

**State Bank Of India (Subsidiary Banks Laws) Amendment
Act, 2011**

17 of 2011

[12 October 2011]

CONTENTS

CHAPTER 1 :- PRELIMINARY

1. Short Title And Commencement

**CHAPTER 2 :-AMENDMENTSTO THE STATE BANK OF
HYDERABAD ACT, 1956**

2. Amendment Of Section 9
3. Amendment Of Section 10

**CHAPTER 3 :-AMENDMENTSTO THE STATE BANK OF INDIA
(SUBSIDIARY BANKS) ACT, 1959**

4. Amendment Of Section 6
5. Amendment Of Section 7
6. Amendment Of Section 25
7. Amendment Of Section 29
8. Amendment Of Section 31
9. Amendment Of Section 35A
10. Substitution Of New Section For Section 63

**State Bank Of India (Subsidiary Banks Laws) Amendment
Act, 2011**

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An Act further to amend the State Bank of Hyderabad Act, 1956 and the State Bank of India (Subsidiary Banks) Act, 1959. Be it enacted by Parliament in the Sixty-second Year of the Republic of India as follows:--

CHAPTER 1 PRELIMINARY

1. Short Title And Commencement :-

(1) This Act may be called the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011.

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

CHAPTER 2 AMENDMENTS TO THE STATE BANK OF HYDERABAD ACT, 1956

2. Amendment Of Section 9 :-

In sub-section (4) of section 9 of the State Bank of Hyderabad Act, 1956 (79 of 1956) (hereafter in this Chapter referred to as the State Bank of Hyderabad Act), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

3. Amendment Of Section 10 :-

In section 10 of the State Bank of Hyderabad Act,--

(a) in sub-section (IA), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted;

(b) in sub-section (3),--

(i) for the words "with the approval of the State Bank and the Reserve Bank", the words "with the approval of the State Bank and the Central Government in consultation with the Reserve Bank" shall be substituted;

(ii) for the words "public issue", the words "public issue or rights issue" shall be substituted;

(c) in sub-section (3B),--

(i) for the words "with the approval of the State Bank and the Reserve Bank", the words "with the approval of the State Bank and the Central Government in consultation with the Reserve Bank" shall be substituted;

(ii) for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

CHAPTER 3 AMENDMENTS TO THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

4. Amendment Of Section 6 :-

In sub-section (4) of section 6 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) (hereinafter referred to as the principal Act), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

5. Amendment Of Section 7 :-

In section 7 of the principal Act,--

(a) in sub-section (1A), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted;

(b) in sub-section (4),--

(i) for the words "with the approval of the State Bank and the Reserve Bank", the words "with the approval of the State Bank and the Central Government in consultation with the Reserve Bank" shall be substituted;

(ii) for the words "public issue", the words "public issue or rights issue" shall be substituted;

(c) in sub-section (6),--

(i) for the words "with the approval of the State Bank and the Reserve Bank", the words "with the approval of the State Bank and the Central Government in consultation with the Reserve Bank" shall be substituted;

(ii) for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

6. Amendment Of Section 25 :-

In section 25 of the principal Act,--

(a) in sub-section (1),---

(i) in clause (a), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted;

(ii) in clause (b), for the words "to be nominated by the Reserve Bank", the words "to be nominated by the Central Government on the recommendation of the Reserve Bank" shall be substituted;

(b) in sub-section (6), for the words "in consultation with the Reserve Bank", the words "in consultation with the Central

Government" shall be substituted.

7. Amendment Of Section 29 :-

In section 29 of the principal Act,--

(a) in sub-section (1), for the words "and with the approval of the Reserve Bank", the words "and the Reserve Bank, and with the approval of the Central Government" shall be substituted;

(b) in sub-section (3),--

(i) in the proviso to clause (a), for the words "with the approval of the State Bank and the Reserve Bank", the words "with the approval of the State Bank and the Central Government in consultation with the Reserve Bank" shall be substituted;

(ii) in clauses (b) and (c), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall respectively be substituted;

(c) in sub-section (5), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

8. Amendment Of Section 31 :-

In section 31 of the principal Act,--

(a) in sub-section (1), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted;

(b) in clause (a) of sub-section (3), for the words "with the approval of the Reserve Bank", the words "in consultation with the Reserve Bank and with the approval of the Central Government" shall be substituted.

9. Amendment Of Section 35A :-

In section 35A of the principal Act,--

(a) in sub-section (1),--

(i) for the words "Where the Reserve Bank, on the recommendation of the State Bank", the words "Where the Central Government, on the recommendation of the Reserve Bank and in consultation with the State Bank" shall be substituted;

(ii) for the words "the Reserve Bank may", the words "the Central

Government may" shall be substituted;

(b) in sub-sections (2) and (5), for the words "The Reserve Bank may", the words "The Central Government in consultation with the Reserve Bank may" shall respectively be substituted;

(c) in sub-section (3), clause (b) of sub-section (4) and sub-sections (6) and (7), for the words "the Reserve Bank", wherever they occur, the words "the Central Government" shall respectively be substituted.

10. Substitution Of New Section For Section 63 :-

For section 63 of the principal Act, the following section shall be substituted, namely;--

"63. Power of subsidiary banks to make regulations.--(1) 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."