

The State Bank of Hyderabad Act, 1956

February 27, 2013

Section 1. Short title and commencement

ACT NO.79 OF 1956

[22nd December, 1956]

An Act to transfer the share capital of the Hyderabad State Bank to the Reserve Bank of India and to provide for its proper management and other matters connected therewith or incidental thereto.

WHEREAS in view of the reorganisation of States, it is necessary to provide for the devolution of the functions of the State Government of Hyderabad in relation to the Hyderabad State Bank on one single authority;

AND WHEREAS in order to secure the more efficient performance of banking and treasury functions by the Hyderabad State Bank as agent to the Reserve Bank of India and to enable the Reserve Bank of India to assist the Hyderabad State Bank, by the grant of subsidies or otherwise, to extend banking facilities to the public on a larger scale, it is expedient and necessary to provide for the transfer of the share capital of the Hyderabad State Bank to the Reserve Bank of India and for its proper management and for other matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:-

- (1) This Act may be called the State Bank of Hyderabad Act, 1956.
- (2) It shall be deemed to have come into force on the 22nd day of October, 1956.

Section 2. Definitions

In this Act, unless the context otherwise requires,-

- (a) "Appointed day" means the 22nd day of October, 1956;
- (b) "Hyderabad Bank" means the Hyderabad State Bank re-named under sub-section (1) of section 3, the State Bank of Hyderabad;
- (c) "Hyderabad State Bank" means the Hyderabad State Bank constituted and incorporated under the Hyderabad State Bank Act, 1350F (19 of 1350F);
- (d) "Prescribed" means prescribed by regulations made under this Act;
- (e) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934).

Section 3. Change of name of Hyderabad State Bank

- (1) On the appointed day, the body corporate constituted by the Hyderabad State Bank Act, 1350F (19 of 1350F), and known as the Hyderabad State Bank shall be re-named as the State



Bank of Hyderabad and shall, as from that day, carry on the business of banking and other business in accordance with the provisions of this Act and shall have power to acquire and hold property whether movable or immovable for the purposes of this Act and to dispose of the same.

(2) The said body corporate shall consist of the persons who for the time being hold the office of Governor or Deputy Governor of the Reserve Bank and such other persons, if any, as the Central Government may, from time to time, appoint in this behalf.

(3) The change of name of the Hyderabad State Bank by sub-section (1) shall not affect any rights or obligations of that bank, or render defective any legal proceedings by or against it; and any legal proceedings which might have been continued or commenced by or against the Hyderabad State Bank by its former name may be continued by or against it by its new name.

Section 4. Head Office and branches of Hyderabad Bank

(1) Unless otherwise directed by the Central Government by notification in the Official Gazette, the Head Office of the Hyderabad Bank shall be at Hyderabad.

(2) The Hyderabad Bank shall continue to maintain every branch and agency of the Hyderabad State Bank in existence immediately before the appointed day, and shall not discontinue any such branch or agency or establish any new branch or agency except with the previous approval of the Reserve Bank.

Section 5. Transfer of share capital of Hyderabad State Bank to Reserve Bank

On the appointed day, all shares in the capital of the Hyderabad State Bank shall be transferred to, and shall vest in, the Reserve Bank free of all trusts, liabilities and encumbrances.

Section 6. Compensation to share-holders of Hyderabad State Bank

(1) The Reserve Bank shall pay to the State Government of Hyderabad and every other person who, immediately before the appointed day, is registered as a holder of shares in the Hyderabad State Bank, as compensation for the transfer of such shares to the Reserve Bank under section 5, an amount calculated at the rate of ninety-four rupees four annas and six pies in Indian currency for each share of the face value of one hundred Osmania Sicca rupees.

(2) Notwithstanding the transfer of the shares in the capital of the Hyderabad State Bank to the Reserve Bank, any share-holder who, immediately before the appointed day, was entitled to payment of dividend on the shares of the Hyderabad State Bank held by him shall be entitled to receive from the Hyderabad Bank all dividends declared by the Hyderabad State Bank in respect of his shares for any year which ended before the appointed day and remaining unpaid.

(3) Notwithstanding anything contained in the Hyderabad State Bank Act, 1350F (19 of 1350F), no such shareholder shall be entitled as of right to any dividend on the shares of the Hyderabad State Bank held by him in respect of any period before the appointed day for which that Bank had not declared a dividend:

Provided that the Central Government may, in respect of any such period, authorise the payment of dividend at such rate as it may specify if it is satisfied that there is sufficient balance



of profits available after such provisions and contributions for the purposes referred to in section 28 as the Reserve Bank considers necessary have been made.

(4) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of any share in the Hyderabad State 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.

Section 7. Certain officers of the Hyderabad State Bank to vacate office

(1) Every person holding office as director (including the President and the managing director) or as deputy managing director, in the Hyderabad State Bank immediately before the appointed day, shall be deemed to have vacated that office on the appointed day, and notwithstanding anything contained in this Act or in any other law for the time being in force or in any agreement or contract, such person shall not be entitled to any compensation for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit, as the Hyderabad Bank may, with the previous approval of the Reserve Bank, grant to him having the previous approval of the Reserve Bank, grant to him having regard to what he would have received, if this Act had not been passed and if his employment had ceased on the appointed day in the ordinary course.

(2) Nothing in sub-section (1) shall be deemed to prevent the Hyderabad Bank from re-appointing or re-employing with the previous permission in writing of the Reserve Bank, the managing director or the deputy managing director of the Hyderabad State Bank on such terms and conditions as are agreed upon between him and the Hyderabad Bank and are approved by the Reserve Bank.



Section 8. Special provisions regarding existing officers and employees

(1) Notwithstanding anything contained in any law or contract of service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by the Hyderabad State Bank 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 Hyderabad State Bank, or of any provident, pension, or other fund in force before the 19th day of December, 1954, shall have effect or be payable or claimable from the Hyderabad Bank, or from any provident, pension or other fund or from any authority administering any such fund, unless the Reserve Bank has, by general or special order, confirmed the appointment, promotion or increment or has directed the grant of the pension, allowance or other benefit, as the case may be.

(2) Where any officer or other employee of the Hyderabad State Bank has, whether before or after the appointed day, received any amount by reason of any such appointment, promotion or increment or the grant of any such pension, allowance or other benefit, as is referred to in sub-section (1), which has not been confirmed or sanctioned by the Reserve Bank in pursuance of the powers conferred on it by that sub-section, such officer or other employee shall be bound to refund such amount to the Hyderabad Bank and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, deputy managing director or other employee of the Hyderabad State 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 Hyderabad Bank shall be entitled to claim refund of any sum so paid if the payment is not confirmed by the Reserve Bank by general or special order.

(4) Notwithstanding anything contained in any law for the time being in force, the re-naming of the Hyderabad State Bank or the transfer of its share capital to the Reserve Bank shall not entitle any officer or other employees of that bank to any compensation to which he may be entitled under any such law, and no such claim shall be entertained by any court, tribunal or other authority.

Section 9. Authorised capital

¹[(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.]

1. Subs. by Act No. 30 of 2007 w.e.f. 18-6-2007.

Section 10. Issued capital

(1) Out of the amount in the capital account of the Hyderabad State Bank on the appointed day,

(a) A sum of fifty lakhs of rupees shall be retained as the issued capital of the Hyderabad Bank and such capital shall on that day stand allotted to the Reserve Bank in lieu of the compensation payable by it under section 6;

(b) Any amount in excess of the sum of rupees fifty lakhs aforesaid shall on that day stand transferred to the Reserve Fund Account of the Hyderabad Bank.

¹[(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.]

(2) The Reserve Bank may, with the previous sanction of the Central Government, authorise an increase in the issued capital of the Hyderabad Bank, and such increased capital shall be provided by the Reserve Bank.



2[(3)(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).]

1. Inserted by Act No. 30 of 2007 w.e.f. 18-6-2007.

2. Subs. by Act No. 30 of 2007 w.e.f. 18-6-2007.

Section 11. Management

(1) The Reserve Bank may, from time to time, give directions and instructions to the Hyderabad Bank in regard to any of its affairs and business, and that bank shall be bound to comply with the directions and instructions so given.

(2) Subject to any such directions and instructions, the general superintendence and conduct of the affairs and business of the Hyderabad Bank shall, as from the appointed day, vest in a Board of Directors who may exercise all powers and do all such acts and things as may be exercised or done by that bank.

(3) The Board of Directors in discharging its functions under this Act, shall act on business principles, regard being had to public interest.

Section 12. Composition of Board of Directors

(1) The Board of Directors of the Hyderabad Bank shall consist of the following:-

(a) A managing director to be appointed by the Reserve Bank with the approval of the Central Government;



- (b) An officer of the Central Government to be nominated by that Government;
 - (c) An officer of the Reserve Bank to be nominated by that bank;
 - (d) Such number of other directors not exceeding three, to be nominated by the Reserve Bank with the approval of the Central Government.
- (2) If a director nominated under clause (b) or clause (c) of sub-section (1) is, for any reason, unable to attend any meeting of the Board of Directors or any of its committees, the Central Government or the Reserve Bank, as the case may be, may depute any other person to attend the said meeting and such other person shall have the right to speak in and otherwise take part in the proceedings of the meeting and shall also be entitled to vote at such meeting.

Section 13. Term of office of directors

- (1) The managing director shall hold office for such term not exceeding four years as the Reserve Bank may specify at the time of his appointment.
- (2) A director nominated under clause (b) or clause (c) of sub-section (1) of section 12 shall hold office at the pleasure of the authority nominating him.
- (3) A director nominated under clause (d) of sub-section (1) of section 12 shall hold office for three years:

Provided that he shall continue to hold office until his successor is duly nominated.

- (4) A director relinquishing his office shall be eligible for re-appointment or re-nomination, as the case may be.



Section 14. Disqualification for directorship

- (1) A person shall be disqualified to be a director of the Hyderabad Bank, if-
- (a) He holds the office of director, provisional director, promoter, agent, or manager of any banking company or a banking company for the formation of which a prospectus has been issued; or
 - (b) He has been removed or dismissed from the service of Government; or
 - (c) He holds any office of profit under the Hyderabad Bank, other than the office of a managing director; or
 - (d) 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
 - (e) He is declared a lunatic or becomes of unsound mind; or
 - (f) He is or has been convicted of any offence involving moral turpitude.
- (2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner may be directors at the same time.

(3) The appointment or nomination as a director of any person who is a member of either House of Parliament or the Legislature of a State shall be void unless within two months of the date of appointment or nomination, as the case may be, he ceases to be a member of Parliament or the Legislature of the State, and if any director is elected or nominated as a member of Parliament or the Legislature of a State, he shall cease to be a director as from the date of such election or nomination, as the case may be.

(4) In this section,-

(a) 'Banking company' has the same meaning as in the Banking Companies Act, 1949 (10 of 1949);

(b) 'Manager' means the chief executive officer of a banking company by whatever name called:

(c) 'Private company' has the same meaning as in the Companies Act, 1956 (1 of 1956).

Section 15. Vacation of office of directors

If a director-

(a) Becomes subject to any of the disqualifications mentioned in section 14, or

(b) Resigns his office by giving notice in writing under his hand to the Reserve Bank, and his resignation is accepted by that bank, or

(c) Is absent without leave of the Board of Directors for more than three consecutive meetings thereof,

His seat shall thereupon become vacant.

Section 16. Chairman of the Board of Directors

(1) The chairman of the Board of Directors shall be such one of the directors, not being the managing director, as the Reserve Bank may, with the approval of the Central Government, nominate.

(2) The chairman shall hold office for two years or until his successor is nominated:

Provided that the chairman shall, so long as he is a director, be eligible for re-nomination as chairman.

Section 17. Managing director

The managing director-

(a) Shall be a whole-time officer of the Hyderabad Bank;

(b) Subject to the general control of the Board of Directors, shall exercise such powers and perform such duties as may be prescribed; and

(c) Shall receive such salary and allowances as may be determined by the Reserve Bank.

Section 18. Remuneration of directors

A director, shall be paid for attending the meetings of the Board of Directors or of any of its committees and for attending to any other business of the Hyderabad Bank such fees and allowances as may be prescribed:

Provided that no fee shall be payable to the managing director or any other director who is an officer of the Central Government or the Reserve Bank.

Section 19. Removal from office of director

The Reserve Bank may, with the previous approval of the Central Government, remove from office-

- (a) The managing director of the Hyderabad Bank, or
- (b) A director nominated under clause (d) of sub-section (1) of section 12:

Provided that no such managing director or director shall be removed from office unless he has been given an opportunity of showing cause against the proposed removal.

Section 20. Appointment of another person for discharging the duties of the managing director during his absence

If the managing director of the Hyderabad Bank is rendered incapable of discharging his duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Reserve Bank may appoint another person to discharge the duties of the managing director until the date on which the managing director resumes his duties.



Section 21. Casual vacancies among directors

(1) Where any vacancy occurs before the expiry of the term of office of a director nominated under clause (d) of sub-section (1) of section 12, the vacancy shall be filled by nominated by the Reserve Bank with the approval of the Central Government.

(2) A person nominated under sub-section (1) shall hold office for the unexpired portion of the term of his predecessor.

Section 22. Meetings of the Board of Directors

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

(2) The chairman of the Board of Directors shall preside at all meetings of the Board, but if for any reason, the chairman is unable to be present at a meeting, a director other than the managing director authorised by the chairman in writing in this behalf and in the absence of such authorisation, any such director elected by the directors present from among themselves shall preside at the meeting.

(3) All questions at a meeting of the Board of Directors shall be decided by a majority of the votes of the directors present, and in case of equality of votes, the chairman or any other director presiding at the meeting shall have a second or casting vote.

(4) 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 Hyderabad Bank shall, at the earliest possible opportunity, disclose the nature of his interest to the Board of Directors and shall not be present at any meeting of the 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 where any director is so required to be present, he shall not vote on any such contract, loan, arrangement or proposal.

(5) A copy of the minutes of every meeting of the Board of Directors together with copies of all connected papers shall be forwarded to the Reserve Bank as soon as possible.

Section 23. Executive Committee of Board of Directors

(1) There shall be an executive committee of the Board of Directors consisting of the managing director and such other directors as may be prescribed.

(2) Subject to any regulations made under this Act, the executive committee may deal with any matter within the competence of the Board of Directors.

(3) The minutes of every meeting of the executive committee shall be laid before the Board of Directors as soon as possible after the meeting.

Section 24. Hyderabad Bank to set as agent of the Reserve Bank

(1) The Hyderabad Bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at any place in India where it has a branch and where there is no branch of the banking department 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 Hyderabad Bank on behalf of the Reserve Bank shall be such as may be determined by the Reserve Bank after consultation with the Hyderabad Bank.

(3) The Hyderabad Bank may transact any business or perform any functions entrusted to it under sub-section (1) either by itself or through an agent approved by the Reserve Bank.

(4) Until a new arrangement is made under this section, the Hyderabad Bank shall continue to act as agent of the Reserve Bank at the same places where and for the same purposes for which, and on the same terms and conditions on which, the Hyderabad State Bank was acting as the agent of the Reserve Bank immediately before the appointed day.

Section 25. Other business which the Hyderabad Bank may transact

(1) Subject to the other provisions contained in this Act, the Hyderabad Bank may carry on and transact the business of banking as defined in clause (b) of sub-section (1) of section 5 of the



Banking Companies Act, 1949 (10 of 1949), and may engage in such one or more of the other forms of business, as are specified in sub-section (1) of section 6 of the said Act.

(2) The Central Government may, after previous consultation with the Reserve Bank, by order in writing-

(a) Authorise the Hyderabad Bank to do such other forms of business as the Central Government may consider necessary or expedient;

(b) Direct that any form of business as is mentioned in the order, shall be carried on subject to such restrictions, conditions and safeguards as may be specified therein, or

(c) Prohibit the Hyderabad Bank from carrying on or transacting any form of business which, but for this clause, it is lawful for the Hyderabad Bank to engage in.

(3) Subject to the provisions of sub-section (2), the Hyderabad Bank shall not engage in any form of business other than that referred to in sub-section (1).

Section 26. Acquisition of business of other banks

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

(2) If the terms and conditions relating to the acquisition of any such banking institution are approved by the Board of Directors of the Hyderabad Bank and the directorate or management of the banking institution concerned and are also approved by the Reserve Bank, they shall be submitted to the Central Government and, if sanctioned by that Government by order in writing, shall, notwithstanding anything to the contrary contained in this Act or the Companies Act, 1956 (1 of 1956), or the Banking Companies Act, 1949 (10 of 1949), or in any other law for the time being in force or in the memorandum or articles of association or other document regulating the constitution, of the banking institution, be operative and binding on the Hyderabad Bank and the banking institution as well as their shareholders and creditors, if any.

(3) On the day fixed in this behalf in the order of sanction made by the Central Government under sub-section (2), such assets and liabilities of the banking institution as are specified therein shall, by virtue of this section stand transferred to, and be vested in, or as the case may be, become the liabilities of, the Hyderabad Bank.

Section 27. Reserve Fund

(1) The Hyderabad Bank shall establish a Reserve Fund which shall consist of-

(a) Subject to the provisions of sub-section (2), the amount in credit immediately before the appointed day, in the Reserve Fund Account of the Hyderabad State Bank, together with such amount as is transferred to it under sub-section (1) of section 10; and

(b) Such further amounts as may be transferred to it by the Hyderabad Bank out of its annual net profit, before transferring the balance of profits to the Reserve Bank.

(2) The Hyderabad Bank shall, as soon as may be after the appointed day, consider whether any adjustments in its Reserve Fund Account are necessary by way of transfer towards provision for



bad and doubtful debts, depreciation in assets, contingencies, reserve and such other purposes and make, with the previous approval of the Reserve Bank, the necessary adjustments.

Section 28. Disposal of profits

The Hyderabad Bank shall after making provision for bad and doubtful debts, depreciation in assets, 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, transfer the balance of its profits to the Reserve Bank.

Section 29. Closing of annual accounts

(1) The Hyderabad Bank shall cause its books to be closed and balanced on the thirty-first day of December in each year:

Provided that the Hyderabad Bank may, with the previous approval of the Reserve Bank and shall, when so directed by it,-

- (a) Not close or balance its accounts on the thirty-first day of December in any year, or
- (b) Close and balance its books on any other day of the year or for any period other than a calendar year.

(2) Where in pursuance of the proviso to sub-section (1), the Hyderabad Bank closes and balances its accounts on any day other than the thirty-first day of December or for any period more or less than a year, the provisions of this Act relating to the annual closing and audit of annual balance sheet and accounts shall apply to such closing and balancing of accounts mutatis mutandis.



Section 30. Audit

(1) The accounts of the Hyderabad Bank shall be audited by an auditor duly qualified to act as an auditor of companies under sub-section (1) of section 226 of the Companies Act, 1956 (1 of 1956), who shall be appointed by the Reserve Bank, with the approval of the Central Government.

(2) The auditor shall receive such remuneration as the Reserve Bank may fix.

(3) No director or an officer of the Hyderabad Bank shall be eligible to be its auditor during his continuance in office as such director or officer.

(4) The auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the Hyderabad 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 Hyderabad Bank;
- (b) May, at the expense of the Hyderabad Bank, 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 officer of the Hyderabad Bank.

(5) The auditor shall hold office for such term not exceeding one year as the Reserve Bank may fix at the time of his appointment; and if any vacancy arises before the expiry of the term of an auditor, the vacancy may be filled by the Reserve Bank, with the approval of the Central Government.

(6) The auditor shall on relinquishing office be eligible for re-appointment.

(7) The auditor shall make a report to the Reserve Bank upon the annual balance sheet and accounts, of the Hyderabad Bank, and in every such report he shall state-

(a) Whether, in his opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Hyderabad Bank, and in case he has called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) Whether or not the transactions of the Hyderabad Bank which have come to his notice have been within the competence of the bank;

(c) Whether or not the returns received from the offices and branches of the Hyderabad Bank have been found adequate for the purpose of his audit;

(d) Whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

(e) Any other matter which he considers should be brought to the notice of the Reserve Bank.

(8) The auditor shall forward a copy of the audit report to the Hyderabad Bank and to the Central Government.

(9) Without prejudice to the foregoing provisions, the Central Government may at any time appoint such auditors as it thinks fit to examine and report on the accounts of the Hyderabad Bank and such auditors shall have all the rights, privileges and authority in relation to the audit of the accounts of the Hyderabad Bank which an auditor appointed by the Reserve Bank has under this section.

Section 31. Returns to be furnished by the Hyderabad Bank

(1) The Hyderabad Bank shall furnish to the Reserve Bank-

(a) Within two months from the date on which its accounts are closed and balanced, its balance sheet, together with the profit and loss account and the auditor's report, and a report by the Board of Directors, on the working of the Hyderabad Bank during the period covered by the accounts; and

(b) Any other information relating to the affairs and business of the Hyderabad Bank which the Reserve Bank may require.

(2) The balance sheet and the profit and loss account of the Hyderabad Bank shall be signed by the managing director and a majority of the other directors, including the chairman.

Section 32. Right of Reserve Bank to seek relief in respect of certain transactions



(1) Where the Hyderabad State Bank had at any time within two years before the appointed day,-

- (a) Made any payment to any person without or for insufficient consideration;
- (b) Made any loan or advance without adequate security or other safeguards;
- (c) Sold or disposed of any property of the bank without consideration or for an inadequate consideration;
- (d) Acquired any property or rights for an excessive consideration, in satisfaction of any loan or advance or other debt or otherwise;
- (e) Entered into or varied any agreement so as to require the payment of excessive consideration, in satisfaction of any loan or advance or other debt or otherwise;
- (f) Relinquished any claim or any part thereof or entered into any compromise or released any security or part thereof;
- (g) Entered into any other transaction of such an onerous nature as to cause a loss to or impose a liability on the bank exceeding any benefit accrued to it;

And the payment, loan or advance, sale or disposal, acquisition, agreement or variation, relinquishment, compromise or release or other transaction was not proper or not reasonably necessary for the purpose of the business of the bank or was made with an unreasonable lack of prudence on the part of the bank, regard being had to the circumstances at the time, the Reserve Bank may apply for relief to the High Court for the State in which the Head Office of the bank for the time being is situated, in respect of such transaction, and all parties to the transaction (including the managing director, deputy managing director or any officer or other employee of the bank associated with the transaction) shall, unless the High Court otherwise directs, be made parties to the application.

(2) The High Court may make such order against any of the parties to the application as it thinks just, having regard to the extent to which those parties were respectively responsible for the transaction or benefited from it and to the circumstances of the case.

(3) Where an application is made to the High Court under this section in respect of any transaction and the application is determined in favour of the Reserve Bank, the High Court shall have exclusive jurisdiction to determine any claim outstanding in respect of the transaction.

(4) No application made by the Reserve Bank under this section shall be entertained after the expiry of one year from the appointed day.

Section 33. Staff of the Hyderabad Bank

(1) Subject to the provisions of any regulations made under this Act, the Hyderabad Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions and on such terms and conditions as it may deem fit.

(2) For the removal of doubts, it is hereby declared that the officers, advisers and employees of the Hyderabad Bank, in whatever capacity engaged, shall not be deemed to be officers, advisers or employees of the Reserve Bank for any purpose, unless otherwise provided in the contract or agreement of service of any such officer, adviser or employee.



Section 34. Cost of development program

The Hyderabad Bank may accept any subsidies offered by the Reserve Bank to meet-

- (a) The cost of any specific programme of development undertaken by the Hyderabad Bank with the approval of the Reserve Bank; and
- (b) Such losses or expenditure as may be approved by the Reserve Bank, with the consent of the Central Government.

Section 35. Obligation as to fidelity and secrecy

- (1) The Hyderabad Bank shall observe, except as otherwise required by law, the practices and usages customary among bankers and, in particular, it shall not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for that bank to divulge such information.
- (2) Every director, auditor, adviser, officer or other employee of the Hyderabad Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the First Schedule.

Section 36. Bar to liquidation of the Hyderabad Bank

- (1) No provision of law relating to the winding up of companies shall apply to the Hyderabad Bank nor shall it be placed in liquidation, save by order of the Central Government and in such manner as the Central Government may direct.
- (2) In any such event, the Reserve Bank shall not be called upon to contribute any amounts to meet the liabilities of the Hyderabad Bank but the surplus assets thereof, if any, shall be transferred to the Reserve Bank.

Section 37. Indemnity of directors

- (1) Every director of the Hyderabad Bank shall be indemnified by that bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as are caused by his own wilful act or default.
- (2) A director of the Hyderabad Bank shall not be responsible for any loss or expense caused to the bank by the insufficiency or deficiency of the value of or title to, any property or security acquired or taken on behalf of the bank or by the insolvency or wrongful act of any customer or debtor or by anything done in, or in relation to, the execution of the duties of his office or otherwise than for his wilful act or default.

Section 38. Defects in the appointment or constitution not to invalidate acts or proceedings

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



Section 39. Exercise of powers and functions on behalf of the Reserve Bank

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

Section 40. Protection of action taken under this Act

No suit or other legal proceeding shall lie against the Central Government or the Reserve Bank or any officer of the Central Government or the Reserve Bank for any damage caused or likely to be caused by, anything which is in good faith done or intended to be done in pursuance of this Act.

Section 41. Power Central Government to make rules

(1) The Central Government may, in consultation with the Reserve Bank, by notification in the Official Gazette, make rules to give 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 manner of, and the procedure for payment of, compensation under this Act, including the requirements subject to which the payment shall be made;

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

(c) The circumstances under which claims for payment of the said compensation from persons claiming through or under a shareholder may be entertained;

(d) The requirements to be complied with before receipt of the said compensation by a shareholder, whose share certificate has been lost, destroyed, mutilated or stolen;

(e) The requirements, subject to which information regarding the payment of the said compensation may be granted or refused and the conditions subject to which such information may be given.

(3) All rules made under this section shall be laid for not less than thirty days before both Houses of Parliament as soon as than thirty days before both Houses of Parliament as soon as possible after they are made and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

Section 42. Power of the Reserve Bank to make Regulations

(1) The Reserve Bank may, with the previous approval of the Central Government, and except in the case of the first regulations, in consultation with the Board of Directors of the Hyderabad Bank, 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.

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

- (a) The powers and duties of the managing director of the Hyderabad Bank;
- (b) The fees and allowances which may be paid to directors for attending any meetings of the Board of Directors or of its committees or for attending to any other work of the Hyderabad Bank;
- (c) The time and place at which, and the manner in which, the business of the Board of Directors shall be transacted and the procedure to be followed at the meetings thereof;
- (d) The constitution of the executive committee of the Board of Directors and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;
- (e) The formation of any other committees of the Board of Directors and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;
- (f) The delegation of powers and functions of the Board of Directors to the managing director or other directors or officers or other employees of the Hyderabad Bank;
- (g) The conditions and limitations subject to which the Hyderabad Bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;
- (h) The duties and conduct of officers, advisers and other employees of the Hyderabad Bank;
- (i) The establishment and maintenance of pension, provident or other funds for the benefit of officers and employees or for the purposes of the Hyderabad Bank;
- (j) The conduct and defence of legal proceedings by or against the Hyderabad Bank and the manner of signing pleadings;
- (k) The provision of a seal for the Hyderabad Bank and the manner and effect of its use;
- (l) The form and manner in which contracts binding on the Hyderabad Bank may be executed;
- (m) The maximum amounts which may be advanced or lent or for which bills may be discounted by the Hyderabad Bank, the conditions under which advances may be made and the extent to which accounts may be overdrawn;
- (n) The conditions subject to which advances may be made by the Hyderabad Bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;
- (o) The persons or authorities who shall administer any pension, provident nor other fund constituted by the Hyderabad State Bank before the appointed day, for the benefit of the officers or employees, or for the purposes of the said bank; and the amalgamation of any such fund with any similar fund established by the Hyderabad Bank after the appointed day;



(p) The circumstances in which the specific approval of the Reserve Bank shall be required to the grant of loans and advances and investment of funds by the Hyderabad Bank, or to any contract, arrangement or proposal entered into or proposed to be entered into by the Hyderabad Bank;

(q) The preparation and submission to the Reserve Bank of statements of programmes of activities and financial statements of the Hyderabad Bank and the periods for which and the time within which, such statements and estimates are to be prepared and submitted;

(r) The person or persons in the Reserve Bank by whom any powers, duties or functions conferred, imposed or entrusted on or to the Reserve Bank under this Act may be exercised or performed;

(s) The periodical inspection of the affairs and business of the Hyderabad Bank by the Reserve Bank;

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

(u) Generally for the efficient conduct of the affairs of the Hyderabad Bank.

Section 43. Amendment of certain enactments

The enactments specified in the Second Schedule shall be amended in the manner directed therein and such amendments shall be deemed to have taken effect on the appointed day notwithstanding anything to the contrary contained in section 43 of the State Bank of Hyderabad Ordinance, 1956 (5 of 1956).

Section 44. References to Hyderabad State Bank in other laws

On and from the appointed day, any reference to the Hyderabad State Bank in any law (other than this Act) or in any contract or other instrument shall, except as otherwise provided any general or special order made by the Central Government, be deemed to be a reference to the Hyderabad Bank.

Section 45. Saving

Nothing in this Act shall be deemed to affect the power of the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), to acquire the business of the Hyderabad Bank in accordance with the provisions of section 35 of that Act, and where the business of the Hyderabad Bank has been so acquired, the bank shall, on such acquisition, stand dissolved and the provisions of this Act shall cease to apply thereto.

Section 46. Repeal and saving

(1) The State Bank of Hyderabad Ordinance, 1956 (5 of 1956), is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken (including any appointment, order, rule or regulation made or direction or instruction given) in the exercise of any powers conferred by or under the said Ordinance shall be deemed to have been done or taken in the exercise of the powers conferred by or under this Act, as if this Act were in force on the date on which such thing was done or action was taken.



Schedule 1.

THE FIRST SCHEDULE

[See section 35]

DECLARATION OF FIDELITY AND SECRECY

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, auditor, adviser, officer or other employee (as the case may be) of the State Bank of Hyderabad and which properly relate to the office or position held by me in the said bank.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the State Bank of Hyderabad or to the affairs of any person having any dealing with the said bank; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the State Bank of Hyderabad and relating to the business of the said bank or to the business of any person having any dealing with the said bank.

Schedule 2.

THE SECOND SCHEDULE

[See section 43]

AMENDMENTS TO THE HYDERABAD STATE BANK ACT, 1956 (XIX of 1956)

1. In section 2, omit clauses (b) to (k).
2. In section 3, in sub-section (1), omit the words "for the purposes of this Act and for carrying on business in accordance with the provisions of this Act".
3. Omit sections 4 to 28 and Schedules I and II.

II. AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934 (2 of 1934).

1. In section 10, in clause (e) of sub-section (1), for the words "or any of its subsidiary banks", substitute the following, namely:-

"Or any other bank notified by the Central Government in this behalf".

2. In section 17,-

- (i) In clause (8A), for the words "or any of its subsidiary banks", substitute the following, namely:-

"or any other bank notified by the Central Government in this behalf".

- (ii) After clause (14), insert the following, namely:-

“(14A) The granting of subsidies to the State Bank of Hyderabad for any of the purposes mentioned in section 34 of the State Bank of Hyderabad Act, 1956”.

3. Section 45 shall be re-numbered as sub-section (1) thereof, and-

(i) In sub-section (1) as so re-numbered, for the proviso, substitute the following, namely:-

“Provided that nothing herein contained shall affect the provisions of any agreement subsisting on the 1st day of July, 1955, between the Bank and any other banking institution for the conduct of Government business or other matters.”; and

(ii) After sub-section (1) as so re-numbered insert the following sub-sections, namely:-

“(2) Notwithstanding anything contained in sub-section (1), the Bank may employ or continue to employ as its agent-

(i) The Hyderabad Bank as defined in the State Bank of Hyderabad Act, 1956, at such places where, and for such purposes for which, the said bank was agent of the Reserve Bank immediately before the 1st day of November, 1956; and

(ii) Any other banking institution notified by the Central Government in this behalf for the conduct of Government business or other matters at such places in India as may be approved by the Central Government.

(3) Notwithstanding anything to the contrary contained in any agreement between the Bank and the State Bank, it shall be lawful for the Bank to exclude from the operation of such agreement any place where any of the banking institutions referred to in sub-section (2) may have an office or branch.”

4. In the Second Schedule, for the words “Hyderabad State Bank, Hyderabad (Deccan)”, substitute “State Bank of Hyderabad”.

III. AMENDMENTS TO THE BANKING COMPANIES ACT, 1949 (10 of 1949).

1. In section 39, for the words “the Reserve Bank or the State Bank of India, as the case may be”, substitute the following, namely:-

“The Reserve Bank, the State Bank of India or any other bank notified by the Central Government in this behalf”.

2. or section 51, substitute the following, namely:-

“51. application of certain provisions to the State Bank of India and other notified banks.

Without prejudice to the provisions of the State Bank of India Act, 1955 (23 of 1955), or any other enactment, the provisions of sections 10, 13 to 15, 17, 19 to 21, 23 to 28, 29 [excluding sub-section (3)], 31, 34 to 36, 37, 45, 46 to 48, 50, 52 and 53 shall also apply; so far as may be, to and in relation to the State Bank of India or any other banking institution notified by the Central Government in this behalf as they apply to and in relation to banking companies:

Provided that nothing contained in section 46 shall apply to any officer of the Central Government or the Reserve Bank nominated as director of the State Bank of India or any other banking institution notified by the Central Government under this section.”.



