

# The State Bank Of India (Subsidiary Banks) Act, 1959

UNION OF INDIA

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## The State Bank Of India (Subsidiary Banks) Act, 1959

### Act 38 of 1959

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1. [Amended by THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) AND FINANCIAL INSTITUTIONS LAWS (AMENDMENT) ACT, 2006 (Act 45 of 2006) on 25 September 2006]

The State Bank Of India (Subsidiary Banks) Act, 1959 ACT No. 38 Of 1959

### 1352.

The future of certain major State-associated banks which are owned in part of the State Governments or with which such Governments have been closely associated has been under consideration for some time. The question has recently been comprehensively re-examined, with particular reference to the necessity for making adequate and proper provision for the management of treasuries and sub-treasuries in the area served by these banks and the need for the expansion of these banks in these areas; and the views of the banks themselves have been ascertained.<sup>2</sup> The managements and shareholders of the Bank of Bikaner, the Bank of Indore, the Bank of Jaipur, the Bank of Mysore and the Travancore Bank have agreed to the proposal to reconstitute these banks as subsidiaries of the State Bank and the Government of Bombay and the Punjab as well as the Reserve Bank of India have agreed to the reconstitution on similar lines of the State Bank of Saurashtra, the Bank of Patiala and the State Bank of Hyderabad respectively.<sup>3</sup> The scheme for reconstitution provides for the transfer to and vesting in the State Bank of India of the share capital of each of the eight banks which have accepted the proposals. Compensation will be payable to the existing shareholders (including a State Government or the Reserve Bank of India as the case may be) on the basis of the excess of the assets over the liabilities, representing the real value of the paid-up capital. Such compensation will be determined, in the event of a dispute, by an impartial tribunal, in accordance with the principles indicated in the Bill.<sup>4</sup> Provision is being made for minority shareholding by private shareholders up to 45 per cent. of the issued capital in the case of each of the reconstituted banks. The management and administration of the reconstituted institutions will be entrusted to Boards of Directors on which the State Bank of India will be adequately represented.

The other provisions made in the Bill are generally based on those contained in the State Bank of India Act, 1955 - Gazette of India, 1959, Extra, Pt. II, Section 2, page 274.[10th September, 1959.]An Act to provide for the formation of certain Government or Government associated banks as subsidiary of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto. Be, it enacted by Parliament in the Tenth year of the Republic of India as follows :-

## Chapter I

### Preliminary

#### 1. Short title.

- This Act may be called the State Bank of India (Subsidiary Banks) Act, 1959.

The Act is extended to the Union Territories of -(1) Goa, Daman and Diu by Regn. 11 of 1963 (1-7-1965).(2) Dadra and Nagar Haveli by Regn. 6 of 1963 (1-7-1965).

#### 2. Definitions.

- In this Act, unless the context otherwise requires,--(a)"appointed day" means,--(i)in relation to an existing bank, the date on which the corresponding new bank is constituted under section 3;(ii)in relation to a new bank, the date on which that new bank is constituted under section 3;(iii)in relation to the Hyderabad Bank, the date on which the amendments to the State Bank of Hyderabad Act, 1956, (79 of 1956.) take effect under Part VII of the Third Schedule;(iv)[\*\*\*] [Sub-clause (iv) Omitted by Act No. 48 of 2009](b)"corresponding bank" means,--(i)in relation to the State Bank of Bikaner, the Bank of Bikaner, Limited;[\* \* \* \*] [Clause "(ii) in relation to the State Bank of Indore, the Bank of Indore, Limited" omitted by Act No 7 of 2011.][\* \* \* \*] [Sub-cl. (iii) omitted by Act 56 of 1962, Section 3 (w.e.f. 1-1-1963).](iv)in relation to the State Bank of Mysore, the Bank of Mysore, Limited;(v)in relation to the State Bank of Patiala, the Bank of Patiala; the Travancore Bank, Limited;(vi)in relation to the State Bank of Travancore.(c)"corresponding new bank" means,--(i)in relation to the Bank of Bikaner, Limited, the State Bank of Bikaner;[\* \* \* \*] [Clause "(ii) in relation to the State Bank of Indore, the Bank of Indore, Limited" omitted by Act No 7 of 2011.][\* \* \* \*] [Sub-cl. (iii) omitted by Act 56 of 1962, Section 3 (w.e.f. 1-1-1963).](iv)in relation to the Bank of Mysore, Limited, the State Bank of Mysore;(v)in relation to the Bank of Patiala, the State Bank of Patiala;(vi)in relation to the Travancore Bank, Limited, the State Bank of Travancore;(d)"existing bank" means any of the following banks, namely:--(i)Bank of Bikaner, Limited;[\* \* \* \*] [Clause "(ii) State Bank of Indore, Limited" omitted by Act No 7 of 2011.][\* \* \* \*] [Sub-cl. (iii) omitted by Act 56 of 1962, Section 3 (w.e.f. 1-1-1963).](iv)Bank of Mysore, Limited;(v)Bank of Patiala;(vi)Travancore Bank, Limited;(e)"Hyderabad Bank" means the Hyderabad State Bank constituted under the Hyderabad State Bank Act, 1350F (19 of 1350F), and renamed the State Bank of Hyderabad under sub-section (1) of section 3 of the State Bank of Hyderabad Act 1956 (79 of 1956), sub-section (1) of section 3 of the State Bank of Hyderabad Act 1956 (79 of 1956)(f)"new bank" means any of the banks constituted under section 3;(g)"prescribed" means prescribed by regulations made under this Act;(h)"Reserve Bank" means the Reserve Bank of India constituted

under the Reserve Bank of India Act, 1934 (2 of 1904);(i)[\*\*\*] [Clause (i) Omitted by Act No. 48 of 2009](j)"State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);(k)"subsidiary bank" means any new bank and includes the Hyderabad Bank [\*\*\*] [In clause (k) "and the Saurashtra Bank" omitted by Act No. 48 of 2009];(l)"Tribunal" means the Tribunal constituted under section 15;(m)[ "workman" has the meaning assigned to it in the Industrial Disputes Act, 1947 (14 of 1947).] [Inserted by Act 48 of 1973, Section 20 (w.e.f. 1-7-1974)]

## **Chapter II**

# **[CONSTITUTION OF NEW BANKS AND CHANGE OF NAME OF ANY SUBSIDIARY BANK] [Substituted by Act 56 of 1962, Section 3. for the former heading.]**

### **3. Establishment of new banks.**

- With effect from such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, there shall be constituted the following new banks, namely:--(a)[the State Bank of Bikaner;] [Exixting banks of these Banks were dissolved w.e.f. 8-1-1966 - See S.O., 88, Gazette of India, 8-1-1966, Pt. II, Section 3(ii), p. 96](b)[the State Bank of Indore;] [Exixting banks of these Banks were dissolved w.e.f. 8-1-1966 - See S.O., 88, Gazette of India, 8-1-1966, Pt. II, Section 3(ii), p. 96][\* \* \* \* \*] [Omitted by Act 56 of 1962, Section 3, (w.e.f. 1-1-1963)](d)[the State Bank of Mysore;] [Exixting banks of these Banks were dissolved w.e.f. 8-1-1966 - See S.O., 88, Gazette of India, 8-1-1966, Pt. II, Section 3(ii), p. 96](e)[the State Bank of Patiala;] [Exixting banks of these Banks were dissolved w.e.f. 8-1-1966 - See S.O., 88, Gazette of India, 8-1-1966, Pt. II, Section 3(ii), p. 96](f)[the State Bank of Travancore;] [Exixting banks of these Banks were dissolved w.e.f. 8-1-1966 - See S.O., 88, Gazette of India, 8-1-1966, Pt. II, Section 3(ii), p. 96]and different dates may be specified for different new banks.

### **3A. [ Change of name of a subsidiary bank. [Inserted by Act 56 of 1962, Section 3]**

(1)The Central Government after consulting the State Bank and the Reserve Bank may, by notification in the Official Gazette, direct that the name of any subsidiary bank shall, with effect from such date as may be specified in this behalf, be changed to any other name and thereupon any reference to that subsidiary bank in this Act or any other law for the time being in force or in any contract, instrument or document shall be construed as a reference to that bank by its new name.(2)The change in the name of a subsidiary bank under sub-section (1) shall not affect any rights or obligations of that bank or render defective any legal proceedings by or against it, and any legal proceedings which might have been continued or commenced by or against that bank by its former name may be continued by or against it by its new name.]

#### **4. New banks to be bodies corporate.**

(1) Every new bank shall be a body corporate with perpetual succession and a common seal and shall sue and be sued in its name. (2) The body corporate constituting each of the new banks shall consist of the State Bank and other shareholders, if any, for the time being of the new bank. (3) Every new bank shall carry on the business of banking and other business in accordance with the provisions of this Act, and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.

#### **5. Head office and branches of new banks.**

(1) The head office of each of the new banks shall be at such place as the Central Government may, by notification in the Official Gazette, from time to time, specify. (2) Every new bank shall maintain as its branches all branches of the corresponding bank in existence immediately before the appointed day, and shall not establish any new branch or discontinue any branch except in consultation with the State Bank and with the approval of the Reserve Bank. [6. Authorised capital of new bank. - (1) Subject to the provisions of this Act, the authorised capital of every new bank shall be rupees five hundred crores. (2) The authorised capital of every new bank shall be divided into shares of one hundred rupees each or of such denomination as the new bank may, with the approval of the State Bank, decide. (3) Every new bank may issue the certificates of shares of equivalent values of such denomination as the new bank may, decide, with the approval of the State Bank, in accordance with the procedure as may be prescribed and every shareholder of the new bank shall be entitled to have the certificate of shares of equivalent value of such denomination. (4) Notwithstanding anything contained in sub-section (1), the State Bank may, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ], authorise a new bank to increase or reduce its authorised capital]

Prior to substitution section 6 read as -6. Authorised capital of new banks. - (1) Subject to the provisions of this Act, the authorised capital of the State Bank of Mysore and the State Bank of Travancore shall be rupees two crores each, and the authorised capital of every other new bank shall be rupees one crore. (2) The authorised capital of every new bank shall be divided into shares of one hundred rupees each. (3) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise a new bank to increase or reduce its authorised capital: Provided that where the authorised capital is so increased, the shares issued shall be of the denomination specified in sub-section (2).

#### **7. Issued Capital of new Banks.**

(1) On the appointed day, the issued capital of a new bank shall consist of such amount, divided into fully paid-up shares of hundred rupees each, as the State Bank may, with the approval of the Reserve Bank, fix. (1A) [ Notwithstanding anything contained in sub-section (1), the issued capital of a new bank shall, consist of such amount as the State Bank may, [in consultation with the Reserve Bank and with the approval of the Central Government] [Inserted by Act 30 of 2007 (w.e.f. 18.6.2007) ], fix, and shall be divided into fully paid-up shares of such denomination in accordance

with sub-section (2) of section 6](2)All shares in the issued capital of a new bank shall, on the appointed day, stand allotted to the State Bank.(3)The State Bank shall, as soon as may be, after the determination, if any, by the Tribunal, of the amount of compensation payable in respect of an existing bank, consider whether any increase in, or reduction of, the issued capital of the corresponding new bank as fixed under sub-section (1), by way of adjustment, or transfer from, or to, the reserves of such bank, or in any other manner, is necessary or expedient and may, thereafter with the approval of the Reserve Bank, direct that bank to increase or reduce its issued capital.(4)[ A new bank may from time to time, [with the approval of the State Bank and the Central Government in consultation with the Reserve Bank] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ], increase, whether by [public issue or rights issue] [Substituted by Act 17 of 2011.]or by preferential allotment or private placement in accordance with the procedure as may be prescribed, its issued capital by issue of equity or preference shares.(5)The issued capital of a new bank shall consist of equity shares or equity and preference shares:Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued](6)[ A new bank may, [with the approval of the State Bank and the Central Government in consultation with the Reserve Bank] [Inserted by Act 30 of 2007 (w.e.f. 18.6.2007) ], increase from time to time by way of issuing bonus shares to existing equity shareholders, its issued capital in such manner as the State Bank, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.], direct.(7)No increase or reduction in the issued capital of a new bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent. of the issued capital consisting of equity shares of new bank.(8)A new bank may accept the money in respect of shares issued towards increase in issued capital in instalments, make calls and forfeit unpaid shares and re-issue them, in the manner as may be prescribed]

## **8. Reserve fund of the new banks.**

(1)Every new bank shall establish a reserve fund which, subject to the provisions of sub-section (3) of section 7 and of sub-section (2) of this section, shall--(a)on the appointed day, consist of such sum as the State Bank, with the approval of the Reserve Bank, may determine; and(b)after the appointed day, consist of the sum aforesaid together with such further sums as may be transferred to the reserve fund by the new bank out of its annual net profits before declaring a dividend.(2)The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, in respect of an existing bank, consider whether any increase in, or reduction of, the reserve fund of the corresponding new bank, by way of adjustment, by transfer from, or to, any account, or towards provision for bad and doubtful debts, depreciation of any assets or contingencies, or for any other purpose, is necessary, and may, thereafter, with the approval of the Reserve Bank, direct that bank to so increase or reduce its reserve fund.

## **9. Transfer of shares of existing banks to State Bank.**

- On the constitution of a new bank, all shares in the capital of the corresponding bank, where such corresponding bank has a share capital, shall stand transferred to, and shall vest in, the State Bank,

free of all trusts, liabilities and encumbrances.

## **10. Transfer of undertaking of existing banks to new banks.**

(1) Subject to the other provisions contained in this Act, when a new bank is constituted, the undertaking of the corresponding bank shall stand transferred to, and vest in, the new bank. (2) The undertaking of the corresponding bank referred to in sub-section (1) 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 and all books, accounts and documents relating thereto as may be in the possession of that bank immediately before the appointed day, 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 other provisions contained in this Act, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature, subsisting or having effect immediately before the appointed day and to which any existing bank is a party, or which are in favour of that bank, shall be of full force and effect against or in favour of the corresponding new bank, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the existing bank the corresponding new bank had been a party thereto or as if they had been issued in favour of the corresponding new bank. (4) If, on the appointed day, any suit, appeal or other legal proceeding of whatever nature by or against an existing bank is pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of transfer to the corresponding new bank of the undertaking of the existing 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 corresponding new bank.

## **11. Transfer of services of employees of existing banks.**

(1) Save as otherwise provided in this Act, every employee of an existing bank in the employment of that bank immediately before the appointed day, shall, on and from that day, become an employee of the corresponding new 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 existing bank had not been transferred to and vested in the corresponding new bank, and shall continue to do so unless and until his employment in that bank is terminated or until his remuneration or other terms and conditions of service are revised or altered by the corresponding new bank under, or in pursuance of, any law, or in accordance with any provision which, for the time being, governs his service: Provided that nothing contained in this sub-section shall apply to an employee of the Bank of Patiala who holds a civil post under the State of Punjab unless, prior to the appointed day, he has intimated his consent to become an employee of the State Bank of Patiala by notice in writing, given to the Government of that State through the Bank of Patiala. (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 other benefit from an existing bank or from any provident, pension or other fund or from any authority administering such fund, shall be entitled to be paid by, and to receive from, the corresponding new bank or any provident, pension or

other fund or from 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 State Bank and its decision thereon shall be final(3)For the persons who immediately before the appointed day are the trustees of, or the members of any authority administering, any fund constituted for the benefit of the employees of an existing bank, there shall be substituted as trustees or members such persons as the State Bank may, by general or special order, specify.(4)Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or any other law or in any agreement for the time being in force, the transfer from an existing bank of the services of any officer or employee of that bank to the corresponding new bank in terms of this section shall not entitle any such officer or employee, to any compensation to which he would, but for this provision, have been entitled under any such law or agreement, and no claim in respect of such compensation shall be entertained by any court, tribunal or other authority.

## **12. Special provision for transfer of foreign assets.**

(1)If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of an existing bank to, or in, the corresponding new bank, the affairs of the existing bank in relation to such asset or liability shall, on and from the appointed day, stand entrusted to the [managing director] [Substituted by Act 48 of 1973, Section 21, for "general manager" (w.e.f. 1-7-1974)] for the time being of the corresponding new bank, and the [managing director] [Substituted by Act 48 of 1973, Section 21, for "general manager" (w.e.f. 1-7-1974)] may exercise all powers and do all such acts and things as are exercised or done by the existing bank for the purpose of effectively winding up the affairs of that bank.(2)The [managing director] [Substituted by Act 48 of 1973, Section 21, for "general manager" (w.e.f. 1-7-1974)] of the corresponding new bank shall, in exercise of the powers conferred on him by sub-section (1), take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting, and in connection therewith the [managing director] [Substituted by Act 48 of 1973, Section 21, for "general manager" (w.e.f. 1-7-1974)] may either himself or through any person authorised by him in this behalf, realise any asset and discharge any liability of the existing bank and transfer the net proceeds thereof to the corresponding new bank.(3)Notwithstanding anything contained in sub-section (1) or sub-section (2), on and from the appointed day, no person shall make any claim or demand or take any proceeding in India against any existing bank or any person acting in its name or on its behalf except in so far as may be necessary for enforcing the provisions of this section or except in so far as it relates to any offence committed by such person.(4)[ For the purposes of this section,--(a)"corresponding new bank" means in relation to the Bank of Jaipur Limited, the institution constituted under section 3 as the State Bank of Bikaner;(b)"existing bank" includes the Bank of Jaipur Limited.]

## **Chapter III**

### **Compensation**

### **13. Compensation to share holders of existing banks other than the Bank of Patiala.**

(1) Every person who and any State Government which immediately before the appointed day is registered as a holder of shares in the books of an existing bank shall be given by the State Bank such compensation in respect of the transfer to the State Bank of the shares in the capital of that bank as is determined in accordance with the principles contained in the First Schedule. (2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, in consultation with the Reserve Bank, and shall be offered by it to all those to whom compensation is payable under sub-section (1) in full satisfaction thereof. (3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to any shareholder of an existing bank, such shareholder may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government, in writing, to have the matter referred to the Tribunal. (4) If, before the date notified under sub-section (3), the Central Government receives requests, in terms of that sub-section, from not less than one-fourth in number of the shareholders, holding not less than one-fourth in value of the paid-up share capital of the existing bank, the Central Government shall have the matter referred to the Tribunal for decision. (5) If, before the date notified under sub-section (3), the Central Government does not receive requests as provided in that sub-section the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned. (6) Subject to the provisions of the succeeding sub-sections, the amount of compensation shall be paid,--(a) if the shareholder has not applied for shares of the corresponding new bank in accordance with the provisions of sub-section (7), by a cheque drawn on the State Bank; and (b) if he has applied for shares of the corresponding new bank in accordance with the provisions of that sub-section, in shares of the corresponding new bank to the extent of the value of such shares allotted to him and the balance by a cheque drawn on the State Bank. (7) Any shareholder of an existing bank to whom compensation is payable under this section may, before the expiry of three months from the date of the final determination of the amount of such compensation under sub-section (5), or such extended period as the State Bank may think fit in any particular case to allow, apply to the State Bank for the transfer to him of shares in the capital of the corresponding new bank in lieu of such compensation or part thereof; and for the purposes of such transfer, the value of each share of the corresponding new bank shall be such as may be determined in this behalf by the State Bank with the approval of the Reserve Bank. (8) On receipt of an application under sub-section (7), the State Bank shall issue to the corresponding new bank a warrant, in the form specified in the rules made under this Act, directing it to transfer in favour of the person specified in the warrant such number of shares as may be allotted to the applicant in accordance with sub-181 sections (9) and (10), out of the shares in the capital of that bank standing allotted to the State Bank under the provisions of this Act, and the corresponding new bank shall be bound to comply with such warrant. (9) A shareholder of an existing bank who has applied for shares in the capital of the corresponding new bank shall be allotted--(a) such number of shares, having such total face value as would bear to forty-five per cent. of the issued capital of the corresponding new bank the same proportion as the paid-up value of his shares in the capital of the existing bank in respect of which he is paid compensation bears to the



total paid-up capital of that bank; and (b) if the total number of shares allotted under clause (a) to all applicants is less than forty-five per cent. of the issued capital of the corresponding new bank, such number of additional shares as the State Bank may deem fit having regard to the provisions of this Act, the circumstances of the case and the desirability of securing as wide a distribution of shares among as large a number of shareholders as possible. Explanation.--For the purpose of determining the number of shares under this sub-section fractions of a share shall be disregarded. (10) Notwithstanding anything contained in sub-section (9), an allotment of shares under that sub-section shall not be made in such a manner that the State Bank holds at any time less than fifty-five per cent. of the issue capital of the corresponding new bank. (11) A warrant issued by the State Bank under sub-section (8) shall not be liable to duty under the Indian Stamp Act, 1899 (2 of 1899). (12) Nothing contained in this section shall affect the rights inter se between the holder of any share in an existing 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 State Bank. (13) [ For the purposes of this section, - (a) "corresponding new bank" does not include the State Bank of Patiala and means in relation to the Bank of Jaipur Limited the institution constituted under section 3 as the State Bank of Bikaner; (b) "existing bank" includes the Bank of Jaipur Limited, but does not include the Bank of Patiala.]

#### **14. Compensation payable by the State Bank in respect of the Bank of Patiala, [\*\*\*] [Words "the Saurashtra bank" Omitted in marginal heading by Act No. 48 of 2009] and the Hyderabad Bank.**

(1) The State Government of Punjab in respect of the Bank of Patiala, the [\*\*\*] [Words "the State Government of Gujarat in respect of the Saurashtra Bank" omitted by Act No. 48 of 2009] and the Reserve Bank in respect of the Hyderabad Bank, shall be given, by reason of the provisions of this Act or of the amendments contained in Part V or Part VII of the Third Schedule, such compensation by the State Bank as is determined in accordance with the principles contained in the First Schedule. (2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, and shall be offered by it to the State Government of Punjab, the [\*\*\*] [Words "the State Government of Gujarat" omitted by Act No. 48 of 2009], or the Reserve Bank, as the case may be, in full satisfaction of the compensation payable under sub-section (1): Provided that in determining the amount of compensation to be offered to the State Government of Punjab or [\*\*\*] [Words "the State Government of Gujarat" omitted by Act No. 48 of 2009], the State Bank shall consult the Reserve Bank. (3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to the State Government of Punjab, [\*\*\*] [Words "the State Government of Gujarat" omitted by Act No. 48 of 2009] or the Reserve Bank as the case may be, the State Government concerned or the Reserve Bank, may before such date as may be [notified] [In respect of the Punjab 12-12-1960 and Gujarat 15-12-1960 are the dates notified - See Gazette of India, 1960, Extra, Pt. II, S.3 (i) pages 709 and 717 ] by the Central Government in the Official Gazette, request the Central Government to have the matter referred to the Tribunal for decision, and where any such request is received, the Central Government shall refer the matter accordingly. (4) If, before the date notified under sub-section (3), the State Government of Punjab, [\*\*\*] [Words "the State Government of

Gujarat" omitted by Act No. 48 of 2009] or the Reserve Bank, as the case may be, has not made any such request, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.(5)The amount of compensation shall be paid by a cheque drawn on the Reserve Bank.

## **15. Constitution of the Tribunal.-**

(1)The Central Government may for the purposes of this Act constitute a Tribunal which shall consist of a Chairman and two other members.(2)The Chairman shall be a person who is, or has been, a Judge of a High Court or has been a Judge of the Supreme Court and of the two other members, one shall be a person, who, in the opinion, of the Central Government, has had experience of commercial banking and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949).(3)If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government shall fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2), and any proceeding may be continued before the Tribunal so re-constituted from the stage at which the vacancy occurred.(4)The Tribunal may, for the purpose of determining any compensation payable under this Act, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

## **16. Tribunal to have powers of a civil court.**

(1)The Tribunal shall have the powers of a civil court while trying a suit under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters, namely:--(a)summoning and enforcing the attendance of any person and examining him on oath;(b)requiring the discovery and production of documents;(c)receiving evidence on affidavits; and(d)issuing commissions for the examination of witnesses or documents.(2)Notwithstanding anything contained in sub-section (1) or in any other law for the time being in force, the Tribunal shall not compel the Reserve Bank, the State Bank or any subsidiary bank(a)to produce any books of account or other documents which the Reserve Bank, the State Bank or the subsidiary bank claims to be of a confidential nature;(b)to make any such books or documents part of the record of the proceedings before the Tribunal; or(c)to give inspection of any such books or documents to any party before it or to any other person.

## **17. Procedure of the Tribunal.**

(1)The Tribunal shall have power to regulate its own procedure.(2)The Tribunal may hold the whole or any part of its enquiry in camera.(3)Any clerical or arithmetical mistake in any order of the Tribunal or any error arising therein from any accidental slip or omission may at any time be corrected by the Tribunal either of its own motion or on the application of any of the parties.

## Chapter IV

### Shares Of The Subsidiary Banks

#### 18. Transferability of shares.

(1) Save as otherwise provided in sub-section (2), the shares of a subsidiary bank shall be freely transferable. (2) Nothing contained in sub-section (1) shall entitle the State Bank to transfer any shares held by it in any subsidiary bank such transfer will result in reducing the shares held by it to less than [fifty-one percent of the issued capital consisting of equity shares] [Substituted [fifty-five percent of the issued capital] by Act 30 of 2007 (w.e.f. 18.6.2007)] of that subsidiary bank. [18A. Right of registered shareholder to nominate. - (1) Every individual registered shareholder of a subsidiary bank may, at any time, nominate, in the prescribed manner, an individual to whom all his rights in the shares shall vest in the event of his death. (2) Where the shares are registered in the name of more than one individual jointly, the joint holders may together nominate in the prescribed manner, an individual to whom all their rights in the shares shall vest in the event of the death of all the joint holders. (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares where a nomination made in the prescribed manner purports to confer on any individual the right to vest the shares, the nominee shall, on the death of the shareholder or, as the case may be, on the death of all the joint holders, become entitled to all the rights of the shareholder or, as the case may be, of all the joint holders, in relation to such shares to the exclusion of all other persons unless the nomination is varied or cancelled in the prescribed manner. (4) Where the nominee is a minor, it shall be lawful for the individual registered as the holder of the shares to make nomination to appoint, in the prescribed manner, any person to become entitled to the shares in the event of his death during the minority of the nominee] [New section added by Act 30 of 2007 (w.e.f. 18.6.2007)] [19. Restriction on voting rights. - No shareholder, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by him in excess of ten per cent. of the issued capital of the subsidiary bank concerned: Provided that the shareholder holding any preference share capital in the subsidiary bank shall, in respect of such capital, have a right to vote only on resolutions placed before such subsidiary bank which directly affect the rights attached to his preference shares: Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of ten per cent. of the total voting rights of all the shareholders holding preference share capital only] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007)] [Substituted by Act 56 of 1962, Section 3, for sub-section (13) (w.e.f. 1-1-1963)]

Prior to substitution section 19 read as - 19. Restriction on individual holdings. - (1) No person shall be registered as a shareholder in respect of any shares in a subsidiary bank 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: Provided that nothing contained in this sub-section shall apply to--(a) the State Bank; (b) a State Government; (c) a Corporation; (d) an insurer as defined in the Insurance Act, 1938 (4 of 1938); (e) a local authority; (f) a co-operative society; (g) a trustee of a public or private religious or

charitable trust;(h) a shareholder of an existing bank who is allotted any shares under sub-section (9) of section 13.(2) Notwithstanding anything contained in sub-section (1), no person referred to in the proviso to that sub-section, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by such person[in excess of one per cent.] [Substituted by Act 55 of 1963, Section 30, for "in excess of five per cent." (w.e.f. 1-2-1964)]of the issued capital of the subsidiary bank concerned.

## **20. Shares to be approved securities.**

- Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of a subsidiary bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882 (2 of 1882), and also to be approved securities for the purposes of the Insurance Act, 1938 (4 of 1938). [\*\*\*] [Wrods "and the Banking Regulation Act, 1949" ommtted by Act No. 4 OF 2013]

## **21. Register of shareholders.**

- (1) [Numbered by Act 30 of 2007 (w.e.f. 18.6.2007) ]Every subsidiary bank shall keep at its head office a register, in one or more books, of the shareholders and shall enter therein the following particulars so far as they may be available:--(i)the names, addresses and occupation, if any, of the shareholder, distinguish each share by its denoting number; holder, 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.[Provided that nothing in this section shall apply to the shares held with a depository.] [Inserted by Depositories Related laws (Amendment) Act (8 of 1997) Section 6 (w.e.f. 15-1-97) ](2)[ Notwithstanding anything contained in sub-section (1), it shall be lawful for a subsidiary bank to keep the register of shareholders in computer floppies or diskettes or any other electronic form subject to such safeguards as may be prescribed.(3)Notwithstanding anything contained in the Indian Evidence Act, 1872, a copy of, or extract from, the register of shareholders, certified to be a true copy under the hand of any officer of the subsidiary bank authorised in this behalf shall in all legal proceedings, be admissible in evidence] [Added by Act 30 of 2007 (w.e.f. 18.6.2007) ]

## **21A. [ Register of Beneficial owners. [Inserted by Depositories Related Laws (Amendment) Act (8 of 1997) S.7 (w.e.f. 15-1-97) ]**

- The register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a register of shareholders for the purposes of this Act.] [Inserted by Act 56 of 1962, Section 3 (w.e.f. 1-1-1963)]

## **22. Trusts not to be entered on the register.**

-[No notice of any trust,] [Substituted [Notwithstanding anything contained in section 19, no notice of any trust,] by Act 30 of 2007 (w.e.f. 18.6.2007) ] express, implied or constructive, shall be entered on the register of shareholders of a subsidiary bank or be receivable by it in respect of its

shares.[Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficiary owners.Explanation - For the purpose of section 21 section 21A and this section, the expression "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (a), (e) and (j) of sub-section (1) of section 2 of the Depositories Act, 1996.] [Inserted by Depositories Related Laws (Amendment) Act (8 of 1997) S.8 (w.e.f. 15-1-1997) ]

## **Chapter V**

### **Management Of Subsidiary Banks**

#### **23. Certain officers to vacate office.**

- Every person holding office as chairman, director, member of the Board of Management (including a member of a local or advisory committee), managing director, general manager, manager (other than manager of a branch), deputy managing director, deputy general manager, assistant general manager or adviser, as the case may be in an existing bank (other than the Bank of Patiala), [and the Hyderabad Bank] [Substituted for the words "the Hyderabad Bank and the Saurashtra Bank" by Act No. 48 of 2009] immediately before the appointed day, shall be deemed to have vacated that office 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, such person shall not be entitled to any compensation 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 as the corresponding new bank, [or the Hyderabad Bank] [Substituted for the words "the Hyderabad Bank and the Saurashtra Bank" by Act No. 48 of 2009], as the case may be, may with the approval of the State Bank, grant to him, having regard to what he would have received if this Act had not been passed and if his employment had ceased on the appointed day in the ordinary course:Provided that nothing in this section shall be deemed to prevent any person who has so vacated his office in any of the said banks from being re-nominated or re-appointed to any office in a subsidiary bank in accordance with the provisions of this Act.

#### **24. Management.**

(1)The State Bank may, from time to time, give directions and instructions to a subsidiary bank in regard to any of its affairs and business, and that bank shall be bound to comply with the directions and instructions so given.(2)Subject to any such directions and instructions, the general superintendence and conduct of the affairs and business of a subsidiary bank shall, as from the appointed day, vest in a Board of Directors who may, with the assistance of the [managing director] [Substituted by Act 48 of 1973, Section 21. for "general manager" (w.e.f. 1-7-1974)], exercise all powers and do all such acts and things as may be exercised or done by that bank.(3)The Board of Directors of a subsidiary bank shall, in discharging its functions under this Act, act on business principles, regard being had to public interest.

## 25. Composition of the Board of Directors.

(1) Subject to the provisions of sub-section (2), the Board of Directors of a subsidiary bank shall consist of the following:--(a)[ the Chairman for the time being of the State Bank, ex officio or an official of the State Bank or of the subsidiary bank nominated by him as Chairman, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ]](aa)[ the managing director appointed under sub-section (1) of section 29, or under section 32; ] [Inserted by Act 48 of 1973, Section 28 (w.e.f. 1-7-1974)](b)[ one director, possessing necessary expertise and experience in the matters relating to regulation or supervision of commercial banks, [to be nominated by the Central Government on the recommendation of the Reserve Bank] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ]](c)not more than five directors to be nominated by the State Bank of whom not more than three shall be officers of that bank;[Provided that any nomination of a director made by the State Bank under this clause shall, except in so far as it relates to an office of that bank, be in consultation with the Central Government.] [Inserted by Act 66 of 1988, Section 18 (w.e.f. 30-12-1988)](ca)[ one director, from among the employees of the subsidiary bank, who are workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act; [Inserted by Act 48 of 1973, Section 28 (w.e.f. 1-7-1974)](cb)one director, from among such of the employees of the subsidiary bank as are not workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;](d) not more than three directors to be elected in the following manner, namely:- [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ](i)if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than one per cent. of the total issued capital, and equal to or less than sixteen per cent. of such capital, one director to be elected, in the prescribed manner, by such shareholders and two directors shall be nominated by the State Bank, or(ii)if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than sixteen per cent. of the total issued capital and equal to or less than thirty-two per cent. of such capital, two directors to be elected in the prescribed manner by such shareholders and one director shall be nominated by the State Bank, or(iii)if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than thirty-two per cent. of the total issued capital, all the three directors to be elected, in the prescribed manner, by such shareholders:Provided that in case, the total amount of holdings of the shareholders of a subsidiary bank (other than the State Bank) is not more than one per cent. of the total issued capital, all three directors shall be nominated by the State Bank and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause.Explanation. - For the purposes of this sub-section, the total amount of holdings of the shareholders (other than the State Bank) whose names are on the register of shareholders of the subsidiary bank three months before the date fixed for election of directors shall be taken into account](e)a director, if any to be nominated by the Central Government [\* \* \* \*] [Certain words omitted by Act 66 of 1988, Section 18 (w.e.f. 30-12-1988).](2)Notwithstanding anything contained in clause (d) of sub-section (1), on the first constitution of the Board of Directors, the directors referred to in the said clause shall be appointed by the State Bank and the directors so appointed shall, for the purposes of this Act, be deemed to have been elected within the meaning of the said clause.[\* \* \*] [Sub-section (3) omitted by Act 30 of 2007 (w.e.f. 18.6.2007) ](4)An officer of [\* \*] [The words[the Reserve Bank or] omitted by Act 30 of 2007 (w.e.f. 18.6.2007) ] the State Bank may be nominated as a director of a subsidiary

bank by virtue of his office.(5)The directors nominated under sub-section (2) shall retire at the expiry of one year after the appointed day.(6)Any nomination or appointment of a director made by the State Bank under this Act shall, except in so far it relates to an officer of that bank, be [in consultation with the Central Government] [Substituted by Act 17 of 2011.].[25-A. Fit and proper status of an elected director [New section inserted by Act 30 of 2007 (w.e.f. 18.6.2007) ]. - (1) The Directors to be elected under clause (d) of sub-section (1) of section 25 shall-(a)have special knowledge or practical experience in respect of one or more of the following matters, namely:-(i)agricultural and rural economy,(ii)banking,(iii)co-operation,(iv)economics,(v)finance,(vi)law,(vii)small-scale industry,(viii)any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the subsidiary bank;(b)represent the interests of depositors; or(c)represent the interests of farmers, workers and artisans.(2)Without prejudice to the provisions of sub-section (1) and notwithstanding anything to the contrary contained in this Act or in any other law for the time being in force, no person shall be eligible to be elected as director under clause (d) of sub-section (1) of section 25 unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.(3)The Reserve Bank may also specify in the notification issued under sub-section (2), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determinations and such other matters as may be considered necessary or incidental thereto.(4)Where the Reserve Bank is of the opinion that any director of a subsidiary bank elected under clause (d) of sub-section (1) of section 25 does not fulfil the requirements of sub-sections (1) and (2), it may, after giving to such director and the subsidiary bank a reasonable opportunity of being heard, by order, remove such director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of the said sub-sections as a director in place of the person so removed till a director is duly elected by the shareholders of the subsidiary bank in the next annual general meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the subsidiary bank as a director.

## 25.

-B. Power of Reserve Bank to appoint additional directors. - (1) If the Reserve Bank is of the opinion that in the interest of banking policy or in the public interest or in the interests of the subsidiary bank or its depositors, it is necessary so to do, it may, from time to time and by order in writing appoint, with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the subsidiary bank.(2)Any person appointed as additional director in pursuance of this section shall-(a)hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further period not exceeding three years at a time as the Reserve Bank may specify;(b)not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto; and(c)not be required to hold qualification shares in the subsidiary bank.(3)For the purpose of reckoning any proportion of the total number of directors of the subsidiary bank, any additional director appointed under this section shall not be taken into account]

## 26. Term of office of Directors.

(1)A director of a subsidiary bank, [nominated under clause (b) or clause (c) or clause (e) of sub-section (1) of section 25 or appointed under clause (ca) or clause (cb) of that sub-section] [Substituted by Act 66 of 1988, Section 19, for certain words (w.e.f. 30-12-1988)] shall hold office during the pleasure of the authority [nominating or appointing] [Substituted by Act 66 of 1988, Section 19, for certain words (w.e.f. 30-12-1988)] him.(2)[ Subject to the provisions contained in section 25, a director elected under clause (d) of sub-section (1) of that section shall hold office for three years [\* \* \*] [Substituted by 66 of 1988, Section 19, for sub-sections (2) and (2A) (w.e.f. 30-12-1988)] and shall be eligible for re-election:Provided that no such director shall hold office continuously for a period exceeding six years.(2A)Subject to the provisions contained in section 25 and in sub-section (1), a director nominated under clause (c) and not being an officer of the State Bank or a director appointed under clause (ca) or clause (cb) or a director, not being an officer of the Central Government, nominated under clause (e) of sub-section (1) of section 25, shall hold office for such term not exceeding three years, as the Central Government may specify [and thereafter until his successor shall have been duly appointed] [Substituted [and thereafter until his successor shall have been duly nominated or appointed] by Act 45 of 2006 (w.e.f. 25.9.2006) ] and shall be eligible for re-nomination or re-appointment, as the case may be:Provided that no such director shall hold office continuously for a period exceeding six years.](3)[ \* \* \* \* \*] [Sub-section (3) omitted by Act 66 of 1988, Section 19 (w.e.f. 30-12-1988)]

## 27. Disqualification for directorship.

(1)A person shall be disqualified to be a director of a subsidiary bank, if--(a)he holds the office of director, provisional director, promoter, agent, or manager of any banking company or a banking company for the formation of which a prospectus has been issued; or(b)he is a salaried officer of Government; or(c)he has been removed or dismissed from the service of Government or a local authority or a corporation or a company in which not less than fifty-one per cent. of the paid-up share capital is held by Government; or(d)he holds any office of profit under the subsidiary bank [other than the office of the managing director] [Inserted by Act 48 of 1973, Section 24 (w.e.f. 1-7-1974)]; or(da)[ in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25,-- [Sub-section (3) omitted by Act 66 of 1988, Section 19 (w.e.f. 30-12-1988)](i)he is not serving in the subsidiary bank or has not been serving in it for a continuous period of at least five years; and(ii)he is of such age that there is a likelihood of his attaining the age of superannuation during his term of office as a 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 of unsound mind and stands so declared by a competent court; or(g)he is, or has been, convicted of any offence which, in the opinion of the Central Government, involves moral turpitude; or(h)in the case of an elected director, he is not registered as a holder of unencumbered shares in the subsidiary bank of a nominal value of at least one thousand rupees:Provided that the disqualification mentioned in clause (b) shall not apply to an officer of the Central Government nominated as a director under clause (e) of sub-section (1) of section 25:[Provided further that in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25, the disqualification mentioned in clause (d) shall not operate:Provided also that] [Substituted by Act 48



of 1973, Section 24, for "Provided further that" (w.e.f. 1-7-1974)] in the case of a director deemed to have been elected on the first constitution of the Board of Directors, the disqualification mentioned in clause (h) shall not operate for a period of six months from his becoming such director.(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 a subsidiary bank at the same time.(3)The nomination or election, as a director of any person who is a member of either House of Parliament or the Legislature of a State shall be void unless within two months of the date of nomination or election as such director, he ceases to be a member of Parliament or the Legislature of the State, and if any director is elected or nominated as a member of Parliament or the Legislature of a State, he shall cease to be a director as from the date of such election or nomination, as the case may be.(4)Nothing contained in clause (d) of sub-section (1) shall be deemed to preclude any person from being a director of a subsidiary bank by reason only of his being a legal or technical adviser of that bank.(5)In this section,--(a)"banking company" has the same meaning as in the [Banking Regulation Act, 1949] [Substituted [Banking Companies Act, 1949] by Act 30 of 2007 (w.e.f. 18.6.2007) ] (10 of 1949):(b)"manager" means the chief executive officer, by whatever name called, of a banking company;(c)"private company" has the same meaning as in the Companies Act, 1956 (1 of 1956).

## **28. Vacation of office of Directors.**

- If a director of a subsidiary bank--(a)is, or has become, subject to any of the disqualifications mentioned in section 27; or(b)resigns his office by giving notice in writing under his hand, in the case of a nominated director to the State Bank, and in the case of an elected director to the Board of Director of the subsidiary bank, and his registration is accepted; or(c)is absent without leave of the Board of Directors for more than three consecutive meetings thereof;his seat on the Board of Directors shall thereupon become vacant:Provided that nothing in clause (b) or clause (c) shall apply to a director referred to in clause (b) of sub-section (1) of section 25 or to a director, being an officer of the State Bank, nominated under clause (c) or to a director, being an officer of the Central Government nominated under clause (e) of that sub-section.

## **29. [Managing director.] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)]**

(1)The State Bank shall, after consulting the Board of Directors of a subsidiary bank, [and the Reserve Bank, and with the approval of the Central Government] [Substituted by Act 17 of 2011.], appoint a [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] for that subsidiary bank:Provided that in the case of the first appointment of the [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] no such consultation with the Board of Directors of the subsidiary bank shall be necessary.(2)Subject to the general control of the Board of Directors, the day to day administration and management of the affairs of a subsidiary bank shall vest in the [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)], and the [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] shall exercise such other powers and perform such other duties as may be delegated to

him by the Board of Directors.(3)The [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] of a subsidiary bank--(a)shall devote his whole time to the affairs of that bank:Provided that the [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] of the subsidiary bank may, [with the approval of the State Bank and the Central Government in consultation with the Reserve Bank] [Substituted by Act 17 of 2011.], be a director of any other institution;(b)shall hold office for such term not exceeding four years and subject to such conditions as the State Bank may, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.], specify at the time of his appointment;(c)shall receive such salary and allowances as may be determined by the State Bank [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.].(4)The [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] vacating his office shall be eligible for re-appointment.(5)The State Bank may, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.], for any sufficient reason, remove from office the [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] of a subsidiary bank:Provided that no such [managing director] [Substituted by Act 48 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] shall be removed from office unless he has been given an opportunity of showing cause against such removal.

### **30. Remuneration of director.**

- A director of a subsidiary bank shall be paid for attending the meetings of the Board of Directors or of any of its committees and for attending to any other business of the subsidiary bank such fees and allowances as may be prescribed:Provided that no fees shall be payable to the chairman of the State Bank [or the managing director of the subsidiary bank] [Inserted by Act 48 of 1973, Section 25, (w.e.f. 1-7-1974)] or any other director who is a whole time officer of the Central Government or the Reserve Bank or the State Bank.

### **31. Removal from office of director.**

(1)The State Bank may, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.], for any sufficient reason, remove from office a director nominated under clause (c) of sub-section (1) of section 25 and not being an officer of the State Bank.(2)The Central Government may, in consultation with the State Bank, for any sufficient reason, remove from office a director [appointed under clause (ca) or clause (cb) or nominated under clause (e)] [Substituted by Act 48 of 1973, Section 26, for certain words (w.e.f. 1-7-1974)] of sub-section (1) of section 25 and not being an officer of the Central Government.(3)Any director elected under clause (d) of sub-section (1) of section 25, may be removed from office--(a)by the State Bank, [in consultation with the Reserve Bank and with the approval of the Central Government] [Substituted by Act 17 of 2011.], if at the time of the removal there are no shareholders other than the State Bank registered in the books of the subsidiary bank concerned;(b)by a resolution passed by a 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:Provided that if the total amount of the holdings of all shareholders, other than the State Bank, registered in the books of the subsidiary bank, on the date

of the resolution, is below five per cent., of the total issued capital, the resolution shall not have effect unless confirmed by the State Bank.(4)No director shall be removed from office under sub-section (1) or sub-section (2) unless he has been given an opportunity of showing cause against such removal.

### **32. Appointment of another person for discharging the duties of managing director during his absence.**

- If the [managing director] [Substituted by Act 43 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] of a subsidiary bank 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 State Bank may appoint another person to officiate for the [managing director] [Substituted by Act 43 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] until the date on which the [managing director] [Substituted by Act 43 of 1973, Section 21 for "general manager" (w.e.f. 1-7-1974)] resumes duty.

### **33. Casual vacancies among directors.**

(1)Where any vacancy occurs before the expiry of the term of office of a director of a subsidiary bank, [other than the managing director or a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25] [Inserted by Act 43 of 1973, Section 27 (w.e.f. 1-7-1974)] the vacancy shall be filled--(a)in the case of a director nominated under clause (c) of sub-section (1) of section 25, not being an officer of the State Bank, by nomination by the State Bank;(b)in the case of a director elected under clause (d) of sub-section (1) of section 25, by election or where the proviso to that clause is applicable, by nomination by the State 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 from amongst the shareholders entitled to elect a director under clause (d) of sub-section (1) of section 25 who is not disqualified under section 27;(c)in the case of a director nominated under clause (e) of sub-section (1) of section 25, not being an officer of the Central Government, by nomination by that Government in consultation with the State Bank.(2)A person nominated or elected or co-opted, as the case may be [under sub section (1)] [Substituted by Act 48 of 1973, Section 27 for "under this section" (w.e.f. 1-7-1974)] shall hold office for the unexpired portion of the term of his predecessor.(3)[ Where any vacancy occurs before the expiry of the term of office of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25, such vacancy shall be filled in accordance with the said clause (ca) or, as the case may be, clause (cb), and the director so appointed shall hold office for the period specified under sub-section (2A) of section 26.] [Inserted by Act 48 of 1973, Section 27 (w.e.f. 1-7-1974)]

### **34. Meetings of the Board of Directors.**

- [(1) The Board of Directors of a subsidiary bank 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; and the meeting of the Board of Directors may be held by participation of the directors

of the Board through video-conferencing or such other electronic means, as may be prescribed, which are capable of recording and recognising the participation of the directors and the proceedings of such meetings are capable of being recorded and stored: Provided that the Central Government may in consultation with the Reserve Bank, by a notification in the Official Gazette, specify the powers which shall not be exercised in a meeting of the Board of Directors held through video-conferencing or such other electronic means] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007)] (2) [The Chairman of the Board of Directors of a subsidiary bank] [Substituted [The chairman of the State Bank] by Act 30 of 2007 (w.e.f. 18.6.2007)] shall preside at every meeting of the Board of Directors of a subsidiary bank and, in his absence such one of the directors as may generally or in relation to any particular meeting be authorised by the chairman in this behalf shall preside; and in the absence of the chairman and also failing such authorisation, the directors of the subsidiary bank present at the meeting shall elect one from among themselves to preside at the meeting. Explanation.--For the purposes of this sub-section, "absence from a meeting" means non-attendance for any reason whatsoever at the meeting or any part of the meeting during which any business is transacted. (3) [All questions at the meeting of the Board of Directors of a subsidiary bank shall be decided by a majority of the votes of the directors present in the meeting or through video-conferencing or such other electronic means and in the case of equality of votes, the Chairman of Board of Directors of a subsidiary bank or, in his absence, the person presiding at the meeting shall have a second or casting vote] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007)] (4) Where any of the directors specified in clauses (a) and (b) of sub-section (1) of section 25 or any of the directors, being an officer of the State Bank specified in clause (c) of that sub-section is unable to attend any meeting of the Board of Directors of a subsidiary bank, and the State Bank or any other such director as may be present at the meeting considers that the State Bank would not be adequately or effectively represented at such meeting by reason of the absence of any such director, the State Bank or the director present may give notice in writing to that subsidiary bank--(i) that the meeting should be adjourned to such date as may be indicated in the notice; or (ii) that any matter, action, step or proceeding proposed to be considered, taken or carried out at that meeting, should not be so considered, taken or carried out; or (iii) that no decision should be taken at that meeting on any such matter, action, step or proceeding; and that subsidiary bank and its Board of Directors shall be bound to comply with such notice and act accordingly. (5) A director of a subsidiary bank who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal, entered into or proposed to be entered into or made by or on behalf of the subsidiary bank shall, at the earliest possible opportunity, disclose the nature of his interest to the Board of Directors of that bank; and any such director shall not be present at any meeting of the Board of Directors 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 where any director is so required to be present, he shall not vote on any such contract, loan, arrangement or proposal: [Provided that nothing contained in this sub-section shall apply to such director by reason only of his being--(i) a shareholder (other than a director) holding not more than two per cent. of the paid-up capital in any public company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the subsidiary bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or (ii) a director of the State Bank or of any other subsidiary bank being a director under clause (a) or clause (e) of sub-section (1) of section 25 or being an officer [of

the State Bank nominated under clause (c)] of that sub-section;][or] [Inserted by Act 48 of 1973, Section 31 (w.e.f. 31-12-1973)](iii)[ an officer or other employee of the State Bank, or any other institution, if he is the managing director appointed under sub-section (1) of section 29 or under section 32; or [Inserted by Act 48 of 1973, Section 31 (w.e.f. 31-12-1973)](iv)an officer or other employee of the subsidiary bank, if he is a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25.](6)A copy of the minutes of every meeting of the Board of Directors of a subsidiary bank, together with copies of all connected papers, shall be forwarded to the State Bank [\* \*] [The words [and the Reserve Bank] omitted by Act 30 of 2007 (w.e.f. 18.6.2007) ] as soon as possible.

### **35. Executive Committee and other committees.**

(1)There shall be an executive committee in respect of a subsidiary bank consisting of such directors as may be prescribed:Provided that if any such director being an officer of the State Bank and nominated by that bank under clause (c) of sub-section (1) of section 25, is for any reason unable to exercise his functions or to discharge his duties in relation to the executive committee, the State Bank may depute any of its officers to exercise all the functions and to discharge all the duties of such director in relation to the executive committee whenever such director is so unable to exercise his functions or discharge his duties; and the officer so deputed shall, for all purposes of this Act, in so far as it applies to the executive committee, be deemed to be a director of the subsidiary bank.(2)Subject to any regulations made under this Act, the executive committee may deal with any matter within the competence of the Board of Directors.(3)A copy of the minutes of every meeting of the executive committee of a subsidiary bank shall be forwarded to the State Bank and be laid before the Board of Directors of the subsidiary bank as soon as possible after the meeting.(4)Without prejudice to the powers of the executive committee, and subject to any regulations made under this Act, the Board of Directors of a subsidiary bank may constitute such and so many other committees, whether consisting wholly of the directors or wholly of other persons, or partly of the directors and partly of other persons, as it deems fit, to exercise such powers and perform such duties as may, subject to such conditions, if any, as the Board of Directors may impose, be delegated to them by the Board of Directors.

**35A. [ Supersession of Board of Directors in certain cases. - (1) [Where the Central Government, on the recommendation of the Reserve Bank and in consultation with the State Bank] [New section inserted by Act 30 of 2007 (w.e.f. 18.6.2007).], is satisfied that in the public interest or for preventing the affairs of a subsidiary bank being conducted in a manner detrimental to the interest, of the depositors or the subsidiary bank or for securing the proper management of the subsidiary bank, it is necessary so to do, [the Central Government may] [Substituted by Act 17 of 2011.], for reasons to be recorded in writing, by order, supersede the Board of Directors of the subsidiary bank for a period not exceeding six months as may be specified in the order:**

Provided that the period of supersession of the Board of Directors may be extended from time to time, so, however, that the total period shall not exceed twelve months.(2)[The Central Government in consultation with the Reserve Bank may] [Substituted by Act 17 of 2011.], on supersession of the Board of Directors of the subsidiary bank under sub-section (1), appoint, for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.(3)[The Central Government] [Substituted by Act 17 of 2011.] may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.(4)Upon making the order of supersession of the Board of Directors of the subsidiary bank, notwithstanding anything contained in this Act, -(a)the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;(b)all the powers, functions and duties which may, by or under this Act, or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such subsidiary bank, or by a resolution passed in general meeting of the subsidiary bank, shall, until the Board of Directors of the subsidiary bank is reconstituted, be exercised and discharged by the Administrator appointed by [the Central Government] [Substituted by Act 17 of 2011.] under sub-section (2):Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the subsidiary bank.(5)[The Central Government in consultation with the Reserve Bank may] [Substituted by Act 17 of 2011.] constitute a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties.(6)The committee referred to in sub-section (5) shall meet at such times and places and observe such rules of procedure as may be specified by [the Central Government] [Substituted by Act 17 of 2011.].(7)The salary and allowances payable to the Administrator and the members of the Committee constituted under sub-section (5) by [the Central Government] [Substituted by Act 17 of 2011.] shall be such as may be specified by the Reserve Bank and be payable by the concerned subsidiary bank.(8)On and before the expiration of two months before expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the subsidiary bank, shall call the general meeting of the subsidiary bank to elect new directors and reconstitute its Board of Directors.(9)Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.(10)The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of the subsidiary bank has been reconstituted][Substituted by Act 56 of 1962, Section 3, for the proviso.]

## **Chapter VI**

### **Business Of Subsidiary Banks**

#### **36. Subsidiary bank to act as agent of the State Bank.**

(1)A subsidiary bank shall, if so required by the State Bank, act as agent of the State Bank at any place in India 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 the State Bank.(2)The terms and conditions on which any such agency business shall be carried on by the subsidiary bank on behalf of the State Bank shall be such as may be determined by the State Bank, after consultation with the subsidiary bank and with the approval of the Reserve Bank.[\* \* \* \* \*] [Sub-sections (3) and (4) omitted by Act 56 of 1962, Section 3 (w.e.f. 1-1-1963)]

### **36A. [ Subsidiary bank to act as agent of the Reserve Bank. [Inserted by Act 1 of 1984, Section 49 (w.e.f. 15-2-1984)]**

(1)A subsidiary bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India, where it has a branch, 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 subsidiary 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 a subsidiary 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)A subsidiary bank may transact any business or perform any functions entrusted to it under sub-section (1), by itself or through any agent approved by the Reserve Bank.]

### **37. Other business which a subsidiary bank may transact.**

-(1) Subject to the other provisions contained in this Act, a subsidiary bank may carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), and may engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act.] [Substituted by Act 48 of 1973, Section 29, for sub-section (1) (w.e.f. 31-12-1973)](2)The Central Government may, after consultation with the Reserve Bank and the State Bank, by order in writing--(a)authorise a subsidiary bank to do such other forms of business as the Central Government may consider necessary or expedient;(b)direct that any form of business as is mentioned in the order, shall be carried on subject to such restrictions, conditions and safeguards as may be specified therein; or(c)Prohibit a subsidiary bank from carrying on or transacting any form of business which, but for this clause, it is lawful for the subsidiary bank to engage in.(3)Save as otherwise provided in sub-section (2), a subsidiary bank shall not engage in any form of business other than that referred to in sub-section (1)

### **38. Acquisition of business of other banks.**

(1)A subsidiary bank may, with the approval of the State Bank, and shall, if the Reserve Bank, in consultation with the State Bank, so directs, enter into negotiations for acquiring the business, including the assets and liabilities of any other banking institution.(2)The terms and conditions relating to such acquisition, if agreed upon by the Board of Directors of the subsidiary bank concerned and the directorate or management of the banking institution concerned and approved

by the Reserve Bank, shall be submitted to the Central Government for its sanction and that Government may by order in writing (hereafter in this section referred to as the order of sanction) accord its sanction thereto.(3)Notwithstanding anything contained in this Act or any other law for the time being in force or any instrument regulating the constitution of the banking institution concerned, the terms and conditions as sanctioned by the Central Government shall come into effect on the date specified by the Central Government in this behalf in the order of sanction and be binding upon the subsidiary bank and the banking institution concerned as well as upon the shareholders (or, as the case may be, proprietors) and creditors of that banking institution.(4)If for any reason the terms and conditions cannot come into effect on the date specified in the order of sanction, the Central Government may fix another suitable date for that purpose.(5)On the date on which the terms and conditions as aforesaid come into effect, the business and the assets and liabilities of the banking institution concerned as covered by the acquisition shall, 199 by virtue, and in accordance with the provisions, of the order of sanction stand transferred to, and become respectively the business and the assets and liabilities of, the subsidiary bank concerned.(6)The consideration for the acquisition of the business and the assets and liabilities of any 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 subsidiary bank concerned or partly in cash and partly by allotment of shares, and the subsidiary bank may, for the purpose of any such allotment, increase, subject to the other provisions contained in this Act relating to the increase of capital, the capital of the subsidiary bank by the issue of such number of shares as may be determined by the subsidiary bank.(7)Any business acquired under this section shall thereafter be carried on by the subsidiary 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.(8)Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or in any other law or in any agreement for the time being in force, on the acquisition of the business and the assets and liabilities of any banking institution under this section, no officer or other employee of that banking institution shall be entitled to any compensation to which he may be entitled under that Act or that other law or that agreement, and no claim in respect of such compensation shall be entertained by any court, tribunal or other authority if on his having accepted in writing an offer of employment by the subsidiary bank concerned on the terms and conditions proposed by it he has been employed in accordance with such terms and conditions.(9)The Central Government may, if it consider necessary or expedient in the case of any banking institution in relation to which an order of sanction has been made under this section, appoint, whether before or after the coming into effect of the terms and conditions relating to the business and the assets and liabilities of that banking institution, a suitable person to take over the management of that banking institution for the purposes of winding up its affairs and distributing its assets, and the expenditure incurred in connection with such management (including the remuneration of the 200 person so appointed and his staff, if any) shall be paid out of the assets of the banking institution or by the subsidiary bank concerned as the Central Government may direct.(10)Simultaneously with the appointment of a suitable person under sub-section (9) or immediately thereafter, the Central Government shall issue directions to be followed by that person in the management of that banking institution for the purposes aforesaid and thereupon--(a)the provisions of the Companies Act, 1956 (1 of 1956), or the [Banking Regulation Act, 1949]



[Substituted [Banking Companies Act, 1949] by Act 30 of 2007 (w.e.f. 18.6.2007) ] (10 of 1949), or any other law for the time being in force or any instrument having effect by virtue of any such Act or law, in so far as they are inconsistent with such directions, shall cease to apply to, or in relation to, that banking institution;(b)all persons in charge of the management, including any person holding office as manager or director, of the banking institution, immediately before the issue of such directions, shall be deemed to have vacated their offices as such; and(c)the person appointed to take over the management of the banking institution shall, in accordance with those directions, take all such steps as may be necessary to facilitate the winding up of its affairs and the distribution of its assets.(11)The Central Government, when satisfied that nothing further remains to be done in order to windup the affairs of the banking institution concerned, may, by order in writing, direct that as from such date as may be specified therein, the banking institution shall stand dissolved and thereupon any such direction shall have effect notwithstanding anything to the contrary contained in any other law.(12)No action under this section shall be questioned on the ground merely of any defect in the constitution of any banking institution in relation to which such action has been taken or in the constitution of its Board of Directors or in the appointment of any person entrusted with the management of its affairs.(13)The provisions of this section shall apply in relation to the acquisition by one subsidiary bank of the business, including the assets and liabilities, of another subsidiary bank as they apply in 201 relation to the acquisition by a subsidiary bank of the business, including the assets and liabilities, of any other banking institution.(14)In this section, "banking institution" includes any individual or any association of individuals (whether incorporated or not, or whether a department of Government or a separate institution), carrying on the business of banking.

### **38A. [ Arrangement with subsidiary banks on appointment of directors to prevail. [Inserted by Act 1 of 1984, Section 50 (w.e.f. 15-2-1984)]**

(1)Where any arrangement entered into by a subsidiary bank with a company provides for the appointment by the subsidiary bank of one or more directors of such company, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the company, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the subsidiary bank in pursuance of the arrangement as aforesaid.(2)Any director appointed as aforesaid shall--(a)hold office during the pleasure of the subsidiary bank and may be removed or substituted by any person by order in writing of the subsidiary bank;(b)not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;(c)not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.]

## Chapter VII

### Accounts And Audit

#### 39. Closing of annual accounts.

-A subsidiary bank shall cause its books to be closed and balanced [as] [Inserted by Act 48 of 1973, Section 30 (w.e.f. 31-12-1973)] on the thirty-first day of [March] [Substituted [December] by Act 30 of 2007 (w.e.f. 18.6.2007)] [or such other date in each year as the Central Government may, by notification in the Official Gazette, specify] [Substituted and inserted by Act 66 of 1988, Section 20, for certain words (w.e.f. 30-12-1988)] [Provided that with a view to facilitating the transition from one period of accounting to another period of accounting under this section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the closing and balancing of, or for other matters relating to, the books in respect of the concerned years.] [Substituted and inserted by Act 66 of 1988, Section 20, for certain words (w.e.f. 30-12-1988)]

#### 40. Disposal of profits.

(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, a subsidiary bank may, out of its net profits, declare a dividend.(2)The rate of dividend shall be determined by the Board of Directors of the subsidiary bank concerned.(3)Nothing in this section shall be deemed to preclude the payment of interim dividends in such manner and to such extent as may be prescribed.[40A. Transfer of unpaid or unclaimed dividend to unpaid dividend account - (1) Where, after the commencement of the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007, a dividend has been declared by the subsidiary bank but has not been paid, or claimed, within thirty days from the date of declaration, to or by any shareholder entitled to the payment of the dividend, the subsidiary bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid, or unclaimed within the said period of thirty days, to a special account to be called "unpaid dividend account of ..... (Name of the subsidiary bank).Explanation. - In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.(2)Where the whole or any part of any dividend, declared by the subsidiary bank before the commencement of the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007, remains unpaid at such commencement, the subsidiary bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).(3)Any money transferred to the unpaid dividend account of the subsidiary bank in pursuance of this section, which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the subsidiary bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act, 1956.(4)The money transferred under sub-section (3) to the Investor Education and Protection Fund shall be utilised for the purposes and in the manner

specified in section 205C of the Companies Act, 1956] [Inserted by Act 30 of 2007 (w.e.f. 18.6.2007)]

## 41. Audit.

(1) Subject to the provisions of section 42, the accounts of a subsidiary bank shall be audited by an auditor duly qualified to act as an auditor of companies under sub-section (1) of section 226 of the Companies Act, 1956 (1 of 1956), who shall be appointed by the State Bank, with the approval of the Reserve Bank. (2) The auditor shall receive such remuneration as the State Bank may fix. (3) No director or officer of a subsidiary bank shall be eligible to be its auditor during his continuance in office as such director or officer. (4) The 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 subsidiary 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 that subsidiary bank; (b) may, at the expense of that subsidiary bank, employ accountants and other persons to assist him in investigating such accounts; and (c) may, in relation to such accounts, examine any director or any officer of that subsidiary bank. (5) The auditor shall hold office for such term not exceeding one year as the State Bank may fix at the time of his appointment; and if any vacancy arises before the expiry of the term of an auditor, the vacancy may be filled by the State Bank, with the approval of the Reserve Bank. (6) The auditor shall on relinquishing office be eligible for re-appointment. (7) The auditor shall make a report to the State Bank upon the annual balance-sheet and accounts of the subsidiary bank, and, in every such report, he shall state--(a) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all the necessary particulars and is properly drawn up so as to [exhibit a true and fair view] [Substituted by Act 48 of 1973, Section 31, for certain words (w.e.f. 31-12-1973)] of the affairs of that subsidiary bank, and in case he has called for and explanation or information, whether it has been given and whether it is satisfactory; (b) whether or not the transactions of that subsidiary bank which have come to his notice have been within the competence of the bank; (c) whether or not the returns received from the offices and branches of that subsidiary bank have been found adequate for the purpose of his audit; (d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and (e) any other matter which he considers should be brought to the notice of the State Bank. [Explanation 1. [Inserted by Act 48 of 1973, Section 34 (w.e.f. 31-12-1973)]--For the purposes of this Act,--(a) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the subsidiary bank, and (b) the profit and loss account shall not be treated as not showing a true balance of profit or loss for the period covered by such account, merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which are, by the provisions of the Banking Regulation Act, 1949, (10 of 1949.) read with the relevant provisions of this Act, not required to be disclosed. Explanation 2.--For the purposes of this Act, the accounts of the subsidiary bank shall not be deemed as having not been properly drawn up on the ground merely that they do not disclose certain matters if--(i) those matters are such as the subsidiary bank is, by virtue of any provision contained in the Banking Regulation Act, 1949 (10 of 1949.), read with the relevant provisions of this Act, or any other Act, not required to disclose, and (ii) the provisions referred to in clause (i) are specified in the balance-sheet and profit and loss

account of the subsidiary bank or in the auditor's report.](8)The auditor shall forward a copy of the audit report to the subsidiary bank and to the Central Government.(9)Without prejudice to the foregoing provisions, the Central Government may, at any time, appoint such number of auditors as it thinks fit to examine and report on the accounts of a subsidiary bank, and the auditors so appointed shall have all the rights, privileges and authority in relation to the audit of the accounts of the subsidiary bank which an auditor appointed by the State Bank has under this section.

## **42. Temporary provision regarding existing auditors.**

- If, on the appointed day, any appointment of an auditor made by, or in respect of, an existing bank, [or the Hyderabad Bank] [Substituted for the words "the Hyderabad Bank or the Saurashtra Bank" by Act No. 48 of 2009] as the case may be, is subsisting, the State Bank may, on or after such day, either confirm the appointment in accordance with the provisions of this Act, subject to such modifications of the terms and conditions of the appointment, as it may deem necessary, or terminate the appointment; and may, if it so terminates the appointment, fix such remuneration as appears to it to be reasonable having regard to the work already done, functions discharged, or duties performed by the auditor concerned.

## **43. Returns to be furnished by a subsidiary bank.**

(1)A subsidiary bank shall furnish to the State Bank [the Reserve Bank and the Central Government] [Subs by Act 1 of 1984 s. 51, for certain words (w.e.f. 15-2-1984)](a)[within three months from the 31st day of [March] [Substituted by Act 48 of 1973, Section 34 for certain words (w.e.f. 31-12-1973)] [or the date notified under section 39, as the case may be,] [Inserted by Act 66 of 1988, Section 21 (w.e.f. 30-12-1988)] as on which its books are closed and balanced], its balance-sheet, together with the profit and loss account and the auditor's report, and a report by the Board of Directors on the working [and activities] [Inserted by Act 1 of 1984, Section 51 (w.e.f. 15-2-1984).] of the subsidiary bank during the period covered by the accounts; and(b)any other information relating to the affairs and business of the subsidiary bank which the State Bank or the Reserve Bank may require:[Provided that the Reserve Bank may, after consultation with the State Bank, extend the said period of three months by such further period, not exceeding three months, as it may think fit.] [Inserted by Act 1 of 1984, Section 51 (w.e.f. 15-2-1984).](2)[ The balance-sheet and profit and loss account of the subsidiary bank shall be signed by persons holding the office of the chairman, managing director, and a majority of the other directors of the subsidiary bank in office] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007) ](3)[ The Central Government shall cause the auditor's report and the report by the Board of directors on the working and activities of the subsidiary bank to be laid, as soon as may be after they are received, before each House of Parliament. [\* \* \* \* \*] [Inserted by Act 1 of 1984, Section 51 (w.e.f. 15-2-1984)].]

## **44. General meetings.**

(1)A general meeting (hereinafter referred to as an annual general meeting) of a subsidiary bank shall be held [in each year] [Inserted by Act 1 of 1984, Section 51 (w.e.f. 15-2-1984).] at the place where the head office of the subsidiary bank is situate, and any other general meeting may be

convened by the Board of Directors at any time:[Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance-sheet, together with the profit and loss account and auditor's report, is, under sub-section (1) of section 43, forwarded to [the State Bank, the Reserve Bank or the Central Government] [Added by Act 48 of 1973, Section 38, (w.e.f. 31-12-1973)] whichever date is earlier.](2)The shareholders present at an annual general meeting shall be entitled to [discuss and adopt the balance-sheet] [Substituted [discuss the balance-sheet] by Act 30 of 2007 (w.e.f. 18.6.2007) ] and profit and loss account of the bank concerned, made up to the previous 31st day of [March] [Substituted [December] by Act 30 of 2007 (w.e.f. 18.6.2007) ], [or the date notified under section 39, as the case may be] [Inserted by Act 66 of 1988, Section 22 (w.e.f. 30-12-1988)], the report of the Board of Directors on the working [and activities] [Inserted by Act 66 of 1988, Section 22 (w.e.f. 30-12-1988)] of that bank for the period covered by the accounts and the auditors' report on the balance-sheet and accounts.(3)Nothing contained in this section relating to an annual general meeting shall apply in relation to a subsidiary bank if, as on the previous 31st day of [March] [Substituted [December] by Act 30 of 2007 (w.e.f. 18.6.2007) ] [or the date notified under section 39, as the case may be] [Inserted by Act 66 of 1988, Section 22 (w.e.f. 30-12-1988)] all the shares in the issued capital of that bank are held by the State Bank.

## Chapter VIII

### Miscellaneous

#### **45. Power to issue directions removing difficulties.**

- For the purpose of facilitating the full and effective transfer of the undertaking of an existing bank in accordance with the provisions of this Act, or in order to remove any difficulty which in the opinion of the Central Government has arisen or is likely to arise in connection with such transfer, the Central Government may, in consultation with the Reserve Bank, give such direction to any existing bank or the State Bank as appear to it to be necessary and the said bank or the State Bank, as the case may be, shall comply with such directions.

#### **46. Observers for existing banks [\*\*\*] [Words in marginal heading "and the Saurashtra Bank" omitted by Act No. 48 of 2009].**

(1)The State Bank may, in relation to any existing bank [\*\*\*] [Words "or the Saurashtra Bank" omitted by Act No. 48 of 2009], at any time before the appointed day,--(a)depute one or more persons to watch the proceedings at any meeting of the Board of Directors, any committee or other body of the bank; require the bank to give an opportunity to the person or persons so deputed to be heard at such meetings and also require such person or persons to send a report of such proceedings to the State Bank;(b)require the Board of Directors, any committee or other body of the bank to give in writing to any person specified by the State Bank in this behalf, at his usual address, all notices of, and other communications relating to, any meeting of the Board, committee or other body, as the case may be;(c)appoint one or more persons to observe the manner in which the affairs of the bank or of its officers or branches are being conducted and make a report thereon; and(d)require the

bank to furnish the State Bank, within such time as may be specified by the State Bank, with any statement or information relating to the business or affairs of the bank including copies of the proceedings of any meeting of the Board of Directors, any committee or other body, of the bank.(2)If a person deputed by the State Bank to watch the proceedings of any meeting of the Board of Directors, any committee or other body, as the case may be, gives notice in writing to the bank that such person considers that any action, step or proceeding proposed to be taken or carried out by the bank will be detrimental to the State Bank or to the bank itself, such action, step or proceeding shall not be taken or carried out by the bank unless and until the State Bank approves in writing of such action, step or proceeding.[\*\*\*] [Explanation omitted by Act No. 48 of 2009]

#### **47. Inspection.**

(1)Without prejudice to the other provisions contained in this Act, the State Bank may, at any time, cause an inspection to be made by one or more of its officers of any existing bank, a new bank, [or the Hyderabad Bank] [Substituted for the words "the Hyderabad Bank or the Saurashtra Bank" by Act No. 48 of 2009].(2)It shall be the duty of every person who is, or has, at any time, been a director, officer or other employee of a bank which is inspected under sub-section (1), to produce to any officer making the inspection, all such balances, books, accounts, securities and other documents in his custody or power and to furnish the said officer with any statements and information relating to the affairs of the bank as the said officer may require of him within such time as the said officer may specify.(3)If any person--(a)fails, within the stipulated time, to produce any balance, books, account, security or other document or to furnish any statement or information which under sub-section (2) it is his duty to produce or furnish, or to answer any question relating to the business of the bank under inspection which is asked by an officer making the inspection, or(b)in any document or information required or furnished or while answering any question put to him, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, he shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine.

#### **48. Cost of development programme.**

(1)A subsidiary bank may accept any subsidies offered by the State Bank to meet--(a)the cost of the whole or any part of any specific programme of development undertaken by that subsidiary bank with the approval of the State Bank; and(b)such losses or expenditure as may be approved by the State Bank, with the consent of the Reserve Bank.(2)For the purposes of the [Income tax-Act, 1961] [Substituted [Indian Income-tax Act, 1922] by Act 30 of 2007 (w.e.f. 18.6.2007) ] (11 of 1922), any subsidy received by a subsidiary bank under sub-section (1) shall not be treated as income, profits or gains of the subsidiary bank.

#### **49. Special provision regarding existing officers and employees.**

(1)Notwithstanding anything contained in any of the other provisions of this Act, or in any other law or in any contract of service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by an existing bank [\*\*\*]

[Words "or the Saurashtra Bank" omitted by Act No. 48 of 2009] after the 10th day of February, 1958, 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 said banks or of any provident, pension or other fund in force before the 10th day of February, 1958, shall have effect or be payable or claimable from the subsidiary bank concerned, or from any provident, pension or other fund, or from any authority administering any such fund, unless the State Bank has, with the approval of the Reserve Bank, by a general or special order, confirmed the appointment, promotion or increment or has directed the grant of the pension, allowance or other benefit, as the case may be.(2)Where any officer or other employee of an existing bank [\*\*\*] [Words "or the Saurashtra Bank" omitted by Act No. 48 of 2009] has received any amount by reason of such appointment, promotion or increment or any such pension, allowance or other benefit as is referred to in sub-section (1), which has not been confirmed or sanctioned by the State Bank under that sub-section, such officer or other employee shall be bound to refund such amount to the subsidiary bank concerned, and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.(3)Where any managing director, general manager or manager, deputy managing director or deputy general manager or other employee of an existing bank [\*\*\*] [Words "or the Saurashtra Bank" omitted by Act No. 48 of 2009] has, after the 10th day of February, 1958, and before the appointed day, been paid any sum by way of compensation or gratuity, the subsidiary bank concerned shall be entitled to claim a refund of any sum so paid if the payment is not confirmed by the State Bank by a general or special order.(4)Nothing in this section shall apply to, or in relation to, any officer or other employee of the Bank of Patiala, who does not become an officer or other employee of the State Bank of Patiala under the provisions of section 11.

## **50. Staff of a subsidiary bank.**

(1)A subsidiary bank may, subject to such limitations and conditions as may be prescribed, appoint such number of officers, advisers and employees as it considers necessary or desirable, for the efficient performance of its functions and on such terms and conditions as it may deem fit.(1A)[ The officers, advisers and employees of the subsidiary bank concerned shall individually or jointly, or with other officers, advisers and employees in a committee exercise such powers and perform such duties as may, by general or special order, be entrusted or delegated to them by the Board of Directors or its Executive Committee] [Inserted by Act 30 of 2007 (w.e.f. 18.6.2007) ](2)For the removal of doubts, it is hereby declared that the officers, advisers and employees of a subsidiary bank, in whatever capacity engaged, shall not be deemed to be officers, advisers or employees of the State Bank for any purpose, unless otherwise provided in the contract or agreement of service of any such officer, adviser or employee.

## **50A. [ Bonus. [Inserted by Act 64 of 1984, Section 3]**

(1)No officer, adviser or other employee [other than a employee within the meaning of clause (13) of section 2 of the Payment of Bonus Act, 1965] of a subsidiary bank shall be entitled to be paid any bonus.(2)No employee of a subsidiary bank, being an employee within the meaning of clause (13) of section 2 of the Payment of Bonus Act, 1965, shall be entitled to be paid any bonus except in accordance with the provisions of that Act.(3)The provisions of this section shall have effect

notwithstanding any judgment, decree or order of any court, tribunal or other authority and notwithstanding anything contained in any other provision of this Act or in the Industrial Disputes Act, 1947 (14 of 1947), or any other law for the time being in force or any practice, usage or custom or any contract, agreement, settlement, award or other instrument.]

## **51. Establishment of pension and superannuation funds by subsidiary banks.**

- Notwithstanding anything to the contrary contained in any other law for the time being in force, a subsidiary bank may establish and maintain superannuation, pension, provident or other funds for the benefit of its officers or employees or the dependants of such officers or employees or for the purposes of the subsidiary bank, and grant superannuation allowances, annuities and pensions payable out of any such fund.

## **52. Obligation as to fidelity and secrecy.**

(1)A subsidiary 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 that bank to divulge such information.(2)Every director, auditor, adviser, officer or other employee of a subsidiary bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule:Provided that any declaration made under sub-section (2) of section 35 of the State Bank of Hyderabad Act shall be deemed to be a declaration made to the Hyderabad Bank under this sub-section.

## **53. Indemnity of directors.**

(1)Every director of a subsidiary bank shall be indemnified by that 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)A director of a subsidiary bank shall not be responsible for any loss or expense caused to the bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the bank or by the insolvency or wrongful act of any customer or debtor or by anything done in, or relation to, the execution of the duties of his office or otherwise than for his wilful act or default.(3)[ Where the State Bank nominates any of its officers as director of a subsidiary bank, such director shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as director or anything in relation thereto.] [Inserted by Act 1 of 1984, Section 53 (w.e.f. 15-2-1984)]

## **54. Defects in appointment or constitution not to invalidate acts or proceedings.**



(1) No act or proceeding of the Board of Directors of a subsidiary bank shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board. (2) All acts done by any person acting in good faith as a director of a subsidiary bank shall, notwithstanding that he was disqualified to be a director or that there was any other defect in his appointment, be deemed to be valid.

## **55. Companies Act, 1956, and Banking Companies Act, 1949, not to apply to certain existing banks.**

-Subject to the provisions of this Act and unless the Central Government, by notification in the Official Gazette, otherwise directs, on and from the appointed day, the provisions of the Companies Act, 1956 (1 of 1956.), and the [Banking Regulation Act] [Substituted [Banking Companies Act] by Act 30 of 2007 (w.e.f. 18.6.2007) ], 1949 (10 of 1949.), shall not apply to an existing bank, in so far as the said provisions impose any obligation on, or require anything to be done by, any such bank.

## **56. Continuance of special provisions respecting recovery of loans and advances made by the Bank of Patiala [\*\*\*] [Omitted in the marginal heading the words "and the State Bank of Saurashtra" by Act No. 48 of 2009].**

The State Bank of Patiala [\*] [Words "and the Saurashtra Bank" omitted by Act No. 48 of 2009] shall be entitled to recover in the same manner as an arrear of land revenue any moneys due in respect of loans or advances made before the appointed day by the Bank of Patiala [\*] [Words "or the Saurashtra Bank, as the case may be," omitted by Act No. 48 of 2009], as the case may be, and the provisions of any law, relating to such recovery as were applicable to that bank before the appointed day shall continue to apply to the State Bank of Patiala or the Saurashtra Bank, as the case may be, in respect of such recovery after the appointed day.

## **57. Bar to liquidation of a subsidiary bank.**

-No provision of law relating to the winding up of companies shall apply to a subsidiary bank nor shall it be placed in liquidation, save as provided in this Act or by order of the Central Government and in such manner as the Central Government may direct.

## **58. Dissolution of existing banks.**

- Notwithstanding anything contained in this Act or in any other law for the time being in force or in any contract or other instrument, an existing bank shall, on such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, stand [dissolved] [Bank of Bikaner, Indore and Mysore and Travancore Bank dissolved (w.e.f. 1-8-1966 - See S.O. 88, Gazette of India, 1966, Pt. II, S.3 (ii), p.96) ].

## **59. [ Construction of references to existing banks. [Substituted by Act 56 of 1962, Section 3, for s. 59 (w.e.f. 1-1-1963)]**

(1)For the purposes of sections 45, 49, 55, 58 and the First Schedule, the expression 'existing bank' shall include the Bank of Jaipur Limited.(2)Except as otherwise provided in any general or special order made by the Central Government, any reference in any law, other than this Act, or in any contract or other instrument--(a)to an existing bank, shall be construed as a reference to the corresponding new bank;(b)to the Bank of Jaipur Limited, shall be construed as a reference to the State Bank of Bikaner.]

## **60. Exercise of powers and functions on behalf of the Reserve Bank.**

-Any powers, duties or functions conferred, imposed or entrusted by this Act on, or to, the Reserve Bank, shall be exercised or performed by the Governor of the Reserve Bank or, in his absence, by a Deputy Governor nominated under sub-section (3) of section 7 of the Reserve Bank of India Act, 1934, (2 of 1934.) or by such officer or officers of the Reserve Bank in respect of such matters and subject to such conditions and limitations as the Governor of the Reserve Bank may specify.

## **61. Protection of action taken under Act.**

(1)No suit or other legal proceeding shall lie against the Central Government, the Reserve Bank or the State Bank or any officer of the Central Government, the Reserve Bank or the State Bank for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act.(2)No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred or any damage caused by reason of the operation of, or anything done in pursuance of, the provisions contained in sections 46 and 47.

## **62. Power of Central Government to make rules.**

(1)The Central Government may, by notification in the Official Gazette, [make [rules] [Substituted by Act 48 of 1973, Section 34, for certain words (w.e.f. 31-12-1973)] to provide for all matters for which provision is necessary or 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 rules may provide for--(a)the terms and conditions of service of the Chairman, members and staff of the Tribunal;(b)the manner of, and the procedure for, payment of compensation (including allotment of shares in lieu of compensation) under this Act, including the requirements subject to which the payment shall be made;(c)the determination of the persons to whom compensation shall be payable in all cases including cases where shares 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 share-holder is dead;(d)the circumstances under which claims for payment of the said compensation from persons claiming through or under a shareholder may be entertained;(e)the requirements to be complied with before receipt of the said compensation by a shareholder, whose share certificate has been lost, destroyed, mutilated or stolen;(f)the requirements subject to which

information regarding the payment of the said compensation may be granted or refused and the conditions subject to which such information may be given;(g)[ the manner of appointment of a director under clause (ca) or clause (cb) of sub-section (1) of section 25, and all other matters connected therewith or incidental thereto.] [Inserted by Act 48 of 1973, Section 34 (w.e.f. 31-12-1973)](3)[ Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.] [Substituted by Act 1 of 1984, Section 54 (w.e.f. 15-2-1984)]

### **63. [ Power of subsidiary banks to make regulations. [Substituted by Act No. 17 of 2011.]**

- (J) The Board of Directors of a subsidiary bank may, after consultation with the State Bank and the Reserve Bank and with the previous approval of the Central Government, by notification in the official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act or any other law for the time being in force.(2)In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for-(a)the powers and duties of the managing director of the subsidiary bank;(b)the fees and allowances which may be paid to directors or others for attending any meetings of the Board of Directors or of its committees (including the executive committee) or other committees or for attending to any other work of the subsidiary bank;(c)the time and place at which, and the manner in which the business of the Board of Directors of the subsidiary bank shall be transacted and the procedure to be followed at the meetings thereof;(d)the constitution of the executive committee of the subsidiary bank and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;(e)the formation of any other committees, whether of the Board of Directors of the subsidiary bank or otherwise, and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;(f)the nature of shares of the subsidiary 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;(g)the procedure for issuing the certificates of shares;(h)the procedure with respect to increase, whether by public issue or rights issue or by preferential allotment or private placement, the issued capital by issue of equity or preference shares;(i)the manner of acceptance of share money in instalments, the manner of making calls and the manner of forfeiture of unpaid shares and their re-issue;(j)the maintenance of share registers, and the particulars to be entered in such registers in addition to those specified in sub-section (1) of section 21, the safeguards to be observed in the maintenance of the register of shareholders on computer floppies or diskettes or any other electronic form, the inspection and closure of the registers and all other matters connected therewith;(k)the manner in which every individual registered shareholder nominate, an individual

to whom all his rights in the shares shall vest in the event of his death under sub-section (1) of section 18A;(l)the manner in which, the joint holders may nominate an individual to whom all their rights in the shares shall vest in the event of the death of all the joint holders under sub-section (2) of section 18A;(m)the manner in which nomination is varied or cancelled under subsection (3) of section 18A;(n)the manner in which every individual registered as the holder of the shares to make nomination where nominee is a minor to appoint, any person to become entitled to the shares in the event of his death during the minority of the nominee under sub-section (4) of section 18A;(o)the holding and conduct of elections under this Act and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;(p)the manner in which general meeting shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;(q)the manner in which notices may be served on behalf of the subsidiary bank upon shareholders or other persons;(r)the payment of dividends including interim dividends;(s)the delegation of powers and functions of the Board of Directors of the subsidiary bank to the managing director or directors or officers or other employees of that bank;(t)the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;(u)the duties and conduct of officers, advisers and other employees of the subsidiary bank;(v)the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the officers or employees of the subsidiary bank or of the dependants of such officers or employees or for the purposes of the subsidiary bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;(w)the conduct and defence of legal proceedings by or against the subsidiary bank and the manner of signing pleadings;(x)the provision of a seal for the subsidiary bank and the manner and effect of its use;(y)the form and manner in which contracts binding on the subsidiary bank may be executed;(z)the conditions and requirements subject to which loans or advances may be made or bills may be discounted or purchased by the subsidiary bank;(za)the conditions subject to which loans or advances may be made by the subsidiary bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;(zb)the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of the officers or employees of the subsidiary bank or their dependants or for the purposes of that bank;(zc)the circumstances in which the specific approval of the State Bank shall be required to the grant of loans and advances or investment of funds by the subsidiary bank or to any contract, arrangement or proposal entered into or proposed to be entered into by the subsidiary bank;(zd)the preparation and submission to the State Bank and the Reserve Bank of statements of programmes of activities and financial statements of the subsidiary bank and the periods for which, and the time within which such statements and estimates are to be prepared and submitted;(ze)generally, for the efficient conduct of the affairs of the subsidiary bank.(3)All regulations made under this section shall have effect from such earlier or later date as may be specified in the regulations.(4)Every regulation shall, as soon as may be after it is made under this section by the Board of Directors of a subsidiary bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions

aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification. or annulment shall be without prejudice to the validity of anything previously done under that regulation.]

63. Power of the State Bank of make regulations.- [(1) The Board of Directors of a subsidiary bank may, after consultation with the State Bank and with the previous approval of the Reserve Bank, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act or any other law for the time being in force] [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007)] (2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for--(a) the powers and duties of the[managing director] [Substituted by Act 48 of 1973 s. 21, for "general manager" (w.e.f. 1-7-1974)]of the subsidiary bank;(b) the fees and allowances which may be paid to directors or others for attending any meetings of the Board of Directors or of its committees (including the executive committee) or other committees or for attending to any other work of the subsidiary bank;(c) the time and place at which, and the manner in which, the business of the Board of Directors of the subsidiary bank shall be transacted and the procedure to be followed at the meetings thereof;(d) the constitution of the executive committee of the subsidiary bank and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;(e) the formation of any other committees, whether of the Board of Directors of the subsidiary bank or otherwise, and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;(f) the nature of shares of the subsidiary 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;(fa) [ the procedure for issuing the certificates of shares; [Inserted by Act 30 of 2007 (w.e.f. 18.6.2007)] (fb) the procedure with respect to increase, whether by public issue or by preferential allotment or private placement, the issued capital by issue of equity or preference shares;(fc) the manner of acceptance of share money in instalments, the manner of making calls and the manner of forfeiture of unpaid shares and their re-issue](g) [ the maintenance of share registers, and the particulars to be entered in such registers in addition to those specified in sub-section (1) of section 21, the safeguards to be observed in the maintenance of the register of shareholders on computer floppies or diskettes or any other electronic form, the inspection and closure of the registers and all other matters connected therewith; [Substituted by Act 30 of 2007 (w.e.f. 18.6.2007)] (ga) the manner in which every individual registered shareholder nominate, an individual to whom all his rights in the shares shall vest in the event of his death under sub-section (1) of section 18A;(gb) the manner in which, the joint holders may nominate an individual to whom all their rights in the shares shall vest in the event of the death of all the joint holders under sub-section (2) of section 18A;(gc) the manner in which nomination is varied or cancelled under sub-section (3) of section 18A;(gd) the manner in which every individual registered as the holder of the shares to make nomination where nominee is a minor to appoint, any person to become entitled to the shares in the event of his death during the minority of the nominee under sub-section (4) of section 18A](h) the holding and conduct of elections under this Act and the final determination of

doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;(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 manner in which notices may be served on behalf of the subsidiary bank upon shareholders or other persons;(k) the payment of dividends, including interim dividends;(l) the delegation of powers and functions of the Board of Directors of the subsidiary bank to the[managing director] [Substituted by Act 48 of 1973, Section 21, for "general manager" (w.e.f. 1-7-1974)]or directors or officers or other employees of that bank;(m) the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;(n) the duties and conduct of officers, advisers and other employees of the subsidiary bank;(o) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the officers or employees of the subsidiary bank or of the dependants of such officers or employees or for the purposes of the subsidiary bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;(p) the conduct and defence of legal proceedings by or against the subsidiary bank and the manner of signing pleadings;(q) the provision of a seal for the subsidiary bank and the manner and effect of its use;(r) the form and manner in which contracts binding on the subsidiary bank may be executed;(s) the conditions and requirements subject to which loans or advances may be made or bills may be discounted or purchased by the subsidiary bank;(t) the conditions subject to which loans or advances may be made by the subsidiary bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;(u) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of the officers or employees of the subsidiary bank or their dependants or for the purposes of that bank;(v) the circumstances in which the specific approval of the State Bank shall be required to the grant of loans and advances or investment of funds by the subsidiary bank or to any contract, arrangement or proposal entered into or proposed to be entered into by the subsidiary bank;(w) the preparation and submission to the State Bank and the Reserve Bank of statements of programmes of activities and financial statements of the subsidiary bank and the periods for which, and the time within which, such statements and estimates are to be prepared and submitted;(x) the person or persons in the State Bank by whom any powers, duties or functions conferred, imposed or entrusted on or to the State Bank under this Act may be exercised or performed;(g) generally, for the efficient conduct of the affairs of the subsidiary bank.(2A) [ All regulations made under this section shall have effect from such earlier or later date as may be specified in the regulations.] [Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973, Section 35 (31-12-1973)](3) All regulations under this section except the first regulations, shall be made in consultation with the Board of Directors of the subsidiary bank concerned.(4) [ Every regulation shall, as soon as may be after it is[made under this section] [Inserted by the Banking Laws (Amendment) Act, 1983 (1 of 1984), Section 55 (15-2-1984)]by the State Bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions, aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be

made, the regulation shall thereafter have effect only in such modified form or be of no effect as the case may be so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.]

#### **64. Amendment of certain enactments.**

[Repealed by Repealing and Amendment Act, 1964 (52 of 1964), S.2 and Sch. I (29-12-1964.)]

#### **65. Repeal and Saving.**

(1)The State Bank of India (subsidiary Banks) Act, 1959 (38 of 1959) and the State Bank of Hyderabad Act, 1956 (79 of 1956) are hereby repealed.(2)Notwithstanding such repeal, anything done or any action taken, including any agreement entered into under the provisions of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) by the State Bank of Hyderabad, the State Bank of Bikaner and Jaipur, the State Bank of Mysore, the State Bank of Patiala and the State Bank of Travancore, or under the provisions of the State Bank of Hyderabad Act, 1956 (79 of 1956) by the State Bank of Hyderabad, shall continue to be in force and have effect as if this Act has not been enacted.(3)The mention of particulars in sub-section (2) shall not be held to prejudice or affect the general application of section of the General Clauses Act, 1987, with regard to the effect of repeal.THE FIRST SCHEDULE(See sections 13 and 14)PRINCIPLES OF COMPENSATION

**1. A. The compensation to be given by the State Bank shall, in the case of the Hyderabad Bank, [or the Bank of Patiala] [Substituted for the words ", the Bank of Patiala or the Saurashtra Bank," by Act No. 48 of 2009], be an amount equal to the value of the assets of that bank as on the day immediately before the appointed day , computed in accordance with the provisions of Part I of this paragraph less the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.**

B. The total compensation to be given by the State Bank in respect of the transfer of the shares in the capital of the existing banks, other than the Bank of Patiala, to the persons (including any State Government) who, immediately before the appointed day, are registered as holders of shares in the books of each of these banks shall, in each case, be an amount equal to the value of the assets of that bank as on the day immediately proceeding the appointed day in relation to the corresponding new bank, computed in accordance with the provisions of Part I of this paragraph less the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

### **Part I – ASSETS**

For the purposes of this paragraph, assets means the total of the following:-(a)the amount of cash in hand and with the Reserve Bank and the State Bank (including foreign currency notes which shall be converted at the market rate of exchange);(b)the amount of balances with any other bank, not being

the Reserve Bank or the State Bank, whether on deposit or current account, and money at call short notice, balance held outside India being converted at the market rate of exchange: Provided that any balances which are not realisable in full shall be deemed to be debts and valued accordingly; (c) the market value as on the appointed day of any securities, shares, debentures, bonds and other investments, held by the bank concerned; Explanation.---For the purposes of this clause,--(i) securities of the Central and State Governments (other than the securities specified in sub-clause (ii) and (iii) of this Explanation) maturing for redemption within five years from the appointed day shall be valued at the face value or the market value whichever is higher; (ii) securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Savings Scheme of the Central Government, shall be valued at their face value or the encashable value as on the appointed day, whichever is higher; (iii) where the market value of any Government security such as the zamindari abolition bonds or other similar security in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security, issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors; (iv) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period; (v) where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividend paid by it during the proceeding five years and other relevant factors; (d) the amount of advances (including loans, cash credits, overdrafts, bill purchased and discounted), and other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable, having regard to the value of the security, if any, the operations on the account, the reported worth and respectability of the borrower, the prospects of realisation and other relevant considerations; (e) the market value of any land or buildings; (f) the total amount of the premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease; (g) the written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings; (h) the market or realisable value, as may be appropriate, of other assets appearing on the books of the bank, no value being allowed for capitalised expenses, such as share selling commission, organisational expenses and brokerage, losses incurred and similar other items.

## Part II – LIABILITIES

For the purposes of this paragraph, "liabilities" means the total amount of all outside liabilities existing on the appointed day and all contingent liabilities which the subsidiary bank concerned may reasonably be expected to be required to meet out of its own resources on or after the appointed



day.COMPENSATION PAYABLE TO SHAREHOLDERS

**2. Every shareholder of an existing bank other than the Bank of Patiala shall be given such amount as compensation as bears to the total compensation, in respect of each of the said banks calculated in accordance with the provisions of paragraph 1, the same proportion as the amount of the paid-up capital of the shares held by the shareholder bears to the total paid-up capital of that bank.**

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

**3. No separate compensation shall be payable for any profits or any dividend in respect of any period immediately proceeding the appointed day for which, in the ordinary course, profits would have been transferred or dividend declared after the appointed day.**

THE SECOND SCHEDULE(See section 52)DECLARATION OF FIDELITY AND

SECRECYI....., 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, auditor, adviser, officer or employee, as the case may be) of the State Bank of.....\* and which properly relate to the office or position held by me in, or in relation to, the said bank.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 of.....\* or to the affairs of any person having any dealing with the said bank; nor will I allow any such person to inspect or have any access to any books or documents belonging to, or in the possession of, the State Bank of.....\* and relating to the business of the said bank or to the business of any person having any dealing with the said bank.\*Here enter the name of the subsidiary bank concerned.

THE THIRD SCHEDULE(See section 64)Amendments to certain enactments - [Repealed by the

Repealing and Amending Act, 1964 (52 of 1964), section 2 and Sch. I (29-2-1964).]Note. -

Amendments made by the Schedule to the various Banking Laws have been incorporated in the respective Acts.