

# State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

February 26, 2013

## Section 1. Short title and commencement

### **STATE BANK OF INDIA (SUBSIDIARY BANKS LAWS) AMENDMENT ACT, 2007<sup>1</sup>**

**[Act No. 30 of 2007]**

[June 18, 2007]

An Act further to amend the State Bank of Saurashtra Act, 1950, the State Bank of Hyderabad Act, 1956 and the State Bank of India (Subsidiary Banks) Act, 1959

Be it enacted by Parliament in the Fifty-eighth Year of the Republic of India as follows:-

Prefatory Note-Statement of Objects and Reasons.-The State Bank of the Saurashtra Act, 1950, the State Bank of Hyderabad Act, 1956 and the State Bank of India (Subsidiary Banks) Act, 1959 has been in force for more than four decades. The said three Acts contain provisions regarding constitution of the State Bank of Saurashtra, the State Bank of Hyderabad and other Subsidiary Banks of the State Bank of India (being the State Bank of Patiala, the State Bank of Bikaner and Jaipur, the State Bank of Indore, the State Bank of Mysore and the State Bank of Travancore), their capital, management and control and other connected matters.

2. There are more than twenty-eight lakhs shares held by private shareholders (other than the State Bank of India) of the four subsidiary banks, i.e., the State Bank of Bikaner and Jaipur, the State Bank of Indore, the State Bank of Mysore and the State Bank of Travancore. The shareholders of these four subsidiary banks are facing certain difficulties due to certain restrictions imposed under the State Bank of India (Subsidiary Banks) Act, 1959. These restrictions, inter alia, include, (a) lack of dematerialization facility for the shares (b) difficulty in free transferability (c) restrictions on individual holdings of shares and their voting rights etc. The shareholders, at the annual general meetings of these four banks, have been expressing, time and again, the difficulty faced by them due to such restrictive provisions in the said Act.

3. The Basel Capital Accord, the current international framework on Capital Adequacy, was adopted in the year 1988 by many banks worldwide and in the year 1992 in India. Afterwards, over the past several years, the Basel Committee on Banking Supervision has worked on a new accord for international convergence on capital standards and released the latest version of the new Basel Capital Accord known as Basel II in June 2004. With the introduction of the new capital adequacy framework (Basel II), all the banks (including subsidiary banks of the State Bank of India) may be required to increase their capital base to meet 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. In order to remove the difficulties faced by the shareholders of the subsidiary banks and to facilitate increase of the capital of the subsidiary banks to enable them to raise resources from the market and also to comply with certain guidelines issued by the Securities Exchange Board of India (SEBI) under the Securities Exchange Board of India Act, 1992 and the Depositories Act, 1996, it has become necessary to amend the State Bank of the Saurashtra Act, 1950, the State Bank of Hyderabad Act, 1956 and the State Bank of India (Subsidiary Banks) Act, 1959. The Bill proposes to amend the said three Acts, inter alia, to-



- (a) increase the authorised capital of subsidiary banks to five hundred crores and divide the authorised capital into shares of one hundred rupees each or of such denomination as may be decided by the subsidiary banks, with the approval of the State Bank of India (SBI);
- (b) allow the subsidiary banks to issue share certificates of such denomination as may be prescribed by regulations made by the SBI with the approval of the RBI to the existing shareholders;
- (c) fix the issued capital of subsidiary banks by the SBI with the approval of the RBI and also decide, with the approval of the SBI, on the denomination of shares of subsidiary banks;
- (d) allow the subsidiary banks to raise issued capital by preferential allotment or private placement or public issue in accordance with the procedure as may be specified by regulations made by the SBI with the approval of the RBI and to issue preference shares in accordance with guidelines framed by the RBI;
- (e) allow the subsidiary banks to issue, with the approval of the SBI and RBI, bonus shares to the equity shareholders;
- (f) allow reduction of the SBI's shareholding in the subsidiary banks from fifty-five per cent to fifty-one per cent;
- (g) allow the subsidiary banks to accept share monies in instalments, make calls, and forfeiture of unpaid shares and their re-issue;
- (h) provide for nomination facility in respect of shares held by individual/joint shareholders of the subsidiary banks;
- (i) remove the restriction on individual shareholdings in excess of two hundred shares and increase the percentage of voting rights of shareholders (other than the SBI) from one per cent to ten per cent of the issued capital of the subsidiary bank concerned;
- (j) restrict the voting rights of preference shares of subsidiary bank only to resolutions directly affecting their rights and also restrict the preference shareholder to exercise voting rights in respect of preference shares held by him to a ceiling of ten per cent of total voting rights of all the shareholders holding preference share capital only.
- (k) allow the chairman of the SBI to nominate an official of the SBI as the Chairman of the Board of a subsidiary bank, with the approval of the RBI;
- (l) omit the provisions relating to nomination of official of the RBI on the Board of Directors of subsidiary bank and to make provisions for nomination of additional director by the RBI as and when considered necessary, in the interest of banking policy and depositors' interest etc.;
- (m) increase the number of elected directors representing shareholders of subsidiary bank limited to a maximum of three subject to different percentage of public ownership;
- (n) specify the qualification regarding eligibility criteria including "fit and proper" criteria for elected directors of subsidiary bank and to confer power upon the RBI to remove elected directors who are not fit and proper and also to allow the Board of Directors of a subsidiary bank to co-opt any other person who is fit and proper in his place;
- (o) confer power upon the RBI to supersede the Board of Directors of subsidiary banks in public interest or for depositor's interest or for securing proper management of the subsidiary banks on



the recommendation of the SBI and to appoint an administrator and a committee to assist the administrator;

(p) allow transfer of unpaid or unclaimed dividend of subsidiary 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;

(q) entitle the shareholders present in the annual general meeting to "adopt" the balance-sheet.

5. The Bill seeks to achieve the above objectives.

-----

**1. Received the assent of the President on June 18, 2007 and published in the Gazette of India, Extra., Part II, Section 1, dated 19th June, 2007, pp. 1-11, No. 35**

(1) This Act may be called the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007.

(2) It shall come into force on such date<sup>1</sup> 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.

-----

**1. W.e.f. 9-7-2007**

## Section 2. Substitution of new section for Section 5

For Section 5 of the State Bank of Saurashtra Act, 1950 (hereafter in this Chapter referred to as the State Bank of Saurashtra Act), the following section shall be substituted, namely:-

"5. Authorised capital.-

(1) Subject to the provisions of this Act, the authorised capital of the Saurashtra Bank shall be rupees five hundred crores.

(2) The authorised capital of the Saurashtra Bank shall be divided into shares of one hundred rupees each or of such denomination as the Saurashtra Bank may, with the approval of the State Bank, decide.

(3) The Saurashtra Bank may issue the certificates of shares of equivalent values of such denomination as the Saurashtra Bank may decide with the approval of the State Bank, in accordance with the procedure as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) and every shareholder of the Saurashtra Bank shall be entitled to have the certificate of shares of equivalent value of such denomination.

(4) Notwithstanding anything contained in sub-section (1), the State Bank may, with the approval of the Reserve Bank, authorise the Saurashtra Bank to increase or reduce its authorised capital."



## Section 3. Amendment of Section 6

In Section 6 of the State Bank of Saurashtra Act,-

(a) after sub-section (1), the following sub-section shall be inserted, namely:-

“(1-A) Notwithstanding anything contained in sub-section (1), the issued capital of the Saurashtra Bank, shall consist of such amount as the State Bank may, with the approval of the Reserve Bank, fix, and shall be divided into fully paid-up shares of such denomination in accordance with sub-section (2) of Section 5.”;

(b) for sub-section (3), the following sub-sections shall be substituted, namely:-

“(3) The Saurashtra Bank may, from time to time, with the approval of the State Bank and the Reserve Bank, increase, whether by public issue or by preferential allotment or private placement in accordance with the procedure as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), its issued capital by issue of equity or preference shares.

(3-A) The issued capital of the Saurashtra 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.

(3-B) The Saurashtra Bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time by way of issuing bonus shares to existing equity shareholders, its issued capital in such manner as the State Bank, with the approval of the Reserve Bank, direct.

(3-C) No increase or reduction in the issued capital of the Saurashtra Bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent of the issued capital consisting of equity shares of the Saurashtra Bank.

(3-D) The Saurashtra Bank may accept the money in respect of shares issued towards increase in issued capital in instalments, make calls and forfeit unpaid shares and re-issue them, in the manner as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959).”.

## Section 4. Substitution of new section for Section 9

For Section 9 of the State Bank of Hyderabad Act, 1956 (79 of 1956) (hereafter in this chapter referred to as the State Bank of Hyderabad Act), the following section shall be substituted, namely:-

“9. Authorised capital.-

(1) Subject to the provisions of this Act, the authorised capital of the Hyderabad Bank shall be rupees five hundred crores.

(2) The authorised capital of the Hyderabad Bank shall be divided into shares of one hundred rupees each or of such denomination as the Hyderabad Bank may, with the approval of the State Bank, decide.



(3) The Hyderabad Bank may issue the certificates of shares of equivalent values of such denomination as the Hyderabad Bank may decide with the approval of the State Bank, in accordance with the procedure as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) and every shareholder of the Hyderabad Bank shall be entitled to have the certificate of shares of equivalent value of such denomination.

(4) Notwithstanding anything contained in sub-section (1), the State bank may, with the approval of the Reserve Bank, authorise the Hyderabad Bank to increase or reduce its authorised capital."

## Section 5. Amendment of Section 10

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

(a) after sub-section (1), the following sub-section shall be inserted, namely:-

"(1-A) Notwithstanding anything contained in sub-section (1), the issued capital of the Hyderabad Bank, shall consist of such amount as the State Bank may, with the approval of the Reserve Bank, fix, and shall be divided into fully paid-up shares of such denomination in accordance with sub-section (2) of Section 9.";

(b) for sub-section (3), the following sub-sections shall be substituted, namely:-

"(3) The Hyderabad Bank may, from time to time, with the approval of the State Bank and the Reserve Bank, increase, whether by public issue or by preferential allotment or private placement in accordance with the procedure as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), its issued capital by issue of equity or preference shares.

(3-A) The issued capital of the Hyderabad 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 of irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued.

(3-B) The Hyderabad Bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time by way of issuing bonus shares to existing equity shareholders, its issued capital in such manner as the State Bank, with the approval of the Reserve Bank, direct.

(3-C) No increase or reduction in the issued capital of the Hyderabad Bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent of the issued capital consisting of equity shares of the Hyderabad Bank.

(3-D) The Hyderabad Bank may accept the money in respect of shares issued towards increase in issued capital in instalments, make calls and forfeit unpaid shares and re-issue them, in the manner as may be specified by regulations made under Section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959)."

## Section 6. Substitution of new section for Section 6



For Section 6 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) [hereafter in this chapter referred to as the State Bank of India (Subsidiary Banks) Act], the following section shall be substituted, namely:-

"6. Authorised capital of new bank.-(1) Subject to the provisions of this Act, the authorised capital of every new bank shall be rupees five hundred crores.

(2) The authorised capital of every new bank shall be divided into shares of one hundred rupees each or of such denomination as the new bank may, with the approval of the State Bank, decide.

(3) Every new bank may issue the certificates of shares of equivalent values of such denomination as the new bank may, decide, with the approval of the State Bank, in accordance with the procedure as may be prescribed and every shareholder of the new bank shall be entitled to have the certificate of shares of equivalent value of such denomination.

(4) Notwithstanding anything contained in sub-section (1), the State Bank may, with the approval of the Reserve Bank, authorise a new bank to increase or reduce its authorised capital."

## Section 7. Amendment of Section 7

In Section 7 of the State Bank of India (Subsidiary Banks) Act,-

(a) after sub-section (1), the following sub-section shall be inserted, namely:-

"(1-A) Notwithstanding anything contained in sub-section (1), the issued capital of a new bank shall, consist of such amount as the State Bank may, with the approval of the Reserve Bank, fix, and shall be divided into fully paid-up shares of such denomination in accordance with sub-section (2) of Section 6.";

(b) for sub-sections (4) and (5), the following sub-sections shall be substituted, namely:-

"(4) A new bank may from time to time, with the approval of the State Bank and the Reserve Bank, increase, whether by public issue or by preferential allotment or private placement in accordance with the procedure as may be prescribed, its issued capital by issue of equity or preference shares.

(5) The issued capital of a new bank shall consist of equity shares or equity and preference shares :

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

(6) A new bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time by way of issuing bonus shares to existing equity shareholders, its issued capital in such manner as the State Bank, with the approval of the Reserve Bank, direct.

(7) No increase or reduction in the issued capital of a new bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent of the issued capital consisting of equity shares of new bank.

(8) A new bank may accept the money in respect of shares issued towards increase in issued capital in instalments, make calls and forfeit unpaid shares and re-issue them, in the manner as



may be prescribed.”.

## Section 8. Amendment of Section 18

In Section 18 of the State Bank of India (Subsidiary Banks) 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 9. Insertion of new Section 18-A

After Section 18 of the State Bank of India (Subsidiary Banks) Act, the following section shall be inserted, namely:-

“18-A. Right of registered shareholder to nominate.-(1) Every individual registered shareholder of a subsidiary bank may, at any time, nominate, in the prescribed manner, an individual to whom all his rights in the shares shall vest in the event of his death.

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

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

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

## Section 10. Substitution of new section for Section 19

For Section 19 of the State Bank of India (Subsidiary Banks) Act, the following section shall be substituted, namely:-

“19. Restriction on voting rights.-No shareholder, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by him in excess of ten per cent of the issued capital of the subsidiary bank concerned:

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

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

## Section 11. Amendment of Section 21

Section 21 of the State Bank of India (Subsidiary Banks) Act shall be numbered as sub-section (1) thereof and after sub-section (1) as so numbered, the following sub-sections shall be



inserted, namely:-

“(2) Notwithstanding anything contained in sub-section (1), it shall be lawful for a subsidiary bank to keep the register of shareholders in computer floppies or diskettes or any other electronic form subject to such safeguards as may be prescribed.

(3) Notwithstanding anything contained in the Indian Evidence Act, 1872 (1 of 1872), a copy of, or extract from, the register of shareholders, certified to be a true copy under the hand of any officer of the subsidiary bank authorised in this behalf shall in all legal proceedings, be admissible in evidence.”

## Section 12. Amendment of Section 22

In Section 22 of the State Bank of India (Subsidiary Banks) Act, for the words and figures “Notwithstanding anything contained in Section 19, no notice of any trust,”, the words “No notice of any trust,” shall be substituted.

## Section 13. Amendment of Section 25

In Section 25 of the State Bank of India (Subsidiary Banks) Act,-

(i) in sub-section (1)-

(a) for clause (a), the following clause shall be substituted, namely:-

“(a) the Chairman for the time being of the State Bank, ex officio or an official of the State Bank or of the subsidiary bank nominated by him as Chairman, with the approval of the Reserve Bank;”;

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

“(b) one director, possessing necessary expertise and experience in the matters relating to regulation or supervision of commercial banks, to be nominated by the Reserve Bank;”

(c) for clause (d), the following clause shall be substituted, namely:-

“(d) not more than three directors to be elected in the following manner, namely:-

(i) if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than one per cent of the total issued capital, and equal to or less than sixteen per cent of such capital, one director to be elected, in the prescribed manner, by such shareholders and two directors shall be nominated by the State Bank, or

(ii) if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than sixteen per cent of the total issued capital and equal to or less than thirty-two per cent of such capital, two directors to be elected in the prescribed manner by such shareholders and one director shall be nominated by the State Bank, or

(iii) if the total amount of holdings of the shareholders (other than the State Bank) of a subsidiary bank is more than thirty-two per cent of the total issued capital, all the three directors to be elected, in the prescribed manner, by such shareholders:

Provided that in case, the total amount of holdings of the shareholders of a subsidiary bank (other than the State Bank) is not more than one per cent of the total issued capital, all three





directors shall be nominated by the State Bank and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause.

#### Explanation

For the purposes of this sub-section, the total amount of holdings of the shareholders (other than the State Bank) whose names are on the register of shareholders of the subsidiary bank three months before the date fixed for election of directors shall be taken into account.”;

(ii) sub-section (3) shall be omitted;

(iii) in sub-section (4), the words “the Reserve Bank or” shall be omitted.

## Section 14. Insertion of new Sections 25-A and 25-B

After Section 25 of the State Bank of India (Subsidiary Banks) Act, the following sections shall be inserted, namely:-

“25-A. Fit and proper status of an elected director.-(1) The Directors to be elected under clause (d) of sub-section (1) of Section 25 shall-

(a) have special knowledge or practical experience in respect of one or more of the following matters, namely:-

(i) agricultural and rural economy,

(ii) banking,

(iii) co-operation,

(iv) economics,

(v) finance,

(vi) law,

(vii) small-scale industry,

(viii) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the subsidiary bank;

(b) represent the interests of depositors; or

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

(2) Without prejudice to the provisions of sub-section (1) and notwithstanding anything to the contrary contained in this Act or in any other law for the time being in force, no person shall be eligible to be elected as director under clause (d) of sub-section (1) of Section 25 unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

(3) The Reserve Bank may also specify in the notification issued under sub-section (2), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determinations and such other matters as may be considered necessary or incidental thereto.



(4) Where the Reserve Bank is of the opinion that any director of a subsidiary bank elected under clause (d) of sub-section (1) of Section 25 does not fulfil the requirements of sub-sections (1) and (2), it may, after giving to such director and the subsidiary bank a reasonable opportunity of being heard, by order, remove such director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of the said sub-sections as a director in place of the person so removed till a director is duly elected by the shareholders of the subsidiary bank in the next annual general meeting and the person so co-opted shall be deemed to have been duly elected by the shareholders of the subsidiary bank as a director.

## 25-B. Power of Reserve Bank to appoint additional directors.

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

(2) Any person appointed as additional director in pursuance of this section shall-

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

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

(c) not be required to hold qualification shares in the subsidiary bank.

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

## Section 15. Amendment of Section 27

In Section 27 of the State Bank of India (Subsidiary Banks) Act, in sub-section (5), in clause (a), for the words and figures "Banking Companies Act, 1949", the words and figures "Banking Regulation Act, 1949" shall be substituted.

## Section 16. Amendment of Section 34

In Section 34 of the State Bank of India (Subsidiary Banks) Act,-

(a) for sub-section (1), the following sub-section shall be substituted, namely:-

"(1) The Board of Directors of a subsidiary bank shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed; and the meeting of the Board of Directors may be held by participation of the directors of the Board through video-conferencing or such other electronic means, as may be prescribed, which are capable of recording and recognizing the participation of the directors and the proceedings of such meetings are capable of being recorded and stored :

Provided that the Central Government may in consultation with the Reserve Bank, by a notification in the Official Gazette, specify the powers which shall not be exercised in a meeting



of the Board of Directors held through videoconferencing or such other electronic means.”;

(b) in sub-section (2), for the words “The Chairman of the State Bank”, the words “The Chairman of the Board of Directors of a subsidiary bank” shall be substituted’,

(c) for sub-section (3), the following sub-section shall be substituted, namely:-

“(3) All questions at the meeting of the Board of Directors of a subsidiary bank shall be decided by a majority of the votes of the directors present in the meeting or through video-conferencing or such other electronic means and in the case of equality of votes, the Chairman of Board of Directors of a subsidiary bank or, in his absence, the person presiding at the meeting shall have a second or casting vote.”;

(d) in sub-section (5), in the proviso, in clause (ii), for the words, brackets and letters “of the Reserve Bank or the State Bank nominated under clause (b) or clause (c)” the words, brackets and letter “of the State Bank nominated under clause (c)” shall be substituted;

(e) in sub-section (6), the words “and the Reserve Bank” shall be omitted.

## Section 17. Insertion of new Section 35-A

After Section 35 of the State Bank of India (Subsidiary Banks) Act, the following section shall be inserted, namely:-

“35-A. Supersession of Board of Directors in certain cases.-

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

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

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

(3) The Reserve Bank may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the subsidiary bank, notwithstanding anything contained in this Act,-

(a) the Chairman, Managing Director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under this Act, or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such subsidiary bank, or by a resolution passed in general meeting of the subsidiary bank, shall, until the Board of Directors of the subsidiary bank is reconstituted, be exercised and discharged by the Administrator appointed by the Reserve Bank under subsection (2):



Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the subsidiary bank.

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

(6) The committee referred to in sub-section (5) shall meet at such times and places and observe such rules of procedure as may be specified by the Reserve Bank.

(7) The salary and allowances payable to the Administrator and the members of the Committee constituted under sub-section (5) by the Reserve Bank shall be such as may be specified by the Reserve Bank and be payable by the concerned subsidiary bank.

(8) On and before the expiration of two months before expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the subsidiary bank, shall call the general meeting of the subsidiary bank to elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of the subsidiary bank has been reconstituted.”.

## Section 18. Amendment of Section 38

In Section 38 of the State Bank of India (Subsidiary Banks) Act, in sub-section (10), in clause (a), for the words and figures “Banking Companies Act, 1949”, the words and figures “Banking Regulation Act, 1949” shall be substituted.

## Section 19. Amendment of Section 39

In Section 39 of the State Bank of India (Subsidiary Banks) Act, for the word “December”, the word “March” shall be substituted.

## Section 20. Insertion of new Section 40-A

After Section 40 of the State Bank of India (Subsidiary Banks) Act, the following section shall be inserted, namely:-

‘40-A. Transfer of unpaid or unclaimed dividend to unpaid dividend account.-(1) Where, after the commencement of the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007, a dividend has been declared by the subsidiary bank but has not been paid, or claimed, within thirty days from the date of declaration, to or by any shareholder entitled to the payment of the dividend, the subsidiary bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid, or unclaimed within the said period of thirty days, to a special account to be called “unpaid dividend account of..... (Name of the subsidiary bank)”

Explanation

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

(2) Where the whole or any part of any dividend, declared by the subsidiary bank before the commencement of the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007, remains unpaid at such commencement, the subsidiary bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

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

(4) The money transferred under sub-section (3) to the Investor Education and Protection Fund shall be utilised for the purposes and in the manner specified in Section 205-C of the Companies Act, 1956 (1 of 1956).'

## Section 21. Amendment of Section 43

In Section 43 of the State Bank of India (Subsidiary Banks) Act,-

(a) in sub-section (1), in clause (a), 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 profit and loss account of the subsidiary bank shall be signed by persons holding the office of the Chairman, Managing Director, and a majority of the other directors of the subsidiary bank in office."

## Section 22. Amendment of Section 44

In Section 44 of the State Bank of India (Subsidiary Banks) Act,-

(a) in sub-section (2),-

(i) for the words "discuss the balance-sheet", the words "discuss and adopt the balance-sheet" shall be substituted;

(ii) for the word "December", the word "March" shall be substituted.

(b) in sub-section (3), for the word "December", the word "March" shall be substituted.

## Section 23. Amendment of Section 48

In Section 48 of the State Bank of India (Subsidiary Banks) Act, in sub-section (2), for the words and figures "Indian Income Tax Act, 1922 (11 of 1922)", the words and figures "Income Tax Act, 1961 (43 of 1961)" shall be substituted.

## Section 24. Amendment of Section 50



In Section 50 of the State Bank of India (Subsidiary Banks) Act, after sub-section (1), the following sub-section shall be inserted, namely:-

“(1-A) The officers, advisers and employees of the subsidiary bank concerned shall individually or jointly, or with other officers, advisers and employees in a committee exercise such powers and perform such duties as may, by general or special order, be entrusted or delegated to them by the Board of Directors or its Executive Committee.”.

## Section 25. Amendment of Section 55

In Section 55 of the State Bank of India (Subsidiary Banks) Act, for the words “Banking Companies Act”, the words “Banking Regulation Act” shall be substituted.

## Section 26. Amendment of Section 63

In Section 63 of the State Bank of India (Subsidiary Banks) Act,-

(a) for sub-section (1), the following sub-section shall be substituted, namely:-

“(1) The Board of Directors of a subsidiary bank may, after consultation with the State Bank and with the previous approval of the Reserve Bank, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act or any other law for the time being in force;”;

(b) in sub-section (2),-

(i) after clause (f), the following clauses shall be inserted, namely:-

“(fa) the procedure for issuing the certificates of shares;

(fb) the procedure with respect to increase, whether by public issue or by preferential allotment or private placement, the issued capital by issue of equity or preference shares;

(fc) the manner of acceptance of share money in instalments, the manner of making calls and the manner of forfeiture of unpaid shares and their re-issue;”;

(ii) for clause (g), the following clauses shall be substituted, namely:-

“(g) the maintenance of share registers, and the particulars to be entered in such addition to those specified in sub-section (1) of Section 21, the safeguards to be observed in the maintenance of the register of shareholders on computer floppies or diskettes or any other electronic form, the inspection and closure of the registers and all other matters connected therewith;

(ga) the manner in which every individual registered shareholder nominate, an individual to whom all his rights in the shares shall vest in the event of his death under sub-section (1) of Section 18-A;

(gb) the manner in which, the joint holders may nominate an individual to whom all their rights in the shares shall vest in the event of the death of all the joint holders under sub-section (2) of Section 18-A;



(gc) the manner in which nomination is varied or cancelled under subsection (3) of Section 18-A;

(gd) the manner in which every individual registered as the holder of the shares to make nomination where nominee is a minor to appoint, any person to become entitled to the shares in the event of his death during the minority of the nominee under sub-section (4) of Section 18-A;";

(c) in sub-section (4), for the words "made under this Act", the words "made under this section" shall be substituted.



---

---