

State Bank of India (Amendment) Act, 2010

February 26, 2013

Section 1. Short title and commencement

STATE BANK OF INDIA (AMENDMENT) ACT, 2010¹

[NO. 27 OF 2010]

[24th August, 2010]

An Act further to amend the State Bank of India Act, 1955

Be it enacted by Parliament in the Sixty-first Year of the Republic of India as follows—

1. Received the assent of the President on August 24, 2010 and published in the Gazette of India, Extra., Part II, Section 1, dated 25th August, 2010, pp. 1-9, No. 36

Prefatory Note—Statement of Objects and Reasons.

The State Bank of India Act, 1955 (hereinafter referred to as the SBI Act) was last amended in 1993 to enable the State Bank of India to access capital market. While State Bank of India can access capital market by issuing equity shares or bonds, or by both equity share and bonds, there is no express provision under the SBI Act to enable the State Bank to issue preference shares and also bonus shares.

2. The Basel Capital Accord, the current international framework on Capital Adequacy, was adopted in the year 1988 by many banks worldwide and by India in the year 1992.

Thereupon the Reserve Bank of India had introduced a set of norms for income recognition, provisioning and also for capital adequacy in relation to risk weighted assets. These norms were designed to put the financial accounting and prudential standards of Indian banks on a sound footing in line with current international practices.

3. The Basel Committee on Banking Supervision has worked on a new framework for international convergence on capital standards and in June 2004 related the new capital adequacy framework known as Basel II.

With the introduction of the Basel II, all the public sector banks including the State Bank of India and its subsidiary banks would be required to increase their capital base to meet the minimum requirements. Achievement of the capital adequacy norms under Basel II will improve the basic financial health of the banking system and thus improve its international credibility, since banks in many countries are also in the process of adopting these standards.

4. The State Bank of India (Amendment) Bill, 2006 was introduced in the Lok Sabha on the 18th December, 2006 which was examined by the Standing Committee on Finance. The said Bill lapsed due to the dissolution of the 14th Lok Sabha.

5. It is proposed to introduce the State Bank of India (Amendment) Bill, 2010 broadly on the same lines of the lapsed Bill incorporating therein certain recommendations of the Standing Committee on Finance.



6. The State Bank of India (Amendment) Bill, 2010 seeks to provide for enhancement of the capital of the State Bank by issue of preference shares, to enable it to raise resources from the market by public issue or preferential allotment or private placement. The Bill also aims to provide for flexibility in the management of the bank. The Bill proposes to amend the, SBI Act, inter alia, to—

(i) increase the authorised capital of the State Bank of India to Rupees Five thousand crores divided into shares of ten rupees each or of such denomination as may be decided by the Central Board, with the approval of the Reserve Bank and also enable the Central Government to increase or reduce the authorised capital in consultation with the Reserve Bank;

(ii) allow the issued capital of the State Bank to be raised by preferential allotment of share or private placement or public issue or rights issue in accordance with the procedure as may be prescribed by regulations with the previous approval of the Reserve Bank and the Central Government, and the preference shares may be issued in accordance with guidelines framed by the Reserve Bank;

(iii) allow the State Bank to issue bonus shares to the existing equity shareholders with the direction of the Central Government;

(iv) allow reduction of shareholding of the Central Government from fifty-five per cent to fifty-one per cent consisting of the equity shares of the issued capital;

(v) allow the State Bank to accept share monies in instalments, make calls, and forfeiture of unpaid shares and their re-issue;

(vi) provide for nomination facility in respect of shares held by an individual or joint shareholders;

(vii) restrict the voting rights of preference shareholders of the State Bank only to resolutions directly affecting their rights and also restrict the preference shareholders, other than the Central Government, to exercise voting rights in respect of preference shares held by them to a ceiling of ten per cent of total voting rights of all the shareholders holding preference share capital only;

(viii) allow the Central Government to appoint not more than four managing directors in consultation with the Reserve Bank;

(ix) abolish the post of vice-chairman;

(x) enable a sole shareholder or a first named holder of shares (when held jointly) of a nominal value of at least five thousand rupees to contest the election for the directorship of State Bank;

(xi) specify the qualifications for election of directors of the State Bank and to confer powers upon the Reserve Bank to notify eligibility criteria for such directors;

(xii) allow the Reserve Bank to appoint additional directors as and when considered necessary in the interest of banking policy and depositors' interest;

(xiii) confer power upon the Central Government to supersede the Central Board in certain cases on the recommendations of the Reserve Bank and to appoint an administrator for the period during which the Central Board stands superseded;



(xiv) allow the State Bank to hold Central Board meetings through video conferencing or such other electronic means as may be prescribed by regulations;

(xv) allow transfer of unpaid or unclaimed dividend of the State Bank up to thirty days to "unpaid dividend account" and after seven years to the "Investor Education and Protection Fund" established under Section 205-C of the Companies Act, 1956;

(xvi) entitle the shareholders present in an annual general meeting to "adopt" the balance sheet;

(xvii) to amend sub-section (3-A) of Section 20 of the SBI Act to restrict the tenure of Workmen Employee Director/Officer Employee Director to three years. 7. The Bill seeks to achieve the above objects.

(1) This Act may be called the State Bank of India (Amendment) Act, 2010.

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

Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

Section 2. Amendment of Section 2

In Section 2 of the State Bank of India Act, 1955 (23 of 1955) (hereinafter referred to as the principal Act), clause (i) shall be omitted.



Section 3. Substitution of new section for Section 4

For Section 4 of the principal Act, the following section shall be substituted, namely—

"4. Authorised capital.—Subject to the provisions of this Act, the authorised capital of the State Bank shall be five thousand crores of rupees divided into five hundred crores of fully paid-up shares of ten rupees each:

Provided that the Central Board may reduce the nominal or face value of the shares, and divide the authorised capital into such denomination as it may decide with the approval of the Reserve Bank:

Provided further that the Central Government may, in consultation with the Reserve Bank, increase or reduce the authorised capital so however that the shares in all cases shall be fully paid-up shares.

Section 4. Amendment of Section 5

In Section 5 of the principal Act,—

(a) for sub-section (2), the following sub-section shall be substituted, namely—

"(2) The issued capital of the State Bank shall consist of equity shares or equity and preference shares:

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued:

Provided further that the Central Board may from time to time increase, with the previous approval of the Reserve Bank and the Central Government, whether by public issue or rights issue or preferential allotment or private placement, in accordance with the procedure as may be prescribed, the issued capital by the issue of equity or preference shares:

Provided also that the Central Government shall, at all times, hold not less than fifty-one per cent of the issued capital consisting of equity shares of the State Bank."

(b) after sub-section (3), the following sub-sections shall be inserted, namely—

"(4) Subject to the provisions contained in sub-section (2), the Central Board may increase from time to time, by way of issuing bonus shares to existing equity shareholders, the issued capital in such manner as the Central Government may, after consultation with the Reserve Bank, direct.

(5) The State Bank may, accept the money in respect of shares issued towards increase in the issued capital in instalments, make calls, forfeit unpaid shares and re-issue them, in such manner as may be prescribed."

Section 5. Amendment of Section 10

In Section 10 of the principal Act, in sub-section (2), for the words "fifty-five per cent of the issued capital", the words "fifty-one per cent of the issued capital consisting of equity shares," shall be substituted.



Section 6. Insertion of new Section 10-A

After Section 10 of the principal Act, the following section shall be inserted, namely—

"10-A. Right of registered shareholders to nominate.—(1) Every individual registered shareholder may, at any time, nominate, in the prescribed manner, an individual to whom all his rights in the shares shall vest in the event of his death.

(2) Where the shares are registered in the name of more than one individual jointly, the joint holders may together nominate in the prescribed manner, an individual to whom all their rights in the shares shall vest in the event of the death of all the joint holders.

(3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination in respect of shares is made in the prescribed manner and which purports to confer on the nominee the right to vest the shares, the nominee shall, on the death of the shareholder or, as the case may be, on the death of all the joint holders, become entitled to all the rights of the shareholder or, as the case may be, of all the joint holders, in relation to such shares and all other persons shall be excluded unless the nomination is varied or cancelled in the prescribed manner.

(4) Where the nominee is a minor, it shall be lawful for the individual registered holder of the shares to make nomination to appoint, in the prescribed manner, any person to become entitled to the shares in the event of his death during the minority of the nominee."

Section 7. Amendment of Section 11

In Section 11 of the principal Act, after the proviso, the following provisos shall be inserted, namely—

“Provided further that the shareholder holding any preference share capital in the State Bank shall, in respect of such capital, have a right to vote only on resolutions placed before the State Bank which directly affect the rights attached to his preference shares:

Provided also that no preference shareholder, other than the Central Government, shall be entitled to exercise voting rights in respect of preference shares held by him in excess of ten per cent of total voting rights of all the shareholders holding preference share capital only.”

Section 8. Amendment of Section 13

In Section 13 of the principal Act, in sub-section (2), for the words “in computer floppies or diskettes”, the words “in computer floppies or diskettes or any other electronic form” shall be substituted.

Section 9. Amendment of Section 16

In Section 16 of the principal Act,—

(a) in sub-section (1), for the word “Bombay”, the words “Mumbai, and shall also be known as Corporate Centre” shall be substituted;

(b) in sub-section (2), for the words “Bombay, Calcutta and Madras”, the words “Mumbai, Kolkata and Chennai” shall be substituted.



Section 10. Amendment of Section 19

In Section 19 of the principal Act,—

(a) in clause (a), the words “and a vice-chairman” shall be omitted;

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

“(b) such number of managing directors not exceeding four, as may be appointed by the Central Government in consultation with the Reserve Bank;”;

(c) clause (bb) shall be omitted;

(d) in clause (d), the words “in consultation with the Reserve Bank,” shall be omitted;

(e) for clause (f), the following clause shall be substituted, namely—

“(f) one director, possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks to be nominated by the Central Government on the recommendation of the Reserve Bank.”

Section 11. Insertion of new Sections 19-A and 19-B

After Section 19 of the principal Act, the following sections shall be inserted, namely—

“19-A. Qualifications for election of directors elected by shareholders.—

(1) The directors elected under clause (c) of Section 19 shall—

(a) have special knowledge or experience in respect of one or more of the following areas, namely—

(i) agriculture and rural economy,

(ii) banking,

(iii) co-operation,

(iv) economics,

(v) finance,

(vi) law,

(vi) small-scale industry,

(vii) any other area the special knowledge of, and experience in, which in the opinion of the Reserve Bank shall be useful to the State Bank.

(b) represent the interests of depositors; or

(c) represent the interests of farmers, workers and artisans.

(2) Without prejudice to the provisions of sub-section (1) and notwithstanding anything to the contrary contained in this Act or in any other law for the time being in force, no person shall be eligible to be elected as director under clause (c) of Section 19 unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard and the Reserve Bank may specify in the notification issued under this sub-section, the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determinations and such other matters as may be considered necessary or incidental thereto.

(3) Where the Reserve Bank is of the opinion that any director of the State Bank elected under clause (c) of Section 19 does not fulfil the requirements of sub-sections (1) and (2), it may, after giving to such director and the State Bank a reasonable opportunity of being heard, by order, remove such director.

(4) On the removal of a director under sub-section (3), the Central Board shall co-opt any other person fulfilling the requirements of sub-sections (1) and (2), as a director in place of the person so removed, till a director is duly elected by the shareholders of the State Bank in the next annual general meeting; and the person so co-opted shall be deemed to have been duly elected by the shareholders of the State Bank as a director.

19-B. Power of Reserve Bank to appoint additional directors.

(1) If the Reserve Bank is of the opinion that in the interest of banking policy or in the public interest or in the interests of the State Bank or its depositors, it is necessary so to do, it may, from time to time and by order in writing appoint, with effect from such date as may be specified in the order, one or more persons as additional directors of the State Bank.



(2) Any person appointed as additional director under sub-section (1) shall,—

(a) hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the Reserve Bank may, by order, specify;

(b) not incur any obligation or liability by reason only of his being an additional directors or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto; and

(c) not be required to hold qualification shares in the State Bank.

(3) For the purpose of reckoning any proportion of the total number of directors of the State Bank, any additional director appointed under this section shall not be taken into account."

Section 12. Amendment of Section 20

In Section 20 of the principal Act,—

(a) in sub-section (1), the words ".vice-chairman" shall be omitted;

(b) in sub-section (1-A), the word ", vice-chairman", occurring at both the places, shall be omitted;

(c) in sub-section (3-A), the words "and thereafter until his successor shall have been duly appointed or nominated", shall be omitted.



Section 13. Amendment of Section 21

In Section 21 of the principal Act,—

(a) in sub-section (1)—

(i) for clause (a), the following clause shall be substituted, namely—

"(a) the chairman, ex officio or the managing director nominated by the chairman;"

(ii) in clause (c), the words "in consultation with the Reserve Bank" shall be omitted;

(b) in sub-section (5), for the words "Governor of the Reserve Bank", the words "Central Government" shall be substituted.

Section 14. Substitution of new section for Section 21-B

For Section 21-B of the principal Act, the following section shall be substituted, namely—

"21-B. Powers of Local Board.—In respect of the area falling within the jurisdiction of the local head office for which the Local Board has been constituted, a Local Board shall, subject to such general or special direction as the Central Board may give from time to time, exercise such powers and perform such duties and functions as may be entrusted or delegated to it by the Central Board."

Section 15. Amendment of Section 21-C

In Section 21-C of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely—

“(2) The chairman or the managing director nominated by him shall be an ex officio member of every such Local Committee.”

Section 16. Amendment of Section 22

In Section 22 of the principal Act, in sub-section (1),-

(a) in clause (d), the word “vice-chairman” shall be omitted;

(b) for clause (h), the following clause shall be substituted, namely—

“(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, either as sole holder or as first named holder when jointly held, of a nominal value of at least five thousand rupees:”

Section 17. Amendment of Section 23

In Section 23 of the principal Act, in clause (b), the word “.vice-chairman” shall be omitted.

Section 18. Amendment of Section 24

In section 24 of the principal Act,—

(a) in sub-section (1), the word “.vice-chairman” shall be omitted;

(b) in sub-section (3), the words “after consulting the Reserve Bank,” shall be omitted.

Section 19. Insertion of new Section 24-A

After Section 24 of the principal Act, the following section shall be inserted, namely—

“24-A. Supersession of Central Board in certain cases.—

(1) Where the Central Government, on the recommendation of the Reserve Bank is satisfied that in the public interest or for preventing the affairs of the State Bank being conducted in a manner detrimental to the interest of the depositors or the State Bank or for securing the proper management of the State Bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the Central Board for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Central Board may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) On supersession of the Central Board under sub-section (1), the Central Government may, in consultation with the Reserve Bank, appoint an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy, for such period as it may determine.

(3) The Central Government may issue such directions to the Administrator as it may consider necessary and the Administrator shall be bound to follow such directions.



(4) Notwithstanding anything contained in this Act, upon making the order of supersession of the Central Board—

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Central Board, or by a resolution passed in the general meeting of the State Bank, shall, until the Central Board is reconstituted, be exercised and discharged by the Administrator appointed under sub-section (2):

Provided that the powers exercised by the Administrator shall be valid notwithstanding that such power is also exercisable by a resolution passed in the general meeting of the State Bank.

(5) The Central Government may, in consultation with the Reserve Bank, constitute a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties.

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the rules made under this Act.

(7) The salary and allowances of the Administrator and the members of the committee shall be such as may be specified by the rules made under this Act and be payable by the State Bank.

(8) On and before the expiration of two months before the expiry of the period of supersession of the Central Board, the Administrator of the State Bank shall call the general meeting of the State Bank to elect new directors and re-constitute the said Board.

(9) Notwithstanding anything contained in any other law for the time being in force or in any contract, no person shall be entitled to claim any compensation for the loss or termination of his office on supersession of the Central Board.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the re-constitution of the Central Board."

Section 20. Amendment of Section 25

In Section 25 of the principal Act,—

(a) in sub-section (1), the word ".vice-chairman" shall be omitted;

(b) in sub-section (2),—

(i) the word ".vice-chairman" shall be omitted;

(ii) in clause (b), the words "in consultation with the Reserve Bank" shall be omitted.

Section 21. Omission of Section 28

Section 28 of the principal Act shall be omitted.

Section 22. Amendment of Section 29



In Section 29 of the principal Act, in sub-section (1) —

(a) in clause (a), the word “and” shall be omitted;

(b) in clause (b),—

(i) the words “and the vice-chairman” shall be omitted;

(ii) at the end, the word “; and” shall be inserted;

(c) after clause (b), the following clause shall be inserted, namely—

“(c) when authorised by the chairman, shall preside at the meetings of the Central Board in his absence.”

Section 23. Amendment of Section 31

In Section 31 of the principal Act,—

(a) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely—

“(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; and the meeting of the Central Board may be held by participation of the directors of the Central Board through videoconferencing or such other electronic means, as may be prescribed, which are capable of recording and recognising the participation of the directors and the proceedings of such meetings are capable of being recorded and stored:

Provided that the Central Government may in consultation with the Reserve Bank, by notification in the Official Gazette, specify the matters which shall not be discussed in a meeting of the Central Board held through videoconferencing or such other electronic means.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors present in the meeting or through videoconferencing or such other electronic means and in the case of equality of votes the chairman or, in his absence, the managing director authorised by the chairman shall have a second or casting vote.”;

(b) in sub-section (4), for the word “vice-chairman”, the words “managing director authorised by the chairman” shall be substituted.

Section 24. Amendment of Section 31-A

In Section 31-A of the principal Act, in sub-section (5), for the words “the vice-chairman, if he is a member of the Local Board”, the words “the managing director authorised by the chairman” shall be substituted.

Section 25. Insertion of new Section 38-A

After Section 38 of the principal Act, the following section shall be inserted, namely—

‘38-A. Transfer of unpaid or unclaimed dividend.—

(1) Where, after the commencement of the State Bank of India (Amendment) Act, 2010, a dividend has been declared by the State Bank but which has not been paid to a shareholder or



claimed by any shareholder entitled to it, within thirty days from the date of declaration, the State Bank shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid, or unclaimed, to a special account to be named, the "unpaid dividend account" maintained by it.

Explanation

In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

(2) Where the whole or any part of any dividend, declared by the State Bank before the commencement of the State Bank of India (Amendment) Act, 2010, remains unpaid at such commencement, the State Bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the unpaid dividend account of the State Bank, in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the State Bank to the Investor Education and Protection Fund established under sub-section (1) of Section 205-C of the Companies Act, 1956 (1 of 1956) for being utilised for the purpose and in the manner specified in that section.

Section 26. Amendment of Section 39

In Section 39 of the principal Act, for the word "December", the word "March" shall be substituted.



Section 27. Amendment of Section 40

In Section 40 of the principal Act,—

(a) in sub-section (1), for the word "December", the word "March" shall be substituted;

(b) for sub-section (2), the following sub-section shall be substituted, namely—

"(2) The balance sheet and the profit and loss account shall be signed by the chairman, managing directors and at least three other directors of the Central Board."

Section 28. Amendment of Section 41

In Section 41 of the principal Act,—

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

(b) in sub-section (5), for the words "the Reserve Bank", the words "the State Bank with the previous approval of the Reserve Bank" shall be substituted.

Section 29. Substitution of new section for Section 42

For Section 42 of the principal Act, the following section shall be substituted, namely—

"42. Balance sheet, etc., of State Bank may be discussed at general meeting.—

(1) An annual general meeting shall be held in each financial year at the Corporate Centre or at such other place in Mumbai other than the Corporate Centre or at such other place in India and at such time, as shall from time to time be specified by the Central Board and a general meeting other than an annual general meeting may be convened by the State Bank at any other time and at such place in India as shall from time to time be specified by the Central Board:

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, under sub-section (1) of Section 40, is 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 and adopt the balance sheet and the profit and loss account of the State Bank made up to the previous 31st day of March or the date specified under Section 39, as the case may be, the report of the Central Board on the working and activities of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts."

Section 30. Amendment of Section 43

In Section 43 of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely—

"(2) The officers, advisers and employees of the State Bank shall individually or jointly or with other officers, advisers and employees in a Local Committee exercise such powers and perform such duties as may by general or special order, be entrusted or delegated to them by the Central Board or its executive committee."

Section 31. Amendment of Section 49

In Section 49 of the principal Act, in sub-section (2), after clause (c), the following clauses shall be inserted, namely—

"(d) the time and place of meeting of the Committee and the rules of procedure to be observed by it under sub-section (6) of Section 24-A;

(e) the salary and allowances of the Administrator and the members of the committee under sub-section (7) of Section 24-A."

Section 32. Amendment of Section 50

In Section 50 of the principal Act, in sub-section (2),-

(i) after clause (a), the following clauses shall be inserted, namely—

"(ad) the procedure for increasing issued capital by the issue of equity or preference shares under sub-section (2) and the manner of accepting money for issued capital, forfeiture and re-issue of shares under sub-section (5), of Section 5;

(ab) the manner of nominating an individual by one individual under sub-section (1), the manner of nominating an individual by the joint holders under sub-section (2), the manner of varying or cancellation of nomination under sub-section (3), and the manner of nominating a minor under sub-section (4), of Section 10-A;";



(ii) in clause (Jb), for the words “floppies or diskettes”, the words “floppies or diskettes or any other electronic form” shall be substituted.

Section 33. Amendment of enactment

The enactment specified in the Schedule is hereby amended to the extent and in the manner as given below—

THE SCHEDULE

(See Section 33)

Short title

The State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959)

In Section 26, in sub-section (2-A), the words “and thereafter until his successor shall have been duly appointed” shall be omitted.

