

## **STATE BANK OF INDIA ACT, 1955**

**23 of 1955**

**[18th May, 1955]**

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**STATE BANK OF INDIA ACT, 1955**

**23 of 1955**

**[18th May, 1955]**

"The Reserve Bank of India had appointed In August. 1951 a Committee of Direction for conducting an all-India rural credit survey. The General Report of the survey embodying the Committee's recommendations was received last year. The Report makes comprehensive recommendations relating to numerous aspects of the problem of rural credit. One of the important recommendations and an integral part of the solution of the rural credit problem propounded by the Committee is the setting up of a State Bank of India as 'one strong integrated State-partnered commercial banking institution with an effective machinery of branches spread over the whole country for stimulating banking development by providing vastly extended remittance following a policy which would be in effective consonance with national policies adopted by Government without departing from the canons of sound business'. Such a State Bank of India is envisaged as coming into being by the amalgamation of the Imperial Bank of India with certain "State-associated" banks. On the 28th December, 1954. Government announced that they accepted in principle this

recommendation of the Committee and that they had decided as a first step towards the setting up of such an institution, to assume effective control over the Imperial Bank. This Bill seeks to give effect to this decision. Suitable provisions are made relative to the Bank. the taking over of its business and staff, the payment of compensation to shareholder the setting up of an. appropriate machinery for the governance of the State Bank of India, the business which the Bank may and may not transact. etc. It is contemplated that the Reserve Bank will always hold a minimum shareholding of 55 per cent. in the paid-up capital' of the Bank By virtue of this holding and the composition of the Board of Directors of the Bank as well as by virtue of the power to give directions in matters of policy involving public interest vested in the Central Government, it is provided' that the general working of the State Bank of India shall be responsive to and in consonance with Government policies while the autonomy of the institution in its day-to-day working will be fully maintained. Amendments necessary to the Reserve Bank of India Act. 1934, and to the Banking Companies Act. 1949, consequently to the establishment of this institution, have been provided for in the Third and Fourth Schedules to the Bill."-Gaz. of Ind" 1955, Extra. Pt. II, Sec. 2, page 185. Amending Act 23 of 1955 - "The Scheme of the State Bank of India Act. 1955, envisaged the State Bank of India coming into existence and the Imperial Bank of India going out of existence simultaneously on the 'appointed day' (being the day notified in this behalf by the Central Government) and. provided for the automatic transfer of all the assets and liabilities of the undertaking of the Imperial Bank of India from that institution to the State Bank of India. While there was no difficulty about such transfer so far as the assets and liabilities of the Imperial Bank situated in India were concerned. Government were advised that it was doubtful whether such an automatic transfer of assets and liabilities made by virtue of an Indian law from one corporate body to another would be recognised and given effect to in foreign countries in respect of the assets and liabilities of the foreign branches of the Imperial Bank of India. In the light of the advice obtained" on this legal issue from counsel in the different foreign countries concerned, it was decided that it would be advisable to amend the scheme of the Act and to provide for the continued existence of the Imperial Bank of India as a corporate entity beyond the 'appointed day' to enable it to make over its business in its foreign branches by execution of documentary transfers, if

necessary, to the corresponding branches of the State Bank of India to be opened there. It was, therefore, necessary to amend the State Bank of India Act, 1955, and as this had to be done prior to the 1st of July, 1955, which had been notified as the 'appointed day' under the State Bank of India Act, the State Bank of India (Amendment) Ordinance, 1955 was promulgated on the 23rd June, 1955. The present Bill seeks to convert that Ordinance into an Act."-Gaz. of Ind., 1956. Extra, Pt. II, Sec. 2, p.2M. Amending Act 35 of 1964- "TIM business and activities of the State Bank of India have increased very considerably, since the Bank was established on the 1st July, 1955. It is, therefore, considered desirable that provision should be made for facilitating the creation of a larger number of local head offices, for certain changes in the composition of the Central and Local Boards of the Bank and for vesting some specific powers in the Local Boards so as to enable the Bank to dispose of its business expeditiously and to improve the quality of its services generally. 2. An integration and development fund was created in 1965 for financing the development activities of the Bank. As the balance in the fund is now adequate, it is proposed to modify the relevant provisions of the Act, so as to limit the accumulation, in the fund at any time to a sum of Rs. 5 crores."-S.O.R., Gaz. of Ind" 21-12-1963. Pt. II. Sec. 3. Extra, p. 1067. Amendment Act 48 of 1973.- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the scheme framed by the Central Government thereunder provide for the inclusion of representatives of employees, one from among the workmen and the other from among the officers of a nationalised bank on its Board of Directors. The new Boards of 14 nationalised banks constituted recently include two such directors. With a view to providing for similar representation of the employees on the Central Board of the State Bank of India and on the Board of each of its seven subsidiaries, it is proposed to amend the relevant provisions of the State Bank of India Act, 1955 and the State Bank of India (Subsidiary Banks) Act, 1969. 2. Opportunity has also been taken to remove the existing restrictions as to the kinds of business which the State Bank can transact and also to rationalise the existing arrangements for the conduct of audit and submission of accounts.-S.O.B. Gaz. of Ind., 16-5-1973, Pt. II. and 2. Ext., p. KM.

## **1. Short title and commencement :-**

(1) This Act may be called THE STATE BANK OF INDIA ACT, 1955

.

(2) It shall come into force on such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint.

1. Inserted by the State Bank of India (Amendment) Act, 1964 (35 of 1964), section 2 (1-12-1964).

## **2. Definitions :-**

In this Act, unless the context otherwise requires,-

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

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

<sup>1</sup>[(bb) "Chairman" means the Chairman of the Central Board.]

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

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

<sup>1</sup>[(dd) "Local Board" means a Local Board constituted under section '21 .]

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

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

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

<sup>3</sup>[(h) "subsidiary bank" means a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959.

<sup>1</sup>[(i) Vice-Chairman" means the Vice-Chairman of the Central Board.]

<sup>5</sup> [(j) "workman" has the meaning assigned to it in the Industrial Disputes ' Act, 1947 .]

1. Inserted by the State Bank of India (Amendment) Act, 1964 (35

of 1964), section 2 (1-12-1964).

3. Inserted by the Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), section 64 and Schedule III. PL VI (10-9-1959).

5. Inserted by the State Bank Laws (Amendment) Act, MS (48 Of 1973), S. 2 (1-7-1974),

## CHAPTER 2

### INCORPORATION AND SHARE CAPITAL OF STATE BANK

#### **3. Establishment Of the State Bank :-**

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

(2) The <sup>1</sup> "Central Government", together with such other persons as may from time to time become shareholders on the State Bank in accordance with the provisions of this Act, shall, so long as they are shareholders in the State Bank, constitute a body corporate with perpetual succession and a common seal under the name of the State Bank of India, and shall sue and be sued in that name.

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

.  
In section 3, in sub-section (2), for the words "Reserve Bank", the words "Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

#### **4. Authorised capital :-**

Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of rupees divided into twenty lakhs of fully paid-up shares of one hundred rupees each: Provided that the Central Government may increase or reduce the authorised capital as it thinks fit, so however that the shares in all cases shall be fully paid-up shares of one hundred rupees each.

#### **5. Issued capital :-**

(1) The issued capital of the State Bank shall, on the appointed day, be five crores sixty-two lakhs and fifty thousand rupees divided into five lakhs sixty-two thousand and five hundred shares, all of which shall, on the appointed day, stand allotted to the Reserve Bank in lieu of the shares of the Imperial Bank <sup>1</sup>transferred to and vested in it under section 6 .)

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

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

[a] Substituted and deemed always to have been substituted for the words and figure "transferred to it by paragraph 2 of the First Schedule" by the State Bank of India (Amendment) Act, 1955(33 of 1955), Ss. 2 and 8.

In section 5, in sub-section (2), for the words "Reserve Bank", the words "Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

#### CHAPTER 3

#### TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK

### **6. Transfer of assets and liabilities of the Imperial Bank to the State Bank :-**

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

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

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

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

<sup>1</sup> (3) Unless otherwise expressly provided by or under this Act, all con- tracts, deeds, bonds, agreements, powers of attorney, grants of legal represen- tation and other instruments of whatever nature

subsisting or having effect immediately before the appointed day and to which the Imperial Bank is a party or which are in favour of the Imperial Bank shall be of as full force and effect against or in favour of the State Bank, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the Imperial Bank the State Bank had been a party thereto or as if they had been issued in favour of the State Bank.]

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

1. inserted, and deemed, always to have been inserted, by the State Bank of India (Amendment) Act. 1955 (33 of 1955) ss4 and 8.

## **7. Transfer of service of existing officers and employees of the Imperial Bank to the State Bank :-**

(1) Every officer or other employee of the Imperial Bank (excluding the managing director, the deputy managing director and other directors) in the employment of the Imperial Bank immediately before the appointed day shall, on and from the appointed day, become an officer or other employee, as the case may be, of the State Bank, and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same on the appointed day if the undertaking of the Imperial Bank had not vested in the State Bank, and shall continue to do so unless and until his employment in the State Bank is terminated or until his remuneration, terms or conditions are duly altered by the State Bank.

(2) Any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit from the Imperial Bank or any provident, pension or other fund or any authority administering such fund shall be entitled to be paid by, and to receive from, the State Bank or any provident, pension or other fund or any authority

administering such fund the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final.

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

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

(5) Any person holding office as managing director, deputy managing director, director or member of any Local Board of the Imperial Bank immediately before the appointed day shall be deemed to have vacated his office as such on the appointed day, and notwithstanding anything contained in this Act or in any other law for the time being in force or in any agreement or contract, he shall not be entitled to any compensation from the Imperial Bank or the State Bank for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit which the State Bank may grant to him, having regard to what that person would have received as an officer of the Imperial Bank if this Act had not been passed and if he had retired from his employment in the

ordinary course.

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

### **8. Existing Provident and other funds of the Imperial Bank**

:-

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

- (a) the Imperial Bank of India Employees' Provident Fund;
- (b) the Imperial Bank of India Employees' Pension and Guarantee Fund;
- (d) The Bank of Madras Pension and Gratuity Fund; and
- (e) the Bank of Madras Officers' Provident and Mutual Guarantee Fund; there shall be substituted as trustees such persons as the Central Government may, by general or special order, specify.

### **9. Compensation to be given to shareholders of Imperial Bank :-**

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

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

#### CHAPTER 4 SHARES

### **10. Transferability of shares :-**

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

(2) Nothing contained in sub-section (1) shall entitle the <sup>1</sup> "Central Government" to transfer any shares held by it in the State Bank if such transfer will result in reducing the shafts held by it to less than fifty-five per cent. of the issued capital of the State Bank.

In section 10, in sub-section (2), for the words "Reserve Bank", the words "Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

**11. Restrictions on individual holdings :-**

<sup>1</sup>No shareholder, other than the <sup>2</sup> [Central Government], 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:

Provided that such shareholder shall be entitled to exercise voting rights at such higher percentage as the Central Government may, after consultation with the Reserve Bank, specify.]

Substituted by Act No. 3 of 1994, Section 7.

In section 11, for the words "Reserve Bank", the words "Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

**12. Shares to be approved securities :-**

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

**13. Principal register of shareholders :-**

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

(i) the names, addresses and occupations, if any, of the shareholders .and a statement of the. shares held by each shareholder, distinguishing each share by its denoting number <sup>1</sup> ["Provided that nothing in this sub-section shall apply to the shares held with a depository.".]

(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.

1. Inserted vide THE DEPOSITORIES RELATED LAWS (AMENDMENT) ACT, 1997 (8 Of 1997), Dt. March 19, 1997

**13A. Register of beneficial owners :-**

<sup>1</sup> .-The register of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996 (22 of 1996) shall be deemed to be a register of shareholders for the purposes of this Act.

1. THE DEPOSITORIES RELATED LAWS (AMENDMENT) ACT, 1997 (8 Of 1997), Dt. March 19, 1997

**14. Branch registers :-**

(1) The State Bank shall cause to be kept at its' local head offices branch, registers which shall be deemed to be part of the principal register. and in which shall be entered the particulars as' in the 'principal register of shareholders whose registered addresses are within the areas prescribed with reference to each register.

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

**15. Trusts not to be entered on the register :-**

Notwithstanding anything contained in section 1 no notice of any trust, express, implied or constructive, shall be entered on the principal of any branch register or be receivable by the State Bank.

<sup>1</sup> ["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 beneficial owners. Explanation.-For the purposes of Section 13, Section 13-A and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (a), (e) and (j) of subsection (1) of Section 2 of the Depositories Act, 1996 (22 of 1996)"]

1. Inserted vide THE DEPOSITORIES RELATED LAWS (AMENDMENT) ACT, 1997 (8 Of 1997), Dt. March 19, 1997

## **16. Offices, branches and agencies :-**

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

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

(3) The State Bank shall maintain as its branches or agencies all branches or agencies of the Imperial Bank which were in existence <sup>1</sup> [in India] immediately before the appointed day, and no such branch may be closed without the previous approval of the Reserve Bank.

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

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

1. Substituted for the words "or managing director" by the State Bank of India (Amendment) Act, 1956 (28 of 1959) Section 2 (26-8-1959).

## **17. Management :-**

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

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

.

**18. Central Board to be guided by directions of Central Government :-**

(1) the discharge of its functions, a[including those relating to a subsidiary bank] the State Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the Reserve Bank and the Chairman of the State Bank, give to it.

(2) <sup>1</sup> "All directions shall be given by the Central Government" and, if any question arises whether direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final

.

In section 18 of the principal Act, in sub-section (2), for the words "All directions given by the Central Government shall be given through the Reserve Bank", the words "All directions shall be given by the Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

**19. Composition of the Central Board :-**

(1) <sup>1</sup>[\* \* \*] The Central Board shall consist of the following, namely:-

(a) a chairman and a vice-chairman to be appointed by the Central Government in consultation with the Reserve Bank <sup>2</sup>[\* \* \* \* \*]

(b) not more than two managing directors, if any, appointed <sup>3</sup>(by the Central Government in consultation with the Reserve Bank;]

<sup>4</sup>[(bb) the presidents of the Local Boards appointed under sub-section (5) of section 21, ex officio;

(c) if the total amount of the holdings of the shareholders, other than the <sup>5</sup>"Central Government", whose names are on the principal register three months before the date fixed for election of directors is-

(i) not more than ten per cent. of the total issued capital, two directors;

(n) more than ten per cent. but not more than twenty-five per cent of such capital, three directors, and

(iii) more than twenty-five per cent. of such capital, four directors, to be elected in the prescribed manner, by such shareholders;

<sup>6</sup>(ca) one director, from among the employees of the State Bank, who are workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;

(cb) one director, from among such of the employees of the State 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 less than two and not more than six directors to be nominated by the Central Government in consultation with the Reserve Bank, from among persons having special knowledge of the working of cooperative institutions and of rural economy or experience in commerce, industry, banking or finance.]

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

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

<sup>7</sup> [ \* \* \* \* \* ]

Omitted by Act 66 of 1988, S. 12 (a) (i) (w.e.f. 8.7.1992).

Words "and after consideration of the recommendations made the Central Board in that behalf" omitted by the Banking and Financial Institutions Laws (Amendment) Act, 1976 (73 of 1976), s. 4 (11-6-1976).

Substituted for the words "by the Central Board with the approval of the Central Government

Substituted for former clause (c) and (D) by the State Bank of India (Amendment) Act, 1984 (35 of 1984), s. 3 (1-12-1984).

In section 19 of the principal Act, in clause (c), for the words "Reserve Bank", the words "Central Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

Inserted by the State Bank Law (Amendment) Act, 1978 of 1973. (1-7-1974)

Omitted by Act 66 of 1988, S. 12(a) (iii) (w.e.f. 8.7.1992).

## **20. Term of office of chairman, managing director, etc :-**

(1) <sup>19</sup>[The chairman, vice-chairman and each managing director] shall hold office for such term, not exceeding five years, as the Central Government may fix when appointing them and shall be

eligible for reappointment.

**20**[AA) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the term of office of the chairman, vice-chairman or a managing director, as the case may be, at any time before the expiry of the term fixed under sub-section (1) by giving him notice of not less than three months in writing or three months' salary and allowances in lieu of such notice, and the chairman, vice-chairman or a managing director, as the case may be, shall also have the right to relinquish his office at any time before the expiry of the term so fixed by giving to the Central Government notice of not less than three months in writing.]

**21**[(2) \* \* \*]

(3) Subject to the provisions contained in section 19 and in sub-section (5), a director elected under clause (c) of sub-section (1) or nominated under Cl. (d) of that sub-section shall hold office for four years said **22**[\*\*\*] or nominated, and shall be eligible for re-election or renomination.

**23**[(3A) A director appointed under clause (ca) or clause (Cb) of sub-section (1) of section 19 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 and shall be eligible for re-appointment.]

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

**24** (5) The following provisions shall have effect in relation to directors nominated under clause (d) of sub-section (1) of section 19, to the Central Board reconstituted for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1964, namely,-

(i) if the number of such directors holding office at the end of one year from the date of such reconstitution is not more than three, then one of such directors, and if such number exceeds three, then two of them, shall retire at the end of the said year;

(ii) if the number of such directors holding office at the end of two years from the date of such reconstitution is not more than three,

then one of such directors, and if such number is four then two of them, shall retire at the end of the said two years;

(iii) if the number of such directors holding office at the end of three years from the date of such reconstitution is not more than two, then one of such directors shall retire at the end of the said three years;

(iv) any such director holding office for a period of four years from the date at such reconstitution shall retire at the end of such period;

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

[a] Substituted for the words "or managing director" by the State Bank of India (Amendment) Act, 1956 (28 of 1959) Section 2 (26-8-1959).

[b] Substituted for the words "secretary and treasurer" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

[c] Inserted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

In the State Bank of India Act, 1955 (23 of 1955) (hereafter in this Chapter referred to as the State Bank Act), In Section 20, in sub-section (3), the words "and thereafter until his successor shall have been duly elected" shall be omitted by the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006.

[d] Substituted for the word\* "provided that", by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

[e] Substituted for former proviso by the State Bank of India (Amendment) Act, 1964 (35 of 1964), S. 7 (1-12-IW4).

## **21. Local Board :-**

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

(a) the chairman, ex officio;

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

(c) six members to be nominated by the Central Government in consultation with the Reserve Bank; .

(d) one member to be elected in the prescribed manner by the shareholders, other than the Reserve Bank, whose names are entered in the branch register of the local head office, if the total holdings of such shareholders amount to two and a half per cent. or more of the total issued capital. Provided that a person elected as a member of a Local Board under this clause shall not cease to be a member thereof for reason only that the total holdings as aforesaid fall below two and a half per cent. of the total issued capital, at any time after his election;

(e)<sup>1</sup> [the chief general manager] of the local head office, appointed by the State Bank, ex officio.

(2) Where as a result of the establishment of any local head office (hereinafter referred to as the new local head office) for any area which is already served by the branch register of another local head office (hereinafter referred to as the existing local head office) a Local Board (hereinafter referred to as the new Local Board) is constituted for the new local head office, any person who is, at the time of such constitution, holding office as a member of a Local Board (hereinafter referred to as the existing Local Board) for an existing local head office under clause (c) or clause (d)' of sub-section (1) and is ordinarily resident in the area served by the branch register of the new local head office, shall cease to hold office as member of the existing Local Board and shall become a member of the new Local Board and shall on becoming such member be deemed to have been nominated or, as the case may be, elected to the new Local Board and shall hold office as such member for the unexpired portion of his term of office as a member of the existing Local Board-

(3) Any vacancy, caused in the existing Local Board as a result of any member thereof becoming a member of the new Local Board under sub-section (2) shall be deemed to be a casual vacancy and be filled in accordance with the provisions of section 25 .

(4) Notwithstanding anything contained in clause (d) of sub-section (1),-

(a) on the reconstitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1964, or

(b) on the constitution, of a new Local Board under sub-section (2)

of ' which an elected member of an existing Local Board does not in pursuance of that sub-section become a member, : . the Reserve Bank shall nominate a member in place of the member to be elected under that clause and such nominated member shall be deemed to have been elected under the said clause.

(5) The Governor of the Reserve Bank shall, in consultation with the chairman, appoint-

(a) a member of a Local Board nominated or elected under clause (c) or clause (d) of sub-section (1) to be the president thereof, and

(b) a member of a Local Board holding office under clause (b) or nominated or elected under clause (c) or clause (d) of that sub-section to be vice-president thereof.]

1. Substituted for the words "secretary and treasurer" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

**21A. Term of office of members of Local Board. :-**

(1) Subject to the provisions contained in this section and in sub-section (2) of section 21, a member of a Local Board nominated under clause (c) of sub-section (1) or elected under clause (d) of that sub-section shall hold office for two years and thereafter until his successor has been duly nominated or elected and shall be eligible for renomination or re-election, as the case may be. Provided that out of the six members nominated under clause (c) of sub-section (1) of section 21, on the constitution of a new Local Board or the re-constitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1964, three shall retire at the end of one year and three shall retire at the end of two years from the date of the constitution or, as the case may be, reconstitution of that Local Board, and the members to retire at the end of the first year shall be determined by lot.

(2) A member of a Local Board nominated by the Reserve Bank under sub-section (4) of section 21 shall retire at the expiry of one year from the date of such nomination.

(3) A director of the Central Board becoming a member of a Local Board by virtue of the provisions of clause (b) of sub-section (1) of section 21 shall cease to hold office as such member on his ceasing to be a director or on his ceasing to be ordinarily resident in the

relevant area.

(4)'.The, president and the vice-president of a Local Board shall each hold office for two-years or the remaining period of his office as a member of the Local Board, whichever is shorter, and shall be eligible for reappoint- ment so. long as he is amember of the Local Board

**21B. Powers of Local Board :-**

Save as may otherwise be prescribed and subject to any general or special directions which the Central Board may give from time to time, a Local Board shall, in respect of the area served by the branch register of the local head office for which the Board has been constituted, exercise all powers and perform all functions and du- ties of the State Bank <sup>1</sup>[in relation to the business of banking and the- forms of business set out in clauses (a), (e), (f), (g), (h), (i), (k) and (1) of sub-sec- tion (1) of S.6 of the Banking Regulation Act, 1949, and such other forms of business referred to in sub-section (1) of the said section 6 , as may be approved by the Central Board in this behalf and shall also] exercised such other powers and perform such other functions, and duties as may be conferred on or assigned to it by the Central Board. <sup>2</sup> [Provided that a Local Board shall transact the businesses of borrowing of money and the acquiring, holding, issuing on commission, under- writing and dealing in stock funds, shares, debentures, debenture stock bonds, obli- gations, securities and investments, only if the Central Board approves any of such 'business in this behalf and confers or assigns any of such businesses to the laocaL Board.]

1. Substituted for the words "secretary and treasurer" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

2. Inserted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

**21C. Local Committess :-**

(1) A Local Committee may be constituted by the Central Board for any area and shall consist of such number of mem- bers as may be prescribed

.

(2) the chairman shall be an ex officio memberr of every such Local Com- mittee

(3) A local Committee shall exercise such power and perform such'

functions and duties as the Central Board may confer on or assign to it.)

## **22. Disqualifications for directorship of Central Board or membership of Local Boards or Committees :-**

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

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

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

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

(d) he holds any office of profit under the State Bank other than the office of chairman, vice-chairman, <sup>1</sup>[managing director, <sup>2</sup>[chief general manager) or legal or technical adviser; or

<sup>3</sup>[(da) in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 ;-

(i) he is not serving in the State Banker 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 <sup>4</sup>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 declared lunatic or becomes of unsound mind; or

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

(h) in the case of an elected director, he is not registered as a holder in his own right of unencumbered shares in the State Bank of a nominal value of at least five thousand rupees and in the case of an elected member of a nominal value of at least one thousand rupees: d[Provided that in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 , the disqualification mentioned in clause (d) shall not operate;

<sup>5</sup>[Provided farther that in the case of a member of Local Board nominat- ed by the Reserve Bank under sub-section (4) of section 21 , the disqualifica- tion mentioned in clause (h) shall not operate for a period of six months from his becoming such member.]

(2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner may be direc- tors of the Central Board or members of the same Local Board or Local Com- mittee at the same time.

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

<sup>6</sup> (4) In this section-

(a) "banking company" has the same meaning as in the Banking Companies Act, 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 .]

OBJECTS AND REASONS Sub-secs. (1) (4) and (4)"Section 22 deals with the disqualifications for appointment as a director of the Central Board of the Bank or local board or local committee. The am- endments (made in the year 1959] are intend- ed to remove the prohibition in respect of a legal or technical adviser of the bank being appointed as a member of such boards or com mittees and to define some, of the expressions used in the section."-S.O.R.: Gaz of Ind 1959. Extra. Pt H. Sec. 2. page 154.

1. Substituted for the words "or managing director" by the State Bank of India (Amendment) Act, 1956 (28 of 1959 Section 2 (26-8-1959).

2. Substituted for the words "secretary and treasurer" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).

3. Inserted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).
4. Substituted for the word\* "provided that", by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). S. 7 (1-7-1974).
5. Substituted for former proviso by the State Bank of India (Amendment) Act, 1964 (35 of 1964), S. 7 (1-12-IW4).
6. Inserted by Act 28 of 1959, 8. 8 (18-8-1959).

**23. Vacation of office of directors, etc :-**

If a director of the Central Board or a member of a Local Board or a Local Committee-

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

or

(b) resigns his office by giving notice in writing under his hand, in the case of the <sup>1</sup>[chairman, vice-chairman and a managing director], to the Central Government and in the case of other directors or members of Local Boards or Committees, to the Central Board, and the resignation is accepted, or

(c) is absent without leave of the Central Board, the Local Board or the Local Committee of which he is a director or member, as the case may be, for more than three consecutive meetings thereof his seat shall thereupon become vacant. <sup>2</sup> [ \* \* \* \* \* ]

1. Substituted for the words "chairman and vice-chairman" by the Banking and Public Financial Institutions Laws(Amendment) Act, (78 of 1974), S. 4 (11-6-1976).

2. The proviso which was added by the State Bank of India (Amendment) Act, 1957(21 of 1957) Section 3, was omitted by the State Bank of India (Amendment) Act, 1986 (26 of 1959). Section 3 (26-8-1959).

**24. Removal from office of directors, etc. :-**

(1) The Central Government may, after consulting the Reserve Bank, remove from office <sup>1</sup>[the chairman, the vice-chairman or a managing director).

(2)[\*\*\*]

(3) The Central Government, after consulting the Reserve Bank, may remove from office any director <sup>2</sup>[appointed under clause (ca) or clause (cb) or nominated under clause (d)of section 19 <sup>3</sup>[or any member of a Local Board nominated under clause (c) of sub-section

(1) of section 21 ) and <sup>4</sup>[appoint or nominate as the case may be ] in his stead another person to fill the vacancy.

(4) The shareholders, other than the <sup>5</sup> "Central Government", may, by a resolution passed by 'majority 'of the votes of such shareholders holding IB. the aggregate not less than one-half of the share capital held-by all such share-holders, remove any director elected under clause (c) of sub-section (1) of section 19 and elect in his stead another person to fill the vacancy

(5)The shareholders whose names are entered on a branch register, other than the Reserve Bank, may, by a resolution passed by the votes of the share- holders holding in the aggregate not less than one-half of the share capital on the branch register held by such shareholders, remove any elected member of a Local Board and elect in his stead another person to fill the vacancy.

(6) No person shall be removed from his office, under sub-section (1) [\* \* \*] or sub-section (3) unless he has been given an opportunity showing cause against his removal

Substituted for the words the chairman or the vice-chairman by the Banking and Public Institutions Laws(Amendment Act,1976(73 of 1976), Section 4 (11-6-1976)

[c] Substituted for the words nominated under clause (d) by the State Bank Laws (Amendment) Act (1973),S.8(1-7-1974)

[e] inserted by the State Bank of India (Amendment); Act, 1964 (35 of 1984),- S. 6 (1-12-1864).

[d] Substituted for the word "nominate", by the Banking and Public Institutions Laws(Amendment Act, 1976(73 of 1976), Section 4 (11-6-1976).

In section 24 of the principal Act, in sub-section (4) , for the words "Reserve Bank", the words "Central Government" shall be substituted , by the State Bank of India (Amendment) Act, 2007.

## **25. Casual vacancies. :-**

<sup>1</sup>[(1) If the chairman, vice-chairman or a managing director is rendered incapable of discharging his duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, in consultation, with the Reserve Bank, appoint another person to officiate in the vacancy.)

<sup>2</sup>[(2) Where any vacancy occurs before the expiry of the term of office of a director, other than the chairman, vice-chairman or a managing director or <sup>3</sup>[a director, appointed under, clause (ca)

or clause (cb) of sub-section. (1) of section 19 or of a member of a Local Board other than the chief general manager], the vacancy shall be filled-

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

(b). in the, case of a director nominated, under clause (d).of sub-section (1) of section 19 or a member of a Local Board nominated under clause (c).of sub-section (1) of section 21 , by nomination in consultation with the Reserve Bank;

section 22 .]

(3) A person elected or nominated or co-opted, as the case may be, under <sup>4</sup>[sub-section(2)] shall hold office for the unexpired portion of-the term of his predecessor.

<sup>5</sup> [(4) 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 19 , 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 (3A) of section 20 ].

1. Substituted by the Banking and Public Institutions Laws (Amendment) Act' 1976(73 of 1976). S.4 (11-6-1976).

2. Substituted by the State Bank of India (Amendment) Act, 1964(35 of 1964) s.9 (1-12-1964)

3. Substituted for the words "of a member of a Local Board other than the secretary and treasurer" by the State Bank Laws (Amendment) Act , 1973(48 of 1973), s. 9 (1-7-1974)

4. Substituted for the words "this section" by the State Bank Laws (Amendment) Act , 1973(48 of 1973), s. 9 (1-7-1974),

5. Inserted, by the State Bank Laws (Amendment) Act , 1973(48 of 1973), s. 9 (1-7-1974)

## **26. Remuneration of directors :-**

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

. . .

(2) Notwithstanding anything contained in sub-section (1), no fees shall be payable to a managing director or any other director who is

an officer of the Central Government or the Reserve Bank. .

**27. Powers and remuneration of chairman :-**

(1) The chairman shall pre- side at all meetings of the Central Board and, subject to such general or spe- cial directions as the Central Board may give, exercise all such powers and do all such acts and things as may be exercised or done by the State Bank

.

(2) The chairman shall receive such salary, fees, allowances and perquisi- ties <sup>1</sup>[as may be determined by the Central Government].

<sup>2</sup> [\* \* \* \* \*]

1. Substituted for the words "as maybe detemained by the Central Board with the approval of the Central Government" by the Banking and Public Institu- tions Laws (Amendment) Act. 1976 (73 of 1976), S. 4 (11-8-1976).

2. Proviso omitted, ibid by the Banking and Public Institu- tions Laws (Amendment) Act. 1976 (73 of 1976), S. 4 (11-8-1976)

**28. Powers and remuneration of vice-chairman :-**

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

. (2) The vice-chairman shall receive such salary, fees, allowances and per- quisites <sup>1</sup>[ a s may be determined by the Central Government]. <sup>2</sup> [\* \* \* \* \*]

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

1. See foot-note [a] under S. 27.

2. See foot-notet [b], ibid.

**29. Powers and remuneration of managing director :-**

(1) A managing 'director-

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

(b) subject to the general control of the chairman and the vice- chairman, shall exercise such powers and perform such duties as

may be entrusted or delegated to him by the Central Board

(2) A managing director shall receive such salary and allowances<sup>1</sup>[as may be determined by the Central Government].<sup>2</sup> [\* \* \* ]

1. See foot-note [a] under S.27.

2. See foot-note[b], under S.27.

**30. Executive and other committees of the Central Board. :-**

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

**31. Meetings of the Central Board :-**

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

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

(3) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the State Bank shall at the earliest possible opportunity disclose the nature of his interest to the Central Board and shall not be present at any meeting of the Central Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information, and no director so required to be present shall vote on any such contract, loan, arrangement or proposal.<sup>1</sup>[Provided that nothing contained in this sub-section shall apply to such director by reason only for 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 , 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 State Bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or

(ii) a director ex-officio of the State Bank or a director of a subsidiary bank, <sup>2</sup>[or]

<sup>2</sup>[(iii) an officer or other employee of the State Bank, if he is a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 .]

(4) If for any reason neither the chairman nor the vice-chairman is able to be present at a meeting of the Central Board, any director, <sup>4</sup>[\* \* \*] authorised by the chairman in writing in this behalf, and in the absence of such authorization, <sup>5</sup> [any director] elected by the directors present from amongst themselves, shall preside at the meeting and, in the event of equality of votes, shall have a second or casting vote.

1. Inserted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (5C of 1962), S. 2 (14-12-1962).sd

2. Inserted by the State Bank Laws (Amendment) Act, 1873 (48 of 1973), S. 10 (1-7-1974).

4. Words "other than a managing director" omitted, by the State Bank Laws (Amendment) Act, 1873 (48 of 1973), S.10 (1-7-1974).

5. Substituted for the words "any such director", by the State Bank Laws (Amendment) Act, 1873 (48 of 1973), S. 10 (1-7-1974).

### **31A. Meetings of Local Boards :-**

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

.

(2) All questions at the meeting shall be decided by a majority of the votes of the members present and in the case of equality of votes, the person presiding at the meeting shall have a second or casting vote.

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

arrangement or proposal: Provided that nothing contained in this sub-section shall apply to such member 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 , 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 State Bank has entered into or made or pro- poses to enter into or make, a contract, loan, arrangement or proposal; or

(ii) it a director ex-officio of the State Bank or a director of a subsidiary bank

(4) If for any reason neither the president nor the vice-president is able to be present at a meeting of the Local Board, any member, b[other than the chief general manager], elected by the members present from amongst them- selves, shall preside at the meeting.

(5) Notwithstanding anything contained in this section, the chairman shall preside at any meeting of a Local Board at which he is present and in the ab- sence of the chairman, the vice-chairman, if he is a member of the Local Board, shall, whenever he is present, preside at such meeting.]

#### CHAPTER 6

#### BUSINESS OF THE STATE BANK

### **32. State Bank to act as agent of the Reserve Bank :-**

(1) The State 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, <sup>1</sup> [or where there is a branch of a subsidiary bank] and where there is no branch of the banking de- partment of the Reserve Bank, for-

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

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

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

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

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

1. Sub-sections (2) to (4) were substituted for sub-sections (2), (3) and (4) by the State Bank of India (Amendment) Act, 1959 (26 of 1959), S. 6 (28-8-1959).

### **33. Other business which the State Bank may transact :-**

Subject to the other provisions contained in this Act, the State Bank may carry on and transact the business of banking as defined in clause (b) of S.5 of the Banking Regulation Act, 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.]

### **34. Business which the State Bank may not transact :-**

**1**[(1) \* \* \*]

**1**[(2) \* \* \*]

**1**[(3) \* \* \*]

[(4) \* \* \*]

**1** [(5) \* \* \*]

(6) Save as otherwise provided in [this Act], the State Bank shall not own or acquire any [\* \* \*] immovable property except for the purpose of providing buildings or other accommodation in which to carry on the business of the State Bank or for providing residences for its officers and other employees. Provided that if any such building or other accommodation is not immediately required for any of the purposes of the State Bank, the State Bank may utilize it to the best advantage by letting it out or in any other manner

1. Sub-sections (2) to (4) were substituted for sub-sections (2), (3) and (4) by the State Bank of India (Amendment) Act, 1959 (26 of 1959), S. 6 (28-8-1959).

### **35. State Bank may acquire the business of other banks :-**

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

<sup>1</sup> [(2) The terms and conditions relating to such acquisition, if agreed upon by the Central Board of the State Bank 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 State 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 at 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, 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 State Bank.

(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 State Bank or partly in cash and partly by allotment of shares, and the State 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 State Bank by the issue of such number of shares as may be determined by the State Bank.

(7) Any business acquired under this section shall thereafter be carried on by the State Bank in accordance with the provisions of this Act, subject to such exemptions or modifications as the Central Government may by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank: Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

(8) Notwithstanding anything contained in the Industrial Disputes Act, 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 State Bank 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 considers 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 acquisition of 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 for the person so appointed and his staff, if any) shall be paid out of the assets of the banking institution or by the State Bank as the Central Government may direct.

(10) Simultaneously with the appointment of a suitable person to take over the management of any banking institution under subsection (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, or the Banking Companies Act, 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 distribution of its assets.

(11) The Central Government, when satisfied that nothing further remains to be done in order to wind up the affairs of any such banking institution, may by another 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) 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.]

Amendment made in 1959: sub-ss. (2) to (10) "S.35 of the State Bank of India Act provides for the acquisition by the State Bank through negotiation of the business of any existing bank. It has, however, been found from actual experience that the procedure for the acquisition which is now prescribed is elaborate and time-consuming, and it is proposed accordingly to redraft the section. so as to simplify the procedure. The amendments provide,- (a) that if the scheme for the transfer of the assets and liabilities to the State Bank is approved by the boards of directors of the two institutions, such a decision will prevail in spite of any statutory or

other provision to the contrary; (b) that the formal transfer can be made effective through an order of the Central Government, without the necessity of executing elaborate legal documents ((c) that the residuary institution, after the transfer of its assets and liabilities to the State Bank may, if necessary, be wound up according to a simpler procedure than is now prescribed;- (d) that the provisions of sections 25-F and S.25FF of the Industrial Disputes Act, 1947, in regard to retrenchment compensation which are intended to be applicable in a case in which there is a substantial break in the continuity of employment or a reduction in emoluments or other benefits, will not be applied in the case of employees whose services are transferred with their consent to the State Bank, on the merger of the institution in which they were previously employed."-S.O.R.; Gaz. of Ind" 1959. Extra. P. II, Sec. 2. p. 154. Sub-section (12)- The amendment made in sub-s. (12) by the Joint Committee makes "it clear that the sub-clause would cover a defect in the constitution of the Board of Directors or in the appointment of any person entrusted with the management of the banking institution."-J.C.R.; ibid. p 702.

1. Sub-sections (2) to (15) were substituted for sub-sections (2), (3) and (4) by the State Bank of India (Amendment) Act, 1959 (26 of 1959), S. 6 (28-8-1959).

### **35A. Arrangement with the State Bank on appointment of Directors to prevail :-**

(1) Where any arrangement entered into by the State Bank with a company provides for the appointment by the State Bank of one or more Directors of such company, such provisions 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 State Bank in pursuance of the arrangement as aforesaid.

(2) Any Director appointed as aforesaid shall-

(a) hold office during the pleasure of the State Bank and may be removed or substituted by any person by order in writing of the State 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 7

#### FUNDS, ACCOUNTS AND AUDIT

### **36. Integration and Development Fund :-**

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

(a) the dividends payable to the <sup>1</sup>"Central Government" - such shares of the State Bank held by it as do not exceed fifty-five per cent. of the total issued capital; and

(b) such contributions as <sup>2</sup>[\*\*\*] the Central Government may make from time to time.

<sup>3</sup>[Provided that if the balance in the Integration and Development Fund on the date of declaration of any dividends by the State Bank is rupees five crores or more, no amount shall be paid into that Fund under clause (a) and the dividends payable to the <sup>4</sup>"Central Government" shall be <sup>5</sup>"paid to that Government" ; and if such balance on such date is less than rupees five crores, only so much of the dividends then payable as will bring such balance to rupees five crores shall be paid into that Fund and the balance of such dividends shall be paid to the <sup>6</sup>"Central Government".]

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

(a) losses in excess of such yearly sum as may be agreed upon between the <sup>7</sup>"Central Government" and the State Bank and attributable to the branches established in pursuance of sub-section (5) of section 16 ; <sup>8</sup>[\*].

<sup>9</sup>[(aa) subsidies granted by the State Bank to a subsidiary bank with the approval of the <sup>10</sup>"Central Government"; and)

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

(3) Subject to the provisions of sub-section (2), the said Fund shall be the property of the <sup>11</sup>"Central Government" and no shareholder

or the State Bank or any other person shall have any claim to the amount held in the said Fund.

**12** [(4) No amount applied for any of the purposes specified in sub-section (2) shall, for the purposes of the INCOME TAX ACT, 1922 , be treated as income profits or gains of the State Bank.]

In section 36 of the principal Act, in sub-section (1) ,in clause (a), for the words "Reserve Bank", the words "Central Government" shall be substituted , by the State Bank of India (Amendment) Act, 2007.

In section 36 of the principal Act, in sub-section (1) ,in clause (b), the words "the Reserve Bank or" shall be omitted , by the State Bank of India (Amendment) Act, 2007.

[a] Substituted for the word "hereinafter" by the State Bank of India, (Amendment) Act, 1939 (26 of 1959] section 9 (.18-8-1959).

In section 36 of the principal Act, in the proviso, for the words "Reserve Bank", words "Central Government" shall be substituted; by the State Bank of India (Amendment) Act, 2007.

In section 36 of the principal Act, in the proviso, for the words "paid to that Bank", the words "paid to that Government" shall be substituted, by the State Bank of India (Amendment) Act, 2007.

In section 36 of the principal Act, in the proviso, for the words "Reserve Bank", words "Central Government" shall be substituted; by the State Bank of India (Amendment) Act, 2007.

In section 36 of the principal Act, in clause (a) of sub-section (2) , for the words "Reserve Bank", the words "Central Government" shall be substituted , by the State Bank of India (Amendment) Act, 2007.

[b] Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

[c] Words "before the end of March in each year" omitted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

In section 36 of the principal Act, in clause (aa) of sub-section (2) , for the words "Reserve Bank", the words "Central Government" shall be substituted , by the State Bank of India (Amendment) Act, 2007.

In section 36 of the principal Act, in sub-section (3) , for the words "Reserve Bank", the words "Central Government" shall be substituted , by the State Bank of India (Amendment) Act, 2007.

[d] Substituted for proviso, by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

### **37. Reserve Fund :-**

The State Bank shall establish a Reserve Fund which shall consist of-

(a) the amount held in the Reserve Fund of the Imperial Bank

transferred to the State Bank on the appointed day; and

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

.

### **38. 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, the State Bank may, out of its net profits, declare a dividend.

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

### **39. Books to be balanced each year :-**

The Central Board shall cause the books of the State Bank to be closed, and balanced <sup>1</sup> [as] on the 31st day a December in each year.

1. Substituted for the word "hereinafter" by the State Bank of India, (Amend- ment) Act, 1939 (26 of 1959] section 9 (.18-8-1959).

### **40. Returns :-**

(1) The State Bank shall furnish to the Central Goven- ment and to the Reserve Bank <sup>1</sup>[within three months from the 31st day December [or the date specified under Section 39, as the case may be]as on which its accounts are closed and balanced] its balance she together with the profit and loss account and the c[auditors' report and a report by the Central Board on the working and activities of the State Ban during the period covered by the accounts. <sup>2</sup>[Provided that the Central Government may, after consultation with the Reserve Bank, extend the said period of three months by such further period not exceeding three months, as it may think fit.]

(2) <sup>3</sup>The balance sheet and the profit and loss account shall be signed by the chairman, vice-chairman, managing directors, it any, and a majority of the other directors

(3) The State Bank shall also, within two months from the date on

which its accounts are closed and balanced, transmit to the Central Government and the Reserve Bank a statement showing as far as may be available, the name, address and occupation of, and the number of shares held by, each shareholder of the State Bank as on the said date.

<sup>4</sup> [(4) The Central Government shall cause the auditors' report and the report by the Central Board on the working and activities of the State Bank to be laid, as soon as may be after they are received, before each House of Parliament [\*\*\*]

1. Substituted for the word "hereinafter" by the State Bank of India, (Amendment) Act, 1939 (26 of 1959) section 9 (.18-8-1959).

2. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

3. Words "before the end of March in each year" omitted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

4. Substituted for proviso, by the State Bank Laws (Amendment) Act, 1973 (48 of 1873) S. 17 (31-12-1973).

#### **41. Audit :-**

(1) The affairs of the State Bank shall be <sup>1</sup>[audited by two or more auditors] duly qualified to act as auditors of companies under <sup>2</sup>[S. 226 of the Companies Act, 1956] who shall be appointed by the Reserve Bank in consultation with the Central Government.

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

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

(4) An auditor shall on relinquishing office be eligible for reappointment.

(5) The auditors shall severally be, and continue to act as, auditors until the <sup>3</sup>[annual] general meeting after their respective appointment, and if any vacancy arises before the expiry of the term of office of an auditor, the vacancy may be filled by the Reserve Bank.

(6) Every auditor shall be supplied with a copy of the annual

balance sheet and profit and loss account, and a list of all books kept by the State Bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor-

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

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

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

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

(a) whether, in their opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and property drawn up so as to exhibit <sup>4</sup>[a true and fair view] of the affairs of the State Bank, and in case they have called for any explanation or information, whether it has been given and whether it is satisfactory;

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

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

(d) whether the profit and loss account shows a true balance of <sup>5</sup> (profit or loss] for the period covered by such account; and

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

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

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

1. inserted by the Banking Laws (Amendment) Act, 1963 (1 of 1963), s. 45 (15-2-1963).

2. Substituted for the word "hereinafter" by the State Bank of India, (Amendment) Act, 1939 (26 of 1939) section 9 (.18-8-1939).

3. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

4. Words "before the end of March in each year" omitted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

5. Substituted for proviso, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

#### **42. Balance sheet, etc., of State Bank may be discussed at general meeting :-**

(1) A general meeting <sup>1</sup>[in this Act] referred to as an annual general meeting) shall be held, <sup>2</sup>[in each year] at such time and at such place where there is a local head office of the State Bank. as shall from time to time be specified by the Central Board <sup>3</sup>[\* \* \* \* \*], and a general meeting may be convened by the State Bank at any other time: <sup>4</sup>[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 auditors' report, is, under sub-section (1) of section 40, forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.]

(2) The shareholders present at an, annual general meeting shall be entitled to discuss the balance sheet and the profit and loss account of the State Bank made up to the previous 31st day of December, <sup>5</sup>[or the date specified under Section 39, as the case may be] the report of the Central Board on the working <sup>6</sup> [and activities] of the State Bank for the period covered by the accounts and the auditor's report on the balance sheet and. accounts.

1. Substituted for the word "hereinafter" by the State Bank of India, (Amendment) Act, 1939 (26 of 1939) section 9 (.18-8-1939).

2. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

3. Words "before the end of March in each year" omitted, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

4. Substituted for proviso, by the State Bank Laws (Amendment) Act, 1973 (48 of 1973) S. 17 (31-12-1973).

5. Inserted vide THE BANKING, PUBLIC FINANCIAL INSTITUTIONS AND NEGOTIABLE INSTRUMENTS LAWS (AMENDMENT) ACT, 1988 (66 Of 1988), Dt. 19th December, 1988 Published in Received the assent of the President on December 19, 1988 [C][W][P]

6. inserted by the Banking Laws (Amendment) Act, 1963 (1 of 1963), s. 45 (15-2-1963).

#### CHAPTER 8

#### MISCELLANEOUS

### **43. State Bank may appoint officers and other employees :-**

<sup>1</sup>[(1)] The State Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions, and determine the terms and conditions of their appointment and service

<sup>1</sup> [(2) The officers, advisers and employees of the State Bank shall exercise such powers and perform such duties [as may, by general or special order, be] entrusted or delegated to them by the Central Board.]

1. Inserted and deemed always to have been inserted, by the State Bank of India (Amendment) Act, 1955 (33 of 1955), Sections 6 and 8.

### **44. Obligation as to fidelity and secrecy :-**

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

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

<sup>97</sup> (3) Nothing contained in this section shall apply to the Credit information disclosed under the Credit Information Companies

(Regulation) Act, 2005."

In the STATE BANK OF INDIA ACT, 1955(23 of 1955), In the section 44, sub-section (3) shall be inserted as follows :- "(3) Nothing contained in this section shall apply to the Credit information disclosed under the Credit Information Companies (Regulation) Act, 2005." by the Credit Information (Regulation) act, 2005."

**45. Bar to liquidation of State Bank :-**

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

**46. Indemnity of directors and members of Local Boards and Local Committees etc :-**

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

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

.

**47. Defects in appointment or constitution not to invalidate acts or proceedings :-**

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

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

Board or a member of the Local Board or the Local Committee, as the case may be

.

**48. Power to remove difficulties :-**

Omitted by Act 35 of 1964, Section 15 (1-12-1964).]

**49. Power of Central Government to make rules :-**

(1) The Central Government, in consultation with the Reserve Bank, may, by notification in the Official Gazette <sup>1</sup> [make rules 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 procedure for the payment of compensation under this Act,

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

[(c) the manner of appointment of a director under clause (ca) or clause (cb) of sub-section (1) of section 19 , and all other matters connected therewith or incidental thereto.]

[(3) Every rule made by the Central Government under this Act 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 as is so agreed or shall 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.

]

1. Inserted and deemed always to have been inserted, by the State Bank of India Amendment) Act, 1955 (33 of 1955), Sections 6 and 8.

## **50. Power of Central Board to make regulations :-**

(1) The Central Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, make regulations, not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

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

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

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

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

<sup>1</sup>[(d) the powers, functions and duties of Local Boards and the restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of Local Committees (including the number of members of any such Committee) and of committees of Local Boards, the powers, functions duties of such Committees, the holding of meetings of Local Committees and committees Of Local Boards and the conduct of business thereat;]

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

(f) the manner in which the business of the Central Board a[or of

Local Board) shall be transacted and the procedure to be followed at the meetings thereof;

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

<sup>1</sup> [(h) \* \* \* \* ]

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

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

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

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

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

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

[(o) the establishment and maintenance of superannuation pension, provident or other funds for the benefit of the employees of the State Bank or of the dependants of such employees or for the purposes of the State Bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;]

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

[(q) the terms, conditions, stipulations, restrictions and limitations, if any, in the transaction by the State' Bank of its businesses in regard to the advancing or lending of money or the discounting or purchase of any instrument, negotiable or otherwise, with or without reference to any security, purpose, amount, period or otherwise;]

(r) the conditions subject to which alone, advances may be made to directors, members of Local Boards or of Local Committees or

officers of the State Bank, or the relatives of such directors, members or officers or to companies, firms or individuals with which or with whom such directors, members, officers, or relatives, are connected as partners, directors, managers, servants, shareholders or otherwise;

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

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

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

[(2A) All regulations made under this section shall have effect from such earlier or later date as may be specified in the regulations.]

(3) Notwithstanding anything contained in this section the first regulation<sup>1</sup> shall be made by the Reserve Bank with the previous sanction of the Central Government, and thereupon shall be deemed to be the regulations made by the Central Board under this section and shall have force accordingly until they are amended or repealed.

(4) Every regulation shall, as soon as may be after it is made under this Act by the Central Board, 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.]

1. Inserted and deemed always to have been inserted, by the State Bank of India Amendment) Act, 1955 (33 of 1955), Sections 6 and 8.

### **51. Requirements of foreign law to be complied with in certain cases :-**

If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer to

and vest in the State Bank any asset or liability which forms part of the undertaking of the Imperial Bank and which is situate in that country, the Imperial Bank shall take all such steps as may be required by the laws of that country for the purpose of effecting or perfecting such transfer and vesting, and in connection therewith the Imperial Bank may realise any asset and discharge any liability and transfer the net proceeds thereof to the State Bank.]

**52. Amendme of Act II of 1934 :-**

Repealed by the Repealing and Am- ending Act, 1960 (58 of 1960), Section 2 and Schedule 1 (26-12-1960).]

**53. Amendment of Act X of 1949 :-**

Repealed by the Repealing and Amending Act, 1960 (53 of 1960), Section 2 and Schedule 1 (26-12-1960).]

**54. Amendment Act XLVII of 1929 :-**

Repealed by the Repealing and Amending Act, 1960 (53 of 1960), Section 2 and Schedusle I (26-12-1960)

**55. No proceeding to lie in India against Imperial Bank after appointed day :-**

On and from appointed day no person shall make any claim or demand or take any proceedign india against the Imperial Bank or a director, officer or other employee thereof in hie capacity as such director, officer or employee except in so far as may be necessary far enforcing the provisions of this Act or except in so far as it relates to any offence committed by any such director, officer or employee)

**56. Reference to the Imperial Band the Bank of Bengal etc, in other laws :-**

On and th appointed day, any reference to the Imperial Bank or to the Bank of Bengal, the Bank of Madras or the Bank of Bombay in any law (other than this Act or theImperial Bank of India Act, 1920) or in any contract or other instrument shall, except as otherwise provided in any gene- ral or special order made by the Central Government, be deemed to be a re- ference to the State Bank.]

**57. Dissolution of Imperial Bank, etc :-**

(1) On such day as the Central Government may, by notification in the Official Gazette, specify in this be- half, the Imperial Bank shall stand dissolve and the Imperial Bank af India Act, 1920, shall

stand repealed

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(2) On the day specified in the notification Under sub-section (1) the State Bank shall pay to the Reserve Bank a sum of ten lakhs of rupees.

(3) If, on the day specified in the notification under sub-section (1), the Imperial Bank has in its possession or custody any assets created on or after the appointed day, such assets shall be disposed of in accordance with the directions issued by the Central Government in this behalf

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#### SCHEDULE 1

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

(See section 9 ) 1. In this schedule shareholder means any person who immediately before the appointed day is registered the holder of a share in the Imperial Bank. 2. As compensation for the shares in the capital of the Imperial Bank which by reason of this Act, are transferred to and vested in Reserve Bank the Reserve Bank shall pay to every shareholder in the manner set out hereinafter, an amount calculated at the of one thousand seven hundred and sixty-five rupees and ten annas per share in the case of a fully paid-up share and four hundred and thirty-one rupees twelve annas and four pies per share in the case of a partly paid-up share. 3. Notwithstanding the transfer of the shares in the capital of the Imperial Bank to the Reserve Bank, any shareholder who immediately before the appointed day is entitled to payment of dividend on the shares of the Imperial Bank held by him shall be entitled to receive from the State Bank- (a) all dividends accruing due on his shares in respect of any half-year which ended before the appointed day and remaining unpaid; (b) dividends calculated at a rate to be specified by the Central Government in respect of any period immediately preceding the appointed day for which the Imperial Bank has not declared any dividend. 4. (1) The compensation provided for in this Schedule shall be given in Central Government securities, and the form of such securities and the value thereof, computed with reference to their market value, shall be such as the Central Government may, by notification in the Official Gazette, specify in this behalf Provided that, where the amount of such compensation is not an exact multiple of the value of the Government security as so notified the amount in excess of the nearest lower multiple of such value shall be paid by cheque drawn on the Reserve Bank. (2) Notwithstanding anything contained in sub-paragraph (1). any person who is registered as the holder of a share in the Imperial Bank on the 19th day of Dec. 1954, and continues to be so until the appointed day shall. If he applies in writing in this behalf to the Reserve Bank before the expiry of three months from the appointed day, be entitled to be paid, by cheque drawn on the Reserve Bank. any compensation payable to him up to the first ten thousand rupees. 5. (1) Any shareholder to whom compensation is payable under this Schedule may apply to the Reserve Bank before the expiry of three months from the ap-

pointed day for the transfer to him of shares in the State Bank in lieu of such compensation, and for the purposes of such transfer the value of each share of the State Bank shall be such as may be determined by the Reserve Bank in this behalf. (2) If on receipt of an application under subparagraph (1) the Reserve Bank, in its discretion, decides to transfer any shares to the applicant, it shall issue to the State Bank a warrant in the prescribed form directing it to transfer in favour of the person specified in the warrant such number of shares as may be specified therein out of the shares standing allotted to it under sub-section (1) of section 8, and the State Bank shall be bound to comply with such warrant. (3) A warrant issued by the Reserve Bank under this paragraph shall not be liable to duty under the Indian Stamp Act, 1899. 8. (1) Reserve Bank may, if it decides to transfer, in pursuance of paragraph 5. more than two lakhs fifty-three thousand and one hundred and twenty-five shares, require the State Bank to issue to it such further shares as may be necessary, to secure that it holds not less than fifty-five per cent. of the issued capital of the State Bank, and the State Bank shall, without prejudice to the provisions contained in sub-section (3) of section 5, comply with such requirement on the Reserve Bank subscribing one hundred rupees for each share. (2) No share issued to the Reserve Bank at par under this paragraph shall carry dividend at a rate higher than four per cent. per annum.

## SCHEDULE 2

### DECLARATION OF FIDELITY AND SECRECY

(See section 44 ) I, ..... do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, member of Local Board, member of Local Committee, auditor, adviser, officer or other employee (as the case may be.) of the State Bank and which properly relate to the office or position in the said State Bank held by me. I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the State Bank or to the affairs of any person having any dealing with the State Bank; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the State Bank and relating to the business of the State Bank or to the business of any person having any dealing with the State Bank.

## SCHEDULE 3

### AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

[Repealed by the Repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule 1 (26-12-1960).]

## SCHEDULE 4

### AMENDMENTS TO THE BANKING COMPANIES ACT, 1949

[Repealed by the Repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule 1 (26-12-1960).]

## SCHEDULE 5

### AMENDMENTS TO THE IMPERIAL BANK OF INDIA ACT, 1920

[Repealed by the Repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule I (26-12-1960).]

