers and other kinds of remittances made payable at its own offices, branches or agencies, the purchasing of drafts, telegraphic transfers and other remittances, and the making, issuing and circulating of letters of credit to order or otherwise than to the bearer on demand;

(vi) the buying and selling of gold and silver, whether coined or uncoined;

(vii) the receiving of deposits and keeping cash accounts on such terms as may be agreed upon;

(viii) the receiving of all kinds of bonds, scrips, title deeds or valuables on deposit or for safe custody or otherwise on such terms as may be agreed upon;

(ix) the selling and realising of all property, whether movable or immovable, which may in any way come into the possession of the State Bank in satisfaction or part satisfaction of any of its claims, and the acquisition and holding of, and generally the dealing with, any right, title or interest in any property, movable or immovable, which may be the State Bank's security for any loan or advance or may be connected with any such security;

(x) the acting as agent of any co-operative bank which is registered or deemed to be registered under the Co-operative Societies Act, 1912, or any other law for the time being in force ^{2 of 1912.} in any part of India relating to co-operative societies in the transaction of such business, and on such terms as may be agreed upon;

(xi) the underwriting of the issues of any stocks, shares, debentures or other securities in which the State Bank is authorised to invest its funds under clause (iv);

(xii) the transacting of pecuniary agency business on commission and the entering into of contracts of indemnity, suretyship or guarantee with specific security or otherwise;

(xiii) the administration, whether alone or jointly with other persons, of estates for any purpose, whether as executor, trustee or otherwise, the acting, whether alone or jointly with other persons, as trustee under any settlement or debenture trust deed or as liquidator of any banking institution, or the acting as an agent on commission in the transaction of the following kinds of business, namely:—

(a) the buying, selling, transferring and taking charge of any securities or any shares in any public company;

(b) the receiving of the proceeds (whether principal, interest or dividends) of any securities or shares;

(c) the remittance of such proceeds by bills of exchange, payable either in India or elsewhere;

(xiv) the drawing of bills of exchange and the granting of letters of credit payable out of India;

(xv) the buying of bills of exchange payable out of India at any usance not exceeding fifteen months in the case of bills relating to the financing of seasonal agricultural operations or six months in other cases;

(xvi) the borrowing of money for the purposes of the business of the State Bank, and the giving of security for money so borrowed by pledging assets or otherwise;

(xvii) the advancing or lending of money to, or the opening of cash credit in favour of, any company having a share capital which is expressed in rupees in its memorandum of association or any society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in India ^{2 of 1912.} relating to co-operative societies, for the purpose of averting the winding up of the company or society or, where any such company or society is being wound up, for the purpose of facilitating such winding up, for any period upon the security of all

or any of the assets whatsoever of such company or society and such advance, loan or cash credit may be made by the State Bank either alone or conjointly with other persons;

(xviii) the advancing and lending of money to courts of wards upon the security of estates in their charge or under their superintendence and the realisation of such advances or loans and any interest due thereon, provided that no such advance or loan shall be made without the previous sanction of the State Government concerned, and that the period for which any such advance or loan is made shall not exceed fifteen months in the case of advances or loans relating to the financing of seasonal agricultural operations and six months in other cases;

(xix) with the approval of the Reserve Bank, the subscribing to, buying, acquiring or holding, and the selling of any shares in or the capital of any banking institution and the forming or conducting of any such banking institution as a subsidiary of the State Bank or in any other manner;

(xx) the subsidising from time to time of the pension funds referred to in section 8, if necessary;

(xxi) the doing of any other kind of business which the Central Government, in consultation with the Reserve Bank and on the recommendation of the Central Board, may authorise;

(xxii) the performance of the functions entrusted to, or required of, the State Bank by this Act or by any other law for the time being in force; and

(xxiii) generally, the doing of all such matters and things as may be incidental or subsidiary to the transacting of the various kinds of business, including foreign exchange business, herein specified.

34. (1) The State Bank shall not make a loan or advance—

(a) for a longer period than six months except as otherwise provided in this Act; or

(b) upon the security of stock or shares of the State Bank; or

(c) upon the security of any immovable property or the documents of the title relating thereto, except to the extent necessary for any of the purposes of this Act.

(2) The State Bank shall not, except upon a security of the kind specified in sub-clauses (a) to (c) of clause (i) of section 33 discount bills for any individual or firm for an amount exceeding in the whole at any one time such sum as may be prescribed, or lend or advance in any way to any individual or firm an amount exceeding in the whole at any one time such sum as may be prescribed.

Business
which the
State Bank
may not
transact.

(3) The State Bank shall not discount or buy, or advance or lend or open cash credits, on the security of any negotiable instrument of any individual or firm payable at the place where it is presented for discount which does not carry on it the several responsibilities of at least two persons or firms unconnected with each other in general partnership.

(4) The State Bank shall not discount, lend or advance or open cash credits on the security of any negotiable security (not being a security in which a trustee may invest trust money under section 20 of the Indian Trusts Act, 1882, or the corresponding provision of law for the time being in force in any country where the State Bank has a branch) which—

2 of 1882.

(a) at the date of the proposed transaction has a longer period to run than fifteen months, if the security is a bill drawn for the purpose of financing seasonal agricultural operations and six months in other cases; or

(b) if the security is a bill drawn after sight, it is drawn for a longer period than fifteen months in the case of a bill drawn for the purposes of financing seasonal agricultural operations and six months in other cases.

(5) Nothing contained in this section shall prevent the State Bank from allowing any person who keeps an account with the State Bank to overdraw such account without security to such extent as may be prescribed.

(6) Save as otherwise provided in section 33, the State Bank shall not own or acquire any interest in immovable property except for the purpose of providing buildings or other accommodation in which to carry on the business of the State Bank or for providing residences for its officers and other employees:

Provided that if any such building or other accommodation is not immediately required for any of the purposes of the State Bank, the State Bank may utilize it to the best advantage by letting it out or in any other manner.

State Bank
may acquire
the business
of other
Banks.

35. (1) The State Bank may, with the sanction of the Central Government, and shall, if so directed by the Central Government in consultation with the Reserve Bank, enter into negotiations for acquiring the business, including the assets and liabilities, of any banking institution.

(2) If the terms and conditions relating to the acquisition of any such banking institution are approved by the Central Board and the directorate of the banking institution concerned and are also approved by the Reserve Bank, they shall be submitted to the Central Government, and, if sanctioned by the Central Government by order in writing, shall, notwithstanding anything to the contrary

7 of 1913. contained in the Indian Companies Act, 1913, or in the Banking Com-
10 of 1949. panies Act, 1949, be binding on the State Bank and the banking
institution concerned as well as the shareholders and creditors.

(3) The consideration for the acquisition of any banking institution or of any assets or liabilities of a banking institution under this section may, if so agreed upon, be paid either in cash or by allotment of shares in the capital of the State Bank or partly in cash and partly by way of such allotment, and the State Bank may, for the purpose of any such allotment of shares, increase, subject to the other provisions contained in this Act relating to the increase of capital, the capital of the State Bank by the issue of such number of shares as may be determined by the State Bank.

(4) Any banking business acquired under this section shall thereafter be carried on by the State Bank in accordance with the provisions of this Act subject to such exemptions or modifications as the Central Government may, by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank:

Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

CHAPTER VII

FUNDS, ACCOUNTS AND AUDIT

36. (1) The State Bank shall maintain a special fund to be known as the Integration and Development Fund into which shall be paid—

(a) the dividends payable to the Reserve Bank on such shares of the State Bank held by it as do not exceed fifty-five per cent. of the total issued capital; and

(b) such contributions as the Reserve Bank or the Central Government may make from time to time.

(2) The amount in the said Fund shall be applied exclusively for meeting—

(a) losses in excess of such yearly sum as may be agreed upon between the Reserve Bank and the State Bank and attributable to the branches established in pursuance of sub-section (5) of section 16; and

(b) such other losses or expenditure as may be approved by the Central Government in consultation with the Reserve Bank.

(3) Subject to the provisions of sub-section (2), the said Fund shall be the property of the Reserve Bank and no shareholder of the State Bank or any other person shall have any claim to the amount held in the said Fund.

Reserve Fund.

37. The State Bank shall establish a Reserve Fund which shall consist of—

(a) the amount held in the Reserve Fund of the Imperial Bank transferred to the State Bank on the appointed day; and

(b) such further sums as may be transferred to it by the State Bank out of its annual net profits before declaring a dividend.

Disposal of profits.

38. (1) After making provision for bad and doubtful debts, depreciation in assets, equalisation of dividends, contribution to staff and superannuation funds and for all other matters for which provision is necessary by or under this Act or which are usually provided for by banking companies, the State Bank may, out of its net profits, declare a dividend.

(2) Subject to the provisions of paragraph 6 of the First Schedule, the rate of dividend shall be determined by the Central Board.

Books to be balanced each year.

39. The Central Board shall cause the books of the State Bank to be closed, and balanced on the 31st day of December in each year.

Returns.

40. (1) The State Bank shall furnish to the Central Government and to the Reserve Bank within two months from the date on which its accounts are closed and balanced its balance sheet, together with the profit and loss account and the auditors' report on the working of the State Bank during the period covered by the accounts.

(2) The balance sheet and the profit and loss account shall be signed by the chairman, vice-chairman, managing directors, if any, and a majority of the other directors.

(3) The State Bank shall also, within two months from the date on which its accounts are closed and balanced, transmit to the Central Government and the Reserve Bank a statement showing, as far as may be available, the name, address and occupation of, and the number of shares held by, each shareholder of the State Bank as on the said date.

Audit.

41. (1) The affairs of the State Bank shall be audited by two auditors duly qualified to act as auditors of companies under sub-section (1) of section 144 of the Indian Companies Act, 1913, who shall be appointed by the Reserve Bank in consultation with the Central Government. 7 of 1913.

(2) The auditors shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) An auditor may be a shareholder but no director or member of a Local Board or of a Local Committee or an officer of the State Bank shall be eligible to be an auditor during his continuance in office as such director, member or officer.

(4) An auditor shall on relinquishing office be eligible for re-appointment.

(5) The auditors shall severally be, and continue to act as, auditors until the first general meeting after their respective appointment, and if any vacancy arises before the expiry of the term of office of an auditor, the vacancy may be filled by the Reserve Bank.

(6) Every auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the State Bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other documents of the State Bank;

(b) may, at the expense of the State Bank, or if he is appointed by the Central Government, at the expense of the Central Government, employ accountants or other persons to assist him in investigating such accounts; and

(c) may, in relation to such accounts, examine any director or any member of a Local Board or of a Local Committee or any officer of the State Bank.

(7) The auditors shall make a report to the Central Government upon the annual balance sheet and accounts, and in every such report they shall state—

(a) whether, in their opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the State Bank, and in case they have called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of the State Bank which have come to their notice have been within the powers of the State Bank;

(c) whether or not the returns received from the offices and branches of the State Bank have been found adequate for the purpose of their audit;

(d) whether the profit and loss account shows a true balance of profit and loss for the period covered by such account; and

(e) any other matter which they consider should be brought to the notice of the shareholders or the Central Government, as the case may be.

(8) The auditors shall also forward a copy of the audit report to the State Bank.

(9) Without prejudice to anything contained in the foregoing provisions, the Central Government may appoint at any time such auditors as it thinks fit to examine and report on the accounts of the State Bank.

Balance Sheet, etc. of State Bank may be discussed at general meeting.

42. (1) A general meeting (hereinafter referred to as an annual general meeting) shall be held at such time and at such place where there is a local head office of the State Bank, as shall from time to time be specified by the Central Board before the end of February in each year, and a general meeting may be convened by the State Bank at any other time:

Provided that the first annual general meeting shall be held at Bombay.

(2) The shareholders present at an annual general meeting shall be entitled to discuss the balance sheet and the profit and loss account of the State Bank made up to the previous 31st day of December, the report of the Central Board on the working of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts.

CHAPTER VIII

MISCELLANEOUS

State Bank may appoint officers and other employees.

43. The State Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions, and determine the terms and conditions of their appointment and service.

Obligation as to fidelity and secrecy.

44. (1) The State Bank shall observe, except as otherwise required by law, the practices and usages customary among bankers, and, in particular, it shall not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the State Bank to divulge such information.

(2) Every director, member of a Local Board or of a Local Committee, auditor, adviser, officer or other employee of the State Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule.

Bar to liquidation of State Bank.

45. No provision of law relating to the winding up of companies shall apply to the State Bank, and the State Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Indemnity of directors and members of Local Boards and Local Committees, etc.

46. (1) Every director and every member of a Local Board or a Local Committee shall be indemnified by the State Bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as are caused by his own wilful act or default.

(2) Neither a director nor a member of a Local Board or a Local Committee shall be responsible for any loss or expense caused to the State Bank by the insufficiency or deficiency of the value of or title to any property or security acquired or taken on behalf of the State Bank or by the insolvency or wrongful act of any customer or debtor or by anything done in or in relation to the execution of the duties of his office or otherwise than for his wilful act or default.

47. (1) No act or proceeding of the Central Board or of a Local Board or a Local Committee shall be questioned on the ground merely of the existence of any vacancy or defect in the constitution of the Board or Committee, as the case may be.

Defects in appointment or constitution not to invalidate acts or proceedings.

(2) All acts done by any person acting in good faith as a director or as a member of a Local Board or of a Local Committee shall, notwithstanding that there was some defect in his appointment or qualifications, be as valid as if he was a director of the Central Board or a member of the Local Board or the Local Committee, as the case may be.

48. The Central Government may, for the purpose of removing any difficulties, particularly in relation to transition from the provisions of the Imperial Bank of India Act, 1920, to the provisions of this Act, by order, direct that this Act shall, during such period as may be specified in such order, have effect subject to such adaptations, whether by way of modification, addition or omission, as it may deem expedient:

Power to remove difficulties.

Provided that no such order shall be made after the expiry of one year from the appointed day.

49. (1) The Central Government, in consultation with the Reserve Bank, may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.

Power of Central Government to make rules.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the procedure for the payment of compensation under this Act;

(b) the determination of persons to whom the said compensation shall be payable in all cases, including cases where shares in the Imperial Bank have been held by more than one person, or where they have been transferred before the appointed day but the transfer has not been registered or where the shareholder is dead.

50. (1) The Central Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government make regulations, not inconsistent with this Act and the rules made thereunder, to provide for all matters for which pro-

Power of Central Board to make regulations.

vision is expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the nature of shares of the State Bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;

(b) the maintenance of share registers, and the particulars to be entered in the principal register in addition to those specified in section 13, the areas to be served by each branch register, the inspection and closure of the registers and all other matters connected therewith;

(c) the holding and conduct of elections under this Act, including the allocation of elected directors to the various areas served by the different branch registers, and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;

(d) the number of elected or nominated members of Local Boards and Local Committees, the terms of office of the members, the manner of their election or nomination, the formation and constitution of committees of Local Boards, the powers, functions and duties of Local Boards, Local Committees and committees of Local Boards, the holding of meetings of Local Boards, Local Committees and committees of Local Boards and the conduct of business thereat;

(e) the fees and allowances which may be paid to directors, or members of Local Boards or Local Committees for attending any meetings of the Central Board or of its committees or of the Local Boards or Local Committees, as the case may be, or for attending to any other work of the State Bank;

(f) the manner in which the business of the Central Board shall be transacted and the procedure to be followed at the meetings thereof;

(g) the formation of committees of the Central Board and the delegation of powers and functions of the Central Board to such committees and the conduct of business in such committees;

(h) the delegation of powers and functions of the Central Board to the vice-chairman, the managing directors or other directors or officers or other employees of the State Bank;

(i) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;

(j) the holding of meetings of shareholders on branch registers and the business to be transacted thereat;

(k) the manner in which notices may be served on behalf of the State Bank upon shareholders or other persons;

(l) the provision of seals for the State Bank and the manner and effect of their use;

(m) the conduct and defence of legal proceedings and the manner of signing pleadings;

(n) the duties and conduct of officers, other employees, advisers and agents of the State Bank;

(o) the establishment and maintenance of pension, provident or other funds for the benefit of employees or for the purposes of the State Bank;

(p) the form and manner in which contracts binding on the State Bank may be executed;

(q) the maximum amounts which may be advanced or lent to, or for which bills may be discounted for, any individual or partnership without security, the conditions under which advances may be made on security and the extent to which accounts may be overdrawn without security;

(r) the conditions subject to which alone, advances may be made to directors, members of Local Boards or of Local Committees or officers of the State Bank, or the relatives of such directors, members or officers or to companies, firms or individuals with which or with whom such directors, members, officers, or relatives, are connected as partners, directors, managers, servants, shareholders or otherwise;

(s) the statements, returns, and forms that are required for the purposes of this Act;

(t) the payment of dividends, including interim dividends;

(u) generally for the conduct of the business of the State Bank.

(3) Notwithstanding anything contained in this section, the first regulations shall be made by the Reserve Bank with the previous sanction of the Central Government, and thereupon shall be deemed to be the regulations made by the Central Board under this section and shall have force accordingly until they are amended or repealed.

51. (1) On the appointed day, the Imperial Bank shall be dissolved and thereafter no person shall make any claim or demand or take any proceeding against that Bank or a director, officer or employee thereof in his capacity as such director, officer or employee except in so far as may be necessary for enforcing the provisions of this Act or except in so far as it relates to any offence committed by any such director, officer or other employee.

Dissolution
of the Imperial
Bank and
repeal of Act
47 of 1920.

(2) On the appointed day, the Imperial Bank of India Act, 47 of 1920, shall stand repealed.

(3) Without prejudice to the other provisions contained in this Act and notwithstanding the repeal of the Imperial Bank of India Act, 1920, any reference to the Imperial Bank or to the Bank of 47 of 1920, Bengal, the Bank of Madras or the Bank of Bombay in any law, notification or in any contract or other instrument shall, on and from the appointed day, be deemed to be a reference to the State Bank.

Amendment
of Act 2 of
1934.

52. The Reserve Bank of India Act, 1934, shall be amended in the 2 of 1934. manner directed in the Third Schedule.

Amendment
of Act 10 of
1949.

53. The Banking Companies Act, 1949, shall be amended in the 10 of 1949. manner directed in the Fourth Schedule.

THE FIRST SCHEDULE

(See section 9)

COMPENSATION FOR THE TRANSFER OF SHARES OF THE IMPERIAL BANK TO THE RESERVE BANK

1. In this Schedule, "shareholder" means any person who immediately before the appointed day is registered as the holder of a share in the Imperial Bank.

2. As compensation for the shares in the capital of the Imperial Bank which, by reason of this Act, are transferred to and vested in the Reserve Bank, the Reserve Bank shall pay to every shareholder, in the manner set out hereinafter, an amount calculated at the rate of one thousand seven hundred and sixty-five rupees and ten annas per share in the case of a fully paid-up share and four hundred and thirty-one rupees, twelve annas and four pies per share in the case of a partly paid-up share.

3. Notwithstanding the transfer of the shares in the capital of the Imperial Bank to the Reserve Bank, any shareholder who immediately before the appointed day is entitled to payment of dividend on the shares of the Imperial Bank held by him shall be entitled to receive from the State Bank—

(a) all dividends accruing due on his shares in respect of any half-year which ended before the appointed day and remaining unpaid:

(b) dividends calculated at a rate to be specified by the Central Government in respect of any period immediately preceding the appointed day for which the Imperial Bank has not declared any dividend.

4. (1) The compensation provided for in this Schedule shall be given in Central Government securities, and the form of such securities and the value thereof, computed with reference to their market value, shall be such as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where the amount of such compensation is not an exact multiple of the value of the government security as so notified, the amount in excess of the nearest lower multiple of such value shall be paid by cheque drawn on the Reserve Bank.

(2) Notwithstanding anything contained in sub-paragraph (1), any person who is registered as the holder of a share in the Imperial Bank on the 19th day of December, 1954, and continues to be so until the appointed day shall, if he applies in writing in this behalf to the Reserve Bank before the expiry of three months from the appointed day, be entitled to be paid, by cheque drawn on the Reserve Bank, any compensation payable to him upto the first ten thousand rupees.

5. (1) Any shareholder to whom compensation is payable under this Schedule may apply to the Reserve Bank before the expiry of three months from the appointed day for the transfer to him of shares in the State Bank in lieu of such compensation, and for the purposes of such transfer the value of each share of the State Bank shall be such as may be determined by the Reserve Bank in this behalf.

(2) If on receipt of an application under sub-paragraph (1), the Reserve Bank, in its discretion, decides to transfer any shares to the applicant, it shall issue to the State Bank a warrant in the prescribed form directing it to transfer in favour of the person specified in the warrant such number of shares as may be specified therein out of the shares standing allotted to it under sub-section (1) of section 5, and the State Bank shall be bound to comply with such warrant.

2 of 1899.

(3) A warrant issued by the Reserve Bank under this paragraph shall not be liable to duty under the Indian Stamp Act, 1899.

6. (1) The Reserve Bank may, if it decides to transfer, in pursuance of paragraph 5, more than two lakhs, fifty-three thousand and one hundred and twenty-five shares, require the State Bank to issue to it such further shares as may be necessary to secure that it holds not less than fifty-five per cent. of the issued capital of the State Bank, and the State Bank shall, without prejudice to the provisions contained in sub-section (3) of section 5, comply with such requirement on the Reserve Bank subscribing one hundred rupees for each share.

(2) No share issued to the Reserve Bank at par under this paragraph shall carry dividend at a rate higher than four per cent. per annum.

THE SECOND SCHEDULE

(See section 44)

DECLARATION OF FIDELITY AND SECRECY

I..... do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Director, member of Local Board, member of Local Committee, auditor, adviser, officer or other employee (as the case may be) of the State Bank and which properly relate to the office or position in the said State Bank held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the State Bank or to the affairs of any person having any dealing with the State Bank; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the State Bank and relating to the business of the State Bank or to the business of any person having any dealing with the State Bank.

THE THIRD SCHEDULE

(See section 52)

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

2 of 1934

Section 2.—After clause (e), insert the following, namely:—

“(ee) ‘State Bank’ means the State Bank of India constituted under the State Bank of India Act, 1955.”.

Section 10.—In clause (e) of sub-section (1), for the words “other than a bank”, substitute the following, namely:—

“other than the State Bank or any of its subsidiary banks or a bank”.

Section 17.—(1) After clause (8), insert the following, namely:—

“(8A) the purchase and sale of shares in, or the capital of the State Bank or any of its subsidiary banks.”.

(2) For clause (15A), substitute the following, namely:—

“(15A) the exercise of powers and functions and the performance of duties entrusted to the Bank under this Act or under any other law for the time being in force;”.

Section 42.—(i) In the *Explanation* to sub-section (1), for the words “the Reserve Bank or the Imperial Bank of India” substitute “the Bank, the State Bank or any other bank notified by the Central Government in this behalf”.

- (ii) In clauses (a) and (aa) of sub-section (2), for the words "the Imperial Bank of India" substitute "the State Bank and any other bank notified by the Central Government in this behalf".

For section 45, substitute the following, namely:—

"45. Unless otherwise directed by the Central Government with reference to any place, the Bank shall appoint the State Bank as its sole agent at all places in India where it does not have an office or branch of the banking department and there is a branch of the State Bank:

Obligation to appoint State Bank as agent.

Provided that nothing herein contained shall affect the provisions of any agreement subsisting on the day on which the State Bank of India Act, 1955, comes into force between the Bank and any other banking institution for the conduct of Government business or other matters in a Part B State."

THE SECOND SCHEDULE.—For the words "Imperial Bank of India" substitute "State Bank of India".

Omit the Third Schedule.

THE FOURTH SCHEDULE

(See section 53)

AMENDMENTS TO THE BANKING COMPANIES ACT, 1949.

of 1949.

In section 39.—After the words "the Reserve Bank" appearing for the second time therein, insert "or the State Bank of India, as the case may be, as stated in such application".

For section 51, substitute the following, namely:—

"51. Without prejudice to the provisions of the State Bank of India Act, 1955, the provisions of sections 10, 13 to 17, 19 to 21, 23 to 31, 34 to 36, 37, 45, 46 to 48, 50, 52 and 53 shall also apply, as far as may be, to and in relation to the State Bank of India as they apply to and in relation to banking companies:

Application of certain provisions to the State Bank of India.

Provided that nothing contained in section 46 shall apply to any directors nominated under clauses (e) and (f) of section 19 of the State Bank of India Act, 1955."

Repealed by Act 58 of 1960, S. 2 + Sch. I (w.f. 26-12-60)

THE RESERVE BANK OF INDIA (AMENDMENT)

ACT, 1955

ACT No. 24 OF 1955

[8th May, 1955]

An Act further to amend the Reserve Bank of India Act, 1934.

BE it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

Short title.

1. This Act may be called the Reserve Bank of India (Amendment) Act, 1955.

Amendment
of section 2,
Act 2 of
1934.

2. In section 2 of the Reserve Bank of India Act, 1934 (hereinafter referred to as the principal Act), after clause (b), the following clause shall be inserted, namely:—

“(bb) ‘co-operative credit society’ means a society registered, or deemed to be registered, under the Co-operative Societies Act, 1912, or any other law relating to co-operative societies for the time being in force in any part of the territories to which this Act extends, the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank;”.

Amendment
of section 6,
Act 2 of
1934.

3. In section 6 of the principal Act, the words “and a branch in London” shall be omitted.

Amendment
of section
Act 2 of
1934.

4. In section 8 of the principal Act, in clause (a) of sub-section (1), for the word “two”, the word “three” shall be substituted.

Amendment
of section 13,
Act 2 of
1934.

5. In sub-section (3) of section 13 of the principal Act, for the words “in his absence”, the words “if for any reason, he is unable to attend,” shall be substituted.

Amendment
of section 17,
Act 2 of
1934.

6. In section 17 of the principal Act,—

(a) in clause (4),—

(i) after the words “State co-operative banks”, the words and figures “State Financial Corporations established under the State Financial Corporations Act, 1951” shall be inserted;

(ii) in sub-clause (c), after the words “the Bank”, the words “or as are fully guaranteed as to the repayment of

the principal and payment of interest by a State Government" shall be inserted;

(iii) in sub-clause (d), for the words "a cash credit or overdraft granted", the words "a loan or advance made" shall be substituted;

(b) for clause (4A), the following clause shall be substituted, namely:—

"(4A) the making of loans and advances out of the National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund established under section 46A and section 46B respectively for the purposes specified in the said sections;"

7. After section 46 of the principal Act, the following sections shall be inserted, namely:—

Insertion of new sections 46A and 46B in Act 2 of 1934.

"46A. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Long Term Operations) Fund to which shall be credited—

National Agricultural Credit (Long Term Operations) Fund.

(a) an initial sum of ten crores of rupees by the Bank; and

(b) such further sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than five crores of rupees:

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the following objects, namely:—

(a) the making of loans and advances to State Governments for subscribing directly or indirectly to the share capital of a co-operative credit society and repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance;

(b) the making to State co-operative banks of loans and advances for agricultural purposes, repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance, against such securities as may be specified in this behalf by the Bank:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government;

(c) the making to Central Land Mortgage Banks of loans and advances repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance:

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government;

(d) the purchase of debentures of Central Land Mortgage Banks:

Provided that such debentures are fully guaranteed as to the repayment of the principal and payment of interest by the State Government.

Explanation.—For the purposes of this section, a Central Land Mortgage Bank includes an institution engaged in the grant of loans on the mortgage of agricultural land and declared as such by the State Government in this behalf.

National
Agricultural
Credit
(Stabilisa-
tion) Fund.

46B. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Stabilisation) Fund to which shall be credited such sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than one crore of rupees:

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the making to State co-operative banks of loans and advances repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance and on such terms and conditions as may be specified in this behalf by the Bank:

Provided that no such loans or advances shall be made—

(a) except for the purpose of enabling the State co-operative banks to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of section 17 or loans and advances made to them by the Bank under clause (4) of section 17, and unless, in the opinion of the Bank, the State

co-operative banks are unable to pay such dues in time owing to drought, famine or other natural calamities; and

(b) unless such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government."

8. In section 47 of the principal Act, for the words "and such other contingencies as", the words "and for all other matters for which provision is to be made by or under this Act or which" shall be substituted. Amendment of section 47, Act 2 of 1934.

9. In sub-section (1) of section 52 of the principal Act, the words "if appointed by it or at the expense of the Central Government if appointed by that Government" shall be omitted. Amendment of section 52, Act 2 of 1934.

10. After section 54 of the principal Act, the following section shall be inserted, namely:— Insertion of new section 54A in Act 2 of 1934.

"54A. (1) The Governor may, by general or special order, delegate to a Deputy Governor, subject to such conditions and limitations, if any, as may be specified in the order, such of the powers and functions exercisable by him by or under this Act or under any other law for the time being in force as he may deem necessary for the efficient administration of the functions of the Bank. Delegation of powers.

(2) The fact that a Deputy Governor exercises any power or does any act or thing in pursuance of this Act shall be conclusive proof of his authority to do so."

11. In the First Schedule to the principal Act, in paragraph 3, for the word "Kashmir", the words "Jammu and Kashmir" shall be substituted. Amendment of the First Schedule Act 2 of 1934.

THE HINDU MARRIAGE ACT, 1955

ACT No. 25 OF 1955

See India Code vol.

ARRANGEMENT OF SECTIONS

PRELIMINARY

SECTIONS

1. Short title and extent.
2. Application of Act.
3. Definitions.
4. Over-riding effect of Act.

VI-A